OFFERING CIRCULAR

US$175,000,000
FBN CAPITAL FINANCE COMPANY
Subordinated Callable Notes due 2017
FIRST BANK OF NIGERIA PLC

FBN Capital Finance Company, an exempted company incorporated with limited liability under the laws of the Cayman Islands (the "*Issuer*"), is issuing US$175,000,000 of Subordinated Callable Notes due 2017 (the "*Notes*"). The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "*Securities Act*"), or the securities or "blue sky" laws of any state of the United States of America ("*United States*" or "*U.S.*"), the Federal Republic of Nigeria ("*Nigeria*"), the Cayman Islands or any other jurisdiction, and are being offered for sale (the "*Offering*") exclusively outside the United States in reliance upon Regulation S ("*Regulation S*") under the Securities Act. The Notes (or beneficial interests therein) may not be offered or sold in Nigeria, the Cayman Islands or any other jurisdiction except pursuant to the securities laws thereof.

As described further herein under "Use of Proceeds", proceeds of the Notes will be used by the Issuer to make a subordinated loan (the "*Loan*") to First Bank of Nigeria Plc, a public limited liability company organized under the laws of Nigeria (the "*Bank*"). The Loan, and all of the Bank's other payment obligations to the Issuer under the related credit agreement, will be unsecured and subordinated to the other obligations of the Bank as described further herein.

Interest on the Loan (and hence on the Notes) will be paid on the 30th day of each March and September until March 2012, and thereafter, the 30th day of each March, June, September and December starting with such day in June 2012; *provided* that if any such date is not a Business Day (as defined herein), then such payment will be made on the next Business Day. Principal of the Loan (and hence on the Notes) is scheduled to be paid on such day in March 2017, but may be paid earlier or later under certain circumstances as further described herein, including the Bank's instruction to the Issuer to prepay all or a portion of the Notes after the fifth anniversary of the issuance date. Payment of principal of the Loan (and hence on the Notes) may be accelerated only in the case of certain events involving the Bank's bankruptcy, liquidation or similar events. There will be no right of acceleration in the case of a default in the performance of any of the Bank's covenants, including the payment of principal or interest under the Loan. The Notes initially will be sold to investors at a price equal to 99.035% of the principal amount thereof.

It is a condition to the issuance of the Notes that they be rated at least "B" by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. ("*S&P*"). A rating is not a recommendation to buy, sell or hold a Note (or beneficial interests therein) and is subject to revision or withdrawal in the future by S&P. An application has been made to the Irish Financial Services Regulatory Authority ("*IFSRA*"), as competent authority under Directive 2003/71/EC (the "*Prospectus Directive*"), for this Offering Circular to be approved. Application has also been made to the Irish Stock Exchange for the Notes to be admitted to its "Official List" and trading on its regulated market. Such approval relates only to the Notes that are admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of Directive 93/22/EEC or that are to be offered to the public in any Member State of the European Economic Area. However, there can be no assurance that such listing will be obtained. This Offering Circular constitutes a prospectus (the "*Prospectus*") solely for the purposes of the Prospectus Directive. References throughout the document to "Offering Circular" shall be taken to read "Prospectus" for such purpose. This Offering Circular is not intended to be a prospectus within the meaning of the Securities Act.

Investing in the Notes involves risks. Prospective investors should consider the factors set forth under "Risk Factors" beginning on page 17 of this Offering Circular (this "*Offering Circular*").

The Notes are being offered exclusively under Regulation S by Merrill Lynch International and FBN Capital Limited (the "*Managers*"), subject to their acceptance and right to reject orders in whole or in part. It is expected that delivery of the Notes will be made in book-entry form only through the facilities of Euroclear Bank S.A./N.V., as operator of the Euroclear System ("*Euroclear*"), and/or Clearstream Banking Luxembourg, a division of Clearstream International S.A. ("*Clearstream*"), against payment therefor in immediately available funds.

Sole Structuring Advisor and Lead Manager	Co-Manager
Merrill Lynch International	**FBN Capital Limited**

The date of this offering circular is March 23, 2007.

This page is intentionally left blank

GENERAL INFORMATION

The Notes have not been and will not be registered under the Securities Act or under the securities or "blue sky" laws of any state of the United States or any other U.S., Nigerian, Cayman Islands or other jurisdiction. Each investor, by purchasing a Note (or a beneficial interest therein), agrees that the Notes (or beneficial interests therein) may be reoffered, resold, pledged or otherwise transferred by investors only pursuant to Regulation S under the Securities Act or pursuant to another exemption from the registration requirements of the Securities Act as described under "Notice to Investors." Each investor also will be deemed to have made certain representations and agreements as described therein. Any resale or other transfer, or attempted resale or other attempted transfer, that is not made in accordance with the transfer restrictions may subject the transferor and transferee to certain liabilities under applicable securities laws.

The delivery of the Notes will be made against payment therefor on March 30, 2007 (*i.e.*, the fifth business day following the date of pricing of the Notes (such date being referred to herein as the "*Closing Date*" and such settlement cycle being herein referred to as "*T+5*")). *Investors should note that trading of the Notes (or beneficial interests therein) on the date of pricing and the next business days may be affected by the T+5 settlement*.

The Offering of the Notes has not been and will not be registered with the Securities and Exchange Commission of Nigeria (the "*NSEC*") and, accordingly, the Notes (or beneficial interests therein) may not be offered or sold within Nigeria under current capital markets regulations. There is, however, no restriction on the purchase or sale of the Notes (or beneficial interests therein) by residents of Nigeria provided that such sale is either: (a) conducted outside of Nigeria or (b) conducted within Nigeria strictly as a domestic private sale as permitted by Section 46(2) of the Investments and Securities Act (the "*ISA*").

The Notes are being offered and sold only outside the United States to non-U.S. persons pursuant to Regulation S and will be represented by beneficial interests in a single, permanent global note in fully registered form without interest coupons (the "*Global Note*").

The Global Note will be deposited on or about the Closing Date with Deutsche Bank AG, London Branch, as common depositary for, and in respect of, interests held through Euroclear and Clearstream (the "*Common Depositary*") and will be registered in the name of BT Globenet Nominees Limited. Except as described in this Offering Circular, beneficial interests in the Global Note will be represented through accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in Euroclear and Clearstream. Investors may elect to hold interests in the Global Note through Euroclear or Clearstream (as applicable) if they are participants in such systems, or indirectly through organizations that are participants in such systems. Except as described in this Offering Circular, owners of beneficial interests in the Global Note will not be entitled to have the Notes registered in their names, will not receive or be entitled to receive physical delivery of the Notes in definitive form and will not be considered holders of the Notes under the Notes or the Indenture.

There is currently no market for the Notes (or beneficial interests therein) being offered hereby and there can be no assurance that one will develop or, if one develops, that it will continue. An application has been made to the Irish Financial Services Regulatory Authority, as competent authority under Directive 2003/71/EC, for this Offering Circular to be approved. Application has also been made to the Irish Stock Exchange for the Notes to be admitted to its "Official List" and trading on its regulated market; *however*, no assurance can be given that such application will be approved.

In connection with the issuance of the Notes, the Managers (or any person acting on their behalf) may over-allot the Notes (in certain circumstances, provided that, pursuant to the price stabilizing rules of the UK Market Abuse Directive Instrument 2005 (the "*Price Stabilizing Rules*"), the aggregate principal amount of the Notes allotted does not exceed 105% of the aggregate principal amount of the Notes) or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Managers (or any person acting on their behalf) will undertake stabilization action. In certain circumstances, any stabilization action may begin only on or after the date on which adequate disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but (pursuant to the Price Stabilizing Rules) it must end no later than the earlier of 30 days after the issuance date of the Notes and 60 days after the date of the allotment of the Notes.

This Offering Circular is personal to each prospective investor and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes (or beneficial interests therein). Prior to the approval of this Offering Circular by the IFSRA, distribution of this Offering Circular to any person other than the prospective investors and those persons, if any, retained to advise such prospective investors with respect hereto is unauthorized, and any disclosure of any of the contents hereof without the prior written consent of the Bank, the Issuer and the Managers is prohibited. This Offering Circular may be used only for the purposes for which it has been published.

The Notes represent obligations of the Issuer and the repayment of the Notes is dependent entirely upon the Bank's payment of the corresponding amount under the Loan. The Notes will not represent interests in, or obligations of, the Bank or any other person, including the Managers, the Indenture Trustee and any of their respective affiliates. Neither the Notes nor the Loan will be insured or guaranteed by any governmental agency in the United States, Nigeria, the Cayman Islands or elsewhere.

The Notes have not been approved or disapproved by any state securities commission or any other U.S., Nigerian, Cayman Islands or other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of this Offering or the accuracy or adequacy of this Offering Circular. Any representation to the contrary may be a criminal offense.

The distribution of this Offering Circular and the offering of the Notes (and beneficial interests therein) in certain jurisdictions may be restricted by law. Persons that come into possession of this Offering Circular are required by the Bank, the Issuer and the Managers to inform themselves about and to observe any such restrictions. This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy the Notes (or any beneficial interest therein) in any jurisdiction in which such offer or solicitation is unlawful. In particular, there are restrictions on the distribution of this Offering Circular and the offer and sale of the Notes (and beneficial interests therein) in the United States, Nigeria, the Cayman Islands and numerous other jurisdictions.

THE BANK IS RESPONSIBLE FOR OFFERING CIRCULAR

This Offering Circular has been prepared by the Issuer and the Bank. Neither of Managers makes any representation or warranty as to the accuracy or completeness of the information contained in this Offering Circular, and nothing herein shall be deemed to constitute such a representation or warranty by either of the Managers or a promise or representation by either of the Managers as to the future performance of the Notes, the Bank or the Issuer.

The Bank has taken all reasonable care to ensure that the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information. The Bank accepts responsibility for the information contained in this Offering Circular.

This Offering Circular contains descriptions of certain provisions of the Transaction Documents (as defined herein) and various other related matters. This Offering Circular does not purport to contain complete summaries of the terms of such documents, and all information herein about such documents is qualified in its entirety by reference to such documents.

The information relating to each of Euroclear and Clearstream has been accurately reproduced from publicly-available sources. So far as the Bank is aware and is able to ascertain from information published by each of Euroclear and Clearstream, no facts have been omitted that would render such reproduced information misleading.

No person has been authorized to give any information or to make any representation other than those contained in this Offering Circular and, if given or made, such information or representations must not be relied upon as having been authorized by the Bank, the Issuer, the Indenture Trustee, the Managers or any affiliate or representative of any such person. The delivery of this Offering Circular at any time does not imply that information herein is correct as of any time after the date hereof. No Notes (or beneficial interests therein) may be sold without delivery of this Offering Circular.

Prospective investors are not to construe the contents of this Offering Circular or any previous or subsequent communications from the Bank, the Issuer, the Indenture Trustee, the Managers or any of their respective officers, employees, counsel or agents as investment, legal, accounting, regulatory or tax advice. Before investing in any Notes (or beneficial interests therein), a prospective investor should consult with its own business, legal, accounting, regulatory and tax advisers to determine the appropriateness and consequences of an investment in the Notes (or beneficial interests therein) in such prospective investor's specific circumstances and arrive at an independent evaluation of the investment based upon, among other things, its own views as to the risks associated with the Notes, the Bank and the Issuer. Investors whose investment authority is subject to legal restrictions should consult their legal advisors to determine whether and to what extent the Notes (or beneficial interests therein) constitute legal investments for them.

As noted above, it is expected that prospective investors interested in investing in the Notes will conduct their own independent investigation of the risks posed thereby. Officers of the Bank and directors of the Issuer will be available to answer any questions concerning the Bank, the Issuer and the Transaction Documents and will make available such other information as such prospective investors may reasonably request.

NOTICE TO RESIDENTS OF NIGERIA

This Offering Circular and the Offering of the Notes have not been and will not be registered with the NSEC under the ISA and neither this Offering Circular nor any other offering material related to the Offering may be utilized in connection with any general offering to the public in Nigeria for the purpose of the sale of the Notes (or beneficial interests therein) without the prior approval of the NSEC. However, this Offering Circular may, in Nigeria, be made available to, and directed at, a few persons only as a domestic concern of the Issuer and a private sale to such persons (all such persons together being referred to as the "*Experienced Investors*"). This Offering Circular must not be acted or relied upon, in Nigeria, by persons who are not Experienced Investors. Any investment or investment activity to which this Offering Circular relates is, in Nigeria, available only to Experienced Investors and may only be engaged in by Experienced Investors. Any person resident in Nigeria who is not an Experienced Investor should not act or rely upon this Offering Circular or any of its contents. In Nigeria, this Offering Circular must not be distributed, published, reproduced or disclosed (in whole or in part) by its recipients to any other person.

Pursuant to the Foreign Exchange Manual issued by the Central Bank of Nigeria (the "*Central Bank*") under the provisions of the Foreign Exchange Monitoring and Miscellaneous Provisions Act, 1995 (the "*FOREX Act*"), residents of Nigeria may purchase Notes (or beneficial interests therein) sold outside Nigeria with foreign currencies obtained from authorized dealers licensed by the Central Bank under the FOREX Act.

This Offering Circular is and is intended to be properly regarded in all circumstances, pursuant to Section 46(2) of ISA, as: (a) an offer to Experienced Investors as a domestic concern of the Issuer and such buyer and (b) not calculated to result directly or indirectly in the Notes (or beneficial interests therein) becoming available for purchase by persons other than the persons receiving this Offering Circular. Accordingly, it shall not be construed as a notice, prospectus, circular or advertisement for the offer of securities to the public or an invitation to the public as contemplated by Section 46(1) of the ISA. Neither the Notes nor this document is available to other categories of persons in Nigeria and no one falling outside such categories is entitled to rely upon, and must not act upon, any information in this Offering Circular. Thus, the communication or transmission of the contents of this Offering Circular to any person in Nigeria other than as provided for in this Offering Circular is unauthorized and may contravene the provisions of the ISA.

NOTICE TO RESIDENTS OF THE CAYMAN ISLANDS

No offer of or invitation to subscribe for the Notes (or beneficial interests therein) may be made to the public of the Cayman Islands.

NOTICE TO RESIDENTS OF THE UNITED KINGDOM

In the United Kingdom, this Offering Circular is being distributed only to and is directed only at: (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the

Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "*Order*"), (b) high net worth entities falling within Article 49(2) of the Order and (c) any other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "*relevant persons*"). This Offering Circular must not be acted or relied upon by persons who are not relevant persons. Any investment or investment activity to which this Offering Circular relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely upon this Offering Circular or any of its contents. This Offering Circular must not be distributed, published, reproduced or disclosed (in whole or in part) by recipients to any other person.

NOTICES TO RESIDENTS OF IRELAND

Each of the Managers has represented and agreed that (in connection with the initial distribution of the Notes): (a) it has not offered or sold and will not offer or sell any Notes (or any beneficial interests therein) in contravention of the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005 (the "*Prospectus Regulations*") and the provisions of the Irish Companies Acts 1963-2005 (as amended), (b) it has not and will not offer or sell any Notes (or beneficial interests therein) in contravention of the provisions of the Irish Market Abuse (Directive 2003/6/EC) Regulations 2005 and (c) it will not underwrite the issue of or place the Notes (or beneficial interests therein) in contravention of the provisions of the Irish Investment Intermediaries Act 1995 (as amended), including, without limitation, Sections 9, 23 (including any advertising restrictions made thereunder) and 37 (including any codes of conduct issued thereunder) thereof and the provisions of the Irish Investor Compensation Act, 1998, including, without limitation, Section 21 thereof.

NOTICE TO RESIDENTS OF ITALY

The offering of the Notes has not been registered with the Commissione Nazionale per la Società e la Borsa ("*CONSOB*"), the Italian securities and exchange commission, pursuant to the Italian securities legislation. Accordingly, the Notes (and beneficial interests therein) cannot be offered, sold or distributed (nor can any copies of this Offering Circular or any other document relating to the Notes be distributed) in the Republic of Italy ("*Italy*") in a public solicitation (sollecitazione all'investimento) within the meaning of Article 1, paragraph 1, letter (t) of Legislative Decree No. 58 of February 24, 1998, except to: (a) professional investors (*operatori qualificati*), as defined in Article31, second paragraph of CONSOB Regulation No. 11522 of July 1, 1998 (the "*Professional Investors*"), as amended, or (b) in other circumstances that are exempted from the rules on public solicitations pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998 (the "*Financial Services Act*") and Article 33, first paragraph, of CONSOB Regulation No. 11971 of May 14, 1999; *provided* that, in any case, the Notes (and beneficial interests therein) shall not be offered, sold and/or delivered, either in the primary or in the secondary market, to individuals in Italy. Moreover, and subject to the foregoing, the Notes (and beneficial interests therein) may not be offered, sold or delivered, and neither this Offering Circular nor any other material relating to the Notes may be distributed or made available, in Italy unless such offer, sale or delivery of the Notes (and beneficial interests therein) or distribution or availability of copies of this Offering Circular or any other material relating to the Notes in Italy is made: (i) by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with the Financial Services Act and Legislative Decree No. 385 of September 1, 1993 (the "*Italian Banking Act*"), (ii) in compliance with Article 129 of the Italian Banking Act, regarding the issue and offer of securities, and the implementing instructions of the Bank of Italy and (iii) in compliance with all other relevant Italian securities, tax and exchange control and other applicable laws and regulations and any other applicable requirement or limitation that may be imposed from time to time by CONSOB, the Bank of Italy or any other competent authority. Pursuant to Article 100-bis of the Financial Services Act, regarding the circulation of securities in Italy, where the offering of the Notes is made solely to Professional Investors and then the Notes are transferred to non-professional investors, certain special provisions apply.

Insofar as the requirements above are based upon laws that are superseded at any time pursuant to the Prospectus Directive, such requirements shall be replaced by the applicable requirements under the Prospectus Directive or the relevant implementing laws.

NOTICE TO RESIDENTS OF THE EUROPEAN ECONOMIC AREA

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each such Member State, a "*Relevant Member State*"), each of the Managers has represented and agreed that (in connection with the initial distribution of the Notes) with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "*Relevant Implementation Date*") it has not made and will not make an offer of Notes (or beneficial interests therein) to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Notes that has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes (or beneficial interests therein) to the public in that Relevant Member State at any time:

- to legal entities that are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities,

- to any legal entity that has two or more of: (a) an average of at least 250 employees during the last financial year, (b) a total balance sheet of more than €43,000,000 and (c) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts,

- to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the dealers, or

- in any other circumstances that do not require the publication by the Issuer of a prospectus or obtaining any approvals pursuant to Article 3(2) of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes (or beneficial interests therein) to the public" in relation to any of the Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes (or beneficial interests therein) to be offered so as to enable an investor to decide to purchase or subscribe the Notes (or beneficial interests therein), as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "*Prospectus Directive*" includes any relevant implementing measure in each Relevant Member State.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains statements that constitute forward-looking statements. These statements appear in a number of places in this Offering Circular and include statements regarding the intent, belief or current expectations of the Bank and its officers with respect to (among other things) the financial condition of the Bank.

Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ (including materially) from those in the forward-looking statements as a result of various factors. The information in this Offering Circular, including the information under "Risk Factors," identifies important factors that could cause such differences (including a change in overall economic conditions in Nigeria, a change in the Bank's financial condition, the change in value of the Naira relative to the U.S. Dollar and the effect of new legislation or government directives in Nigeria).

Moreover, no assurances can be given that any of the historical information, data, trends or practices mentioned and described in this Offering Circular are indicative of future results or events.

NOTICE TO INVESTORS

Because of the following restrictions, investors are advised to consult legal counsel before making any offer, resale, pledge or other transfer of the Notes (or beneficial interests therein) offered hereby.

Each investor (and if such investor is an insurance company general account, insurance company separate account, bank collective investment fund or investment fund managed by a qualified professional asset manager or an in-house asset manager, each fiduciary with respect to the assets used to acquire the Notes (or beneficial interests therein)) in the Offering will be deemed to have represented and agreed as follows:

1. Such investor (or if it is acting for the account of another person, such investor has had confirmed to it in writing that such other person) understands and acknowledges that the Notes (or beneficial interests therein) have not been and will not be registered under the Securities Act and if, before the expiration of the date that is 40 days after the closing date of this Offering, such investor decides to reoffer, resell, pledge or otherwise transfer the Notes (or beneficial interests therein), then the Notes (or beneficial interests therein) may be reoffered, resold, pledged or otherwise transferred only: (a) to the Issuer, (b) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the Securities Act or (c) pursuant to another available exemption from the registration requirements under the Securities Act and other applicable securities laws; *provided* that no such offer, sale, pledge or other transfer made prior to the date 40 days after the closing date of this Offering shall be made to a U.S. person or for the account or benefit of a U.S. person (other than a distributor). In addition, any such transfers must otherwise be in accordance with any applicable securities laws of any state or other jurisdiction.

2. Such investor (or if it is acting for the account of another person, such investor has had confirmed to it in writing that such other person): (a) has had access to such financial and other information concerning the Issuer, the Bank, the Notes and the other Transaction Documents as it has deemed necessary in connection with its decision to invest in the Notes, including an opportunity to ask questions of and request information from the Bank and the Issuer, (b) has not relied upon the Managers or any person representing the Managers in connection with its investigation of the accuracy of the information in this Offering Circular or its investment decision and (c) acknowledges that any information or representation other than those in this Offering Circular, if given or made, must not be relied upon as having been authorized by the Bank, the Issuer, the Indenture Trustee, the Managers or any affiliate, counsel or representative of any such person.

3. Such investor acknowledges that the Notes held by it (or with respect to which it has a beneficial interest) will contain a legend substantially to the following effect:

> THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES OF AMERICA, THE FEDERAL REPUBLIC OF NIGERIA, THE CAYMAN ISLANDS OR ANY OTHER JURISDICTION. THE HOLDER HEREOF (OR OF A BENEFICIAL INTEREST HEREIN), BY PURCHASING OR OTHERWISE ACQUIRING THIS NOTE (OR A BENEFICIAL INTEREST HEREIN), ACKNOWLEDGES THAT THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT AND AGREES THAT THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY: (a) TO FBN CAPITAL FINANCE COMPANY (THE "*ISSUER*"), (b) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT OR (c) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS, SUBJECT TO THE RIGHT OF THE ISSUER, FIRST BANK OF NIGERIA PLC (THE "*BANK*") AND DEUTSCHE BANK TRUST COMPANY AMERICAS, AS INDENTURE TRUSTEE (THE "*INDENTURE TRUSTEE*"), BEFORE ANY SUCH OFFER, SALE OR OTHER TRANSFER PURSUANT TO CLAUSE (c), TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION SATISFACTORY TO THE ISSUER, THE BANK AND THE INDENTURE TRUSTEE; *PROVIDED* THAT NO SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER MADE PRIOR TO THE DATE 40 DAYS AFTER THE DATE HEREOF SHALL BE MADE TO A U.S. PERSON OR FOR THE ACCOUNT OR BENEFIT OF

A U.S. PERSON (OTHER THAN A DISTRIBUTOR). IN ADDITION, ANY SUCH TRANSFERS MUST OTHERWISE BE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION.

EACH DIRECT OR INDIRECT HOLDER HEREOF, BY PURCHASING OR OTHERWISE ACQUIRING THIS NOTE (OR A BENEFICIAL INTEREST HEREIN), IS DEEMED TO HAVE REPRESENTED AND AGREED THAT: (a) EITHER: (i) IT IS NOT AN EMPLOYEE BENEFIT PLAN AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("*ERISA*") THAT IS SUBJECT TO THE PROVISIONS OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA, A PLAN TO WHICH SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "*CODE*"), APPLIES, OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN THAT IS SUBJECT TO ANY FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY AND PROHIBITED TRANSACTION PROVISIONS OF ERISA OR THE CODE ("*SIMILAR LAWS*"), OR AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" OF ANY OF THE FOREGOING, AND NO PART OF THE ASSETS TO BE USED BY IT TO ACQUIRE OR HOLD THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) CONSTITUTES THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN OR SUCH PLAN, OR (ii) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) DOES NOT AND WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE OR A NON-EXEMPT VIOLATION OF ANY SIMILAR LAWS, AND (b) IT WILL NOT SELL OR OTHERWISE TRANSFER THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) OTHERWISE THAN TO AN ACQUIRER OR TRANSFEREE THAT MAKES THESE SAME REPRESENTATIONS AND AGREEMENTS WITH RESPECT TO ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN).

4. One or more of the following is true as to all of the funds to be used by such investor to acquire each Note (or a beneficial interest therein): either: (a) such funds do not constitute the assets of any "employee benefit plan" as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("*ERISA*"), that is subject to the provisions of part 4 of subtitle B of Title I of ERISA, any plan to which Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "*Code*") applies, or any entity whose underlying assets include "plan assets" of any of the foregoing, or a governmental, church or non-U.S. plan subject to any federal, state, local, non-U.S. or other laws or regulations and prohibited transaction provisions of ERISA or the Code ("*Similar Laws*"), or (b) the acquisition, holding and disposition of such Note (or a beneficial interest therein) does not and will not result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan, a violation of any Similar Laws). In addition, it agrees not to sell or otherwise transfer the Notes (or a beneficial interest therein) otherwise than to an acquirer or transferee that is deemed to make these same representations, warranties and agreements with respect to its acquisition, holding and disposition of such Notes (or a beneficial interest therein).

5. If such investor is acquiring any Note (or a beneficial interest therein) as a fiduciary or agent for one or more investor account(s), then it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

6. Such investor acknowledges that the Bank, the Issuer, the Indenture Trustee, the Managers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that if any of the acknowledgments, representations or warranties deemed to have been made by it by virtue of its purchase or other acquisition of a Note (or a beneficial interest therein) is no longer accurate, then it shall promptly so notify the Bank, the Issuer, the Indenture Trustee and the Managers in writing.

FINANCIAL INFORMATION

The Bank and its Nigerian affiliates: (a) maintain their books of accounts in Nigerian Naira in accordance with the relevant laws in Nigeria and with the regulations of the Central Bank and (b) prepare their statutory financial statements (the "*Statutory Financial Statements*") in Nigerian Naira in accordance with generally accepted accounting principles in Nigeria ("*Nigerian GAAP*"). The Bank's foreign affiliates maintain their books of account and prepare their Statutory Financial Statements in accordance with the generally accepted accounting principles and the related legislation applicable in the countries in which they operate. The Bank's Statutory Financial Statements are also prepared on a consolidated basis with its subsidiaries.

The Bank is not required by Nigerian law to prepare financial statements in accordance with International Financial Reporting Standards ("*IFRS*"), including International Accounting Standards ("*IAS*") as promulgated by the International Accounting Standards Board ("*IASB*") and interpretations issued by the Standards Interpretations Committee of the IASB, and as such the financial statements for the years ended March 31, 2004, 2005 and 2006 of the Bank included herein (the Bank-only financial statements therein, the "*Annual Financial Statements*") and interim financial statements (the Bank-only financial statements therein, the "*Interim Financial Statements"*) for the nine months ending December 31, 2006 have been prepared and presented in accordance with Nigerian GAAP. Nigerian GAAP differs in certain material respects from IFRS. For a description of highlights of certain differences between IFRS and Nigerian GAAP, see "Description of Certain Differences Between IFRS and Nigerian GAAP" set forth in Appendix B. The Interim Financial Statements do not include comparisons to the nine months ended December 31, 2005 as the Bank does not have audited or reviewed income statements for the comparable period in the preceding fiscal year.

The 2004/2005 and 2005/2006 Annual Financial Statements have been audited jointly, and the Interim Financial Statements have been audited jointly, by Akintola Williams Deloitte and PFK Pannell Kerr Forster (together, the "*Auditors*") (see the Auditors' reports dated June 20, 2005, June 28, 2006 and March 5, 2007, respectively, in Appendix A). Unless otherwise indicated, the financial information presented herein is based upon the Annual Financial Statements and Interim Financial Statements attached hereto.

Unless otherwise indicated, references to "*Nigerian Naira*", "*Naira*" or "*₦*" are references to the Nigerian currency, references to "*US$*", "*$*", "*U.S. Dollars*" or "*Dollars*" are to United States Dollars and references to "*Euro*" and "*€*"are to the single currency of the participating member states of the European Union that was adopted pursuant to the Treaty of Rome of March 27, 1957, as amended by the Single European Act 1986 and the Treaty of European Union of February 7, 1992, as amended.

For the convenience of the reader, this Offering Circular presents translations of certain Naira amounts into Dollars at the Naira exchange rate for purchases of Dollars announced by the Bank (the "*₦/$ Exchange Rate*"). Unless otherwise stated, any balance sheet or income statement data in Dollars derived from the Annual Financial Statements as of March 31, 2006 or the Interim Financial Statements as of March 31, 2006 and December 31, 2006 have been translated from Naira into Dollars at ₦127.25 = US$1.00 and ₦127.00 = US$1.00 (being the rates for Dollars determined by the Bank on March 31, 2006 and December 31, 2006), respectively. This rate differs from the official cash buying rate for Dollars announced by the Central Bank as the ₦/$ Exchange Rates are based upon the actual cash buying rates announced by the Bank on the relevant dates. No representation is made that the Naira or Dollar amounts in this Offering Circular could have been or could be converted into Dollars or Naira, as the case may be, at any particular rate or at all.

Certain figures included in this Offering Circular have been subject to rounding adjustments (e.g., certain U.S. Dollar amounts have been rounded to the nearest million). Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

INDUSTRY/ECONOMY DATA

Unless otherwise indicated, all data relating to the Nigerian banking sector in this Offering Circular have been obtained from the Central Bank's website at www.cenbank.org and all data relating to the Nigerian economy, including statistical data, have been obtained from recent published speeches of the Central Bank Governor. All such information has been accurately reproduced but the Bank cannot guaranty that this information itself is accurate. Data has been downloaded/observed on various days during the months of January and February 2007 and may be the result of calculations made by the Bank and therefore may not appear in the exact form on such websites or in such published speeches or elsewhere. Such websites or published speeches should not be deemed to be a part of, or to be incorporated into, this Offering Circular.

Unless otherwise indicated, the sources for statements and data concerning the Bank and its business are based upon best estimates and assumptions of the Bank's management. The Bank's management believes that these assumptions are reasonable and that its estimates have been prepared with due care. The data concerning the Bank herein, whether based upon external sources or the Bank's management's internal research, constitute the Bank's best current estimates of the information described.

ENFORCEMENT OF JUDGMENTS AND SERVICE OF PROCESS

The Bank is a public limited liability company organized under the laws of Nigeria. Certain or all of the directors and officers of the Bank named herein reside in Nigeria and all or a significant portion of the assets of such persons may be, and substantially all of the assets of the Bank are, located in Nigeria. As a result, it may not be possible for investors to effect service of process upon such persons or entities outside Nigeria or to enforce against them in the courts of jurisdictions other than Nigeria any judgments obtained in such courts that are predicated upon the laws of such other jurisdictions.

In accordance with the Foreign Judgments (Reciprocal Enforcement) Act, Cap 152 1990, certain judgments of Commonwealth courts, or countries with which Nigeria has reciprocal arrangements on the matter, may be enforced in Nigeria within twelve months of being delivered. To be enforceable, such judgments must be final and capable of execution in the country of delivery, and must not have been wholly-satisfied, nor suffer from want of jurisdiction, lack of fair hearing, fraud, being contrary to public policy or being estopped because the issue had already been decided by another competent court before its determination by the foreign court. Judgments not covered by the Foreign Judgments (Reciprocal Enforcement) Act, Cap 152 1990 (whether because they are delivered in countries that are neither part of the Commonwealth nor have any treaties with Nigeria on mutual recognition of court judgments) may be recognized and enforced under residual common law powers, which allow such judgments in a fresh action to enforce the same to be: (a) used as the basis of proof of liability or (b) determinant of the central issue in a fresh action. There is no treaty between the United States and Nigeria providing for reciprocal enforcement of judgments (except with respect to penal judgments). Thus, judgments from New York courts can only be enforced in Nigeria if the person seeking to enforce them is able to bring a successful fresh action on the judgment in Nigerian courts.

Nigerian courts will give judgment in U.S. Dollars or any other foreign currency; *however*, a judgment given in any foreign currency may be satisfied by payment of the Naira equivalent thereof at the rate of exchange on the date of satisfaction of the judgment. If such a Naira payment is made, application can be made through the banks to remit the proceeds of the enforcement abroad.

In connection with the issuance of Notes, the Bank and the Issuer will designate CT Corporation System as their agent upon whom process may be served in connection with any proceedings in New York.

The Credit Agreement and other Transaction Documents will be governed by the laws of the State of New York and, to the extent that the Bank is a party thereto, will provide for disputes, controversies and causes of action brought by any party thereto against the Bank to be settled by arbitration in London, England in accordance with the Rules of the London Court of International Arbitration (the "*LCIA*") as such rules are in effect at the time of arbitration (such rules the "*LCIA Rules*"). Nigeria is a party to the United Nations (New York) Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 1958 (the "*New York Convention*"). Therefore, arbitration awards obtained in the United Kingdom in relation to the Transaction Documents would be recognized and enforced against the Bank in Nigeria in accordance with the terms of the New York Convention.

TABLE OF CONTENTS

SUMMARY

The following summary should be read in conjunction with, and is qualified in its entirety by, the detailed information and the financial statements and notes thereto appearing elsewhere in this Offering Circular. Prospective investors should see "Risk Factors" below for a discussion of certain factors that should be considered in connection with an investment in the Notes (or beneficial interests therein). Reference is made to the Index of Defined Terms for the location of the definitions of certain capitalized terms.

First Bank of Nigeria Plc

Founded in 1894, the Bank is the oldest and one of the leading banks in Nigeria, having essentially acted as the central bank for Nigeria from 1916 (when the first Western African currency notes were issued in Nigeria, when the Bank was called the Bank of British West Africa) until 1959. As of December 31, 2006, the Bank had the highest return on equity and the second largest branch network of any bank in Nigeria according to the Central Bank. As of December 31, 2006 and based upon Nigerian GAAP financial statements approved by the Central Bank and released to the NSE, the Bank (on an unconsolidated basis) was the largest bank in Nigeria in terms of pre-tax profit and net earnings and third largest in asset size. The Bank, which has a universal banking license that permits it to engage in all banking activities in Nigeria, operates as a commercial bank with a focus on retail and corporate customers (multinational companies and large local corporates), small and medium-scale enterprises and all tiers of government. The Bank and its subsidiaries are also active in leasing, factoring, investment banking, portfolio management services, general insurance, private pensions, life insurance and real estate investment.

As of December 31, 2006, the Bank operated through a nationwide network of 402 domestic branches (41 of which are cash offices) including branches in each of the 36 states of Nigeria and in the Federal Capital Territory. In addition, the Bank has a representative office in Johannesburg, South Africa and a subsidiary bank in the United Kingdom. The Bank plans to open a representative office in China in the coming year.

The principal products and services provided by the Bank to corporate customers include trade finance and other short-term credit facilities denominated either in Naira or a foreign currency, particularly in Dollars or Euro. The products and services offered by the Bank to its retail customers have been primarily consumer loans (such as car loans and personal loans), credit/debit cards, deposit-taking services and Western Union remittances. The Bank (with its subsidiaries) acts as an agent for the sale of a number of financial products (such as securities and insurance policies) to consumers. The Bank also serves its clientele via alternative delivery channels, such as internet banking, telephone banking and automated teller machines ("*ATM*"), including operating one of the largest ATM networks in Nigeria with approximately 175 ATMs as of December 31, 2006.

As of December 31, 2006, the Bank had total assets of ₦645.2 billion (US$5.1 billion), total performing cash loans of ₦218.8 billion (US$1.7 billion) and shareholders' equity of ₦70.9 billion (US$558.0 million). The Bank's interest-earning assets increased 45.6% in the fiscal year ended March 31, 2006, increasing gross earnings for such fiscal year by 23.8% from ₦49.47 billion recorded in the previous fiscal year to ₦61.24 billion (US$481.3 million). As of December 31, 2006, the Bank's interest-earning assets were ₦538.4 billion (US$4.2 billion), with gross earnings for the nine months ended December 31, 2006 at ₦54.5 billion (US$429.1 million). The Bank's fiscal year ends on March 31.

S&P maintains a "BB-" international rating on the Bank, Fitch Ratings Ltd. ("*Fitch*") maintains an "A+" long-term and "F1" short-term rating for the Bank's local currency issues, while Agusto & Co (a leading local credit rating agency) rates the Bank "Aa". Both S&P and Fitch maintain international local and foreign currency ratings of "BB-" on the Federal Republic of Nigeria.

The Bank is listed on the Nigerian Stock Exchange ("*NSE*") and its largest shareholder is First Dependant Nigeria Ltd (the manager of the Bank's staff pension fund), which held 4.97% of the Bank's common stock as of December 31, 2006. There is no controlling party of the Bank nor is the Bank (with its subsidiaries) a member of any larger group.

The Bank is headquartered in Lagos, Nigeria. Its registered office is Samuel Asabia House, 35 Marina, Lagos, Nigeria. Its registration number is RC 6290.

Possible EcoBank Transaction

In November 2005, the Bank commenced discussions with EcoBank Transnational Incorporated Plc ("*ETI*"), a pan-West African banking group with operations in 13 countries across West Africa, on a possible merger of the Bank with Ecobank-Nigeria Plc. Such a merger would be subject to regulatory approval, but if completed it would create the largest bank in West Africa and one of the largest banks in Africa.

Operating Results and Developments

Net Income. The Bank's net income for the nine months ended December 31, 2006 was ₦45.5 billion (US$358.3 million). Return on average assets ("*ROAA*") and return on average equity ("*ROAE*") ratios were 2.2% and 19.7% respectively for the nine months ended December 31, 2006. Adjusted net interest income (adjusted for net foreign exchange gains/losses, loan loss provisions and monetary gains/losses) as a percentage of average interest-earning assets was 4.1% in the nine months ended December 31, 2006.

During the fiscal year ended March 31, 2006, net income came under pressure from provisions for bad and doubtful accounts, most of which related to the obligations to the Bank of certain Nigerian banks now under liquidation. However, in large part as a result of the Bank's decision to divest part of its investment in Vee Networks Ltd. (now Celtel Nigeria Limited), a telecommunications company, profit before tax in the fiscal year ended March 31, 2006 rose by 30.9% to ₦19.83 billion (US$155.8 million) from the ₦15.2 billion recorded in the previous fiscal year.

Net fee and commission income increased significantly in the nine months ended December 31, 2006 by 60.4% when compared to the same period of the previous fiscal year, reaching ₦23.1 billion (US$181.9 million). Net fees and commissions covered 87.0% of operating expenses (excluding impairment losses, depreciation and amortization expenses, reserve for employees severance indemnities and foreign exchange losses) in the nine months ended December 31, 2006, while net fees and commissions to average assets increased to 3.9% in the nine months ended December 31, 2006. The cost-to-income ratio increased to 54.9% in the nine months ended December 31, 2006 compared to 54.6% for the fiscal year ended March 31, 2006 mainly as a result of positive revenue trends coupled with effective cost management.

In recent periods, the Bank's overhead costs have risen significantly due to the growth in its branch network, the modernization of its branches, increased information technology costs and other matters. For the fiscal year ended March 31, 2006, the Bank's overhead costs rose by 26.6% (₦7.1 billion) over the previous fiscal year's total of ₦26.6 billion. This increase includes a 40% increase in depreciation over the previous fiscal year's figure due to the Bank's acquisition of new branch premises and other assets. In addition, the Bank's contributions to retirement benefits for the fiscal year ended March 31, 2006 (₦1.47 billion) was 186% above the figure for the previous fiscal year, in large part due to the temporary need to bridge the funding gap in the Bank's contribution to retirement benefits as Nigeria moves to a new more stringent pension regime.

Assets. As noted above, as of December 31, 2006, the Bank's interest-earning assets were ₦537.8 billion (US$4.2 billion). In line with recent positive developments in the Nigerian economy, the share of performing loans to customers in total assets decreased slightly to 32.1% as of March 31, 2006 from 32.3% as of March 31, 2005, and has since increased to 33.9% as of December 31, 2006. Naira-denominated loans increased by 19.1% to ₦227.5 million (US$1.79 billion) as of December 31, 2006. Loans to the retail segment (including credit cards, consumer loans and SMEs) contributed nearly 26.5% of the cash loan portfolio as of December 31, 2006, reflecting the improvement of the macro-economic position of Nigeria. The Bank's non-performing loans ratio decreased to 2.8% as of December 31, 2006 from 9.1% at March 31, 2006 and 23.5% at March 31, 2005. Provisioning as a percentage of non-performing loans increased to 115.0% as of December 31, 2006, up from 82.7% at March 31, 2006 and 94.7% at March 31, 2005.

Liabilities. On the funding side, when compared to March 31, 2006, deposits increased by 27.2% as of December 31, 2006, reaching ₦497.3 billion (US$3.9 billion). The share of demand deposits in total deposits was 55.5% as of December 31, 2006 compared to 49.9% at March 31, 2006 and 43.7% at March 31, 2005. The total performing loans to deposits and repurchase transactions ratio went down to 43.8% as of December 31, 2006, due to an aggressive growth of foreign currency deposits in 2006, from 44.18% at March 31, 2006. The Bank does not have any bonds or similar securities outstanding, but it does have lines of credit from correspondent banks.

Strategy

The Bank has two main strategic imperatives - growth and modernization. The Bank's growth strategy hinges upon developing an all-inclusive understanding of customer service realities and eliminating impediments to effective service delivery through continued network expansion, product development, human capital development, acquisitions and the strengthening of its global connectivity. With regard to modernization, the Bank is endeavoring to improve its infrastructure and IT platform.

The Bank's growth strategy entails the following:

- *Explore opportunities to maximize group synergies.* For example, the Bank can refer transactions with much higher cost implications for the Bank to the relevant subsidiaries, which can effectively match such transactions with specific high income generating businesses. The Bank also invites subsidiaries to participate in syndication assignments.

- *Adopt a multi-product, multi-business growth strategy and seek to enter into new business areas*. For example, the Bank began issuing MasterCard® credit cards in 2005, resulting in an appreciable growth in its merchant customer base. All merchants who have signed on to accept payments by MasterCard® credit cards have been connected to the Bank on-line and, during 2006, the Bank accounted for an over 60% market share of point of sales terminal transactions acquisition in Nigeria according to Interswitch. Additionally, the Bank has also offered debit cards since 2002 and (according to Interswitch) was the fifth largest issuer of debit cards in Nigeria as of December 31, 2006, with approximately 195,029 active card holders.

- *Establish leadership in customer reach*. The Bank has attempted to be a pioneer in the use of alternative distribution channels nationally. For example, the Bank has continued to deploy ATMs and the issuance of debit cards with a view to decreasing the need of customers to access branches and to facilitate their convenience. The Bank has also developed additional IT applications, including the "Bank Alert Services," which sends e-mails or SMS messages to account holders depending upon the triggers that have been set per account, and the "Electronic Payment System," which executes payment instructions from a corporate customer's office to pay vendors, staff salaries or fund movement from one of the customer's accounts to another.

- *Broaden presence in international markets*. The Bank's management believes that the growing globalization and importance to Nigeria of international payments presents a growth opportunity for the Bank. To capture this growth, the Bank intends to identify opportunities for business-line and regional expansion. For example, see "Possible Ecobank Transaction" above.

- *Expand presence in core market segments*. The Bank's management believes that one of the greatest strengths of the Bank is its strong deposit base, which provides a comparatively low cost of financing. Additionally in times of economic distress, the Bank has benefited from a "flight to quality" mentality among depositors of other Nigerian banks. By protecting the Bank's market image and defending, and even expanding, its deposit-taking business, the Bank aims to maintain this competitive advantage. In addition, the Bank has a strong franchise in domestic lending, leading the financing of private investment in infrastructure development in the economy. For example, at the beginning of 2006, the Bank led a loan syndication of US$1.3 billion to Vmobile Nigeria, the largest Dollar-denominated facility to a private borrower in the history of the country.

- *Participate in and lead alliances to build infrastructure for the industry*. The Bank has invested and intends to continue to invest significantly in technology in order to lower production costs and exploit alternative delivery channels, which are more cost efficient in the delivery of banking services. For example, the Bank is currently participating in developing a credit scoring system within the Nigerian banking system.

- *Establish high impact alliances/venture capital synergies*. The Bank's management recognizes that strategic partnerships can provide the Bank with immediate benefits as well as provide important long-term advantages through the knowledge transfer opportunities that such partnerships present. For example, the Bank has entered into a partnership with HSBC Bank Plc to manage Nigeria's large foreign currency reserves. Beyond the asset management skills that this partnership is expected to provide, it also strengthens a relationship with one of the largest banking and financial services organizations in the world.

- *Aggressively build and optimize balance sheet size/structure*. The Bank's management believes that the current environment provides a good opportunity for the Bank to use its strong position within the Nigerian banking community to grow into an even larger domestic and regional bank; *however*, this growth is intended to come with a strong balance sheet and capitalization structure. This Offering is one part of that strategy.

The Bank's modernization strategy entails the following:

- *Achieve superior customer service delivery through investments in technology*. Increasingly, information technology has become a focus for the Bank's business operations, supporting and driving service processes and delivery. In addition to enhancing process efficiency, the Bank is currently leveraging IT to develop and deploy products tailored to meet the differing needs of customers. The IT platform has helped to deliver mass customized products and services and to improve the efficiency of the use of the Bank's service delivery resources. With over 300 on-line real-time locations, the Bank believes that it is the leading bank in Nigeria at providing alternative distribution channels to its customers. For example, the Bank offers an internet banking system that has been widely utilized by existing customers and continues to grow with the growing internet access of Nigerians.

- *Focus on improving the quality of the Bank's employees*. The Bank believes that its growth is dependent upon the education, health and loyalty of its employees. As such, the Bank has focused on investing in the health of its employees and in the building of internal human resource capacity, through extensive investments in learning and recreational facilities across Nigeria and the provision of medical services. The Bank also maintains training relationships with training institutes both locally and overseas.

- *Build a performance management culture*. The Bank has put in place a comprehensive performance appraisal system that runs two cycles in one financial year. It sets specific goals for each review period, measures these goals over the period and allows for reviews with subordinates or supervisors. The result of these evaluations becomes the basis for rewards and promotions. The senior officers' appraisals are currently being conducted on-line and a similar system will be introduced for the junior staff.

- *Improve customer relationship management.* The Bank's management believes that the modern Western banking concept of "relationship banking" promises great benefits in Nigeria, where customers have traditionally not had access to such a relationship with their banks.

- *Develop a holistic approach to risk management*. The Bank manages risk through a framework of risk principles, organizational structures and risk measurement, and monitoring processes that are closely aligned with the activities of the Bank's Strategic Business Units. The Bank's management believes that ongoing improvements in the credit environment, together with rigor in the Bank's credit risk management activities and clean-ups of impaired loans, can result in a further improvement in the quality of the Bank's loan portfolio.

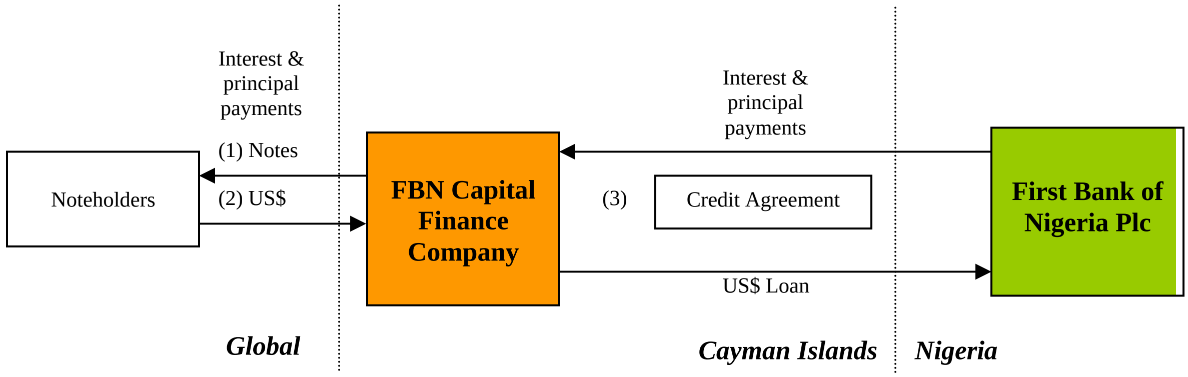
- *Establish a culture of cost-efficiency*. The Bank intends to conduct its business with the most productive tools, processes and systems that ultimately enable it to achieve the desired speed to market with the least amount of errors (if any) and enhanced customer service. The transaction volumes are anticipated to grow aggressively in the near future and, therefore, investments are being made to acquire robust infrastructure in anticipation of this growth.

- *Refresh the Bank's brand image*. This is a strategic intent encapsulated in many specific strategies that are aimed at making the Bank look and appear more contemporary and appealing to the young and upwardly-mobile generation without alienating the older generation that has been the Bank's major clientele over the years.

- *Deliver value to stakeholders while maintaining strong corporate governance*. The Bank's management aims to maintain high levels of corporate governance underpinned by four key elements - good relations with shareholders, effective cooperation between management and the Board of Directors, a system of performance-related compensation and transparent and prompt reporting.

Diagram of the Transaction

The following diagram illustrates (in simplified form) the transactions effected by the Transaction Documents. A more detailed description of the Loan and the Notes is found in “Description of the Notes and the Other Transaction Documents” below. Potential investors are advised to review such section in order to understand more fully the characteristics of the Loan and the Notes.



1. The Issuer issues the Notes.

2. Noteholders subscribe for the Notes and pay the subscription price.

3. The Issuer enters into the Credit Agreement with the Bank, making the Loan in Dollars to the Bank, which Credit Agreement contains certain subordination provisions.

SUMMARY OF TERMS

The following summary should be read in conjunction with, and is qualified in its entirety by, the detailed information appearing elsewhere in this Offering Circular. Prospective investors in the Notes should see "Risk Factors" for a discussion of certain factors that should be considered in connection with an investment in the Notes.

Securities Offered	US$175,000,000 of Subordinated Callable Notes due 2017 (*i.e.*, the Notes). The Notes (or beneficial interests therein) will be offered for purchase in minimum authorized denominations of US$100,000 and integral multiples of US$1,000 in excess thereof. Notes may be presented for payment, exchange, transfer or redemption at the New York offices of the Indenture Trustee; *it being understood* that the Indenture Trustee will be required to maintain a New York office for such purpose (or, if it fails to do so, it will be replaced).
Issue Price	99.035% of the face value of the Notes.
Managers	The Managers of the issuance of the Notes are Merrill Lynch International and FBN Capital Limited.
Indenture	The Notes will be issued by FBN Capital Finance Company, a newly-formed exempted company incorporated with limited liability under the laws of the Cayman Islands (*i.e.*, the Issuer). The Issuer will be neither owned nor controlled by the Managers, First Bank of Nigeria Plc, a bank organized under the laws of Nigeria (*i.e.*, the Bank), or any of their respective affiliates. Other than the security interest granted to the Indenture Trustee as described below, the Issuer may not assign or otherwise transfer any of its obligations under the Notes or any of its rights under the Credit Agreement to any other person, any attempt to do so being null and void *ab initio*. In order to secure its obligations under an indenture (the "*Indenture*") to be dated as of the date of issuance of the Notes (*i.e.*, the Closing Date), between the Issuer and the Indenture Trustee, the Issuer will grant to the Indenture Trustee a security interest over all of its right, title and interest in, to and under all of its properties, including all its rights under the Loan and the Credit Agreement, and all proceeds of any of the foregoing; *provided* that the Collateral does not include the account in which the proceeds of the transaction fee to be received by the Issuer will be deposited on (or in relation to) the Closing Date or the account into which the proceeds of the Issuer's ordinary share capital are maintained, but in each case only to the extent of such amounts that remain in such account(s) (collectively, the "*Collateral*").
Use of Proceeds	Proceeds from the sale of the Notes will be used by the Issuer to make the Loan to the Bank, the proceeds of which will be used by the Bank for general corporate purposes (including paying to the Issuer on the Closing Date a loan arrangement fee in an amount equal to the arranger fees, other expenses relating to the offering of the Notes and the discount on the issuance of the Notes). No proceeds from the Loan will be used by the Bank to make loans or otherwise provide funds (directly or, to its knowledge, indirectly) to countries (or any person or entity of such countries) or any other person or entity contrary to the Prohibited Nations Acts.

Maturity Date ....The principal of the Loan (and thus on the Notes) is scheduled to be repaid in a single payment on the Payment Date in March 2017 (the "*Maturity Date*").

Interest Payments on the Loan ....The Loan will be provided by the Issuer to the Bank pursuant to a subordinated credit agreement, to be dated as of the Closing Date (the "*Credit Agreement*"), among the Bank, the Issuer and the Indenture Trustee, as administrative agent on behalf of the Issuer (the "*Administrative Agent*").

The Loan will bear interest: (a) from the Closing Date until the Payment Date in March 2012, at the fixed rate of 9.75% *per annum*, and (b) thereafter, for each Interest Period, at the floating rate of 6.54% *per annum* above Three-Month LIBOR as determined by the Administrative Agent on the Determination Date before such Interest Period; *provided* that, with respect to both clauses (a) and (b), the rate of interest during the existence of a Default will be an additional 2% *per annum* above the applicable such rate (the "*Interest Rate*").

The interest on the Loan will be payable by the Bank to the Administrative Agent (for the account of the Issuer) in arrears on each Payment Date. Except as specifically set forth herein, all payments by the Bank to (or for the account of) the Issuer under the Transaction Documents are required to be paid in Dollars in the United States.

The amount of interest required to be paid on the Loan on each Payment Date (or with respect to any payments on a date other than a Payment Date pursuant to "—Default" below) will equal the sum of:

(a) the product of: (i) the Interest Rate, (ii) the outstanding principal amount of the Loan on such date of payment (but not deducting for any principal amount repaid on such date) and (iii) a fraction equal to: (A) the number of days in the related Interest Period (or to such date of payment) (through the Payment Date in March 2012, such number of days being based upon a month of 30 days) *over* (B) 360,

(b) the amount of any interest accrued and payable but not paid on any prior Payment Date in respect of the Loan, and

(c) to the extent permitted by applicable law, the product of: (i) the Interest Rate, (ii) the amount determined pursuant to clause (b) and (iii) a fraction equal to: (A) the number of days in the related Interest Period (or to such date of payment) (through the Payment Date in March 2012, such number of days being based upon a month of 30 days) *over* (B) 360.

Payment Date ...."*Payment Date*" means: (a) from the Closing Date until the Payment Date in March 2012, September 30, 2007 and the 30th of each March and September thereafter, and (b) thereafter, the 30th day of each March, June, September and December starting with such day in June 2012; *provided* that if any such date is not a Business Day, then such Payment Date will be the next Business Day.

Regulatory Treatment ....The Bank intends that the Loan be treated as "Tier II" capital (*i.e.*, quasi-capital credits) to the maximum extent permitted by Nigerian law. See "Certain Legal Aspects Relating to the Transaction."

Interest and Principal Payments on the Notes .... The Issuer will pay interest and principal on the Notes in an amount equal to, and on the same dates of payment as, the interest and principal that is payable by the Bank to the Issuer on the Loan, and will be paid to the applicable Noteholders of record as of 5:00 p.m. (New York City time) on the last Business Day of the calendar month preceding the applicable Payment Date (the "*Record Date*"); *provided* that the final payment in respect of a Note will be made only against surrender of such Note to the Indenture Trustee. All such payments will be payable by the Issuer in Dollars.

"*Noteholder*" means any registered owner of a Note. "*Note Owner*" means any beneficial owner of a Note.

Indenture Trustee .... Deutsche Bank Trust Company Americas, a banking corporation organized under New York law, not in its individual capacity but solely as trustee (in such capacity, the "*Indenture Trustee*"), will act as trustee for the Notes under the Indenture. The Indenture Trustee will also act as the Administrative Agent under the Credit Agreement.

Subordination; Ranking of Obligations....... The Bank's payment obligations under the Loan and the Credit Agreement will constitute the Bank's unsecured, subordinated obligations (the "*Subordinated Obligations*"). The Bank's payment obligations under the Loan and the Credit Agreement will be:

(a) subordinated in right of payment to the payment of all of the Bank's current and future indebtedness and other obligations (including: (i) obligations to depositors and trade creditors and obligations for taxes, (ii) statutory preferences and other legally-required payments, (iii) obligations under hedging and other financial instruments and (iv) obligations to pay the Indenture Trustee's fees and expenses under the Transaction Documents) other than the Loan and other amounts payable under the Credit Agreement, other "Tier II" quasi-capital credits and "Tier I" quasi-capital credits (collectively, the "*Senior Obligations*"),

(b) at least *pari passu* with all of the Bank's other "Tier II" quasi-capital credits, and

(c) senior to payments on the Bank's equity and any "Tier I" quasi-capital credit.

If either:

(a) the Bank shall commence a voluntary case, proceeding or other action: (i) under any applicable law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization, suspension of payments or relief of debtors seeking to have an order for relief entered with respect to it or seeking to adjudicate it bankrupt or insolvent or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (ii) seek appointment of a receiver, trustee, liquidator, administrator, custodian, conservator or other similar official of it or for any substantial part of its property,

(b) an involuntary case, proceeding or other action of a nature referred to in clause (a) shall be commenced against it that shall result in the entry of an order for relief or of an order granting or approving such adjudication or appointment referred to in clause (a),

(c) an involuntary case, proceeding or other action shall be commenced against it that seeks issuance of a warrant of attachment, execution, distraint or similar process against any substantial part of its property that shall result in the entry of an order for any such relief and shall not have been vacated, discharged, stayed or bonded pending appeal within 90 days from the entry thereof,

(d) there shall be commenced against it any intervention proceedings to liquidate it or all of its property by any of its creditors, shareholders or the Central Bank under any applicable bank regulatory or insolvency laws or rules of any jurisdiction (including Chapters 3 and 4 of the CAMA and Section 38 of the BOFIA) and (unless such proceedings have been commenced by the Central Bank) such proceedings could reasonably be expected, alone or in the aggregate, to have a Bank Material Adverse Effect,

(e) there shall be commenced against it any extra-judicial liquidation proceedings under any applicable insolvency laws or rules of any jurisdiction, which proceedings could reasonably be expected to result in the liquidation of the Bank or of the Issuer,

(f) it shall admit in writing its inability to pay its debts as they become due,

(g) it shall make a general conveyance or assignment for the benefit of, or enters into any composition or other arrangements with, its creditors, or

(h) it shall take any corporate (or similar) (or its board, shareholders or similar persons shall take any) action in furtherance of, or indicating its consent to, approval of or acquiescence in, any of the foregoing acts

(each, a "*Subordination Event*"), then the payees of the Senior Obligations will be entitled to receive payment on such Senior Obligations before any payments are made by the Bank to the Issuer (or to the Administrative Agent for the benefit of the Issuer) under the Credit Agreement or by the Issuer under the Transaction Documents. As such, the Indenture Trustee (including in its capacity as the Administrative Agent but not with respect to its fees and indemnities payable to it for its own account), the Issuer, any Noteholder, any Note Owner or any other person that receives any amounts from the Bank (including through the exercise of any right of set-off or similar right) during a Subordination Event relating to a purported payment under the Transaction Documents (including any payment on the Loan or otherwise under the Credit Agreement by the Bank to the Issuer, which funds were used by the Issuer to make payment on the Notes, but excluding any payment with respect to a Senior Obligation under the Transaction Documents) will be required to turn such amounts over to the Bank's liquidator, bankruptcy trustee or administrator (or similar person) until the Senior Obligations have been paid in full. The Transaction Documents do not limit the amount of the Senior Obligations of the Bank that may exist at any time.

Covenants of the Issuer .... Pursuant to the Indenture, the Issuer will agree to certain covenants described in "Description of the Notes and the Other Transaction Documents—Notes and Indenture—Covenants of the Issuer" below.

Covenants of the Bank .... Pursuant to the Credit Agreement, the Bank will agree to certain covenants described in "Description of the Notes and the Other Transaction Documents—Credit Agreement—Covenants of the Bank" below.

Defaults .... As described in "Description of the Notes and the Other Transaction Documents—Credit Agreement—Defaults" below, all amounts payable by the Issuer and the Bank under the Transaction Documents will be immediately due and payable without any declaration or other act by the Indenture Trustee, any of the Noteholders or any other person only upon the occurrence of a Default relating to the bankruptcy or similar event of the Bank; *however*, during the existence of any Default, the Interest Rate will be increased as described in the proviso to the definition of "Interest Rate" and the Indenture Trustee may pursue any other available remedy (such as injunctive relief to the extent permitted by applicable law) to enforce any provisions of the Transaction Documents.

Notwithstanding the preceding paragraph or anything else herein to the contrary, in no event will the Bank be required to make any accelerated payments under the Loan and the Credit Agreement unless and until a Subordination Event has occurred or if there are no remaining Senior Obligations outstanding. In any such event, such payments will also be subject to the subordination provisions noted in "—Subordination; Ranking of Obligations" above.

Optional Prepayment .... On any Payment Date from and including the March 2012 Payment Date, the Issuer will (if the Bank elects to prepay the Loan (or a portion thereof), by payment to the Indenture Trustee of an amount equal to the Prepayment Price for the Loan (or the portion thereof that the Bank wishes to prepay), prepay the Notes (or such portion thereof) and pay all other amounts included within the calculation of such Prepayment Price in the manner described in "Description of the Notes and the Other Transaction Documents—Notes and Indenture—Optional Prepayment" below. For the purpose of clarification, no such optional prepayment of the Notes is permitted on any day before the March 2012 Payment Date.

In addition, on any Payment Date (including before the March 2012 Payment Date), the Issuer will, by payment to the Indenture Trustee of an amount equal to the Prepayment Price for the Loan, prepay the Notes in full (but not in part) and pay all other amounts included within the calculation of such Prepayment Price in the manner described in "Description of the Notes and the Other Transaction Documents—Notes and Indenture—Optional Prepayment" below if the Bank has elected to prepay the Loan because: (a) the Loan ceases to be eligible to qualify as "Tier II" capital (*i.e.*, quasi-capital credits) under Nigerian law, (b) the Bank determines that on the next Payment Date either: (i) the Bank would be obligated to pay Additional Amounts to the Issuer and the Bank cannot avoid such circumstance by taking reasonable measures or (ii) the Bank would be obligated to reimburse/indemnify the Issuer for any Additional Amounts payable by the Issuer to the Noteholders, or (c) the Bank ceases to be able to deduct for Nigerian income tax purposes the full amount of interest paid by it to the Issuer under the Loan; *provided* that, in the case of any prepayment of the Loan by the Bank under clause (b) or (c) before the March 2012 Payment Date, the Central Bank shall have provided its prior consent to such prepayment (such Central Bank approval to be evidenced to the Administrative Agent).

Other than any Make-Whole Premium included in the Prepayment Price, no prepayment premium will be payable to the Noteholders in the event of any early prepayment of the Notes, whether as a result of a Default or an optional prepayment.

Transfer Restrictions .... The Notes will not be registered under the Securities Act or the securities laws of any jurisdiction and will be offered exclusively outside the United States to non-U.S. persons in reliance upon Regulation S. The Notes (and beneficial interests therein) will be subject to certain restrictions on transfer as specified in the Transaction Documents. See "Notice to Investors."

Form and Delivery .... The Notes will be represented by beneficial interests in the Global Note. Each Note will be in registered form. The Global Note will be deposited on or about the Closing Date with the Common Depositary (or its nominee) for and in respect of interests held through Euroclear and Clearstream and will be registered in the name of BT Globenet Nominees Limited (the Common Depositary's nominee).

Withholding Taxes .... Subject to certain limited exceptions, all payments by the Issuer in respect of the Notes and all other payments by the Issuer under the Indenture, whether in respect of principal, interest, premiums, fees or otherwise, will be made without deduction or withholding for any current or future Taxes imposed, levied, collected, withheld or assessed by (or on behalf of) any taxing authority unless such Taxes are required by applicable law to be deducted or withheld. If any such Taxes are required by applicable law to be deducted or withheld with respect to any such payment, then the Issuer, subject to certain customary exceptions, will be required to pay to the Indenture Trustee (for the benefit of the applicable recipient(s) of such payment) certain Additional Amounts to the extent funds with respect thereto have been received by the Issuer from the Bank. See "Description of the Notes and the Other Transaction Documents—Notes and Indenture—Additional Amounts" below.

Certain ERISA Considerations .... Employee benefit plans and accounts may generally acquire a Note (or beneficial interests therein) subject to the considerations described herein. If a Noteholder or Note Owner is an employee benefit plan or account fiduciary considering acquisition of the Notes (or beneficial interests therein), then it is, among other things, encouraged to consult with its counsel in determining whether all required conditions have been satisfied. See "Certain ERISA Considerations."

Required Rating .... It is a condition precedent to the issuance of the Notes that they be rated at least "B" on the Closing Date by S&P. The rating addresses the Issuer's ability to make timely payment of interest and ultimate (*i.e.*, at the Maturity Date) principal payments in accordance with the terms of the Notes. A rating is not a recommendation to buy, sell or hold the Notes (or beneficial interests therein) and is subject to revision or withdrawal at any time by S&P.

Listing **..** The Issuer has made an application to the Irish Stock Exchange for the Notes to be admitted to its "Official List" and trading on its regulated market; *however*, no assurance can be given that such listing will be obtained. The Issuer has appointed Deutsche Bank Luxembourg S.A. as the Listing Agent.

Governing Law **...** The Indenture, the Notes, the Credit Agreement and related documents (the "*Transaction Documents*") will be governed by the laws of the State of New York.

Arbitration**..** Any party (other than the Bank) to any Transaction Document to which the Bank is a party may elect (in its sole discretion) that any dispute arising out of or in connection with the Transaction Documents, including any question regarding their existence, validity or termination, will be referred to and finally resolved by arbitration under the LCIA Rules as such rules are in effect at the time of arbitration, which LCIA Rules will be deemed to be incorporated by reference into the applicable Transaction Documents.

Notice of the request for arbitration will be served upon the party against whom the demand is made reasonably simultaneously with the time that such demand is filed with the LCIA. The number of arbitrators will be three. Each of the Bank, on the one hand, and the other disputants (other than the Issuer, unless the Issuer is the only other disputant), on the other hand, will nominate one arbitrator, obtain its nominee's acceptance of such appointment promptly and, in any event, within 30 days of such nomination deliver written notice of such appointment to the LCIA and the other party promptly and, in any event, within 30 days of the date of the nomination. If a party fails to make an appointment within the 30 day time limit, then the LCIA will make the appointment for such party. The seat, or legal place, of arbitration will be London, England. The language to be used in the arbitral proceedings will be English. The arbitral panel will determine the rights and obligations of the parties in accordance with the substantive laws of the applicable Transaction Document(s). The award will be in writing. Any monetary award will be made in the currency required to be paid under the applicable Transaction Document(s). The award may include interest from the date of any breach or violation of the applicable Transaction Document(s) as determined by the arbitral award until paid in full, at the interest rate established in the award. Interest may be compounded at the discretion of the arbitral panel.

SUMMARY FINANCIAL INFORMATION

The following summary financial and operating data as of and for each of the fiscal years ended March 31, 2004, 2005 and 2006 and as of and for the nine-month period ended December 31, 2006 have been extracted without material adjustment from the audited Annual Financial Statements and the audited Interim Financial Statements of the Bank included along with the Auditors' reports thereon in Appendix A. This information should be read in conjunction with the Bank's Annual Financial Statements and Interim Financial Statements.

	For the fiscal year ended March 31,	
	2006	2006
Income Statement Data:	*(₦ millions)*	*(US$ millions)*(1)
Gross earnings	54,501	429
Profit before taxation	15,124	119
Exceptional item	0	0
Profit before taxation after exceptional item	15,124	119
Current taxation	2,511	20
Deferred taxation	740	6
Profit after taxation	11,873	94
Minority interest	0	0
Profit after tax and minority interest	11,873	94
Allocation of profit after tax and minority interest		
Statutory Reserve	1,781	14
Reserve for small-scale industries	1,187	9
Dividend	0	0
General Reserve	8,905	70

(1) For the convenience of the reader, the December 31, 2006 figures have been translated into Dollars at the following rate: ₦127.00 = US$1.00. Such translation should not be construed as a representation that the Naira amounts have been converted into U.S. Dollars pursuant to the requirements of Nigerian GAAP or generally accepted accounting principles in any other country.

	For the fiscal year ended March 31,			
	2004	2005	2006	2006
Income Statement Data:		*(₦ millions)*		*(US$ millions)*(1)
Gross earnings	45,121	49,475	61,243	481
Profit before taxation	14,106	15,145	16,128	127
Exceptional item	--	--	3,703	29
Profit before taxation after exceptional item	14,106	15,145	19,831	156
Current taxation	2,642	2,484	3,038	24
Deferred taxation	368	477	740	6
Profit after taxation	11,096	12,184	16,053	126
Minority interest	--	--	--	--
Profit after tax and minority interest	11,096	12,184	16,053	126
Allocation of profit after tax and minority interest				
Statutory Reserve	1,664	1,827	2,408	19
Reserve for small-scale industries	1,411	1,514	1,605	13
Dividend	5,429	6,325	5,238	41
General Reserve	2,592	2,518	6,802	54

(1) For the convenience of the reader, the March 31, 2006 figures have been translated into Dollars at the following rate: ₦127.25 = US$1.00. Such translation should not be construed as a representation that the Naira amounts have been converted into U.S. Dollars pursuant to the requirements of Nigerian GAAP or generally accepted accounting principles in any other country.

	March 31,			December 31,	
	2004	2005	2006	2006	2006
Balance Sheet Data:		(₦ *millions)*			***(US$ millions)***[(1)]
Assets					
Cash & short-term funds	22,509	30,245	49,444	59,790	470.8
Due from other banks and financial Institutions	80,369	64,118	94,029	125,881	991.2
Bills discounted	92,922	100,135	108,316	77,421	609.6
Investments	16,825	24,655	63,729	114,404	900.8
Loans & advances	78,040	114,673	175,657	217,869	1,715.5
Advances under financial lease	-	937	1,701	2,799	22.0
Other assets	11,596	30,625	31,317	31,479	247.9
Equipment on Lease	665	--	--	0	0
Fixed assets	9,564	12,108	13,952	15,579	122.7
Total assets	**312,490**	**377,496**	**538,145**	**645,222**	**5,080.5**
Liabilities					
Deposit and current accounts	206,643	264,988	390,846	497,289	3,915.7
Due to other banks	538	390	323	185	1.5
Current taxation	4,022	3,954	4,148	5,580	43.9
Deferred taxation	1,533	2,010	2,751	3,491	27.5
Dividend payable	5,429	6,325	5,238	0	0
Other liabilities	55,704	55,157	75,843	67,808	533.9
Total liabilities	**273,869**	**332,824**	**479,149**	**574,353**	**4,522.5**
Capital & Reserves					
Share capital	1,751	1,976	2,619	5,239	41.2
Capital reserve	9,580	9,784	13,297	13,297	104.7
Statutory reserve	6,464	8,291	10,699	12,480	98.3
Exchange difference reserve	2,836	2,836	2,836	2,836	22.3
General reserve	11,513	13,519	17,549	26,454	208.3
Bonus issue reserve	219	494	2,619	0	0
Reserve for small/medium scale industries	3,879	5,393	6,998	8,185	64.4
Core Capital	36,242	42,293	56,617	68,490	539.2
Fixed assets revaluation reserve	2,379	2,379	2,379	2,379	18.8
Shareholders' Funds	38,621	44,672	58,996	70,869	558.0
Minority Interest	--	--	--	0	0
Total shareholders' equity	**38,621**	**44,672**	**58,996**	**70,869**	**558.0**
Total liabilities and shareholders' equity	**312,490**	**377,496**	**538,145**	**645,222**	**5,080.5**
Contingent liabilities and other obligations on behalf of customers and customer's liabilities thereof	48,829	60,578	80,662	118,490	933.0

(1) For the convenience of the reader, the December 31, 2006 figures have been translated into Dollars at the following rate: ₦127.00 = US$1.00. Such translation should not be construed as a representation that the Naira amounts have been converted into U.S. Dollars pursuant to the requirements of Nigerian GAAP or generally accepted accounting principles in any other country.

	As of or for the fiscal year ended March 31,			As of or for the nine months ended December 31,
	2004	2005	2006	2006
Profitability Ratios:				
Net interest income as a % of average interest-earning assets	9.4%	9.2%	7.9%	4.6%
Adjusted net interest income as a % of average interest-earning assets [(1)]	8.8%	8.6%	6.9%	4.2%
Cost-to-average total assets[(2)]	7.2%	6.9%	6.4%	4.2%
Cost-to-income ratio[(2)]	55.6%	54.8%	54.6%	54.9%
Operating expenses as a % of total average assets[(3)]	7.2%	6.9%	6.4%	5.6%
Return on average total assets [(4)]	3.5%	3.5%	3.5%	2.0%
Return on average shareholders' equity [(5)]	34.9%	29.3%	31.0%	18.3%
Balance Sheet Ratios:				
Deposits to total assets	66.1%	70.2%	72.6%	77.1%
Total cash loans (net of provisions) to total assets	25.0%	30.6%	33.0%	34.2%
Total shareholders' equity to total assets	12.4%	11.8%	11.0%	11.0%
Liquid assets as a percentage of total deposits[(6)]	49.8%	35.6%	36.7%	37.3%
Cash assets as a percentage of total deposits and commitments to repurchase securities	10.9%	11.4%	12.7%	12.0%
Credit Quality:				
Non-performing loans to total cash loans	35.4%	23.5%	9.1%	2.8%
Non-performing loans to total cash and non-cash loans	23.0%	16.6%	6.4%	1.8%
Provisions to non-performing loans	94.0%	94.7%	82.7%	115.0%
Provision for loan losses to total loans	33.3%	22.3%	7.6%	3.2%
Capital Adequacy:				
Tier I regulatory capital/risk-weighted assets and market risk	22.2%	20.3%	20.4%	19.2%
Total regulatory capital/risk-weighted assets and market risks	20.7%	18.9%	18.4%	17.6%
Average shareholders' equity excluding minority interest/average total Assets	10.1%	12.1%	11.1%	11.0%
Other Information:				
Employees	6,906	6,692	7,053	7,465
Branches	358	365	394	402
Gross National Product %:[(7)]				
Gross National Product (% change)	6.6	6.2	5.9	5.6[(8)]

(1) Adjusted net interest income is net interest income/(expense) add/(less) net foreign exchange gains/(losses), less provision for possible loan losses and add/(less) gain/(loss) on net monetary position.

(2) "Cost" includes operating expenses excluding impairment losses, depreciation and amortization expenses, reserve for employee severance indemnities and foreign exchange losses. "Income" includes net interest income, net fee and commission income and other operating income reduced by foreign exchange losses, impairment losses except for allowance made on a portfolio basis to cover any inherent risk of loss for cash and non-cash loans and increased/reduced by gains/(losses) on monetary position.

(3) Annualized operating expenses exclude impairment losses, depreciation and amortization expenses, reserve for employee severance indemnities and foreign exchange losses.

(4) Represents annualized net income for the period divided by average total assets. Average total assets is computed by adding the total assets at the beginning of the reported period to that at the end of the period and dividing the total by two.

(5) Represents annualized net income for the period divided by average shareholders' equity. Average shareholders' equity is computed by adding the shareholders' equity at the beginning of the period to that at the end of the period and dividing the total by two.

(6) Liquid assets represent cash and balances with central banks, loans and advances to banks except for blocked accounts and financial assets at fair value through profit or loss.

(7) As published by the Central Bank.

(8) Information is as of December 31, 2006.

RISK FACTORS

The following section does not describe all the risks of an investment in the Notes. Before making any investment decision, prospective investors should carefully read this Offering Circular in its entirety, including the risk factors set forth below. For additional information concerning the Nigerian legal and regulatory environments of this transaction, see "Certain Legal Aspects Relating to the Transaction."

Risk Factors Relating to the Bank

Other than certain fees and expenses payable to the Indenture Trustee, all of the Indenture Trustee's and the Issuer's claims against the Bank pursuant to the Transaction Documents (including for the payment of principal and interest on the Loan) will be subordinated and unsecured claims. The ability of the Bank to pay such claims will depend upon, among other factors, its liquidity, overall financial strength and ability to generate business, all of which could be affected by various circumstances, including those described below.

Leverage and Refinancing Risk

While the Bank's funding has historically come principally from customer deposits, it has also obtained lines of credit and invested approximately ₦91.0 billion in local bonds as at December 31, 2006. A portion of the Bank's borrowings (namely "loans and advances from banks" and "bonds payable") is denominated in foreign currencies. As of March 31, 2006, the Bank's total foreign currency-denominated borrowings constituted approximately 0.3% of its assets and 0.4% of its total borrowings (see the notes to the Annual Financial Statements included in Appendix A), such percentages increasing to 15.6% and 20.4%, respectively, as of December 31, 2006. As such, particularly in light of the volatility of the markets for emerging market financings, the Bank: (a) may have difficulty extending and/or refinancing its existing indebtedness in such a manner as to not have a material adverse effect on its business and financial situation and (b) is susceptible to devaluations of the Naira (which would thus increase the amount of Naira that it would need to make payments on its foreign currency-denominated obligations). The Bank's management, however, believes that its strong relationships, its strong business and its recognition by international counterparts as one of the strongest banks in Nigeria greatly improve its ability to obtain financing in difficult times when other Nigerian banks may not be able to do so at all or as cost-efficiently.

As required by the rules of the new Basel Capital Accord (*i.e.*, Basel II) (which has largely taken effect in Nigeria and has been (or is expected to be) adopted in many countries with which the Bank operates), banks that provide credit to a bank (such as the Bank) and calculate their credit risk according to the "Standard Approach" will be required to apply a risk weighting according to the credit ratings that the rating agencies assign to the borrowing bank. Nigerian borrowers (including the Bank) may be negatively affected by Basel II due to these new rules. However, the Bank's management believes that the Basel II changes have already been factored in and foreign banks and other financial institutions, through their internal risk models, have already been charging a considerable risk premium to Nigerian borrowings. While it is impossible to predict the global impact of the full implementation of the Basel II requirements, including the possible reduction in funds available for borrowing and/or increased costs of such borrowing, the Bank's management does not expect that Basel II will significantly affect the Bank's international borrowing costs or availability of funds. See also "—Changes in International Guidelines" below.

Credit Risk

The Bank is exposed to the creditworthiness of its customers and counterparties. There can be no assurance that the Bank will correctly assess the creditworthiness of credit applicants. If the value of the collateral securing the Bank's loan portfolio declines, then the Bank will be exposed to a higher credit risk and increased risk of non-recovery in the event that any loans fail to perform. If this were to occur, then there could be no assurance that the Bank would be able to realize adequate proceeds from collateral disposals to cover loan losses. While the Bank believes that it has provided adequately for loan losses, there can be no guarantee that the level of provisions and other reserves will be adequate or that the Bank will not have to create significant additional provisions for possible loan losses in future periods.

Further to the requirement in the Central Bank Act, the Central Bank has established a credit bureau known as the Credit Risk Management System (the "*CRMS*"). To attain the goals of the CRMS (which include strengthening the credit appraisal system of banks), the Central Bank requires all financial institutions to provide to the CRMS information monthly on their customers that have an outstanding debt balance of ₦1,000,000 or more of principal and interest. The banks can access the CRMS through the internet to either provide this information or make inquiries. The CRMS is, however, not fully effective and the Bank has had to resort to other sources of information to assess the credit status of its clients.

While the Bank aims to use only reliable information suppliers, there can be no assurance that the databases (including the CRMS) upon which the Bank relies are reliable or will be accessible on the same terms or at all in the future. The failure of the Bank to gain access to reliable information in the future may adversely affect the Bank's ability to assess the quality of credit applicants and therefore result in increased credit risks.

Loan Concentration Risk

As of December 31, 2006, credit exposure to the ten largest borrowers (or groups of borrowers) accounted for 29.4% of the gross loan portfolio of the Bank compared to 24.9% and 37.6% on March 31, 2006 and 2005, respectively. An impairment in the ability of one or more of these borrowers to repay their loans could result in a material adverse effect on the Bank's business, financial condition and/or results of operations – including a reduction in the Bank's capital adequacy levels.

Market Risk

The Bank engages in various trading activities for its own account. The amount of trading securities owned by the Bank as of December 31, 2006 was US$96.0 billion. The Bank had no assets pledged under sale and repurchase agreements as of December 31, 2006 and, for the nine months ended December 31, 2006, net gains/losses from trading in securities were US$57.3 million. Although the Bank has generally been successful in its proprietary trading activities, proprietary trading involves a degree of risk. Future proprietary trading results will in part depend upon market conditions. As a result, in the event that its proprietary investments decrease in value, the Bank could incur significant losses, which could result in a material adverse effect on the Bank's business, financial condition and/or results of operations.

Interest Rate Sensitivity

The Bank is exposed to interest rate risk principally as a result of lending and making advances to customers and other banks at fixed interest rates (or floating interest rates that re-price periodically) and in amounts and for periods that differ from the Bank's funding sources (customer deposits, bank borrowings and securities offerings). If interest rates increase, the Bank's interest expense and net interest income would be directly and adversely affected. The Bank seeks to match the interest rate maturities of its assets and liabilities to minimize interest rate risk, and also attempts to manage this risk by fixing lending rates only on a short-term basis. Despite these efforts, there can be no assurance that significant adverse interest rate movements will not have an adverse effect on the Bank's financial condition and/or results of operations.

Interest rates have been declining in Nigeria over the past few years. Further decreases are expected by the Bank's management, which decreases would put pressure on the Bank's interest margins. While the Bank's management expects that growth in lending will continue to generate increased interest income offsetting any declines in interest margin, the pace of loan portfolio growth may be constrained by the ability of the Bank to increase its lending to customers who meet the Bank's credit quality standards and other business criteria. There can be no assurance that the rate of balance sheet growth or the financial performance of the Bank may not be adversely affected by these constraints.

Liquidity Risk

The Bank's primary sources of funding are its customer deposit accounts and loans from other banks, as well as short- and medium-term debt securities issued in the Nigerian capital markets. This funding base subjects the Bank to significant liquidity risk due to maturity mismatches between its assets (which tend to be long-term and illiquid loans) and liabilities (which are heavily comprised of short-term deposits). As of December 31, 2006, the amount of liabilities of the Bank with maturities of up to one month (or payable on demand) exceeded the amount of assets with the same maturity by US$540.0 million. A mis-match between the maturity of the Bank's assets and liabilities may require the Bank to incur additional costs to liquidate assets, including assets that may not be very liquid and that thus may require significant discounts on sale. See "Risk Management and Loan Provisioning—Liquidity Risk Management."

Deposit Concentration Risk

The aggregate balances of the ten largest depositors (or groups of depositors) of the Bank represented 4.8% of the total customer deposits of the Bank as of December 31, 2006. Withdrawal by one or more of such depositors of their funds within a relatively short period of time could have a material adverse effect on the Bank's business, financial condition and/or results of operations. In general, any particular deposit might be expected to be withdrawn at short notice as Nigerian depositors (including corporations with larger deposits) are generally not in a position to maintain large cash balances.

Failure to Comply with Capital Adequacy or Other Mandatory Ratios

According to the regulations of the Central Bank, which apply a methodology based upon Nigerian GAAP, the Bank's shareholders' equity as a percentage of risk-weighted assets, or its capital adequacy ratio, must be at least 10%. While the Bank's capital adequacy ratio as of December 31, 2006 was 15.1% (and thus in compliance with the Central Bank requirements), if the Bank's capital adequacy ratio were to fall below the minimum required level, then the Central Bank could impose a number of sanctions that may affect the asset and liability generation of the Bank, including revocation of the Bank's banking license and/or intervention in the management of the Bank.

Correlation of Financial Risks

The exposure of the Bank's business to a market downturn in Nigeria could exacerbate other risks that the Bank faces. For example, if the Bank incurs substantial trading losses, then its need for liquidity could rise sharply while its access to liquidity could be impaired. In addition, in conjunction with a market downturn, the Bank's customers could incur substantial losses of their own, thereby weakening their financial condition and increasing the Bank's credit risk in its exposure to such customers.

Operational Risk

In the ordinary course of its business and as a result of the Bank's organizational structure, the Bank is subject to certain operational risks, including interruption of service, errors, fraud by third parties, omissions and delays in providing services. The Bank continually monitors these risks by means of, among other things, administrative and information systems and insurance coverage in respect of certain operational risks, but there can be no assurances that the Bank will be able at all times to successfully monitor and prevent these risks in the future and/or obtain insurance with respect thereto. This could materially adversely affect the Bank's business, financial condition and/or results of operations.

Competition

The Nigerian market for financial services is highly competitive. The Bank principally competes with a number of other national banks. Although the Bank (along with United Bank for Africa Plc and Zenith Bank Plc) is recognized as one of the "Big 3" banks in Nigeria, there are a number of relatively new but successful banks with which the Bank competes. Some of these competitors may appropriate greater resources and be more successful in the development of technologically-advanced products and services that may compete directly with the Bank's products and services, thereby adversely affecting customers' acceptance of the Bank's products and/or leading to adverse changes in spending and saving habits of the Bank's customer base. If competitors are successful in developing products and services that are more effective or less costly than the products and services offered by the Bank, then the Bank's products and services may be unable to compete successfully. Even if the Bank's products and services prove to be more effective and/or less costly than those developed by its competitors, such competitors may be more successful in marketing their products and services than the Bank. The Bank may not be able to maintain its market share if it is not able to match its competitors' loan pricing or keep pace with their development of new products and services. Additionally, various international banks are increasing their presences and activities in Nigeria and compete with the Bank for its high net-worth and corporate clients.

While the Bank's management believes that it is well-positioned to compete, there can be no assurance that this competition will not increase or otherwise impact the Bank, which may require the Bank to lower its interest rates, increase its costs, lose market share or otherwise be negatively affected.

Potential Growth by Acquisition

The Bank has principally grown organically and the Bank's management believes that organic growth will continue to be a primary focus, including the increase in the Bank's branch network and continued growth in the retail loan market. Nevertheless, the Bank has considered and will continue to consider attractive opportunities for growth by acquisition, including the contemplated merger with Ecobank Nigeria. Unlike organic growth, for which both the business and cost increases are relatively predictable, growth by acquisition carries with it greater uncertainty – including with respect to the costs of integrating the acquired company's technology, processes and personnel, the impact of changing brand names and the greater demands placed upon the Bank's management. If the Bank acquires, is acquired by or merges with another entity, then there could be a material adverse effect on the Bank's business, financial condition and/or results of operations – including a reduction in the Bank's capital adequacy levels. The same may occur with respect to the contemplated combination with ETI.

Banking Reform and Regulatory System

The Nigerian banking system is underdeveloped when compared with those in the European Union and other developed nations, and Nigeria's banking industry has historically been characterized as highly-fragmented, poorly-capitalized and weakly-regulated. While the government has over recent years been attempting to bring banking regulations up to advanced Western standards, this process has been sporadic and it is unclear how legal and regulatory reforms and developments may affect the banking environment.

For example, on July 6, 2005, the Central Bank announced two new policy directives that have had significant impact upon the Nigerian banking industry. The first directive called for the phased withdrawal of public sector funds from the banking system. The Bank had ₦20.0 billion in parastatal funds as at December 31, 2006, which accounted for approximately 4% of deposits from customers.

The second directive required an increase of the minimum capitalization of all banks from ₦2 billion to ₦25 billion, effective December 31, 2005. The implementation of this directive led to the reduction of the number of Nigerian banks from 89 in June 2004 to 25 on December 31, 2006, including the Bank's acquisition of FBN (Merchant Bankers) Limited and MBC International Plc (two small banks that did not have sufficient capital and that have since been merged into the Bank). While the declared objectives of the new capitalization policy are to infuse public confidence in the banking system and to bolster the capacity of banks to fund development projects and compete effectively in global markets, it has not eliminated weak banks.

In addition, enforcement of regulatory standards may differ from those applicable to banks in more developed economies. This uncertain regulatory and enforcement environment might adversely impact the Bank and its business, financial condition, results of operations and/or prospects. See "Regulatory and Banking Environment" in Appendix C.

Banking and Authorized Dealership Licenses

Banking and related operations in Nigeria require licenses from the Central Bank and other authorities. The Bank and its subsidiaries have obtained such licenses in connection with their respective banking operations. Although the Bank and its subsidiaries have been successful in obtaining and maintaining such licenses (including an universal banking license that enables the Bank to operate in all traditional banking areas and an authorized dealership license under the provisions of the FOREX Act that enables the Bank to deal in foreign exchange), there is no assurance that the Bank and its subsidiaries will be able to obtain or (as applicable) maintain such licenses in the future.

In the event of the expiration or revocation of any of the licenses of the Bank and/or any of its subsidiaries, application for a replacement license could be a burdensome and time-consuming process. The licensing authority may, in its discretion, impose additional requirements or deny any request for new or extended licenses, which could adversely affect the Bank's business, financial condition, results of operations and/or prospects.

The revocation of a license, the breach of the terms of a license by the Bank or any of its subsidiaries or the failure of the Bank or any of its subsidiaries to obtain licenses in the future could result in the Bank and/or its subsidiaries being unable to continue some or all of its banking activities and in penalties such as fines imposed by the licensing authority. Any such failure could, in turn, affect the Bank's ability to fulfill payment obligations, either generally or under specific transactions, and could have a material adverse effect on the Bank's business, financial condition, results of operations and/or prospects. If the Central Bank were to suspend or revoke the Bank's universal banking license, then this would result in the Bank's inability to perform any banking operations and/or in a winding-up of its business (whether by way of bankruptcy proceedings or liquidation). The Bank has no grounds to believe that its licenses (including its universal banking license) or those of its subsidiaries will be revoked for any reason.

Measures to Prevent Money Laundering and/or Terrorist Financing

The Bank has implemented internal measures to prevent it from being used as a conduit for money laundering or terrorist financing. The Bank also has detailed procedures in place to comply with applicable anti-money laundering and anti-terrorist financing laws and regulations. There are statutory measures in place under Nigerian law to combat money laundering. The Money Laundering (Prohibition) Act of 2003 imposes a due diligence obligation on banks in Nigeria to be proactive in combating money laundering and terrorist financing. In addition, the Economic and Financial Crimes Commission (Establishment) Act of 2004 punishes offenses relating to financial malpractices. However, such measures and compliance may not be completely effective in preventing third parties from using the Bank as a conduit for money laundering or terrorist financing without the Bank's knowledge. If the Bank is associated with money laundering or terrorist financing, then its reputation could suffer, materially adversely affecting the Bank's business, financial condition, results of operations and/or prospects.

Changes in International Guidelines

In June 2004, the Basel Committee on Banking Supervision published a report entitled "International Convergence of Capital Measurement and Capital Standards: a Revised Framework", which sets out a new capital adequacy framework (commonly referred to as "*Basel II*") to replace the Basel Capital Accord issued in 1988. The Basel Committee initially intended for the new framework to be available for implementation in member jurisdictions as of year-end 2006, with implementation of some aspects delayed and individual member countries determining their own actual implementation schedules; *however*, in practice most nations have not yet implemented the Basel II framework. The Basel Committee members have encouraged authorities in all member jurisdictions to consider the readiness of their supervisory structures for the Basel II framework and recommended that they proceed at their own pace, based upon their own priorities.

The Central Bank has adopted Basel II by its Circular Ref: BSD/11/2003 dated August 4, 2003 and titled "Review of the Capital Adequacy Measurement," which became effective at the end of 2006. However, the measures introduced by this Circular are neither as far-reaching nor as comprehensive as is the case in several other developed and emerging jurisdictions. Further, among the changes implemented by Basel II is the use, in certain cases, of external credit assessments for determining risk weightings. There can be no assurance that if the Basel II guidelines were to be adopted in Nigeria in full that this would not require the Bank to require additional capital in order to maintain its asset base – in fact, the Bank's management believes that if it were to apply Basel II, its capital adequacy ratio would decrease due (*inter alia*) to the elimination of its ability to hold Nigerian government securities since the level of investment in government securities must be supported by appropriate capital.

Furthermore, Basel II is being adopted in many countries in which are organized banks that provide funding to the Bank, thus potentially causing the Bank's cost of funds to increase as Basel II is expected to require financial institutions lending to Nigerian banks to be subject to higher reserve requirements as a result of the credit risk rating of Nigeria. However, the Bank's management believes that foreign financial institutions already take into account the possible effects of the Nigerian sovereign in their capital requirements when pricing their lending activities to the country. See also "—Leverage and Refinancing Risk" above.

Shareholders of the Bank; Change of Control

The Bank's common shares are widely-held and no single shareholder or group exercises any material control over the Bank. As of December 31, 2006, First Dependant Nigeria Ltd (the manager of the Bank's staff pension fund) held 4.97% of the common shares of the Bank and was the Bank's largest shareholder. If circumstances were to arise where the interests of the Bank's shareholders (in particular large shareholders) were to conflict with the interests of investors, then investors in the Notes could be disadvantaged by any such conflict as the Bank's shareholders could take actions contrary to investors' interests.

Also, although it is in the best interest of investors in the Notes for the Bank to remain compliant with regulatory and contractual financial ratios, the Bank's shareholders (particularly as there is no controlling shareholder) may not be willing or able to provide any further capital contributions that may be necessary to ensure such compliance.

As a public company, it is possible that one person or group may acquire a large (or even controlling) interest in the Bank's shares on the market. It is also possible that a potential acquiror submits a proposal to the Board of Directors for a merger or acquisition of the Bank, which proposal the Board of Directors may accept as being in the best interests of the shareholders of the Bank. Should any such event occur, then the Bank's management and/or policies may be changed and/or such shareholder may act in a manner that is contrary to the interest of the Noteholders.

The Bank's Financial Reporting to Investors

The Bank currently is not required (and may not be required in the future) by Nigerian GAAP or any applicable principal trading markets to prepare detailed quarterly financial statements (including with notes thereto), only annual audited financial statements. While the Credit Agreement will require the delivery of certain limited quarterly financial statements, these are expected to be prepared in Nigerian Naira and in accordance with Nigerian GAAP and without detailed notes. Accordingly, there can be no guaranty that the next audited financial statements (expected to become available in June 2007) will not reflect changes that might alter an investor's (or potential investor's) view on making an investment in the Notes.

As the Annual Financial Statements and Interim Financial Statements are unconsolidated, they include certain intra-company transactions that would not be included in the Bank's consolidated accounts. While this results in an overstatement of revenues and certain other impacts, the Bank's management believes that all such effects are immaterial. For the fiscal year ended March 31, 2006, the subsidiaries of the Bank represented 12.5% of the condolidated group's total assets and 7.7% of the consolidated group's net income. For convenience of potential investors, the consolidated financial statements for the fiscal years ended March 31, 2005 and 2006 are included in Appendix A.

Accounting Standards

Nigerian GAAP differs in significant respects from IFRS. The Annual Financial Statements and Interim Financial Statements contained herein, all of which have been prepared in accordance with Nigerian GAAP, differ significantly from those reported based upon IFRS. See "Description of Certain Differences Between IFRS and Nigerian GAAP" set forth in Appendix B for a description of highlights of certain differences between IFRS and Nigerian GAAP.

Personnel

The Bank is dependent upon its senior management to implement its strategy and for the operation of its day-to-day business. In addition, retail, corporate and other business relationships of members of senior management are important to the conduct of the Bank's business. No assurance can be given that the key members of senior management will remain at the Bank or that such business relationships will endure if such members depart the Bank.

In addition, the Bank's continuing success depends, in part, upon its ability to attract, retain and motivate qualified and experienced banking and management personnel. The Bank's failure to recruit and retain necessary personnel (including due to the relative lack of qualified bankers in Nigeria), or the market-induced pressure to increase wages for qualified personnel, or the Bank's failure to manage its personnel successfully could have a material adverse effect on the Bank's business, financial condition, results of operations and/or prospects.

Dependence upon Information Technology Systems

The Bank's financial performance and its ability to meet its strategic objectives depend to a significant extent upon the functionality of its information technology systems and its ability to increase systems capacity. There can be no assurance that a disruption (even short-term) to the functionality of the Bank's information technology systems, delays or other problems in increasing the capacity of its information technology systems or increased costs associated with such systems will not have a material adverse effect on the Bank's business, financial condition, results of operations and/or prospects.

Litigation

The Bank, from time to time, may be a party to certain legal disputes and proceedings that may adversely affect the Bank's business, financial condition, results of operations and/or prospects. See "Description of the Bank—Litigation."

Risk Factors Relating to Nigeria

Any claims against the Bank pursuant to the Transaction Documents would be unsecured claims payable from, among other sources, the Bank's funds in Nigeria. The ability of the Bank to make any such payments from Nigeria will depend, among other factors, upon the Nigerian government not having imposed prohibitive foreign exchange controls, the Bank's ability to obtain Dollars in Nigeria and the Bank's ability to secure any applicable necessary approval from the relevant authority, which could be affected by the circumstances described below (among others). Furthermore, the Bank is predominantly engaged in business in Nigeria and its results of operations and financial condition are to a large extent dependent upon the overall level of economic activity and political stability in Nigeria. Even though in recent years Nigeria has experienced economic growth, Nigeria is an emerging market with significant instability, reliance upon oil exports and regulatory uncertainty. In general, investing in the securities of issuers such as the Bank that have operations primarily in emerging markets like Nigeria involves a significantly higher degree of risk than investing in the securities of issuers with substantial operations in the United States, the countries of the European Union or other similar jurisdictions. For further information on Nigeria, see Appendix D.

Political Considerations

After long periods of military rule and instability commencing shortly after its 1960 independence from the United Kingdom, Nigeria has recently undergone a substantial political transformation to a democratic government. Since the current democratic government ascended to power in 1999, Nigeria has enjoyed a period of relative political stability without the military coups that hindered earlier attempts at democratization. Currently, the country is preparing for nationwide elections to be held in April 2007, which elections will be of particular note as the current two-term President, Mr. Olusegun Obasanjo, will not run for re-election due to term limitations in effect. In March 2007, Vice President Atiku Abukabar was excluded from the final official list of presidential candidates by the electoral commission, although Abukabar has stated that he will contest his exclusion.

There can be no certainty as to how the government will be comprised after the upcoming elections or how much political turmoil will exist after the election. According to the Economist Intelligence Unit, in the Nigerian political system the competition for office is intense, with the political elite's occupation with efforts to influence the outcome of polls and retain political influence interfering with advancing political and economic reform. Following the failure of the widely unpopular bid to change the constitution to permit President Obasanjo to stand for a third term, most leading politicians have already begun to plan and actively campaign for what they anticipate to be a more open and closely-contested election than was the case in either 1999 or 2003.

Ethnic, religious, political and other divisions in Nigeria have, on occasion, given rise to tensions and, in certain cases, violent conflict. Since Nigeria's return to democratic rule in 1999, there has been an increase in political and religious conflict in the country, some of which can be attributed to fighting between Muslims and Christians over the spread of Islamic law (Sharia) across the northern part of the country. In addition, political unrest in the Niger Delta, Nigeria's oil-producing region, has escalated since 1999. Elections in 2003 heightened this tension and the violence in the Niger Delta area has increased as militia groups continue to fight for control over the oil wealth and greater regional autonomy, and this violence has significantly disrupted oil production. Rising political tension in the run-up to and after the April 2007 presidential elections could have an adverse effect on the Nigerian economy and on the Bank's financial results in particular.

Should the election and/or any change in government result in any changes to the Nigerian government's policies, including with respect to inflation, political reform or otherwise, such changes may adversely affect the Bank's business, financial condition, cash flows and/or results of operation.

Social Instability and Corruption

Social instability in Nigeria, coupled with difficult economic conditions, the failure of state and some private enterprises to pay salaries, benefits and pensions in full and on a regular and timely basis and the failure of salaries and benefits generally to keep pace with the rapidly increasing cost of living have led in the past, and could lead in the future, to labor and social unrest (particularly in urban areas) and increased support for a renewal of centralized authority, increased nationalism, restrictions on foreign involvement in the economy and/or increased violence. Economic mismanagement and corruption have long been problems that have plagued Nigeria. Within recent years, a number of government agencies have been created for the purpose of fighting corruption. While recent reports indicate that these anti-corruption measures have had some success, the levels of corruption within Nigeria continue to be very high and Nigeria is regularly ranked as one of the world's most corrupt and unstable nations.

It is also possible that the conflict currently under way in the volatile oil-producing areas of the Niger Delta, where a number of acts of sabotage were carried out against the multinational oil companies in 2006 and 2007, will escalate further in the run-up to the elections. The swampy and heavily forested terrain in the Niger Delta makes it difficult to use conventional military tactics to track down the vigilante groups orchestrating the attacks. Violence could break out in other potential hot spots such as the ethnically mixed cities of Lagos, Kano and Kaduna, where poverty is most visible and the population most cynical about corruption. Problems could also emerge in states such as Anambra, Plateau, Benue and Taraba, which all have a recent history of tension.

Additionally, Nigeria is commonly associated with a number of sophisticated fraudulent money transferring schemes. Advance fee fraud schemes (referred to in Nigeria as the "419" scam, named after a section of the Nigerian law that makes such schemes a crime) originating in Nigeria have been pervasive and have contributed to the widespread view of Nigeria as a corrupt nation. Some such fraudsters have used the Bank's name in such schemes and may continue to do so. While the Nigerian government has made efforts to reduce such activities, the proliferation of such scams has had significant adverse consequences on legitimate Nigerian businesses such as the Bank and are likely to continue.

The Bank's business, financial condition, results of operations and/or prospects could be materially adversely affected by illegal activities, corruption or claims alleging involvement in illegal activities.

Poor Condition of Nigeria's Physical Infrastructure

Nigeria's physical infrastructure is in poor condition, which could disrupt normal business activity for enterprises such as the Bank and its customers. Nigeria's physical infrastructure largely dates back to the late 1970s and has not been adequately funded and maintained over the past decades. Particularly affected are pipeline, rail and road networks, power generation and transmission, and communication systems. The government succeeded (through privatization) to a large extent in improving telephony services in Nigeria and is considering plans to reorganize the nation's rail, electricity and road systems. Any such reorganization may result in increased charges and tariffs while failing to generate the anticipated capital investment needed to repair, maintain and improve these systems. The continued deterioration of Nigeria's physical infrastructure may harm the national economy, disrupt the transportation of goods and supplies, add costs to doing business in Nigeria and interrupt business operations, all of which could have a material adverse effect on the Bank's business, financial condition, results of operations and/or prospects.

International Relations

Shifts in the foreign policy of the Nigerian government and changes in its key global relationships could adversely affect the Nigerian political and economic environment in general and, thus, the Bank's business, financial conditions, results of operations and/or prospects. While there is increasing trade with emerging markets like South Africa, China and India, Nigeria's exports (such as oil) are commodity-driven and are heavily oriented towards developed nations. Due to the unpredictability of the Nigerian political and macro-economic environments, there can be no assurance that Nigeria's political relationships with key trading partners will not deteriorate. Any deterioration in relations with any one or more other nations could result in a lower volume of exports and/or a lower volume of inbound investment and other transfers and, thus, have a significant negative affect on the Bank's business, financial conditions, results of operations and/or prospects.

Nigerian Macroeconomic Considerations

The Nigerian economy is highly dependant upon the value of its oil and gas exports. According to Fitch, in 2005 oil accounted for one-quarter of Nigeria's gross domestic product ("*GDP*"), 85% of its government revenue and over 90% of its export earnings. Although the Nigerian government continues to attempt to diversify the national economy, increase its macroeconomic stability and enhance the transparency and accountability of public sector policies, these efforts have so far had limited success and Nigeria thus continues to suffer from a fragile macroeconomic environment and an economy that is susceptible to external and domestic shocks. Decades of economic mismanagement, a relatively short history of economic reforms and a weak debt servicing history contribute to Nigeria's economic challenges.

The Nigerian economy has benefited significantly from the recent increases in global oil prices and, in October 2005, Nigeria's agreement with the Paris Club to cancel US$30.9 billion of Nigeria's external debt. These events have combined to strengthen the country's financial position significantly, and Nigeria currently has only very limited amounts of international debt and strong inflows of foreign currency. While the price of oil is volatile, and has more recently declined significantly from peaks reached in 2006, the benefits of the reduction of Nigeria's international debt is expected to provide some greater stability and flexibility in the government's budget and greatly reduce its annual debt-servicing needs.

Recognizing this opportunity to strengthen Nigeria's finances, the government instituted a rule requiring it to save oil revenue in excess of the budget reference price of US$40.00 per barrel. This policy contributed to a significant build-up in international reserves (US$40.0 billion as of December 31, 2006 according to the Central Bank) and, along with tighter monetary policy by the Central Bank, contributed to an environment of lower inflation (17.9% in 2005 and 8.5% in 2006 according to the Central Bank). The opportunity provided by oil price increases also enabled the 2006 GDP to increase approximately 5.6% according to the Central Bank. However, a general concern is that, despite the robust growth of recent years, its impact on reducing poverty has been far less than the headline figures indicate because of the economy's heavy dependence upon the oil and gas sector, which has few linkages to the rest of the economy and tends not to create significant new employment.

A decision by the Central Bank in June 2006 to raise the minimum rediscount rate (MRR) by 1%, to 14%, was a surprising move in the current political climate as most political pressure is aimed at keeping interest rates low in order to boost non-oil economic activity. The increase is considered by the Bank to be an effort to persuade the sceptical local financial market that the government is determined to keep a tight grip on the economy - and inflationary pressures in particular - in the typically free-spending pre-election environment.

This increase was also the first change in the benchmark interest rate since February 2005. At that time, the rate was reduced from 15% to 13% when the Central Bank committed itself to a more interventionist interest rate policy, claiming that it would review the rate on a quarterly basis depending upon trends in the seasonally-adjusted inflation rate (although in the end the rate remained unchanged under the June 2006 increase). At the same time as the increase in the interest rate, the Central Bank's governor announced that he was working on a new framework for monetary policy that would include "fundamental changes." Details of this, however, have been limited; *however*, given the pressures on the government to boost spending, the political uncertainty in the run-up to the elections and the difficulty of controlling the excess liquidity in the economy caused by high oil prices, the Bank's management believes that the Central Bank will struggle to reduce inflation to single digits over the coming years.

The Bank's banking and other businesses are significantly dependent upon its customers' ability to make payments on their loans and meet their other obligations to the Bank. If the Nigerian economy declines because of, among other factors, the level of economic activity, devaluation of the Naira, inflation or an increase in domestic interest rates, then a greater portion of the Bank's customers may not be able to repay loans when due or to meet their other debt service requirements, which would increase the Bank's past due loan portfolio and could materially reduce its net earnings and its capital levels.

Inflation

Inflation itself and governmental measures to combat inflation have in the past had significant negative effects on the Nigerian economy. Inflation, actions taken to combat inflation and public speculation about possible future actions have also contributed to economic uncertainty in Nigeria and to heightened volatility in the Nigerian securities markets.

In 1995, the Nigerian government began implementing measures to address the country's high rate of inflation. By 1996, the government's policy of expanded production through guided deregulation decreased the rate of inflation from annual rates in the high seventies to the low twenties. In April 2000, the rate of inflation fell to 0%. However, in 2006 inflation was 8.5% according to the Central Bank. Although Nigeria's goal is to reduce inflation to the single digits, there can be no assurance that inflation rates will meet the government's expectations. If Nigeria experiences substantial inflation in the future, then the Bank's costs may increase, and, if not accompanied by a corresponding increase in interest rates, then its operating and net margins may decrease, and this decrease may adversely affect its ability to fulfill its obligations under the Transaction Documents. Inflationary pressures may also curtail the Bank's ability to access foreign financial markets and may lead to further government intervention in the economy, including the introduction of government policies that may adversely affect the overall performance of the Nigerian economy.

Access to International Funding

Nigeria in the past has received substantial financial assistance from several foreign governments and international organizations, including the International Monetary Fund and the debt relief described in "—Nigerian Macroeconomic Conditions" above. This financial assistance has proven to be essential in Nigeria's recovery from past macro-economic crises, but no assurance can be given that further financial assistance will be provided to Nigeria should it be needed. Moreover, due to previous defaults on certain obligations and other factors, the Nigerian government may be unable to raise funds on the international capital markets, which may lead to direct or indirect monetary financing of the budget, putting pressure on inflation and the value of the Nigerian Naira.

The increased rates of inflation or devaluation arising from the need to resort to monetary financing of the budget in the absence of access to international funding or in the event of a sharp and prolonged downturn in natural resources prices could have a material adverse effect on the Nigerian economy and thus on the Bank. However, the Nigerian government has been using recent budget surpluses resulting from the high price of oil to make substantial early repayments on Nigeria's external debt and, in the second quarter of 2006, Nigeria paid off all of its Paris Club debt (much of which had also been forgiven as described above). In addition, in the first quarter of 2007, Nigeria signed a deal to release it from most of its US$512 million debt to London Club creditors. Such early repayments and the rising foreign currency reserves held by the Central Bank have had a positive effect on Nigeria's investment rating and standing in international capital markets. Nevertheless, there can be no assurance that these positive factors will continue in the future, particularly if the price of oil and other commodity-related export products declines.

Government's Role in the Economy

The Nigerian government has exercised and continues to exercise significant influence over many aspects of the Nigerian economy. The 1999 Constitution of the Federal Republic of Nigeria requires the government to pursue the following ideals and objectives (*inter alia*): (a) harness the nation's resources towards a dynamic and self reliant economy, (b) regulate the economy in a manner that ensures maximum welfare of every citizen on the basis of social justice and equal treatment and (c) participate in major and minor sectors of the economy in deserving cases so as to protect the rights of every citizen. In order to achieve the aforementioned ideals and objectives, the 1999 Constitution mandates the government to steer its policy towards ensuring: (i) planned and balanced economic development, (ii) development and distribution of the nation's material resources in a manner that serves the common good as best as possible, (iii) that the economic system is not operated in a manner that permits the concentration of wealth, means of production and exchange in the hands of a few individuals and groups of people and (iv) that suitable and adequate shelter, suitable and adequate food, reasonable national minimum living wage, old age care and pensions, unemployment and sick benefits and welfare for the disabled are provided for all Nigerians.

Although the Bank's management believes that the current government of Nigeria continues to make important contributions towards the aforementioned goals, there can be no assurance that such will continue, that a new government will prioritize such ideals and objectives or that the government's pursuit of such goals will not require increased taxes and/or other market-altering measures. Any material change in the government's role in the economy, including any greater nationalization or privatization, could result in a material disruption of the Nigerian economy and have a material negative effect on the Bank's business, financial conditions, results of operations and/or prospects.

Exchange Rates

Historically, the value of the Naira has fluctuated significantly from time to time, including as a result of the movement in oil prices. "Exchange Rates" below provides information on the recent history of the Naira value versus the Dollar.

While there appears to be a growing use of the Naira in neighboring West African countries, the Nigerian Naira is not convertible outside Nigeria. A market exists within Nigeria for the conversion of Nigerian Naira into other currencies, but it is limited in size and there can be no assurance that such a market will continue indefinitely. Moreover, the banking system in Nigeria is not as developed as its Western counterparts and considerable delays could occur in the transfer of funds within, and the remittance of funds out of, Nigeria, including for the Bank's payment under the Transaction Documents.

The Governor of the Central Bank has proposed the creation of a single currency amongst Anglophone country members of the Economic Community of West African States (the "*ECOWAS*"), which currency would function in a manner similar to the Euro. While the intention of this proposal is (*inter alia*) to provide greater stability to the currencies of member nations, reduce the costs of cross-border transactions and insulate currencies against political considerations of any one country, this proposal is not expected by the Bank's management to be implemented before the Maturity Date. Should such proposal be implemented before the Maturity Date, such a change may negatively affect the Nigerian economy and might adversely impact the Bank and its business, financial condition, results of operations and/or prospects.

Exchange Controls

There is no longer any materially restrictive currency control legislation in Nigeria. The FOREX Act was enacted to deregulate the foreign exchange regime in the country. The FOREX Act created the Autonomous Foreign Exchange Market ("*AFEM*") and paved the way for foreign exchange transactions in the AFEM through licensed banks subject to the control of the Central Bank. The FOREX Act dispenses with the need to obtain approvals from the Federal Ministry of Finance in order to engage in foreign exchange transactions as was required under the now-repealed Exchange Control Act, 1962. Except for prohibited transactions, the FOREX Act guarantees capital imported into Nigeria by way of equity or loan, unconditional convertibility and transferability out of the country.

There can be no assurance that the Nigerian government will not institute restrictive currency and exchange control policies in the future, including restrictions on convertibility and/or transferability of foreign currencies. Any such restrictive exchange rate policy could affect the Bank's ability to engage in foreign exchange activities, could materially adversely affect its ability to pay its obligations under the Transaction Documents and could also have a material adverse effect on the Bank's business, results of operations, financial condition and/or prospects.

Nigerian Banking System

The Nigerian banking industry benefited from a significant bank reform program in 2005, which has redefined the country's financial services sector. As part of this process, the Central Bank prescribed a ₦25 billion minimum capital requirement for banks in the country after December 31, 2005. The program resulted in the consolidation of the numerous small Nigerian banks to approximately 25 banks, thereby creating what is intended to be a stronger and more effective banking system in the country.

Notwithstanding the improvements from this program, the Nigerian banking sector remains in a nascent state compared to that of its Western counterparts. It is unclear how legal and regulatory developments in the future may affect the competitive banking landscape in Nigeria and whether it will significantly advantage certain banking activities. No assurance can be given that the regulatory environment in which the Bank operates in Nigeria will not change in a manner that has a material adverse effect on its ability to compete and thus on its business, financial condition, results of operations and/or prospects.

The Bank is subject to a number of banking and other regulations designed to maintain the safety and financial soundness of banks, ensure their compliance with economic and other obligations and limit their exposure to risk. These regulations include Nigerian laws and regulations (and in particular those of the Central Bank), as well as laws and regulations of certain other countries where the Bank and its subsidiaries operate. These regulations may increase the Bank's cost of doing business or limit its activities. In addition, a breach of regulatory guidelines could expose it to potential liabilities or sanctions. Changes in these regulations may have a material effect on the Bank's business and operations. As some of the new banking laws and regulations issued from regulatory institutions have only recently been adopted as discussed above, the manner in which those laws and regulations are applied to the operations of financial institutions is still evolving. Laws or regulations might be adopted, enforced or interpreted in a manner that could have an adverse effect on the Bank's business, financial condition, cash flows and/or results of operations. Moreover, any failure by the Bank to adopt adequate responses to such changes in the regulatory framework may have an adverse effect on the Bank’s business, financial condition, cash flows and/or results of operations. See Appendix C for a further discussion of the Nigerian banking regulatory environment.

Government Default

Nigerian banks have traditionally invested a portion of their assets in securities issued by the Nigerian government. In the Annual Financial Statements for the fiscal year ended March 31, 2006, 76.7% of the Bank’s total securities holdings (and 9.1% of its total assets) was invested in securities issued by the Nigerian government (85.9% and 15.2% as of December 31, 2006). In addition to any direct losses that the Bank might incur, a default by the Nigerian government in making payments on its securities would likely have a significant negative impact on the Nigerian banking system generally and thus may significantly adversely affect the Bank’s business, financial condition, cash flows and/or results of operations.

Corporate Disclosure

A principal objective of the securities laws of the United Kingdom and other Western countries is to promote the full and fair disclosure of material corporate information to the investing public. Nigerian companies are subject to less stringent Nigerian disclosure requirements. While the Bank (like other banks in Nigeria) has additional disclosure obligations to Nigerian bank regulatory bodies, there will likely be less or different publicly available information regarding the Bank than is regularly published by or about public companies in the European Union or in certain other countries with highly developed capital markets and more comprehensive systems of securities regulation. In addition, unlike companies in some jurisdictions that are required to publish quarterly or semi-annual financial statements, the Bank is only required under Nigerian GAAP to publish annual audited accounts. As such, the Credit Agreement will require the Bank to provide a consolidated balance sheet and income statement at least quarterly, which accounts may be either in Nigerian GAAP or IFRS. Annual accounts must be audited. Quarterly accounts are not required to be audited and, thus, the accounts delivered to investors in the Notes may only be management accounts. The more limited information on the Bank available publicly may negatively affect the ability of an investor (or potential investor) to make decisions regarding an investment in the Notes, including the future trading thereof, and also on the market value of the Notes.

Reliability of Official Data

Official statistics and other data published by Nigerian federal, regional and local governments and federal agencies are substantially less complete or reliable than those of Western countries, and there can be no assurance that the official sources from which some of the information set forth herein has been obtained are reliable or complete. Official statistics may also be produced using different bases than those used in Western countries. Any discussion of matters relating to Nigeria herein must therefore be subject to uncertainty due to concerns about the completeness or reliability of the available official and public information.

Emerging Market Risks

Emerging markets such as Nigeria are subject to greater risks than more developed markets. Financial turmoil in any emerging market could disrupt business and cause the price of the Notes to suffer. Moreover, financial turmoil in emerging markets tends to adversely affect stock prices and debt securities prices of other emerging markets as investors move their money to more stable and developed markets. An increase in the perceived risks associated with investing in emerging economies could dampen capital flows to Nigeria and adversely affect the Nigerian economy. There can be no assurance that investors’ interest in Nigeria will not be negatively affected by events in other emerging markets or the global economy in general.

Risk Factors Relating to the Notes

Limited Security for Repayment and Limited Recourse Obligations of the Issuer

The Notes will be limited recourse obligations of the Issuer, with recourse being limited to the Collateral. The Notes will not be an obligation or responsibility of, or be guaranteed by, any other person or entity. None of the members, officers, directors or incorporators of the Issuer, the Bank, the Indenture Trustee, any of their respective affiliates or any other person will be obligated to make payments on the Notes. The Issuer will have no material assets available for payments on the Notes other than the assets comprising the Collateral. There can be no assurance that the distributions on the Collateral will be sufficient to make payments on the Notes. Consequently, investors in the Notes must rely solely upon amounts received in respect of the Collateral for the payment of principal and interest on the Notes and other payments under the Transaction Documents. After the Collateral has been fully realized and exhausted, the Indenture provides that all sums due but still unpaid in respect of the Issuer's obligations under the Notes and the other Transaction Documents will be extinguished.

Subordinated and Unsecured Claims Against the Bank

The Loan will be subordinated in right of payment to all of the Senior Obligations, which include the Bank's depositors, statutory preferred creditors under the Companies and Allied Matters Act, 1990 (as amended) (the "*CAMA*") trade creditors and other unsecured creditors. By reason of the subordination of the Loan, in the event of the Bank's bankruptcy, winding up, dissolution or similar events, although the Loan and any accrued interest thereon will become immediately due and payable as described in "Summary of Terms—Defaults" above, the Bank's assets will be available to pay such amounts only after the Senior Obligations have been paid in full. Unless the Bank has assets remaining after making such payments, the Issuer will not have sufficient funds to make payments on the Notes.

All claims against the Bank pursuant to the Transaction Documents (including for principal and interest on the Loan) will be unsecured and (other than certain fees and expenses payable to the Indenture Trustee) subordinated claims against the Bank. In the event of any such claim, the investors in the Notes, the Indenture Trustee and the Issuer would have no right, title or interest in, lien or encumbrance over or preference, privilege or priority whatsoever with respect to any assets of the Bank. See "Certain Legal Aspects Relating to the Transaction."

No Limitation on Issuing Senior or Pari Passu Obligations

There is no restriction in the Transaction Documents on the amount of obligations that the Bank may issue that rank senior to or *pari passu* with the Loan. The incurrence of any such obligations may reduce the amount recoverable by the Issuer (and, hence, by the Noteholders) on a bankruptcy, winding up, dissolution or similar event of the Bank.

Limited Remedies

Payments of principal on the Loan may be accelerated only in the event of certain events involving the Bank's bankruptcy, winding up, dissolution or similar events as described in "Summary of Terms—Defaults" above. While the Interest Rate would increase pursuant to the proviso to the definition of "Interest Rate," there is no right of acceleration in the case of any other Default.

Notes Rating

It is a condition to issuance of the Notes that they be rated at least "B" by S&P. The rating addresses the likelihood of timely payment of interest at the Interest Rate on each Payment Date and the ultimate payment of principal for the Notes (*i.e.*, on the Maturity Date). A rating is not a recommendation to buy, sell or hold the Notes (or beneficial interests therein) inasmuch as such rating does not comment on the market price or suitability for a particular investor. There is no assurance that the rating will remain in effect for any given period of time or that it will not be lowered or withdrawn by S&P if, in its judgment, circumstances so warrant. The assigned rating may be raised or lowered depending, among other factors, upon S&P's assessment of the Bank's financial strength, as well as its assessment of Nigerian sovereign risk and the Nigerian economy and circumstances generally. A rating does not address the possibility of the occurrence of a Default or the likelihood of payment of any Additional Amounts.

Limited Liquidity; Absence of Trading Market

The Notes constitute a new issue of securities for which there is no existing market, and there can be no assurance regarding the future development of a market for the Notes, the ability of the Noteholders (or Note Owners) to sell their Notes (or beneficial interests therein) or the price at which the Notes (or beneficial interests therein) may be sold. An application has been made to the Irish Financial Services Regulatory Authority, as competent authority under Directive 2003/71/EC, for the Offering Circular to be approved. Application has also been made to the Irish Stock Exchange for the Notes to be admitted to its "Official List" and trading on its regulated market; *however*, no assurance can be given that such application will be approved. The Managers are not obligated to facilitate trading in the Notes (or beneficial interests therein) and any such activities, if commenced, may be discontinued at any time, for any reason, without notice. If the Managers do not facilitate trading in the Notes (or beneficial interests therein) for any reason, then there can be no assurance that another firm or person will do so. In addition, trading or resale of the Notes (or beneficial interests therein) may be negatively affected by other factors described in this Offering Circular arising from this transaction or the market for securities of Nigerian issuers generally.

Restrictions on Transfer

The Notes have not been and are not expected to be registered: (a) under the Securities Act or ISA or any applicable state's or other jurisdiction's (including Nigeria's or the Cayman Islands') securities laws or (b) with the SEC or any other applicable state's or other jurisdiction's (including Nigeria's or the Cayman Islands') regulatory authorities. The offering of the Notes (and beneficial interests therein) will be made exclusively to non-U.S. persons outside of the United States pursuant to the Regulation S exemption from the registration provisions of the Securities Act and pursuant to exemptions from registration or qualification under the securities laws of other jurisdictions. Accordingly, reoffers, resales, pledges and other transfers of the Notes (and beneficial interests therein) are subject to the restrictions described under "Notice to Investors" and may be subject to other restrictions. Each investor is advised to consult legal counsel in connection with any such reoffer, resale, pledge or other transfer.

Because transfers of interests in the Global Note can be effected only through book entries at Clearstream and Euroclear, the liquidity of any secondary market for the Global Note may be reduced to the extent that some investors are unwilling to hold Notes in book-entry form in the name of a participant in Clearstream or Euroclear, as applicable. The ability to pledge interests in the Global Note may be limited due to the lack of a physical certificate. Beneficial owners of the Global Note may, in certain cases, experience delay in the receipt of payments of principal and interest since the Indenture Trustee will forward such payments to Clearstream or Euroclear, as applicable. Those clearing agencies will then forward payment to their respective customers, who (if not themselves the beneficial owners) will thereafter forward payments to the beneficial owners of the Global Note. In the event of the insolvency of Clearstream, Euroclear or any of their respective participants in whose name interests in the Global Note are recorded, the ability of beneficial owners to obtain timely or ultimate payment of principal and interest on the Global Note may be impaired.

Legal risks

The independence of the judiciary in Nigeria is provided for under the 1999 Constitution of the Federal Republic of Nigeria; *however*, certain elements of the judiciary are considered not to have fulfilled their responsibilities under the Constitution. Nevertheless, the Bank's management believes that, in general, the Supreme Court and other Nigerian courts guard the independence of the judiciary jealously and that, while there are elements of inconsistency, there is a large jurisprudence of Nigerian superior courts that resolves issues in accordance with the law and in a commercially reasonable manner.

Although Nigerian judges may not be exposed to adjudicating disputes on international commercial transactions as frequently as their counterparts in developed countries, the Bank's management believes that Nigerian judges generally possess the requisite knowledge and experience to interpret new legal norms and complex transactions – particularly at the more senior levels of the judicial system. Foreign judgments and foreign arbitral awards are enforceable in Nigeria once they meet the clear provisions of Nigerian law.

Notwithstanding the above, risks associated with the Nigerian legal system include (*inter alia*): (a) the uncertain nature of the independence of the judiciary and the level of its immunity from economic, political or nationalistic influences, (b) inconsistencies among laws, Presidential pronouncements and government and ministerial orders and resolutions, (c) the insufficient judicial or administrative guidance on interpreting the applicable laws, (d) a high degree of discretion on the part of judicial officers, (e) conflicting local and federal laws and regulations, (f) the relative inexperience of judges and courts in interpreting new legal norms and complex transactions, (g) a tendency towards formalism in both its procedures and legal analysis, (h) long delays in reaching resolution due (among other reasons) to a lack of resources and (i) the unpredictability of enforcement of foreign judgments and foreign arbitral awards. Such risks may have both a negative impact on the Bank's business, financial condition, cash flows and/or results of operation and a negative impact on the ability of the Issuer, the Indenture Trustee and the investors in the Notes to enforce a claim against the Bank under the Transaction Documents.

Foreign Judgments or Arbitral Awards

The law on recognition and enforcement of foreign judgments in Nigeria is the Foreign Judgment Reciprocal Enforcement Act Cap. 152 LFN 1990. For any foreign judgment to benefit from the procedure provided under this statute, the applicable jurisdiction must have a bilateral arrangement with Nigeria. However, Nigeria is not a party to multilateral or bilateral treaties with a number of Western jurisdictions (including the United States) for the mutual enforcement of court judgments, and thus judgments from courts of such countries would not be given direct recognition under this statute. It should be noted, however, that judgments from such countries may be recognized and enforced under common law rules, which are largely based upon comity.

However, Nigeria is a party to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, and the Transaction Documents contain a provision allowing for the arbitration in London, England of disputes against the Bank. A foreign arbitral award obtained in a state that is party to that Convention, which includes the United Kingdom, would be recognized and enforced by a Nigerian court subject to the qualifications provided for in the Convention and compliance with Nigerian civil procedure regulations and other procedures and requirements established by Nigerian legislation.

Certain mandatory provisions of Nigerian law may apply to the enforcement of the Transaction Documents against the Bank. Specifically: (a) except as described in clause (c), a Nigerian company's liabilities to unsecured creditors rank *pari passu*, (b) secured creditors and statutorily preferred creditors under CAMA take precedence over unsecured creditors and (c) in the case of the winding up of a bank, its assets in the country will be available to meet the deposit liabilities of the bank, which deposit liabilities supersede all other unsecured liabilities of the bank.

Choice of Law

Given that the Transaction Documents are governed by New York law, it is important to note that under Nigerian law, Nigerian persons, including the Bank, are permitted to choose foreign law as the governing law of their agreements with foreign persons. It should be noted, however, that the recognition and application of foreign law in Nigeria may be limited on the following grounds: (a) where foreign revenue, penal and other public laws are involved, (b) foreign expropriatory legislation, (c) foreign laws contrary to Nigerian public policy and (d) foreign laws contrary to Nigerian mandatory rules. As the Transaction Documents are governed by non-Nigerian law, the above rules would apply should any legal proceeding related to the Transaction Documents be reviewed by a Nigerian court.

In addition, there can be no guaranty that a Nigerian court would be able to ascertain the meaning and content of a foreign law, that it would apply such foreign law in the same manner as would a court of the relevant jurisdiction, that it would not find that some "mandatory provision" of Nigerian law should apply to the transactions effected thereby or that it would not find that the application of such laws would not be contrary to the public policy in Nigeria.

No Guaranty of Prepayment; Change in Interest Rates

The Credit Agreement will provide that the Loan (and hence the Notes) will not receive distributions of principal until the Maturity Date, except in the event of a Default that results in the acceleration of the Loan (and hence the Notes) or if the Bank causes the Issuer to prepay all or any portion of the Notes in the manner provided in "Summary of Terms—Optional Prepayment" above. The Bank has no obligation to effect such prepayment and its decision to do so will be based upon its then-current capital adequacy and other financial position, the relative cost (and availability) of other available funds (including after considering the change in Interest Rate from the March 2012 Payment Date and other considerations. In particular, as a result of the change from a fixed interest rate to a rate based upon Three-Month LIBOR, it is possible that the Interest Rate for some or all of the period from the March 2012 Payment Date may be less than the Interest Rate before such date. See "Description of the Notes and the Other Transaction Documents—Notes and Indenture—Mandatory Prepayment" and "—Optional Prepayment").

Nigerian Bankruptcy Law

The Nigerian bankruptcy law is very similar to pre-1900 English law. Although the jurisprudence of Nigerian courts is relatively clear on how the Bank's assets would be applied to its liabilities in the event of its being wound up, there is little precedent to predict how claims against the Bank under the Transaction Documents would be resolved in the case of its bankruptcy. For example, there are no detailed rules or guidelines on the concept of subordination in Nigerian law. Nevertheless, as the Loan is intended to be fully subordinated to the Senior Obligations, any such lack of clarity as to allocations of the Bank's assets among its other creditors would not necessarily have a negative effect on investors in the Notes other than the potential delay in distributions from the Bank's bankruptcy estate.

Certain Other Risk Factors

Issuer's Financial Reporting to Investors

The Issuer does not intend to provide to any Noteholder or Note Owner any financial information, including any that has been examined and reported upon, with an opinion expressed, by an independent public accountant.

Issuer may be deemed to be an "investment company" under the U.S. Investment Company Act of 1940

The Issuer has not been, and will not be, registered with the United States Securities and Exchange Commission (the "*SEC*") as an investment company pursuant to the United States Investment Company Act of 1940, as amended (the "*1940 Act*"), as it is not presently (and has no future intention) of offering any of its securities (including the Notes) in the United States or to U.S. persons. Counsel will opine, in connection with the initial distribution of the Notes, that the Issuer is not on the Closing Date an investment company required to be registered under the 1940 Act (assuming, for the purposes of such opinion, that the Notes are sold exclusively outside the United States to non-U.S. persons in accordance with Regulation S). No opinion or no-action position has been requested of the SEC with respect to the status of the Issuer as an investment company under the 1940 Act.

If the SEC or a court of competent jurisdiction were to find that the Issuer is required, but in violation of the 1940 Act had failed, to register as an investment company, possible consequences include (without limitation) the following: (a) the SEC could apply to a U.S. district court to enjoin the violation, (b) investors in the Issuer could sue the Issuer and recover damages caused by the violation and (c) any contract to which the Issuer is a party that is made in, or whose performance involves a, violation of the 1940 Act would be unenforceable by any party to the contract unless a court were to find that under the circumstances enforcement would produce a more equitable result than non-enforcement and would not be inconsistent with the purposes of the 1940 Act. Should the Issuer be subjected to any or all of the foregoing, the Issuer and investors in the Notes might be materially and adversely affected.

Taxation

For a discussion of certain Nigerian and Cayman Islands tax considerations with respect to purchasing or holding the Notes (or beneficial interests therein), see "Taxation."

EU Savings Tax Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each member state has been required, since July 1, 2005, to provide to the tax authorities of another member state details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other member state. However, Austria, Belgium and Luxembourg are required instead to apply a withholding system for a transitional period in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period commenced on July 1, 2005 and terminates at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. A number of non-EU countries and territories, including Switzerland, have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date. Therefore payment of interest on the Notes that are made or collected through Belgium, Luxembourg, Austria or any other relevant country may be subject to withholding tax that would prevent investors in the Notes from receiving interest on the Notes in full.

THE ISSUER

The Issuer was incorporated under the laws of the Cayman Islands as an exempted company with limited liability on February 26, 2007, and is neither owned nor controlled by the Bank. The registered office of the Issuer is P.O. Box 1093GT, Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands. The registration number for the Issuer is MC-182726. Copies of the Memorandum and Articles of Association of the Issuer and the latest audited financial statements of the Bank will be available for inspection at the registered office of the Issuer and, so long as the Notes are listed on the "Official List" of the Irish Stock Exchange, free of charge through the Irish Paying Agent (initially Deutsche International Corporate Services (Ireland) Limited), with whom a copy of the Memorandum and Articles of Association of the Issuer will be deposited in both electronic and hardcopy form, for the life of the Notes.

The business of the Issuer is limited to: (a) the issuance and sale of the Notes pursuant to the Indenture, (b) the use of proceeds of the issuance of the Notes to make the Loan to the Bank on the Closing Date, (c) the use of payments made to the Issuer in respect of the Loan, among other things, to pay interest and principal on the Notes and other payments under the Transaction Documents and (d) taking such other actions as the Directors of the Issuer consider to be necessary or incidental to give effect to the foregoing, including entering into the Transaction Documents; *provided* that, other than for the Loan, no loans shall be made by the Issuer to any person and, except for the Notes and as expressly permitted in the Indenture, no other indebtedness (including under any derivatives) shall be incurred by the Issuer.

Capitalization

The authorized share capital of the Issuer is US$50,000 divided into 50,000 shares of US$1.00 par value each, 250 of which have been issued. All of the issued shares (the "*Shares*") are fully-paid and are held by Maples Finance Limited as share trustee (in such capacity, the "*Share Trustee*") under the terms of a declaration of trust (the "*Declaration of Trust*") dated March 23, 2007 under which the Share Trustee holds the Shares in trust until the Termination Date (as defined in the Declaration of Trust) and may only dispose or otherwise deal with the Shares to or with a person previously approved by the Indenture Trustee for so long as there are Notes outstanding. Prior to the Termination Date, the trust is an accumulation trust, but the Share Trustee has power, with the consent of the Indenture Trustee, to benefit the Noteholders or Qualified Charities (as defined in the Declaration of Trust). It is not anticipated that any distribution will be made while any Note is outstanding. Following the Termination Date, the Share Trustee will wind up the trust and make a final distribution to charity. The Share Trustee has no beneficial interest in, and derives no benefit (other than its fee for acting as Share Trustee) from, its holding of the Shares. Maples Finance Limited is a trust company duly incorporated, validly existing and licensed to undertake trust business pursuant to the provisions of the Banks and Trust Companies Law (2003 Revision) of the Cayman Islands, with its registered office at P.O. Box 1093GT, Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands.

On the Closing Date, the capitalization of the Issuer, after giving effect to the issuance of the Notes, will be as follows:

Equity: 250 issued and fully paid shares of US$1.00 par value each....	US$ 250
Debt: Notes	US$175,000,000
Total Capitalization:	US$175,000,250

As of the date of this Offering Circular, the Issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities. There has been no change in the capitalization of the Issuer since the date of its incorporation other than the issuance of its equity as noted above.

Business

The Issuer has no subsidiaries and has no employees. The Issuer was incorporated for the sole purpose of entering into the transactions contemplated hereby. The only business of the Issuer is and will be as set forth above.

The Issuer has and will have no assets other than the proceeds of the issuance of its share capital, any transaction fees earned, the bank account into which such paid up share capital and transaction fees are deposited and the Collateral (including its rights under the Transaction Documents) and, after the Closing Date, is not expected to have any material liabilities other than those directly related to the issuance of the Notes and the other Transaction

Documents. There will be no recourse against the Bank for the Issuer's obligations; *however*, the Bank will be obligated to pay certain amounts (including Additional Amounts, certain administrative expenses and the Prepayment Price) in certain circumstances, in addition to its obligations to pay interest and principal on the Loan.

The Notes are the obligations of the Issuer alone and not the Share Trustee.

Financial Statements/Litigation

For so long as the Notes are outstanding, copies of the constitutional documents of the Issuer will be available upon request at its registered office. As the Issuer is newly incorporated and has not commenced any operations, it has not prepared any financial information since its date of incorporation and it does not intend to provide to any Noteholder or Note Owner any financial information, including any that has been examined and reported upon, with an opinion expressed, by an independent public accountant. From the date of its incorporation and as of the date of this Offering Circular, there have been no governmental, legal or arbitration proceedings against the Issuer, including any such proceedings that are pending or threatened of which the Issuer is aware, which may have or have had a significant effect on the Issuer's financial position.

Management

Pursuant to an administration agreement (the "*Administration Agreement*"), dated March 23, 2007, between Maples Finance Limited, as the administrator (in such capacity the "*Administrator*"), and the Issuer, the Administrator will provide in and from within the Cayman Islands certain management, clerical, administrative and other services for the Issuer. In addition, pursuant to the Administration Agreement the Administrator will provide the directors of the Issuer. The Administrator will be entitled to certain fees and the reimbursement of expenses as provided in the Administration Agreement. The Administrator will agree in the Administration Agreement not to undertake actions inconsistent with the Memorandum and Articles of Association of the Issuer, the Indenture and the other Transaction Documents. The terms of the Administration Agreement provide that the Issuer may terminate the appointment of the Administrator by giving at least 14 days' notice to the Administrator at any time within 12 months of the happening of any of certain stated events, including any breach by the Administrator of its obligations under the Administration Agreement. In addition, the Administration Agreement may be terminated (other than as stated above) by either the Issuer or the Administrator giving the other at least three months' notice in writing. The Administrator's principal office is P.O. Box 1093GT, Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands.

Separate Company

As noted above, the Issuer is neither owned nor controlled by the Bank or any of its affiliates; *however*, it was created for the sole purpose of facilitating the transactions contemplated hereby. As such, its activities are constrained by the restrictions contained in the Transaction Documents, which restrictions generally may not be amended without the consent of the Bank and Indenture Trustee. Similarly, many of its activities (such as prepaying all or a portion of the Notes) are done solely upon the request of the Bank.

Restrictions on the Offer of the Notes

No invitation whether directly or indirectly may be made to the public in the Cayman Islands to subscribe for the Notes.

Directors of the Issuer

The Directors of the Issuer are as follows:

Name	Principal Occupation
Mora Goddard....................	Vice President, Maples Finance Limited
Guy Major	Senior Vice President, Maples Finance Limited

The business address of each of the Directors is P.O. Box 1093GT, Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands.

Conflicts of Interest

None of the Directors of the Issuer has or has had any interest in any transactions effected by the Issuer that are or were unusual in their nature or conditions or significant to the business of the Issuer.

USE OF PROCEEDS

Proceeds received from the sale of the Notes will be used by the Issuer to make the Loan to the Bank. The Bank will instruct the Issuer to retain and use a portion of such proceeds to be applied (on behalf of the Bank) to the payment of a loan arrangement fee payable by the Bank to the Issuer as a fee for the Issuer's provision of the Loan, which fee will be in an amount equal to the arranger fees, other expenses relating to the offering of the Notes and the discount on the issuance of the Notes. Net proceeds to the Bank will be equal to approximately US$171,000,000. The Bank will use the net proceeds for general corporate purposes. No proceeds from the Loan will be used by the Bank to make loans or otherwise provide funds (directly or, to its knowledge, indirectly) to countries (or any person or entity of such countries) or any other person or entity contrary to the Prohibited Nations Acts.

"*Prohibited Nations Acts*" means: (a) The Trading with the Enemy Act of 1917, 50 U.S.C.A. app. §1 et seq., of the United States of America, (b) the International Emergency Economic Powers Act, 50 U.S.C.A. §1701 et seq., of the United States of America, (c) the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 ("*USA PATRIOT Act*"), Pub. L. No. 107-56, 115 Stat. 272, of the United States of America and (d) any similar acts, executive orders or similar governmental actions of the United States of America or Nigeria, in each case including regulations issued thereunder.

MATURITY ASSUMPTIONS

The Credit Agreement will provide that the Loan (and hence the Notes) will not receive distributions of principal until the Maturity Date, except in the event of a Default that results in the acceleration of the Loan (and hence the Notes) or if the Bank causes the Issuer to prepay all or any portion of the Notes as provided in "Summary of Terms—Optional Prepayment" above. Principal on the Loan (and hence the Notes) is scheduled to be paid only on the Maturity Date as further described herein. See "Description of the Notes and the Other Transaction Documents—Notes and Indenture—Mandatory Prepayment" and "—Optional Prepayment").

Although it is anticipated that principal of the Notes will be paid in full on the scheduled Maturity Date, no assurance can be given in that regard. The ability of the Issuer to make any payment of principal on the Notes (whether on the Maturity Date or as a result of a Default resulting in a mandatory prepayment of the Loan) depends upon the corresponding payment by the Bank under the Loan. Accordingly, no assurance can be given as to the actual timing of payment of principal of the Notes distributed to the Noteholders.

EXCHANGE RATES

Exchange rates for the Nigerian currency in the 1990s were highly volatile but have been relatively more stable over recent years as a result of the strengthening of the Nigerian economy (including as a result of the elevated global prices for oil). Nigeria operates multiple exchange rates for the Naira within a band of +/- 3% around the central rate. The four current principal rates are:

(a) the Wholesale Dutch Auction System ("*WDAS*") rate, which is a retail auction used by the Central Bank to sell official foreign exchange to end-users,

(b) the Nigerian interbank foreign exchange rate ("*NIFEX*"), which is the foreign exchange market for trading foreign exchange obtained from sources other than the Central Bank,

(c) the bureaux de change rate ("*BDC*"), which is the foreign exchange market used by private enterprises registered with the Central Bank for trading foreign exchange obtained from the Central Bank and from other sources, and

(d) the parallel market rate, which is the foreign exchange market used by individuals or enterprise businesses for the trading of foreign exchange obtained from sources other than the Central Bank.

Although the WDAS and the parallel rate still differ to a degree, the gap between the two has been closing. In April 2006, the Central Bank liberalized the foreign exchange market by allowing bureaux de change to have access to the Central Bank's funds. According to the Central Bank, the BDC exchange rate fell from ₦151 to US$1.00 in late March 2006 to ₦130 to US$1.00 by early June 2006. With the WDAS exchange rate remaining relatively stable at ₦127 to US$1.00, the premium for BDC funds decreased significantly. In addition, in February 2006 the Central Bank switched to the WDAS in a bid to unify the WDAS and NIFEX rates and thus move closer to compliance with Article VIII of the International Monetary Fund's articles of agreement on the general obligations of its members. Notwithstanding this progress, it is uncertain whether the convergence of the exchange rates will hold and/or whether the recent Naira stability will continue (including during a decline in world oil prices).

The following table sets forth the period-average and period-end buying rates for Dollars for the indicated periods in the Central Bank's official exchange rate and the BDC rate.

Period Average[(1)]	Central Bank ₦ per US$	BDC ₦ per US$
2006	127.4	138.3
2005	131.6	148.0
2004	133.5	150.0
2003	129.4	150.5
2002	121.0	150.5
2001	126.3	151.0
2000	138.0	151.5
1999	106.0	118.5
1998	48.5	73.0
1997	30.0	49.0

Period End[(2)]	Central Bank ₦ per US$	BDC ₦ per US$
December 31, 2006	127.0	130.5
December 31, 2005	129.0	146.0
December 31, 2004	132.9	150.0
December 31, 2003	137.0	150.0
December 31, 2002	126.9	151.0
December 31, 2001	113.5	150.0
December 31, 2000	139.0	152.0
December 31, 1999	137.0	151.0
December 31, 1998	75.0	86.0
December 31, 1997	22.0	60.0

(1) Represents the yearly averages of the monthly averages of the ₦/US$ exchange rates for the relevant period, which monthly averages were computed by calculating the average of the daily ₦/US$ exchange rates on the business days of each month during the relevant period.

(2) Represents the ₦/US$ exchange rates on the last working day of the calendar year.

CAPITALIZATION OF THE BANK

The following table sets forth the capitalization of the Bank as of December 31, 2006 and March 31, 2004, 2005 and 2006. This table should be read in conjunction with the Annual Financial Statements and the Interim Financial Statements appearing elsewhere in this Offering Circular.

	As of (and for the fiscal years ended) March 31,			**As of (and for the nine-month period ended) December 31,**	
	2004	**2005**	**2006**	**2006**	**2006**
		(₦ millions)			*(US$ millions)*[(1)]
Long-term debt[(2)]	0	0	0	0	0
Capital stock; legal reserves, retained earnings and other equity accounts	27,525	32,488	42,943	58,996	465
Current period net income	11,096	12,184	16,053	11,873	93
Total shareholders' equity	38,621	44,672	58,996	70,869	558
Total capitalization	**38,621**	**44,672**	**58,996**	**70,869**	**558**

(1) For the convenience of the reader, the December 31, 2006 figures have been translated into U.S. Dollars at the following rate: ₦127.00 = $1.00. Such translation should not be construed as a representation that the Naira amounts have been converted into U.S. Dollars pursuant to the requirements of Nigerian GAAP or generally accepted accounting principles in any other country.

(2) See notes 15-21 to the Annual Financial Statements.

DESCRIPTION OF THE BANK

Overview

History

The Bank is the oldest commercial bank in Nigeria and West Africa. It was incorporated as a limited liability company on March 31, 1894 in Liverpool, England by Sir Alfred Jones, a shipping magnate. The Bank commenced business under the corporate name of Bank for British West Africa in the office of Elder Dempster & Company in Lagos, Nigeria after acquiring its predecessor, the African Banking Corporation, which was established in 1892. Since then, the Bank has grown significantly, working very closely in its early years with the colonial governments of British West Africa to facilitate the economic development of West Africa by performing the traditional functions of a central bank, such as the issue of specie in the British West African colonies before the establishment of the respective nations' central banks.

Consequently, the Bank's operations covered the then-major business and political centres in British West Africa. It opened a branch in Accra, Ghana in 1896 and in Freetown, Sierra Leone in 1898. These marked the genesis of the Bank's international operations. The second branch of the Bank in Nigeria was opened in Calabar in 1900, and two years later it extended its services to northern Nigeria. An overseas branch, which later was converted into a fully-fledged British bank in 2002, was opened in London in 1982. This made the Bank the first Nigerian institution to own a banking subsidiary in the United Kingdom. Furthermore, the Bank opened a South African representative office in 2004. From a modest beginning in 1894, the Bank's domestic branch network comprised 402 branches as of December 31, 2006.

In response to a changing economic and business environment, the Bank has at various times embarked on restructuring initiatives. For example, it changed its name from Bank for British West Africa to Bank of West Africa in 1957. In 1969, the Bank was incorporated locally as Standard Bank of Nigeria Limited in line with the Nigerian Companies Decree of 1968. Changes in the name of the Bank also occurred in 1979, to First Bank of Nigeria Limited, and finally in 1991 to the First Bank of Nigeria Plc. In 1985, the Bank introduced a decentralized structure with five regional administrations.

To further enhance its operational efficiency, the Bank's structure was reconfigured into fourteen "Area Offices" in 2003. On April 1, 2006, this was again revised to 25 "Business Development Offices" in order to deepen customer relationship management in the different target market segments. In view of this constant attention to the needs of the market, it was therefore, a natural progression when in 2001, the Bank began the process of transforming its corporate identity to reflect its rejuvenated focus. The transformation process gained momentum in 2003 and was launched on April 27, 2004 with the introduction of a new corporate identity.

The Bank was listed on the NSE in March 1971 and has won the NSE's Annual President's Merit Award for the best financial report in the banking industry twelve times. In addition, the Bank has also received the "Nigeria's Bank of the Year 2003" award from the influential "The Banker" magazine, the Euromoney Award as the Best Bank in Nigeria in 2004 and the Global Finance award as Nigeria's best bank, best trade finance bank and best foreign exchange bank award 3 times consecutively in 2003, 2004 and 2005. The Bank's market capitalization of ₦398.1 billion (US$3.1 billion) as of December 31, 2006 accounted for approximately 10% of the total market capitalization on the NSE, and had the highest market capitalization of any listed company on the NSE.

The Bank is a public limited liability company organized under the laws of Nigeria headquartered in Lagos. The registered office of the Bank is located at Samuel Asabia House, 35 Marina, Lagos, Nigeria (telephone: +234-1-2665900-19) and its registration number is RC 6290.

General

As of December 31, 2006, the Bank had the highest return on equity in the Nigerian banking sector, had the second largest branch network in the country, was the largest bank in Nigeria in terms of pre-tax profits and net earnings and was the third largest in terms of asset size, all based upon Nigerian GAAP financial statements approved by the Central Bank and released to the NSE. The Bank, through its affiliates, also maintains foreign banking, leasing, factoring, insurance, portfolio management and data processing operations. The Bank operates the second largest branch network (after industry consolidation) in the country with 402 branches as of December 31, 2006, with branches in virtually all major cities in the 36 states of Nigeria and in the Federal Capital Territory.

At December 31, 2006, the Bank had total assets of ₦645.2 billion (US$5.1 billion), total cash loans of ₦227.9 billion (US$1.7 billion) and shareholders' equity (including minority interests) of ₦70.9 billion (US$560.0 million). ROAA and ROAE ratios were 2.0% and 18.3% respectively for the nine months ended December 31, 2006. Net income for the nine months ended December 31, 2006 amounted to ₦11.9 billion (US$93.7 million) and adjusted net interest margin was ₦20.0 billion (US$157.5 million). Net fee and commission income amounted to ₦23.1 billion (US$182.0 million). Non-performing loans amounted to ₦7.4 billion (US$49.2 million), with an NPL ratio of 2.8% at December 31, 2006. Provisioning as a percentage of non-performing loans increased to 115.0% at December 31, 2006, compared with 82.7% at March 31, 2006.

The Bank provides a wide variety of corporate, small business and consumer banking products and services, with a focus on large and mid-size Nigerian corporations, foreign multinational corporations with operations in Nigeria and Nigerian consumers. The principal products and services provided by the Bank to large corporate customers and middle-market commercial companies include trade finance and other short-term credit facilities denominated either in Naira or a foreign currency, particularly Dollars and Euro. The products and services offered by the Bank to its consumer customers have been primarily consumer loans (such as housing loans, car loans and personal loans) and credit cards. The Bank currently offers a wide variety of consumer banking products, including long-term housing loans, cash management accounts and other retail services. The Bank acts as an agent for the sale of a number of financial products (such as securities, insurance policies and leasing services). The Bank also serves its clientele via alternative delivery channels, such as internet banking, telephone banking and ATMs, including operating one of the largest ATM network in Nigeria.

The Bank finances its activities primarily through Naira-denominated customer deposits and, to a lesser extent, through the interbank market and other borrowings. At December 31, 2006 83.9% of the Bank's liabilities were customer deposits. The Bank monitors its asset and liability currency exposure on each business day. Depending upon market conditions, the Bank may maintain (within the limits set by the Central Bank) an excess of foreign currency-denominated liabilities over foreign currency-denominated assets (referred to as a "net short position") as a strategic means of benefiting from higher Naira interest rates. At December 31, 2006, foreign currency-denominated assets constituted 16.8% of the Bank's total assets, while the share of foreign currency-denominated liabilities in total liabilities and shareholders' equity was 15.8%. The share of interest-earning assets in total assets was 83.4% at December 31, 2006, and the share of interest-bearing liabilities was 97.1%. Consequently, the gap between interest-earning assets and interest-bearing liabilities was approximately ₦19.5 billion, registering an increase of 3.1% from March 31, 2006.

For the nine-month period ended December 31, 2006, total non-interest income was ₦23.1 billion (US$182 million). Excluding net fee and commission income, the largest item of non-interest income was investment income, while net fees and commissions to average assets were to 3.5% in such period compared with 3.9% in the same period of the previous fiscal year.

Operating expenses excluding impairment losses, depreciation and amortization expenses, reserve for employee severance indemnities and foreign exchange losses amounted to ₦24.9 billion (US$196.7 million) in the nine months ended December 31, 2006. Accordingly, the Bank's cost/income ratio decreased to 54.8% in the nine months ended December 31, 2006 from 61.7% in the same period of the previous fiscal year.

Corporate Developments

In November 2005, the Bank commenced discussions with ETI over a possible merger of the Bank with Ecobank Nigeria and also a 40% cross shareholding with ETI. If completed, the merged entity, consisting of the Bank and ETI, would result in the creation of the largest bank in West-Africa and one of the largest banks in Africa with over US$10.0 billion in assets. The merger would require regulatory approvals.

Operations

The Bank has six principal business divisions - Corporate Banking, Risk and Management Control, Banking Operations and Services, Lagos & West, South and North. In addition, the Bank (including through its subsidiaries and other companies in which it has an interest) provides brokerage, insurance, fund and portfolio management and overseas banking services.

Retail Banking

Retail banking has been the Bank's primary business focus for many years, contributing 81.6% of total customer deposits as of December 31, 2006. In October 2006, the Bank restructured its four market-facing directorates (Corporate, Commercial, Retail Lagos & West and Retail Upcountry), which led to a reclassification of several accounts and a clearer definition of retail loans. In terms of risk assets, as of December 31, 2006, the total amount of the Bank's outstanding cash loans to retail customers represented approximately 27.0% of its total cash loan portfolio, compared to approximately 22.2% on March 31, 2006 and 18.0% on March 31, 2005. The Bank's retail customers are typically individuals, professionals and owners of small businesses. As of December 31, 2006, the Bank had over 3.8 million customers using its retail banking and related financial services.

A brief description of the Bank's key retail products is given below:

Consumer Loans and Overdraft Accounts

The Bank is one of the largest consumer lenders and one of the leaders in housing loans in Nigeria. In light of the improved economic and political conditions and increased domestic demand, the Bank has refocused on retail lending since 2005. The retail loan portfolio, comprised principally of housing loans, auto loans, general purpose loans and overdraft, grew by 61.6% in the fiscal year ended March 31, 2006 and a further 39.4% (in Naira terms) in the nine months ended December 31, 2006, resulting in market share gains in all principal product lines. During 2006, the composition of the consumer loan book changed in favor of the more profitable Naira-denominated loans, which provides the Bank with larger margins.

In order to target the growing consumer market in a directly-tailored fashion, the Bank launched a suite of consumer products called "U-First" in March 2006. U-First is a new set of banking products aimed at consumers and small businesses within Nigeria.

The consumer products in this program are aimed to take advantage of the growing consumer market within Nigeria and includes the following products:

- *U-First Share Purchase Loan* – This is a share purchase loan aimed at consumers looking to invest in shares for a long-term investment or for short term equity gains. The loan is collateralized by the shares, which must be those of an acceptable company listed on the NSE. In addition, the repayments for the loans come directly from the customer's salary or through the equity from the sale of the shares. Consumers are expected to make minimum equity contributions of 30% of the value of the shares to be acquired. Contributions could be higher depending on liquidity of the stock and concentration of the portfolio. In accordance with trading rules, the maximum daily loss in value of the stock is pegged at 5% of the value of the stock.

- *Mortgages* - The Bank offers variable rate mortgages to finance the building or purchase of residential properties. The Bank makes an assessment of the income and ability of the individual to repay the loan and, if acceptable, the Bank then lends up to 70% loan-to-value of the property for a maximum tenor of 120 months.

- *Secured Loans* - The Bank offers a range of secured loans to its retail customers. These include loans for new or used personal vehicles (with a tenor that does not exceed 4 years and a vehicle obtained from a dealer approved by the Bank), household white goods (with a loan-to-value of 70%, a tenor that does not exceed 2 years and goods purchased from suppliers approved by the Bank) and personal loans (secured by the borrower's salary with the consent of the borrower's employer and with a tenor of no more than 36 months).

- *Overdrafts* - The Bank offers a range of overdrafts to its customers. Typically, for an overdraft the customer must have maintained a bank account with the Bank for at least six months and the maximum tenor of the loan is for 12 months. The loan must be secured against assets such as cash, treasury bills, mortgages or company shares. The salary must also be paid through an account maintained with the Bank.

All consumer lending is assessed on an individual customer credit basis before agreement.

Deposit Products

The Bank offers its retail customers a wide range of deposit products, including demand and time deposits, checking accounts and overdraft accounts, both in Naira and in foreign currency. See "—Funding" below.

Credit Cards Business

The Bank has been in the credit card business since 1991, including pioneering the use of MasterCard® for transactions in Nigeria with the issuance of the first such cards in December 2005. As of December 31, 2006, the Bank had approximately 455 active credit cards issued, representing 4.0% of the market share in Nigeria according to figures published by the Central Bank. However, in terms of acquisition value and number of transactions, the Bank had a market share of 94.0% and 84.0%, respectively, in Nigeria during 2006 according to the Central Bank.

ATM/Debit Cards Business

Since introducing its debit card in 2002, the Bank has been a significant participant in the Nigerian debit card market. According to the Central Bank, as of December 31, 2006, the Bank was the fifth largest issuer of debit cards in Nigeria with approximately 195,029 active card holders (representing an approximate 5.0% share of the debit card market by number of active cards). The Bank issues debit cards marketed under the "Interswitch" brand name. Each card permits the holder to access his or her current account and conduct transactions, including ATM withdrawals, fund transfers, balance enquiries, retail purchases and utility payments.

Since Nigerian ATM networks are not universally compatible with each other, maximizing terminals via an Interswitch solution is pivotal in attracting and retaining customers. As of December 31, 2006, the Bank had 175 ATM facilities, the largest number of facilities among all banks in Nigeria, representing a 15.0% market share of the ATM market according to the Central Bank.

The issuance of debit cards by the Bank increased by 133.0% during 2006, after an increase of 200.0% registered in 2005. This increase was further enhanced by an increase in the number of organizations and persons whose salaries are paid through the Bank by means of direct deposit and the use of debit cards by customers as a means of accessing these funds.

Utility Payments

The Bank offers revenue collection services to governmental and non-governmental entities. The Bank's widespread branch network enables customers who have credit and/or deposit accounts with the Bank to pay their utility invoices automatically. For the nine months ended December 31, 2006, approximately ₦124.0 billion was collected using this utility payment system.

Western Union/Remittance Business

The Bank started offering a Western Union money transfer service in 1996, being the first agent bank within Nigeria to do so. Until 2004, the Bank was the sole bank within Nigeria authorized by Western Union to pay the remittances on their behalf. During this time, the Bank (with Western Union's consent) used six sub-agents for this purposes, many of which have since 2004 become direct Western Union agents. As the founding agent of Western Union in Nigeria, the Bank continues to be the market leader in these remittances; *however*, the increased competition from new agent banks has reduced, and will likely continue to reduce, the Bank's market share. The current agreement between the Bank and Western Union expires on December 31, 2007 and the parties have commenced negotiations for its renewal.

Corporate Banking

The Bank markets its corporate services and products to customer groups with annual business of ₦1 billion or more. The corporate customers of the Bank are composed mainly of companies active in the financial institution, aviation, telecoms, infrastructure, utility and energy industries, as well as multinationals. As of December 31, 2006, the Bank had approximately 11,400 active corporate customers. Over the years and during periods of volatile and difficult market conditions, the Bank has become the principal banking partner for major multinational and local corporations in Nigeria through a strategic approach that emphasized long-term relationship building with its customers.

The Bank maintains a diversified corporate loan portfolio, with an emphasis on Nigerian companies with high export volumes. The Bank targets both large corporates and SMEs in high growth sectors as well as offering a wide range of banking and other services to other corporate clients (including state economic enterprises and municipalities). While the Bank places particular emphasis on foreign currency-denominated transactions and trade finance facilities, its product portfolio also includes project finance loans, collection services, cash transfer services, business-to-business activities, foreign exchange services, corporate finance services, electronic banking services, cash management services and investment services. The Bank offers loan facilities predominantly in Nigerian Naira, U.S. Dollars and Euro.

Cash loans provided to corporate customers by the Bank include working capital finance, revolving credit facilities, receivables finance, foreign trade finance, foreign currency-indexed loans, bills of exchange and project finance loans. Project finance loans are typically high profile investments in conjunction with large international development agencies, such as the World Bank. Additionally, Nigerian Naira- and foreign currency-denominated pre-export loans are extended in order to support Nigeria's export-oriented industries, to increase their competitive strength in international markets and to provide financing at the export preparation stage. With regard to non-cash facilities, the Bank provides both domestic and foreign currency facilities to its customers, principally comprising guarantees in relation to imports and letters of credit in respect of trade financing activities.

As of December 31, 2006, the total amount of the Bank's lending to the corporate sector comprised approximately 73.0% of its total loan portfolio. As of December 31, 2006, deposits from the corporate sector comprised approximately 17.2% of the Bank's total deposits. As of December 31, 2006, the Corporate Banking business line accounted for 73.0% and 52% of the Bank's total cash loans and non-cash loans, respectively, on an unconsolidated basis.

Project Financing

In the past decade, the Bank has been involved in a number of project financings, including the financing of oil and gas, telecommunications, infrastructure and industrial projects.

Nigerian Public Fund Management

As part of its banking reform program, the Central Bank opened up its reserve management to local banks under certain conditions, including partnership or joint venture with an international bank. Accordingly, in 2006 the Bank entered into a joint venture agreement with HSBC Bank Plc through the Bank's South African office. Under the terms of this agreement, the partnership will manage a portion of the country's external reserves, work to enhance the asset management skills of the local partner and provide access to global banking and financial resources. The HSBC/funds management relationship is housed in the Bank's Treasury/Funds management department.

International Banking

The Bank's management believes that cross-border activity will continue to grow in importance to Nigeria, both within the Western African region and globally. To that end, the Bank has recently established a representative office in Johannesburg, South Africa and maintains a subsidiary bank in the United Kingdom. Further growth in the international markets is anticipated through the possible transaction with ETI described in "Summary—Possible EcoBank Transaction" above. The Bank intends to expand its international network to gain a physical presence in countries whose trade volume with Nigeria has the potential to increase. The Bank's international banking efforts have focused on providing trade finance and other short-term credit facilities to large corporate clients, including foreign multinational companies and conglomerates with operations in Nigeria. The Bank plans to open a representative office in China in the coming year.

In addition to its own international network, the Bank maintains correspondent banking relationships with banks in other jurisdictions. These relationships enable the Bank to provide its customers with greater international reach for payments, trade financing and other cross-border transactions. As of December 31, 2006, the Bank had 23 SWIFT correspondent banks in seven countries around the world. The Bank's correspondents are: (a) for Euro, BNP Paribas (Paris), Deutsche Bank (Frankfurt), Dresdner Bank (Frankfurt), Fortis Bank (Brussels), ING Bank

(Brussels), WestLB (Dusseldorf) and WestLB (Paris), (b) for Sterling, FBN UK (London), Deutsche Bank (London), Citibank N.A. (London), HSBC Bank Plc (London), SMBC (London), Standard Chartered Bank (London) and ANZ Bank (London), (c) for Dollars, Deutsche Bank (New York), Citibank N.A. (New York) and Standard Chartered Bank (New York), (d) for South African Rand, HSBC Bank Plc (Johannesburg), Standard Bank of South Africa, Barclays Bank of South Africa and ASBA Bank, and (e) for Swiss Francs, Credit Suisse (Zurich) and UBS AG (Zurich). The Bank plans to use the relationships that it develops with its correspondent banks in connection with international payment and trade-related finance activities to raise funds from the syndicated loan market.

Branch Operations and Technology

As of December 31, 2006, the Bank had an extensive branch network, the largest in Nigeria, with 402 full service branches nationwide in 81 cities and towns. In identifying whether a new branch should be opened, the Bank conducts cost-benefit analyses on an ongoing basis to determine and maintain the best geographical distribution of its branches.

The Bank and its subsidiaries have taken a number of steps in recent years to enhance their technological capabilities and operating systems with the goal of improving operating efficiencies and customer service and allowing the Bank to respond quickly to, and to take advantage of, attractive investment and pricing opportunities in rapidly changing financial markets. The Bank has a comprehensive management information system (MIS), providing its executives with daily, weekly, monthly, quarterly, annual and multi-annual information.

The Bank has security technology that conforms to the Cisco safe architecture. The de-militarized zone setup, in which internet accessible systems are appropriately segmented from the internal systems, is protected from the outside with a firewall, through an access-controlled policy router. The internal network is further protected with a firewall different from the internet-facing firewall. The internal network has VLANs configured to segment the various floor networks, and access is strictly controlled through a further internal firewall to servers so that access is given on an “as needed basis”.

User access is controlled centrally via a deployed active directory domain controller, which also is used to control access to services on the network as well as files. The Bank has content vectoring security solutions that protect against spam as well as illegal use of company services. Servers are also equipped with host IDs to complement the work of the Network IDs on the network, apart from an antivirus solution that is updated centrally as new updates are released. The Bank also has a hot site in Inganmu in which live transactions are shipped online to aid in disaster recovery. The data center in the back-up site is an exact replica of the live system, and users can be seamlessly redirected to the site in case of a failure. There is a disaster recovery plan document in place, which ensures the effective implementation of the recovery process and delivers maximal recovery at all times. The infrastructure deployed are highly scalable and positioned or sized with future growth needs in mind.

Treasury Department

The Bank’s global strategy in its treasury operations was successful during 2006. Sound exposure and risk management practices, together with a commitment to high quality service in flow business increased the efficiency of treasury transactions. Utilization of risk management tools, techniques and standards gave a more realistic, more quantitative and more objective approach to treasury activities in asset/liability management and trading.

Treasury mainly consists of two different departments, Trading, and Asset and Liability Management.

Trading

The Bank’s management believes that sound quantitative and qualitative approaches in trading with respect to risk management distinguish the Bank from its competitors and is vital to the Bank’s success in the at times volatile Nigerian economy.

Trading includes management of both customer flows and bank’s positions. In anticipation of future customer demand, the Bank maintains access to market liquidity by quoting bid and offer prices and carries an inventory of money and capital market instruments including a broad range of cash and securities. The Bank also takes positions in the interest rate, foreign exchange and debt markets based upon expectations of customer demand or a change in market conditions.

Diversification, in terms of product mix has continued to be a priority in the trading activities. In 2006, the Bank's trading desks expanded their transaction volumes, product mixes and market coverage. In 2007, the goal of the desks will be to continue to operate within the capital limits allocated and to achieve superior risk-adjusted returns.

Derivative products have emerged extensively in recent years providing a wide variety of choices to corporate clients as well as individual investors. Besides being one of the few local banks that runs its own portfolio, the Bank is one of the market leaders in terms of local derivatives product flow. The derivative products offered by the Bank include open-buy-back (OBB) on Treasury bills and repurchase deriviatives on Treasury bonds. The Bank also offers derivatives in the form of credit protection to oil dealers.

The Treasury Department manages the derivatives exposure of the Bank within given delta and vega limits. It also provides competitive pricing in all derivative products (*e.g.*, local currency, foreign currency, domestic t-bills and eurobond) for the Bank's clients. In addition, the department develops and prices tailor made products for clients in order to fulfill their hedging and yield enhancement needs. The department prices all derivative transactions whether for propriety or hedging purposes (including forwards, swaps, futures and options).

Asset and Liability Management

The Bank closely monitors and manages its asset and liability positions in Naira and foreign currency balance sheets by supervision through its Asset and Liability Committee ("*ALCO*"), which is chaired by the Bank's Managing Director/Chief Executive and composed of the Bank's Executive Directors. ALCO monitors all aspects of the Bank's asset and liability positions based, in part, on real time information generated by the Bank's wide computer network.

In managing the Bank's banking book, ALCO considers: (a) interest rate yields, (b) the Bank's Naira and foreign currency balance sheet composition, including: (i) volume and duration of the Bank's loan portfolios, (ii) volume and duration of investment portfolios, (iii) volume and duration of time deposits, and (iv) volume of demand deposits, (c) inflation rate, (d) exchange rates, (e) national and international political and economic trends and (f) other macroeconomic factors.

Deposit and lending rates are determined tactically. Pricings of deposit and lending rates can be reviewed at any time as needed, should the market conditions require a repricing. In addition, ALCO may impose notional limits on certain balance sheet items as deemed necessary. Thus, ALCO can affect the mix and the composition of the balance sheet within the boundaries of systematic barriers. Hedging transactions for the banking book are executed upon ALCO's decision.

Lending

The Bank's principal source of income has historically been the earnings on its retail and corporate lending portfolio, including both cash loans and non-cash credits such as letters of credit and letters of guarantee. Cash loans to customers amounted to ₦227.8 billion (US$1.7 billion) as of December 31, 2006, increasing by 28.4% compared to March 31, 2006 (₦177.3 billion), which itself had increased by 53.4% from ₦115.6 billion as of March 31, 2005. The increases occurred in: (a) consumer loans, especially in housing loans, auto loans and personal loans, all reflecting the improvement in Nigeria's macro-economic environment, and (b) loans to large corporates in the telecommunications, energy, manufacturing, infrastructure and real estate sectors. As discussed below, there are several important characteristics of the Bank's loan portfolio, including diversification based upon sector and currency.

Loans and Advances to Customers

Loans and advances to customers represent the largest component of the Bank's assets. As of December 31, 2006, the Bank's total loans and advances to customers, less allowance for possible losses, amounted to ₦220.6 billion (US$1.7 billion) and comprised 34.2% of the Bank's total assets. By comparison, as of March 31, 2006 this amount was ₦177.3 billion and comprised 33% of the Bank's total assets (₦115.6 billion and 30.6% as of March 31, 2005 and ₦78.0 billion and 25.0% as of March 31, 2004). This recent growth was attributable to the overall growth in the Nigerian economy and resulting growth in the consumer, SME and corporate demand for loans.

As of December 31, 2006, on the basis of the total amount of loans advanced, 65.9% of the Bank's loans were fixed rate and 34.1% were variable rate (57.8% and 42.2%, respectively, as of March 31, 2006). Average interest rates on the Nigerian currency-denominated loan portfolio decreased to 16.4% in the fiscal year ended March 31, 2006 from 18.2% for the fiscal year ended March 31, 2005 and 19.5% for the fiscal year ended March 31,2004.

The Bank provides financing for various purposes**,** although the majority of loans are retail loans and corporate loans for working capital purposes, with an average maturity of up to eighteen month**s**. However, as demand for longer-term financing from existing customers and other high quality corporate credits increases, including for residential mortgages, the Bank expects the maturity profile of its portfolio to increase further.

Industry Concentrations

The following table sets out the composition of the Bank's total performing loan portfolio (excluding financial lease receivables, factoring receivables and forfeiting receivables) by economic sectors as of the dates indicated. The CBN does not require consumer loans to be reported.

	As of March 31,						**As of December 31,**	
	2004		**2005**		**2006**		**2006**	
			(₦ millions, except percentages)					
Government	2,921	2.5%	2,702	1.8%	2,276	1.2%	4,907	2.1%
Financial institutions & Insurance	263	0.2%	4,160	2.8%	25,856	13.6%	28,932	12.9%
Commercial Banks	0	0.0%	3,715	2.5%	22,327	11.8%	26,642	11.8%
Finance Companies	8	0.0%	97	0.1%	121	0.1%	1,296	0.6%
Mortgage Institutions	0	0.0%	0	0.0%	474	0.2%	444	0.2%
Other Banking Institutions	30	0.0%	30	0.0%	2,374	1.2%	192	0.1%
Insurance Companies	225	0.2%	318	0.2%	560	0.3%	358	0.2%
Manufacturing	31,345	26.8%	38,300	26.0%	59,772	31.5%	66,250	29.5%
Transportation vehicles and communications	7,010	6.0%	19,331	13.1%	10,592	5.6%	9,602	4.3%
Public Utilities	3,298	2.8%	1,550	1.1%	900	0.5%	656	0.3%
Agriculture and stockbreeding	3,765	3.2%	3,514	2.4%	2,977	1.6%	2,824	1.3%
Real Estate and Construction	11,536	9.8%	12,155	8.2%	10,871	5.8%	10,046	4.4%
Owner-occupied	2,852	2.4%	1,914	1.3%	2,257	1.2%	1,620	0.7%
Commercial Property	5,701	4.9%	5,534	3.8%	4,880	2.6%	5,259	2.3%
Public Construction	2,983	2.5%	4,707	3.1%	3,734	2.0%	3,167	1.4%
Mining/Stone/rock and related products	23,486	20.1%	21,155	14.3%	29,539	15.5%	28,528	12.7%
General Commerce	19,289	16.5	28,072	19.1	37,400	19.6%	57,566	25.6%
Import	6,119	5.2%	7,909	5.4%	14,500	7.6%	20,668	9.2%
Export	929	0.8%	2,455	1.7%	1,697	0.9%	3,652	1.6%
Domestic Trade	12,241	10.5%	17,708	12.0%	21,203	11.1%	33,246	14.8%
Others	14,210	12.1%	16,572	11.2%	9,821	5.2%	15,740	6.9%
Total	**117,123**	**100.0%**	**147,511**	**100.0%**	**190,004**	**100.0%**	**225,051**	**100.0%**

Distribution of Loans by Size/Concentrations

As of December 31, 2006, gross loans to the Bank's 10 largest customers represented approximately 29.4% of its gross loan portfolio, compared to 24.9% as of March 31, 2006, 37.6% as of March 31, 2005 and 49.2% as of March 31, 2004. The increase in the percentage of smaller loans in the loan portfolio reflects the Bank's strategy in expanding its activities with retail and SME customers, and the Bank also intends to continue its efforts to reduce concentrations. Through the improvement in the credit quality of its loan portfolio, the Bank also anticipates that the average size of its loan portfolio will decrease due to increased retail customer demand.

Guarantees and Other Contingent Liabilities

The Bank enters into certain financial instruments with off-balance sheet risk in the normal course of business in order to meet the needs of its customers. These instruments, which include letters of guarantee, acceptance credits, import letters of credit and other commitments and contingencies, involve varying degrees of credit risk and are not reflected in the Bank's balance sheet. The Bank's maximum exposure to credit losses for letters of guarantee and acceptance credits and import letters of credit is represented by the contractual amount of these transactions. Since many of the commitments are expected to expire without being drawn upon, the total amount does not necessarily represent future cash requirements.

The following table sets out certain details on the Bank's guarantees and other contingent liabilities as of the dates indicated:

	As of March 31,			As of December 31,
	2004	**2005**	**2006**	**2006**
			(₦ millions)	
Letters of guarantee	26,091	33,144	44,257	74,828
Letters of credit and acceptance credits	22,738	27,434	26,103	40,515
Other commitments and liabilities	0	0	10,302	3,147
Total	**48,829**	**60,578**	**80,662**	**118,490**

Funding

The Bank's funding base consists of corporate and retail deposits, as well as interbank and other borrowings. The Bank traditionally has sought to attract lower-cost Nigerian currency-denominated demand deposits in order to keep its funding costs as low as possible, and has attempted to minimize its reliance on higher cost Nigerian currency-denominated time deposits as a significant source of funding. The Bank's management believes that, due to the market's perception of the Bank as among the stronger banks in Nigeria, it enjoys a relatively lower-cost time deposit base by attracting the risk-averse retail segment. The Bank's existing credit facilities also have provided the Bank with certain funding, but this funding has been limited compared to the Bank's overall liabilities.

The Bank's existing credit facilities provide the Bank with a reliable and relatively low cost source of long-term funding but the Bank's funding sources remain narrow. The Bank's management is seeking to broaden its funding base, including considering the possible securitization of certain of its assets and revenue.

As of December 31, 2006, the Bank's major sources of funds were deposits from customers, which accounted for approximately 77.0% of the Bank's total funding (compared to 85.8% on March 31, 2006, 83.8% on March 31, 2005 and 81.9% on March 31, 2004). Deposits from banks accounted for approximately 0.03% of the Bank's total funding (compared to 0.1% on March 31, 2006, 0.1% on March 31, 2005 and 0.2% on March 31, 2004). Other sources of funding include funds borrowed and other liabilities, including repurchase obligations and, to a lesser extent, overnight bank deposits.

The following table sets out the Bank's sources of funding as of the dates indicated:

	As of March 31,						As of December 31,	
	2004		**2005**		**2006**		**2006**	
				(₦ millions, except percentages)				
Deposits from customers	206,643	80.5%	264,988	83.7%	390,846	84.5%	497,289	89.2%
Deposits from banks	538	0.2%	390	0.1%	323	0.1%	185	0.03%
Loans and advances from banks	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Others	49,385	19.3%	51,330	16.2%	71,129	15.4%	60,361	10.8%
Total	**256,566**	**100.0%**	**316,708**	**100.0%**	**462,298**	**100.0%**	**557,835**	**100.0%**

The availability of such funds is influenced by factors such as prevailing interest rates, market conditions and levels of competition. While the Bank does not limit deposits from any customer, the largest 20 depositors as of March 31, 2006 collectively represented 5.9% of the total deposits (5.9% as of December 31, 2006).

Deposits from Customers

The Bank's deposits consist of customer demand and time deposits. Customer current accounts generally bear no interest and can be withdrawn upon demand. For time deposits, different interest rates are paid on the various types of account offered by the Bank. The following table sets out a breakdown of the Bank's deposits from customers by composition as of the dates indicated, excluding accrued interest:

	As of March 31,			As of December 31,
	2004	2005	2006	2006
			(₦ millions)	
Foreign currency	**413**	**460**	**1,480**	**91,166**
Retail	226	252	812	55,815
Bank	0	0	0	0
Corporate	187	208	668	35,351
Government and Other	0	0	0	0
Naira	**206,230**	**264,528**	**389,366**	**406,123**
Retail	146,712	188,185	311,669	350,018
Bank	3,078	3,948	1,974	5,862
Corporate	56,440	72,395	75,723	50,243
Government and Other	0	0	0	0
Total	**206,643**	**264,938**	**390,846**	**497,289**

According to the Bank's balance sheet and sector data by the Central Bank, the Bank's market share in local currency deposits increased from 12.4% at March 31, 2004 to 13.0% at March 31, 2005 to 15.7% at March 31, 2006, further increasing to 21.7% as of December 31, 2006. As of December 31, 2006, retail deposits represented approximately 80.7% of the Bank's total deposit base. During the nine months ended December 31, 2006, retail deposits grew by 28.4%.

Derivative Transactions

Forward foreign exchange contracts are agreements to purchase or sell a specific quantity of a foreign currency or precious metals at an agreed-upon price with delivery and settlement on a specified future date. Such contracts include only deliverable contracts. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movements in currency exchange rates. Under Nigerian GAAP, derivative-related assets and liabilities are not reflected on the Bank's balance sheets.

As of December 31, 2006, outstanding forward exchange, swap, futures and options contracts amounted to ₦1.2 billion (US$10.0 million) compared to ₦0.0 as of March 31, 2006, ₦0.0 as of March 31, 2005 and ₦0.0 as of March 31, 2004.

Subsidiaries and International Offices

The Bank is the leader of a financial services group of companies that are active in the areas of banking, leasing, factoring, investment banking, portfolio management services, general insurance, private pensions, life insurance and real estate investment. The following table sets out the Bank's primary subsidiaries in the financial sector, the Bank's share in each subsidiary and the entity's net income for the fiscal year ended March 31, 2006. The HSBC/Funds management relationship is housed in the Treasury/Funds management department:

Subsidiaries and Affiliates	Purpose	% held by the Bank	Net income for fiscal year ended March 31, 2006
FBN Bank (UK) Limited	Subsidiary bank in the UK	100%	£5.30 million(1)
FBN Capital Limited	Investment Banking entity	100%	N/A
FBN Insurance Brokers Limited	Insurance services entity	100%	₦127 million
FBN Mortgages Limited	Mortgage services entity	100%	(₦12 million)
First Funds Nigeria Limited	Private Equity entity	100%	₦80 million)
First Pension Funds Custodian Limited	Custodian services entity	100%	(₦110 million)
First Registrars Nigeria Limited	Registrar services entity	100%	₦771 million
First Trustees Nigeria Limited	Trusteeship services entity	100%	₦ 26 million

(1) Prepared in accordance with the generally accepted accounting principles of the United Kingdom.

The following are the Bank's principal subsidiaries and international offices:

FBN Bank (UK) Limited

FBN Bank (UK) Ltd (the "*FBN UK*") is a UK registered bank, authorized by the Financial Services Authority to accept deposits and undertake a full banking business. FBN UK was incorporated and commenced business in November 2002 after absorbing the business of the London branch of the Bank. The London branch, which commenced business in the early 1980s, was initially established to meet the banking requirements of Nigerian businesses and high net-worth individuals in London.

FBN UK's main business is the financing of trade flows between Nigeria and the rest of the world. In addition to the correspondent banking services relationship required for trade finance, it offers retail banking services to high net-worth individuals and corporate organizations. Services to corporate customers include the normal range of multi-currency bank accounts and a full trade finance suite of products. FBN UK has established itself as a major provider of correspondent banking services to Nigerian banks with services ranging from simple payment, deposits and foreign exchange requirements to advising and confirming letters of credit. FBN UK has raised US$28.0 million from a consortium of banks to finance trade related activities and has plans to establish a representative office in Nigeria.

For individuals, FBN UK offers highly personalized services. In addition to conventional banking and investment products, FBN UK also assists individuals with mortgages. Further, it provides its expanding customer base in the UK with ATM machines and an internet banking portal that enables customers to access their accounts details as well as make low value payments across the internet.

As of March 31, 2006, the total assets of FBN UK were £436 million and, for the fiscal year then ended. FBN UK's profit before tax was £5 million. As of March 31, 2006, its shareholders' equity was £27 million.

FBN Capital Limited

In the aftermath of the 2005 merger of the Bank with FBN (Merchant Bankers) Limited and MBC International Bank Plc., the Bank's corporate finance and wealth management departments were combined with the capital market functions of these other two acquired institutions in a new subsidiary - FBN Capital Limited. This subsidiary is expected by the Bank's management to strengthen the Bank's wholesale banking presence, asset management and capital market operations, while freeing essential resources to consolidate the Bank's industry leadership in the commercial segment of the nation's financial services sector. Authorization from the Central Bank for this subsidiary was received in April 2006, and operations commenced effective April 3, 2006.

FBN Insurance Brokers Limited

FBN Insurance Brokers Limited, which transacts all classes of the insurance brokerage business, commenced operation on July 1, 2000. The company attempts to handle insurance business in the most cost-efficient manner with stable and reputable companies within the country while also taking adequate note of underwriters' areas of competence and specialization. Key aspects of achieving this goal are the expert handling of all classes of insurance business in strict compliance with the Insurance Act 2003, undertaking a periodic and comprehensive risk survey, ascertaining cover adequacy and making recommendations for risk improvement. Others include maintaining efficient claims payment on insurable interest and maintaining a professional indemnity insurance cover that is in excess of ₦10 million per claim. The company won the Institute of Direct Marketing of Nigeria's award for "Africa's Best Business-to-Business Insurance Brokerage Firm of the Year 2005."

As of March 31, 2006, the total assets of FBN Insurance Brokers Limited were ₦930 million and, for the fiscal year then ended, its profit before tax was ₦127 million. As of March 31, 2006, its shareholders' equity was ₦233 million.

FBN Mortgages Limited

FBN Mortgages Limited commenced operation in May 2004 to provide mortgage financing targeted at improving access to home ownership by a majority of Nigerians. Currently, the company writes mortgages for clients, enters into partnerships with landowners to develop houses and advises homebuyers on affordable financing options for acquiring homes. In addition, it encourages prospects to contribute to the "National Housing Trust Fund" to deepen home finance availability and assists contributors to access this fund and other home ownership schemes in the country. The Bank, which does not fund retail mortgages directly, funds all of its retail mortgages through FBN Mortgages Limited.

As of March 31, 2006, the total assets of FBN Mortgages Limited were ₦1.13 billion and, for the fiscal year then ended, it registered a loss of ₦15 million in profits before tax. As of March 31, 2006, its shareholders' equity was ₦47 million.

First Funds Nigeria Limited

First Funds Nigeria Limited is a private equity company that manages the Bank's Small and Medium Enterprise Equity Investment Scheme. It commenced business in April 2003, underpinned by the recognition of the role of SMEs as the industrial drivers of the economic growth of the country. The company, therefore, is focused on providing long-term funding to Nigerian SMEs and assisting them to reposition for growth. Equity financing, the major financing option, has the benefit of being non-interest bearing and un-collateralized. Through December 31, 2006, the company has provided equity capital valued at about ₦2.6 billion to over 35 businesses in diverse sectors of the economy and spread across 19 states of Nigeria. The company also has a financial advisory unit, which provides financial advisory services to SMEs and other projects.

As of March 31, 2006, the total assets of First Funds Nigeria Limited were ₦332 million and, for the fiscal year then ended, its profit before tax was ₦80 million. As of March 31, 2006, its shareholders' equity was ₦103 million.

First Pension Funds Custodian Limited

First Pension Funds Custodian Limited is a wholly-owned subsidiary of the Bank with share capital of ₦2 billion. The company was incorporated on August 16, 2005. The National Pension Commission authorized the company to carry on business as a pension fund custodian on December 8, 2005. Its services include custody of pension fund assets, collection of monthly contributions from employees/employers on behalf of pension fund administrators (PFAs), securities settlement and cash management services and safe keeping of investment instruments on behalf of contributors to the order of the PFAs. Others include registration of investment instruments, corporate actions monitoring, timely crediting of the fund account with dividend and other income, rights and bonus issue collection and treatment, proxy voting, portfolio valuation and taxation services and compliance monitoring assistance.

As of March 31, 2006, the total assets of First Pension Funds Custodian Limited were ₦1.99 billion and, for the fiscal year then ended, it registered a loss of ₦110 million in profit before tax. As of March 31, 2006, its shareholders' equity was ₦1.8 billion.

First Registrars Nigeria Limited

First Registrars Nigeria Limited was incorporated as a wholly-owned subsidiary of the Bank in May 1999 with the objective of offering seamless registrar services. Prior to its incorporation, these registrar services were offered by a unit of the Bank. First Registrars Nigeria Limited utilizes up-to-date share registrar/data management software and advanced computer equipment. In 2005, the company acquired electronic data conversion software capable of processing over 60,000 offer application forms in a day. In addition, the software scans, sorts and stores share transfer, share certificates and dividend warrant forms. The "First e-Share Notifier" was introduced in 2005 and continues to broaden the company's customer relationship management opportunities. The company has continued to implement its e-dividend and e-bonus platform, while exploring IT business solutions for shareholder services, especially online services. Since its inception in 1999, the company has participated in over 80 public issues in the capital market. As of December 31, 2006, it managed some of the largest, forward-looking and profitable registrars in the petroleum marketing, manufacturing, agro-allied, finance and construction industries with a total shareholders' base of over 1,600,000 spread all over the country.

As of March 31, 2006, the total assets of First Registrars Nigeria Limited were ₦6.25 billion and, for the fiscal year then ended, its profit before tax was ₦771 million. As of March 31, 2006, its shareholders' equity was ₦1.4 billion.

First Trustees Nigeria Limited

First Trustees Nigeria Limited, the trustee company of the Bank, offers custodian trustee, executor, administrator, liquidator and receiver services to individuals, companies, trust funds and governmental institutions. It is also engaged in the management and administration of trust funds, pension funds and personal investments as well as offering general consultancy and advisory services. It is now a strong provider of financial service solutions involved in custodial services (other than pension fund custody), property management trust and equity management services.

As of March 31, 2006, the total assets of First Trustees Nigeria Limited were ₦18.7 billion and, for the fiscal year then ended, its profit before tax was ₦126 million. As of March 31, 2006, its shareholders' equity was ₦809 million.

First Bank of Nigeria Plc, South Africa (representative office)

The Bank opened a representative office in Johannesburg, South Africa in January 2004 and commenced operations in March 2004. The representative office is primarily focused on supporting expansion plans of South African companies into Nigeria and forging alliances and partnerships with leading players elsewhere on the continent. The South African office's areas of operation include advisory services to network customers, structured project finance (primarily in oil and gas) and trade/export finance. The office also offers correspondent banking and private banking services to Nigerians resident in South Africa. Under the new operating model launched by the Bank in October 2006, the office reports to the Executive Director, Corporate Banking. The office has been involved in a number of transactions, including the approval of bi-lateral trade lines, the establishment of correspondent banking relationships with South African banking groups and the negotiation of loan facilities.

Human Resources Management and Planning

The Bank's Human Resources Department works in coordination with all business units to support the Bank's strategic plans through the development of human resources programs in order to efficiently make use of the Bank's intellectual capital.

As of December 31, 2006, the Bank had approximately 7,465 employees. Of these, 77.0% were employed in the Bank's branches and 23.0% in its head office. The average age of the Bank's employees is approximately 38 years, while the average number of years that professional staff have been with the Bank is 11 years. University graduates represent approximately 83.6% of the Bank's professional staff as of December 31, 2006.

The Bank places emphasis on ensuring that its employees have a sufficient level of education and experience for operational efficiency and effectiveness. As of December 31, 2006, 73.0% of total employees were university graduates, 17.0% of employees had a high school education and 10.0% had elementary school or secondary school education. The average level of banking experience of the Bank's personnel is over 11 years. The Bank gives special emphasis to training and career development. In 2006, 65% of its employees participated in internally- and externally-arranged training programs.

Competition

Although the banking industry in Nigeria is highly competitive, particularly after the Central Bank's requirement that banks maintain at least ₦25 billion of capital resulted in significant consolidation, the Bank's management believes that the Bank is well positioned to compete in the market due to its advanced infrastructure, qualified personnel and experience in the sector. As of December 31, 2006, 25 banks were operating in Nigeria. The Nigerian Banking Law permits commercial banks to engage in all fields of financial activities, including deposit taking, corporate and consumer lending, foreign exchange transactions, capital market activities and securities trading. Typically, major commercial banks have nationwide branch networks and provide a full range of banking services while smaller commercial banks focus on wholesale banking. The main objectives of development and investment banks are to provide medium- and long-term funding for investment in different sectors.

The recent strengthening of the Nigerian banking industry has resulted in: (a) increased use of information technology, (b) increased product development, (c) aggressive marketing and roll-outs of ATMs and other alternative distribution channels, (d) an increase in banks' domestic presence and (e) increased international competition as Nigerian banks open offshore branches and subsidiaries. While this additional competition has created challenges for the Bank's business, the strengthening of the Nigerian banking industry as a whole and the public's higher perception of the security of the industry has benefited the country generally and thus benefits all Nigerian banks.

The following table provides some brief information regarding the Bank's principal competitors:

Some top banks in Nigeria (on a non-consolidated basis)	**Total Assets**	**Total Deposits**	**Tier I Capital**	**Net Earnings**	**Operating Expense**	**Pre-Tax Profits**
				(₦ billions)		
United Bank for Africa Plc[(1)*]	1,018	757	48	56	44	13
Zenith Bank Plc[(2)]	715	393	94	44	27	12
First Bank of Nigeria Plc[(1)]	619	391	57	53	34	20
Union Bank of Nigeria Plc[(1)]	534	275	94	40	26	12
Oceanic Bank International[(3)]	466	310	38	32	19	12
Afribank Nigeria Plc[(1)]	159	84	26	13	9	4
Intercontinental Bank Plc[(4)]	395	252	54	31	20	11
First City Monument Bank Plc	125	72	25	8	5	4
Fidelity Bank Plc	158	81	26	8	5	4
Platinum Habib Bank Plc	185	110	29	9	5	3
Guaranty Trust Bank Plc[(4)]	379	213	37	20	12	7
Diamond Bank Plc[(5)]	259	151	35	17	12	5
IBTC Chartered[(1)]	119	57	32	8	3	5

Source: Published financial statements.
(1) Year ended March 31, 2006.
(2) Year ended June 30, 2006.
(3) Year ended September 30, 2006.
(4) Year ended February 28, 2006.
(5) Year ended April 30, 2006.
[*]Results are for 18 month period.

Anti-Money-Laundering Policies

Nigeria has historically been considered to have laws and levels of enforcement that facilitated money laundering activities, thus resulting in Nigeria being included by the Financial Action Task Force (an inter-governmental group consisting of thirty-three members, including the European Commission, the United Kingdom and the United States) (the "*FATF*") in June 2001 on its list of countries and territories that are non-cooperative in the international community's efforts to fight money laundering. In part as a result of being so identified, the Nigerian government implemented anti-money laundering reforms and in June 2006 the FATF removed Nigeria from this list.

The Nigerian Money Laundering (Prohibition) Act of 2003 (the *"Money Laundering Act"*) was enacted to make provisions for the prevention and punishment of money laundering and seeks to regulate over-the-counter exchange transactions and empower the Nigerian Drug Law Enforcement Agency ("*NDLEA*") to place surveillance on bank accounts in furtherance of offenses committed under the Money Laundering Act and the Economic and Financial Crimes (EFCC) Act, 2004. In addition, the Nigerian Financial Intelligence Unit ("*NFIU*"), established by the EFCC Act is empowered to coordinate and enforce the provisions of the Money Laundering Act. In furtherance of the objectives of the Money Laundering Act, the Central Bank requires banks to maintain "know-your–customer" standards that make mandatory the full disclosure of customer identities before accounts are opened or any form of financial transaction is entered into by banks. Further, banks are required to disclose to the NDLEA and the Central Bank transactions that involve a sum above ₦1,000,000 in the case of an individual and ₦5,000,000 in the case of a body corporate, and sums in excess of US$10,000.00. The NDLEA is also empowered by the Money Laundering Act to place any telephone line under surveillance, have access to any computer system and obtain communication of any authentic instrument or private contract, together with all bank, financial and commercial records, when the account, telephone line or computer system is used or may be used by any person suspected of performing or taking part in a transaction involving the proceeds, property or things derived directly or indirectly from illicit traffic in narcotic drugs or psychotropic substances.

To ensure that the Bank is not unwittingly used as an intermediary in money laundering and other related criminal activities, all Bank employees are subject to the Bank's anti-money laundering program. As part of the program, the Bank has appointed a Chief Compliance Officer, Area Compliance Officers and Branch Compliance

Officers. The Bank has also put in place "know your customer" procedures for monitoring and auditing customer activities and transactions in accordance with anti-money laundering legislation. These procedures include requiring proof of customer identification, verification of addresses (including where necessary "spot-checks"), requiring information as to source of funds, and conducting customer risk-assessment and monitoring. Additionally, the Bank regularly monitors the Office of Foreign Assets Control (OFAC) and the Central Bank's watch lists and mandates periodic money-laundering related reports from its branches. The Bank has recently acquired an anti-money laundering software suite for more efficient suspicious transaction reporting. The Bank has also produced and internally distributed a manual on Compliance Policy and Anti-Money-Laundering Procedures, conducted anti-money laundering training for its staff and has used village meetings as a forum to discuss and educate participants as to money laundering issues. An audit and review process to test the robustness of anti-money laundering policies and procedures has also been put in place. The Bank has not been in breach of the Central Bank's Anti-Money Laundering Policy and, to its knowledge, has not been investigated under such policy or any similar laws. In addition, the Bank has fully cooperated with regulators in connection with any requests relating to investigations of the Bank's customers and to routine regulatory examinations under such policy and similar laws.

Litigation

Neither the Bank nor any of its subsidiaries is subject to any material litigation, arbitration or similar proceeding.

CAPITAL ADEQUACY

Capital Adequacy

The Bank is required to comply with capital adequacy guidelines promulgated by the Central Bank. These guidelines require banks to maintain adequate levels of regulatory capital against risk–bearing assets and off-balance sheet exposures. The Bank's "Tier I" capital ratio is calculated by dividing its "Tier I" capital, which comprises its share capital, reserves, retained earnings and profit for the current periods, by the aggregate of its risk-weighted assets and risk-weighted off-balance sheet exposures. In accordance with these guidelines, the Bank must maintain a total capital ratio in excess of 10%. The Central Bank is focused on paid-up capital levels rather than setting more stringent minimum levels of capital to risk-weighted assets than the current 10% stipulation.

The Central Bank has recommended a standardized approach to Basel II, and while the Central Bank's capital adequacy rules do follow international standards in many manners, they are not as far-reaching or comprehensive as contemplated by Basel II or as those that have been implemented in a number of other developed and emerging jurisdictions. If Basel II were to be applied in Nigeria in the manner proposed by the Basel committee, then the Bank's management believes that its capital adequacy levels as of December 31, 2006 would be approximately 15.07%, which is lower than the level of 17.6% reported under current Nigerian guidelines.

The following table sets forth the Bank's shareholders' equity and capital adequacy ratios as of March 31, 2005 and 2006 and as of December 31, 2006, all computed based upon the Bank's Statutory Financial Statements in accordance with the "Regulations on Measurement and Assessment of Capital Adequacy of Banks" issued by the Central Bank.

	March 31,			December 31,
	2004	**2005**	**2006**	**2006**
		(₦ millions)		
Core Capital				
Paid-in capital	1,751	1,976	2,619	5,238
Legal reserves	6,464	8,291	10,699	12,480
Other (Extraordinary) reserves	16,931	19,842	27,246	38,899
Profit including minority interest	11,096	12,184	16,053	11,873
Total Core Capital	**36,242**	**42,293**	**56,617**	**68,490**
Supplementary Capital				
General provisions/asset revaluation reserve	2,379	2,379	2,379	2,379
Provision for possible losses	0	0	0	0
Subordinated loans	0	0	0	0
Securities value increase fund	0	0	0	0
Total Supplementary Capital	**2,379**	**2,379**	**2,379**	**2,379**
Tier III Capital	0	0	0	0
Total Capital	**38,621**	**44,672**	**58,996**	**70,869**
Deductions from Capital				
Investments in entities operating in financial sectors like money markets, capital markets and insurance under the related special laws	4,846	5,206	7,882	7,887
Prepaid expenses	0	0	0	0
Total Shareholders' Equity	**33,775**	**39,466**	**51,114**	**62,982**
Risk weighted assets (including market risk)	**163,322**	**208,264**	**277,341**	**357,609**
Capital Ratios				
Tier I ratio	22.19%	20.31%	20.40%	19.15%
Total Capital Ratio	20.68%	18.95%	18.43%	17.61%

RISK MANAGEMENT AND LOAN PROVISIONING

Overview

Activities related to risk management at the Bank are carried out in compliance with the requirements of laws and regulations by an organizational structure that is directly responsible to the Board of Directors and in a manner that is completely independent of the Bank's executive functions. The Board of Directors has ultimate responsibility for all aspects of risk management, including installing a risk management system, ensuring that it operates effectively, formulating risk management strategies and policies in line with the Bank's willingness to assume levels of risk duly commensurate with its capital and ensuring that the strategies and policies are adhered to.

The Bank's Risk and Management Control Directorate provides a central oversight of risk management across the Bank and its subsidiaries to ensure that the full spectrum of risks facing the Bank and its subsidiaries are properly identified, measured, monitored and controlled to minimize adverse outcomes. The directorate is, however, complemented by other departments in the management of certain important risks as illustrated below:

Risk and Management Control Directorate

- Credit Risk
- Operational Risk
- Market and Liquidity Risk
- Legal Risk
- Regulatory Compliance Risks

Corporate Planning

- Strategic Risk
- Reputational Risk

The Risk and Management Control Directorate coordinates the monitoring and reporting of all risks across the Bank. It: (a) sets policies and define limits for other units in the Bank, (b) performs bank wide risk monitoring and reporting, (c) receives relevant data from other units for risk monitoring and reporting and to identify potential risks in their line of business, thereby enabling the Risk and Management Control Directorate to provide a framework for managing such risks, (d) collaborates with customer-facing units in designing new products, (e) with Internal Audit, co-ordinates activities to provide a holistic view of risks across the Bank and (f) makes recommendations with respect to capital allocation, pricing and reward/sanctions based upon risk reports. This Risk and Management Control Directorate uses sophisticated risk management software in performing its duties.

In addition to the above, the Internal Audit department of the Bank has the responsibility of auditing the risk management and control function to ensure that all units charged with risk management perform their roles effectively on a continuous basis. The Internal Audit department also tests the adequacy of internal controls and makes appropriate recommendations where weaknesses are identified.

In June 2006, the Board of Directors approved an "Enterprise Risk Management Framework" for the Bank. This new framework was developed pursuant to the aim of the Board of Directors and the Bank's management to establish and sustain best-practices in risk management similar to leading international banks. In developing this framework, consideration was given to changes in the regulatory environment - both local and international - including Basel II, the Sarbanes-Oxley Act and the guidelines on risk-based supervision issued by the Central Bank and the NDIC. Currently, 288 employees work for the Risk and Management Control Directorate of the Bank.

Risk Philosophy, Culture and Objectives

The Bank considers sound risk management as the foundation of a long-lasting financial institution and thus has adopted a holistic and integrated philosophy towards risk management that brings all risks together under a limited number of oversight functions. Risk officers are empowered to perform their duties professionally and independently without undue interference and risk management is governed by well-defined policies that are communicated across the Bank so that all employees recognize that risk management is a shared responsibility. In order to achieve a shared consensus on the Bank's risk philosophy, the Bank aims to have a risk management governance structure that is clearly defined and provides a clear segregation of duties between customer-facing business units and risk management/control functions. Risk-related issues are taken into consideration in all business decisions and the Bank strives to maintain a conservative balance between risk and revenue considerations. Risks are reported openly and fully to the appropriate levels once they are identified and risk officers are encouraged to work as allies with other stakeholders within and outside the Bank and be guided in the exercise of their powers by a sense of responsibility, professionalism and respect for other parties. All of the Bank's subsidiaries are guided by the principles enshrined in the risk management policies of the Bank.

With the above philosophy towards risk management, the Bank attempts to foster an environment in which the Board of Directors and the Bank's senior management consciously promote a responsible approach to risk and ensure that the long-term survival and reputation of the Bank are not jeopardized while expanding the Bank's market share. The ultimate responsibility for risk management in the Bank is fully vested in the Board of Directors, which in turn delegate certain elements of this to senior management. The Bank attempts to pay appropriate attention to both quantifiable and unquantifiable risks and to promote awareness of risk and risk management across the Bank. The Bank also attempts to avoid products, markets and businesses where it cannot objectively assess and manage the associated risks.

While these risk management goals encourage a degree of risk aversion, the Bank also recognizes that risks are inherent in its business and, in fact, undertaking certain risks is necessary in order for the Bank to achieve optimal profitability. The Bank seeks to set its risk appetite at a level that minimizes erosion of earnings or capital due to avoidable losses in the banking and trading books or from fraud and operational inefficiencies. The Bank's appetite for risk is governed by the following:

(a) high quality risk assets measured by the following three performance indicators: (i) the ratio of non-performing loans to total loans, (ii) the ratio of loan loss expenses to total revenue and (iii) the ratio of loan loss provision to gross non-performing loans; the broad objective is to be among the best three banks in Nigeria with respect to <u>clauses (i)</u> and <u>(ii)</u> and to maintain a ratio of not less than 100% with respect to <u>clause (iii)</u>,

(b) losses due to frauds and operational lapses should be a maximum of a specified percentage of gross earnings and in any case be lower than the industry average,

(c) financial and prudential ratios should be at a level more conservative than regulatory requirements and better than the average of benchmark banks,

(d) the Bank aims to minimize the following independent indicators of excessive appetite for risk: (i) exception reporting by auditors, regulators and external rating agencies, (ii) adverse publicity in local and international press, (iii) frequent litigations, (iv) payment of fines and other regulatory penalties and (v) above average level of staff and customer attrition, and

(e) the Bank does not compromise its reputation through unethical, illegal and unprofessional conduct (including a zero tolerance level for association with disreputable elements).

Board Committees

The Bank's risk management is overseen by the Board of Directors, which is responsible for: (a) the approval and periodic review of risk strategy and policies, (b) approving the Bank's risk appetite and monitoring the Bank's risk profile against this appetite, (c) ensuring senior management takes steps necessary to monitor and control risks, (d) ensuring that management maintains an appropriate system of internal control and reviewing its effectiveness, (e) ensuring that the Bank's risk strategy reflects the Bank's tolerance for risk, (f) reviewing and approving changes/amendments to the risk management framework, (g) reviewing and approving risk management procedures and control for new products and activities and (h) receiving risk reports periodically from management highlighting key risk areas, control failures and remedial action steps taken by management. Certain of these functions are principally handled by various committees of the Board of Directors, in particular the EXCO General, the EXCO Credit, the Board Credit Committee and the Board Audit and Risk Assessment Committee. See "Management—The Roles of the Board" below.

Credit Risk Management

The Bank employs different tools in order to manage the credit risk that it is exposed to through its lending and other credit activities. With respect to credit risk, the goals of the Risk and Management Control Directorate are principally to: (a) monitor the Bank's overall risk tolerance in relation to credit risk based upon the recommendation of the Executive Director (Risk & Management Control), (b) ensure that the Bank's overall credit risk exposure is maintained at prudent levels and consistent with the available capital through quarterly review of various types of credit exposure, (c) ensure that the Bank's top management, as well as individuals responsible for credit risk management, possess the requisite expertise and knowledge to accomplish the risk management function, (d) ensure that the Bank implements a sound methodology that facilitates the identification, measurement, monitoring and control of credit risk, (e) ensure that detailed policies and procedures for credit risk exposure creation, management and recovery are in place and (f) appoint credit officers and delegate approval authorities to appropriate individuals and committees.

The Bank has put in place a risk rating system for all obligors and products. The rating system is based upon eight risk categories, which provide a pre-set, objective basis for making credit decisions. The rating system is as follows:

Description	Rating	Facility Risk Rating	Range of Scores	Grade
Extremely low risk	AAA	1.00-1.99	90-100%	Investment
Very low risk	AA	2.00-2.99	80-89%	
Low risk	A	3.00-3.99	70-79%	
Low risk	BBB	4.00-4.99	60-69%	
Acceptable – moderately high risk	BB	5.00-5.99	50-59%	Speculative
High Risk	B	6.00-6.99	40-49%	
Very high risk	CCC	7.00-7.99	30-39%	
Extremely high risk	CC	8.00-8.99	20-29%	
Default	C	9.00	0-19%	

The Bank's credit risk is overseen by the Credit Committee of the Board of Directors. This committee is responsible for: (a) establishing and maintaining an effective risk management environment in the Bank, (b) reviewing proposals in respect of credit policies and standards and endorsing them to the Board of Directors for approval, (c) defining the Bank's risk and return preferences and target risk portfolio, (d) monitoring on an ongoing basis the Bank's risk quality and performance, reviewing periodic credit portfolio reports and assessing portfolio performance, (e) defining credit approval framework and assigning credit approval limits in line with the Bank's policies, (f) reviewing defined credit product programs on recommendation of the Head of Risk Management and endorsing these to the Board of Directors for approval, (g) reviewing credit policy changes initiated by the Bank's management and endorsing these to the Board of Directors for approval, (h) ensuring compliance with the Bank's credit policies and statutory requirements prescribed by the regulatory/supervisory authorities, (i) approving credit facility requests within limits defined by the Bank's credit policy, and within the statutory requirements set by the regulatory/ supervisory authorities, (j) reviewing and endorsing credits approved by business unit heads, (k) reviewing and recommending to the Board credits beyond their approval limits, (l) reviewing periodic credit portfolio reports and assessing portfolio performance and (m) approving exceptions/write-offs, waivers and discounts on non-performing credit facilities within specified limits.

Market Risk Management

Market risk is a significant risk that is faced by the Bank and thus the Bank monitors this closely through relatively sophisticated analytical models. With respect to market risk, the goals of the Risk and Management Control Directorate are principally to: (a) define the Bank's overall risk appetite in relation to market risk, (b) ensure that the Bank's overall market risk exposure is maintained at levels consistent with the available capital and (c) ensure that the Bank's top management, as well as individuals responsible for market risk management, possess sound expertise and knowledge to accomplish the risk management function.

The Bank's market risk is overseen by its Asset and Liability Committee (*i.e.*, the ALCO). This committee is responsible for market and liquidity risk management, including: (a) approval of asset and liability management and market risk management policies, (b) policy oversight for liquidity, interest rate, foreign currency and equity risks, (c) approval of risk strategy in the money, foreign exchange and capital markets, (d) monitoring liquidity, asset and liability mismatch, pricing and interest rates, (e) development of policies, procedures, tools and systems for identifying, measuring, controlling and reporting market risks, (f) evaluating market risk inherent in new products, (g) ensure compliance with statutory and regulatory requirements, (h) limits setting (*i.e.*, position , concentration, currency, dealing, gap, total portfolio and counterparty limits), (i) appointment of dealers and (j) balance sheet management.

The Bank maintains a well-articulated market risk policy, which the Bank uses as a guide to the level of risk that may be assumed during trading activities and determines the size and maturities that are subject to repricing when interest rates change. The Bank is moving from traditional methods of risk management (risk mitigation) to risk optimization by linking the Bank's business strategy to its day-to-day risk. Due to the size of the Bank's holdings in rate-sensitive assets and liabilities and its volume of foreign exchange trade, the major area of market risk faced by the Bank is interest rate and foreign exchange risk. Trading in equity is done through FBN Capital Limited, one of the Bank's wholly-owned subsidiaries. While this subsidiary has its own risk management processes, the Bank retains an oversight function through its Corporate Planning and Group Coordination Department.

The greater portion of the Bank's risk is in non-tradable interest rate risk, the Bank has adopted a number of measurement tools to measure such risk such as interest rate gap analysis, which allows the Bank to maintain a positive or negative gap depending upon the Bank's forecast of interest rate position, forecasting and simulating interest rate margins, calculating earnings-at-risk (EAR) using various interest rate forecasts, calculating re-pricing risks in various portfolios and yield curve analysis. The Assets and Liability Management process determines balance sheet interest rate sensitivity and implements risk management practices to hedge the potential effect of interest rate changes. By using interest rate gap analysis, for example, the Bank can determine the rate sensitivity of an amount of assets and liabilities within a specific time interval. The Bank can then alter the size of the gap either by hedging net interest income against changing interest rates or by speculatively increasing net interest income. The Bank has not adopted the use of the value-at-risk (VAR) model to establish the probability of loss in its trading portfolio due to the absence of a market volatility index.

The Bank maintains a policy of minimizing its open currency position and limits the maximum amount that overbought and oversold dealers can carry overnight in different currencies. The Bank takes into account the open position limit (OPL) prescribed by the Central Bank and sets its internal open position limit at 75% of the regulatory limit. The Bank's target is to maintain a daily squared position. The Bank may give approval for limited, temporary trading above the Bank's set limits, but any trading above the regulatory limit must be approved by the Central Bank. The Bank's practice is to enforce operating limits and other risk management guidelines to keep exposures within levels consistent with internal policies.

Liquidity Risk Management

As a result of the gap in tenor between the Bank's liabilities and assets, liquidity risk is monitored by the Bank regularly. With respect to liquidity risk, the goals of the Risk and Management Control Directorate are principally to: (a) approve the Bank's strategic direction and tolerance level for liquidity risk, (b) ensure that the Bank's senior management have the ability and the required authority to manage liquidity risk, (c) approve the Bank's liquidity risk management framework and (d) ensure that liquidity risk is identified, measured, monitored and controlled.

The Bank's funding base consists of well-diversified corporate and retail deposits, as well as interbank and other borrowings. The Bank traditionally has sought to attract lower-cost Nigerian currency-denominated demand deposits in order to keep its funding costs as low as possible, and has attempted to minimize its reliance on higher cost Nigerian currency-denominated time deposits as a significant source of funding. The Bank's management believes that, due to the market's perception of the Bank as among the stronger banks in Nigeria, it enjoys a relatively lower-cost time deposit base by attracting the risk-averse retail segment. The Bank's existing credit facilities also have provided the Bank with certain funding, but this funding has been limited compared to the Bank's overall liabilities.

The Bank maintains a large portfolio of tradable liquid assets in the form of Nigerian Treasury Bills and Federal Government of Nigeria Bonds, which are low in risk and can be converted in a short period of time. The Bank also maintains a large portfolio of low risk assets, which can be securitized and traded as off-balance sheet items. In addition, the Bank has put into place contingency funding arrangements with similar-sized Nigerian banks and maintains a standing credit facility with the Central Bank, which can be accessed at short notice.

The Bank uses measurement techniques such as cash flow projections and compliance with approved ratios. Cash flow projections allow the Bank to asses its cash inflows against outflows and help identify the potential for net shortfalls or net funding requirements. In order to ensure compliance with liquidity levels, the Bank has pre-set liquidity gap limits.

The following tables set out the maturity profile of the Bank's deposits as of the dates indicated:

	As of March 31, 2006						
	Demand	7 days notice	Up to 1 month	1-3 months	3-6 months	6-12 months	1 year and over
				(₦ millions)			
Saving deposits	0	128,236	0	0	0	0	0
Foreign currency deposits	1,480	0	0	0	0	0	0
Commercial deposits	0	0	0	33,478	21,307	10,161	2,390
Other	193,794	0	0	0	0	0	0
Bank deposits	323	0	0	0	0	0	0
Total	**195,597**	**128,236**	**0**	**33,478**	**21,307**	**10,161**	**2,390**

	As of December 31, 2006						
	Demand	7 days notice	Up to 1 month	1-3 months	3-6 months	6-12 months	1 year and over
				(₦ millions)			
Saving deposits	0	146,082	0	0	0	0	0
Foreign currency deposits	43,686	0	0	0	0	0	47,480
Commercial deposits	0	0	0	70,714	3,556	1,097	0
Other	6,169	0	0	34,268	64,274	79,963	0
Bank deposits	185	0	0	0	0	0	0
Total	**50,040**	**146,082**	**0**	**104,982**	**67,830**	**81,060**	**47,480**

The Bank's general policy is to maintain an adequate level of liquid assets so as to meet the contractual maturity of existing funding, to fund investment opportunities, to satisfy credit demands and to cover against contingent liquidity risks derived from unexpected withdrawals or other unforeseen events. Investing in assets that can easily be collateralized for liquidity, laddering investments for net cash flow income and being selective on collaterals that are received against granted loans are some of the strategies used by the Bank when taking positions. For a proactive and responsive liquidity management; stress levels triggered by early warning indicators are monitored and in case of crisis predetermined action plans relevant to each stress level are pursued.

The following tables set out the maturity profile of the Bank's liabilities as of the dates indicated:

	As of March 31, 2006						
	Demand	7 days notice	Up to 1 month	1-3 months	3-6 months	6-12 months	1 year and over
				(₦ millions)			
Deposits	195,597	128,236	0	33,478	21,307	10,161	2,390
Loans	0	0	0	0	0	0	0
Securities	0	0	0	0	0	0	0
Others	71,129	0	0	0	0	0	0
Total	**266,726**	**128,236**	**0**	**33,478**	**21,307**	**10,161**	**2,390**

	As of December 31, 2006						
	Demand	7 days notice	Up to 1 month	1-3 months	3-6 months	6-12 months	1 year and over
				(₦ millions)			
Deposits	50,040	146,024	0	104,982	67,830	81,060	47,480
Loans	0	0	0	0	0	0	0
Securities	0	0	0	0	0	0	0
Others	58,020	0	0	0	0	0	0
Total	**110,401**	**146,024**	**0**	**104,982**	**67,830**	**81,060**	**47,480**

As noted above, the Bank's liquidity risk is monitored by the Bank's ALCO. In addition to its responsibilities noted in "Market Risk Management" above, this committee is responsible for: (a) the implementation of sound policies and procedures for managing liquidity risk in line with the strategic direction and risk appetite specified by the Board of Directors, (b) reviewing and articulating funding policy, (c) the development and implementation of procedures and practices that translate the Board of Director's goals, objectives and risk tolerances into operating standards that are well understood by Bank personnel and consistent with the Board of Director's intent, (d) ensuring adherence to the lines of authority and responsibility that the Board of Directors has established for managing liquidity risk, (e) overseeing the implementation and maintenance of management information and other systems that identify, measure, monitor and control the Bank's liquidity risk and (f) the establishment of effective internal controls and limits over the Bank's liquidity risk management process.

Operational Risk Management

With respect to operational risk, the goals of the Risk and Management Control Directorate are principally to: (a) define the Bank's overall risk appetite in relation to operational risk, (b) ensure that the Bank's overall operational risk exposure is maintained at levels consistent with the available capital, (c) ensure that the Bank's top management, as well as individuals responsible for operational risk management, possess sound expertise and knowledge to accomplish the risk management function, (d) approve the Bank's operational risk management framework, (e) ensure that the Bank's operational risk management framework is subject to effective and comprehensive internal audit by operationally independent, appropriately trained and competent staff, (f) ensure that operational risk is identified, measured, monitored and controlled and (g) provision early warning signals of deterioration in the Bank's internal control system.

The Bank's operational risk appetite is set at a level that minimizes erosion of earnings or capital due to avoidable losses from frauds, system failure and other operational inefficiencies and disruptions. Based on current earnings capacity and capital based, the Bank's operational risk limit and appetite shall be a maximum of a specified percentage of gross earnings. Business units and support functions limits and appetite will be defined on the basis of the Bank's overall appetite by the Head of Operational Risk Management and communicated at the beginning of each financial year. The principal tools used by the Bank in the management of operational risk are risk maps and control self-assessment questionnaires.

Reputational Risk Management

As an institution that depends significantly upon the image that is held by it within the Nigerian market, by its correspondent banks and by international rating agencies, the Bank is attentive to reputational risk. This attention is applied to both the Bank's own activities as well as those of its customers, and the Risk and Management Control Directorate has among is responsibilities: (a) ensuring appropriate guidelines, including an explicit statement of a zero tolerance policy for all unethical behaviour, (b) adhering to the Bank's statutory responsibilities, including compliance with all regulatory guidelines, (c) reviewing all exception reports by external parties such as regulators and auditors, ensuring that appropriate sanctions are applied to erring officers, demanding from management appropriate explanations for all exceptional items and ensuring that management puts in place effective and remedial actions, (d) reporting on an on-going basis to the Board of Directors on progress and (e) ensuring that only fit and proper persons are appointed to senior management positions in the Bank. Clear guidelines are set and all staff are expected to comply with the Bank's code of conduct. In addition, Directors of the Bank are required to ensure that they do nothing to compromise their fit and proper status with regulators. The Board of Directors is responsible for ensuring that only members who do not tarnish the Bank's image and reputation remain as members of the Board and monitoring any conflicts of interest that might exist.

The Bank's reputational risk is monitored by the EXCO General committee of the Board of Directors. With respect to reputational risk, this committee is tasked with: (a) ensuring that the core principles and policies guiding reputational risk management are effectively communicated to line management and employees, (b) guarding against all actions that would cause the Bank embarrassment and discomfort, (c) ensuring compliance with all laws and regulations guiding the banking industry, (d) ensuring that the Bank earns and maintains the respect and confidence of regulators and law enforcement agencies, (e) ensuring that the Bank remains a good corporate citizen and monitor from time to time the perception of the Bank among stakeholders when compared with its peers, (f) ensuring that prompt and appropriate corrective measures are taken in the event of any exception reports by auditors and regulators and that noted exceptions are not recurrent items, (g) ensuring that due process guidelines exist and are followed in all of the Bank's major areas of operation and (h) through the Bank's Corporate Affairs Division, carrying out periodic qualitative and quantitative market research and analysis on the Bank's corporate image. Where the attention of the EXCO General committee is brought to any occurrence that may adversely affect the Bank's reputation, it sets in motion a damage control mechanism and ensures that all Directors are kept well informed. It also institutes an investigation into the circumstances and takes proactive measures to redress the situation.

Loan Classification and Provisioning Policy

General

The EXCO Credit committee is responsible for monitoring the Bank's loan portfolio and establishing allowances and provisions in relation thereto based upon reports provided by the branch risk committees. This committee reports directly to the Bank's Board of Directors. In order to establish adequate allowances and provisions, the Bank classifies loans by their perceived risk criteria in accordance with its policy and the requirements of Nigerian GAAP taking into account classification and provisioning guidelines of Nigerian law. The committee also conducts evaluations of other assets and off-balance sheet contingent liabilities.

Classification and Provisioning Guidelines

The Bank classifies its loan portfolio in accordance with current Nigerian banking regulations in its Statutory Financial Statements. See "Appendix C—Regulatory and Banking Environment." In accordance with the applicable regulations, the Bank is required to create a general reserve equal to 1% of its total loan portfolio and specific allowances for possible loan losses. These specific allowances must be increased gradually so that the reserves reach 100% of the non-performing loan, depending upon the length of payment default. The Central Bank guidelines defined as non-performing all loans in which principal or interest is unpaid for 90 days after the due date. The Bank maintains a stricter provisioning policy than required by applicable regulations and seeks to maintain loan loss reserves of equal or greater amounts than non-performing loans after consideration of the fair value of collateral received.

The following table sets out the aggregate of non-accrual and past due loans in each category as of the dates indicated:

	As of March 31,			As of December 31,
	2004	2005	2006	2006
		(₦ millions)		
Loans accounted for on a non-accrual basis	39,002	32,838	14,347	7,182
- Gross interest income that would have been recorded	1,248	1,896	17,391	389
- Amount of interest income included in net income	351	6,292	17,923	3,433
Accruing loans contractually past due 90 days or more as to principal or interest payments	41,493	34,674	17,339	6,247

Nigerian GAAP Provisioning

The recoverable amounts of loans are calculated as the present values of expected future cash flows discounted at the instrument's original effective interest rate. Short-term balances are not discounted.

Loans and advances are presented net of specific and general allowances for uncollectibility. Specific allowances are made against the carrying amount of loans and advances that are identified as being impaired based on regular reviews of outstanding balances to reduce these loans and advances to recoverable amounts. General allowances are maintained to reduce the carrying amount of portfolios of similar loans and advances to their estimated recoverable amounts at the balance sheet date. The expected cash flows for portfolios of similar assets are estimated based upon previous experience and considering the credit rating of the underlying customers and late payments of interest or penalties. Increases in the allowance account are recognized in the income statement. When a loan is known to be uncollectible, all the necessary legal procedures have been completed and the final loss has been determined, the loan is written off directly. If in a subsequent period, the amount of impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-off, the write-off or allowance is reversed through the income statement. The Bank is not in a position to predict what changes in conditions will take place in Nigeria and what effect such changes might have on the adequacy of its allowances for possible loan losses in future periods.

The Bank's reserves for possible loan losses including allowances made on a portfolio basis to cover any inherent risk of loss was ₦7.4 billion (US$58.3 million) as of December 31, 2006, ₦14.3 billion as of March 31, 2006, ₦32.8 billion as of March 31, 2005 and ₦39.0 billion as of March 31, 2004.

The following table sets out certain information on the Bank's gross loan portfolio by credit quality classification:

	As of March 31,						As of December 31,	
	2004		2005		2006		2006	
	(₦ millions)	*(% of gross loans)*	*(₦ millions)*	*(% of gross loans)*	*(₦ millions)*	*(% of gross loans)*	*(₦ millions)*	*(% of gross loans)*
Performing loans including accrued interest income............	75,630	45.6%	112,837	54.2%	172,665	63.8%	218,804	63.7%
Non-performing loans	41,493	25.0%	34,674	16.7%	17,339	6.4%	6,247	1.8%
Contingencies and commitments	48,829	29.4%	60,578	29.1%	80,662	29.8%	118,490	34.5%
Total cash loans, contingencies and commitments, gross Non-performing	**165,952**	**100.0%**	**208,089**	**100.0%**	**270,666**	**100.0%**	**343,541**	**100.0%**

The following table sets out certain information relating to the movements in the Bank's reserves for non-performing loans as of the dates indicated:

	As of March 31,			As of December 31,
	2004	2005	2006	2006
	(₦ millions)			
Beginning reserve balance	36,871	39,002	32,838	14,347
Write offs and recoveries	(3,931)	(13,144)	(46,784)	(10,332)
Provisions for the period.................	6,062	6,980	28,293	3,167
Ending reserve balance.................	**39,002**	**32,838**	**14,347**	**7,182**

The Bank's credit monitoring department provides quarterly reports to the Bank's Board of Directors detailing all aspects of the Bank's credit activity, including the number of new problem loans, the status of existing non-performing loans and collections. The Bank's senior management pays close attention to the timeliness of debt repayments and the classified loans and contingent liabilities. Prompt actions are taken by the appropriate departments responsible for supervising and monitoring loan repayments if any principal or accrued interest repayment problems arise. The Bank's determination of whether a repayment problem has arisen is based upon a number of objective and subjective criteria, including changes to the borrower's revenue in accounts held by the Bank, changes to the borrower's economic and financial activity giving rise to the suspicion that a loan is not being used for its original purpose, applications to change credit terms, failure of the borrower to fulfill the terms and conditions of its loan agreement and refusal of a borrower to co-operate in supplying current information.

Any overall deterioration in the quality of the Bank's loan portfolio or increased exposure relating to off-balance sheet contingent liabilities is brought to the attention of the Board of Directors.

The Bank's ratios of non-performing loans to total cash loans and to total cash and non-cash loans were 2.8% and 2.1%, 9.1% and 6.4%, 23.5% and 16.7% and 35.4% and 25.0% as of December 31, 2006 and March 31, 2006, 2005 and 2004, respectively. The ratio of allowances for possible loan losses as a percentage of non-performing loans was 97.5%, 82.7%, 94.7% and 94.0% as of December 31, 2006 and March 31, 2006, 2005 and 2004, respectively.

MANAGEMENT

The Bank is managed by its Board of Directors and its Managing Director. The articles of association of the Bank provide for the Board of Directors to have 15 members, seven of whom are executives and eight of whom are non-executives. The members of the Board of Directors are appointed for a renewable three year term. Beginning in 2003, non-executive Directors, can only be appointed for a maximum of six years (two terms).

Board Structure

As of the date hereof, the Board consists of the Chairman, with no executive responsibilities, seven executive Directors and seven non-executive Directors. The Central Bank requires that there be at least two non-executive board members who are independent (defined as directors "who do not represent any particular shareholder interest and hold no special business interest with the bank"). During the 2005/2006 financial year, the Bank re-organized its Board of Directors with the appointment of new members. Messrs. Ajibola A. Afonja and Aliyu A. Alkali (MNI) were appointed to the Board as non-executive directors while Messrs. Remi Babalola, Ola Oyelola, Alex Otti and Sanusi Lamido and Mrs. Bola Adesola were appointed as executive directors. The new Directors replaced Gen. Abba Kyari (Rtd.), Alhaji Muhammadu Ibrahim (OFR), Bashiru Bakare, Christy Okoye, Evans Woherem and Ado Wanka, all of whom retired during the course of the year.

The Roles of the Board

The Board of Directors is responsible to the Bank's shareholders for creating and delivering sustainable shareholder value through its oversight of the Bank's businesses. To this end, the roles of the Chairman and the Managing Director/Chief Executive are separate and the Board of Directors has established separate responsibilities for these two positions. The Chairman's principal function is to lead and manage the Board of Directors to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities. Non-executive Directors are required to challenge, monitor and approve the strategies and policies recommended by the Managing Director/Chief Executive. The Board of Directors has delegated the responsibility for the day-to-day management of the Bank to the Managing Director/Chief Executive. The Managing Director/Chief Executive is supported in these tasks by the Executive Committee, which he chairs. Specifically, the roles of the Board are established in the Bank's articles of association as the following:

- determining the Bank's objectives and strategies as well as plans to achieve these,
- determining the "terms of reference" and procedures of Board Committees and reviewing and approving the reports of such committees where appropriate,
- maximizing shareholder values through the setting of objectives, goals and strategic direction for management,
- considering and approving annual budgets, monitoring financial performance and ensuring that the Bank is a going concern,
- ensuring that an adequate budgetary and planning process exists, such that performance is measured against budget and plans,
- approving, amongst others, acquisitions, mergers, business combinations, equity investments and new strategic alliances by the Bank and its subsidiaries,
- ensuring that an effective risk management process exists and is maintained,
- ensuring balanced and understandable reporting to shareholders,
- ensuring that an effective risk management process exists and is maintained, and
- having ultimate responsibility for systems of financial, operational and internal controls, and regulatory compliance and ensuring that statutory reporting of these is adequate.

The Board of Directors carries out the above responsibilities through a number of standing committees whose "terms of reference" it reviews regularly. All committees have clearly defined "terms of reference," which set out their roles, responsibilities, functions, scope of authority and procedures for reporting to the Board of Directors. Currently the Board of Directors has seven standing committees, whose roles and composition are as follows:

Executive Committee (EXCO General)

The Executive Committee ("*EXCO General*"), chaired by the Managing Director/Chief Executive, is comprised of all seven executive Directors of the Bank. This committee meets fortnightly to deliberate and take policy decisions on the effective and efficient management of the Bank. It also serves as a filter for issues to be discussed by the Board of Directors. This committee's primary responsibilities are to: (a) ensure the implementation of strategies approved by the Board of Directors, (b) ensure the identification of long-range external and internal issues and trends and their implications for the Bank's business, (c) provide leadership to the management team, (d) monitor and evaluate performance/achievement of the Bank's strategy and objectives, (e) review new developments and initiate remedial actions, (f) communicate strategic decisions across the Bank, (g) assign responsibilities for the achievement of strategies and (h) ensure efficient deployment and management of the Bank's resources. Its chairman (the Managing Director/Chief Executive) is responsible for the day-to-day running and performance of the Bank.

In addition, the EXCO General committee has the following responsibilities for all categories of risk: (a) formulating policies, (b) monitoring implementation of risk policies, (c) reviewing risk reports for presentation to the Board/Board committees and (d) implementing Board decisions across the Bank. See "Risk Management" above.

Executive Committee, Credit

The Executive Committee, Credit ("*EXCO Credit*") has the same membership as the Executive Committee. This committee considers loan applications above certain limits that have been approved by the Bank's Risk & Management Control Directorate. This committee also considers loan requests above certain limits, which need to be referred to the Board Credit Committee, as well as changes in the Bank's credit policy.

The EXCO Credit committee also: (a) reviews credit policy recommendations for Board approval, (b) approves individual credit exposure in line with approved policy, (c) agrees on a portfolio plan/strategy for the Bank, (d) reviews monthly credit risk reports and remedial action plans and (e) coordinates the Bank's response to material events that may have an impact upon the credit portfolio. See "Risk Management" above.

Board Credit Committee

This committee: (a) ensures the effective management of credit risk by the Bank and its subsidiaries, (b) approves credit risk management policies and standard proposals on the recommendation of the EXCO Credit committee, (c) approves the definition of risk and return preferences and the target risk portfolio, (d) approves the Bank's credit risk appetite and portfolio strategy, (e) approves lending decisions and limit setting, (f) approves credit products and new processes, (g) approves assignment of credit approval authority on the recommendation of the EXCO Credit committee, (h) approves changes to the Bank's credit policy guidelines on the recommendation of the EXCO Credit committee, (i) approves credit facility requests and proposals within limits defined by the Bank's credit policy and within the statutory requirements set by the regulatory/supervisory authorities, (j) recommends to the Board of Directors credit facility requests above a stipulated limit, (k) reviews credit risk reports on a periodic basis, (l) approves credit exceptions in line with Board of Director approval and (m) makes recommendations to the Board of Directors on policy and strategy where appropriate. See "Risk Management" above.

Chaired by a non-executive director (currently Prince A. A. Afonja), the Board Credit Committee's membership comprises the Managing Director/Chief Executive, each of the executive directors and four other non-executive directors – currently Lt. Gen. G. Duba (Rtd.), Mr. O. Hassan- Odukale (MFR), Mr. Mallam A. Mahmoud and Mr. A. O. Otudeko (OFR).

Board Tenders Committee

The Board Tenders Committee considers all capital projects and makes related recommendations for the consideration of the full Board of Directors. This committee is chaired by a non-executive director (currently Dr.

Udo Udo-Aka (MON)) and includes the Managing Director/Chief Executive, Executive Director (Banking Operations/IT), Executive Director (Risk Management & Control) and two other non-executive directors – currently Lt. Gen. G. Duba (Rtd.) and Mr. Mallam A. Mahmoud.

Board Establishment, Disciplinary and Promotion Committee

The Board Establishment, Disciplinary and Promotion Committee considers staff matters in respect of senior officers of principal manager grade and above. This committee is chaired by a non-executive director (currently Mr. A. O. Otudeko (OFR)) and includes the Managing Director/Chief Executive, Executive Director (Banking Operations/IT), Executive Director (Retail Banking (Lagos/West)) and three other non-executive directors – currently Alhaji M. Ibrahim (OFR), Prince A. A. Afonja and Dr. Udo Udo-Aka (MON).

Audit Committee

The Audit Committee is established pursuant to Section 359(6) of the CAMA and is to ensure that the Board of Directors' supervision and review functions are duly carried out. The Audit Committee receives regular reports from the individual units of the risk management, internal control and internal audit systems concerning the performance of their duties. The Audit Committee reports to the Board of Directors its views on the results of these units' activities and on any action that it deems to be necessary as well as its views on any other issues that it deems to be important from the standpoint of the continued well-being of the Bank and the conduct of its activities.

This committee is comprised of six members: the Executive Director (Banking Operations/IT), two non-executive directors (currently Mr. O. Hassan-Odukale (MFR) and Mr. Alhaji M. Ibrahim (OFR)) and three representatives of shareholders elected annually at the Bank's general meeting.

Board Audit and Risk Assessment Committee

The Board Audit and Risk Assessment Committee has oversight responsibility for internal audit and control, risk assessment and compliance. Specifically, this committee performs the following functions:

> *Risk Management*: (a) evaluating internal processes for identifying, assessing, monitoring and managing key risk areas, particularly: (i) important judgments and accounting estimates, (ii) business risk in the areas of credit risk, market risk and operational risk, (iii) specific risks relating to outsourcing and (iv) consideration of environmental, community and social risks, (b) evaluating: (i) the adequacy of the Bank's risk management systems and the adequacy of the Bank's control environment with management, and the internal and external auditors, (ii) the Bank's risk profile, the action plans in place to manage risks, and progress against plan to achieve these actions and (iii) reviewing the processes the Bank has in place for assessing and continuously improving internal controls, particularly those related to areas of significant risk, and (c) approving the provision of risk management services by external providers.
>
> *Internal Control*: (a) evaluating: (i) the efficiency and effectiveness of the Bank's operations, (ii) the accuracy of transactions capture and storage, (iii) the reliability of financial reporting and (iv) the effectiveness of the Bank's risk management systems, and (b) compliance with banking laws and regulations, internal policies, and internal procedures.
>
> *Internal Audit*: (a) recommending to the Board of Directors the appointment (and, where appropriate, replacement) of the Chief Internal Auditor, (b) reviewing: (i) Internal Audit's mission, charter, qualifications and resources, (ii) the Internal Audit reporting line and independence (*e.g.*, directly to the Managing Director/Chief Executive and/or the Audit and Risk Assessment Committee) and (iii) the scope of the Internal Audit plan and work program, (c) monitoring: (i) the progress of the Internal Audit program and considering the implications of internal audit findings on the control environment and (ii) the implementation of agreed action plans by the Bank's management, (d) evaluating: (i) the Bank's management's responsiveness to Internal Audit's findings and recommendations and (ii) the process the Bank has in place for monitoring and assessing the effectiveness of the Internal Audit function, (e) determining that no restrictions are being placed upon the internal auditors and (f) reviewing reports from the internal auditors detailing their key findings and agreed management actions.

Chaired by a non-executive director (currently Mr. Mallam A. Mahmoud), the committee's membership includes the Executive Director (Banking Operations/IT), Executive Director (Retail Banking (Upcountry)), Executive Director (Risk & Management Control) and two non-executive directors - currently Mr. O. Hassan-Odukale (MFR) and Dr. Udo Udo-Aka (MON). The Bank's Chief Internal Auditor and Chief Compliance Officer have access to this committee and make quarterly presentations for the consideration of its members.

The following table sets out the current members of the Bank's Board of Directors, the date of their initial appointment to the Board of Directors and the expiration date of their current term:

Name	Position	Year of Initial Appointment
Umaru A. Mutallab, CON	Chairman	1999
Jacobs M. Ajekigbe	CEO & Managing Director	2000
John O. Aboh	Executive Director (Banking Operations and IT)	2000
Bola Adesola	Executive Director (Corporate Banking)	2005
Aderemi W. Babalola	Executive Director (Retail Banking – Lagos & West)	2005
Oladele Oyelola	Executive Director (Retail Banking – Upcountry)	2005
Alex Otti	Executive Director (Retail Banking – South)	2005
Lamido A. Sanusi	Executive Director (Risk & Management Control)	2005
Ajibola Afonja	Non-Executive Director	2004
Aliyu A. Alkali	Non-Executive Director	2006
Oye Hassan-Odukale, MFR	Non-Executive Director	1999
Lt. Gen. Garba Duba (Rtd.)	Non-Executive Director	1999
Abdullahi S. Mahmoud	Non-Executive Director	1999
Ayoola O. Otudeko, OFR	Non-Executive Director	1997
Udo Udo-Aka, MON	Non-Executive Director	1999

The business address of all of the Directors is Samuel Asabia House, 25 Marina, Lagos, Nigeria.

Below is a brief biographical description of the members of the Bank's Board of Directors.

Dr. Umaru A. Mutallab, CON, Chairman (born 1939)

Dr. Mutallab is a Fellow of both the Association of Chartered and Certified Accountants (FCCA) and the Institute of Chartered Accountants of Nigeria (FCA). He has been a Federal Minister of Nigeria and the Executive Chairman & Managing Director of United Bank for Africa (UBA). He joined the Bank in 1996 as a non-executive director and became Chairman of the Bank in 1999.

Mr. Jacobs M. Ajekigbe, CEO & Managing Director (born 1951)

Mr. Ajekigbe holds a B.Sc. degree in Agricultural Economics from the University of Ibadan (1975) and an MBA (Finance) degree from the University of Lagos (1990). After a period with the Oyo State Ministry of Agriculture and Natural Resources, he joined the Bank as Agricultural Credit Officer, Kano in 1977. He moved from that level to the Head Office in 1978 and became Senior Agricultural Coordinator in 1980. In 1982, he moved to line banking, rising through positions to become the Managing Director & Chief Executive Officer of the Bank on June 13, 2002. Mr. Ajekigbe is also a member of the Institute of Directors, Nigeria.

Mr. John O. Aboh, Executive Director (Banking Operations and IT) (born 1956)

Mr. Aboh holds a B.Sc. degree in Finance from University of Nigeria Nsukka and an MBA in Finance & Accounts from University of Jos. Mr. Aboh began his banking career in 1981 with the Bank. He has also worked as a Credit Analyst, Assistant General Manager and Deputy General Manager & Chief Inspector in Nigeria Merchant Bank Limited, Nigeria International Bank (Citibank) and UBA Plc, respectively. Notable special projects executed by Mr. Aboh include the reorganization of the International Operations System at Nigeria International Bank

(Citibank) and the implementation of the UBA MoneyGram Money Transfer Service. He joined the Bank in 2000 as an Executive Director responsible for Banking Operations.

Mrs. Bola Adesola, Executive Director (Corporate Banking) (born 1961)

Mrs. Bola Adesola was until her latest appointment the Managing Director/Chief Executive of Kakawa Discount House Limited. Mrs. Adesola spent nine years with Nigeria International Bank (Citibank) and was part of the start-up team for Citibank, Tanzania, Dar es Salaam, where she served as that bank's initial Treasurer. Called to the Nigerian Bar in 1985, Mrs. Adesola received a law degree from the University of Buckingham, UK. An honorary member of the Chartered Institute of Bankers, Nigeria, Mrs. Adesola has served in various capacities in the Nigerian money market, the interbank settlement system and the discount house sub-sector. She is currently a member of many institutions, including the Governing Council, Development Policy Council, Ibadan and the Nigeria Economic Summit Group. She joined the Bank in 2005 as an Executive Director responsible for Corporate Banking.

Mr. Aderemi W. Babalola, Executive Director (Retail Banking - Lagos & West) (born 1964)

Mr. Remi Babalola was a Deputy General Manager and Divisional Head of Corporate Planning & Group Coordination at the Bank until his appointment to the Board in 2005. Mr. Babalola then acted as the Chief Strategist and then the General Manager of Zenith Bank Plc before joining the Bank in 2001 as its Chief Strategist. His previous job experience also includes four years with Arthur Andersen in Nigeria and 1.5 years with PriceWaterhouse. While with Arthur Andersen, he was responsible for auditing, consulting, training and development assignments in the Banking and Finance Group. Mr. Babalola is an alumnus of the Lagos Business School, as well as a member of the Commonwealth Business Council and World Economic Forum, a fellow of the Institute of Chartered Accountants of Nigeria, an associate member of the Chartered Institute of Taxation of Nigeria and an associate member of the Institute of Directors of Nigeria.

Mr. Oladele Oyelola, Executive Director (Retail Banking - Upcountry) (born 1958)

Before joining the Bank, Mr. Oyelola was the Chief Internal Auditor of First Bank of Nigeria Plc, having previously worked in that bank's Corporate Banking and Risk and Management Control directorates. He started his career with Arthur Anderson (now Accenture) in Nigeria where he acquired varied experience in Control Systems, Corporate Restructuring, Assurance, Performance Improvement Programs and Strategy. His banking career started at International Merchant Bank, where he worked in the Corporate Banking Division. After joining Diamond Bank, he worked for almost ten years in various capacities as the Head of Corporate Banking, Regional Manager, Branch Coordinator and General Manager. A fellow of the Institute of Chartered Accountants of Nigeria, a member of the Chartered Institute of Taxation and an honorary member of the Chartered Institute of Bankers, Mr. Oyelola has a Bachelors degree in Accounting and a Master of Science degree specializing in Finance from Ahmadu Bello University Zaria. He joined the Bank in 2001 as Deputy General Manager.

Mr. Alex Otti, Executive Director (Retail Banking -South) (born 1965)

Mr. Otti graduated from the University of Port Harcourt with a first class honors degree in Economics and subsequently received an MBA from the University of Lagos. He started his banking career with Nigeria International Bank (Citibank), where he worked in its Operations department, and then moved to Nigerian Intercontinental Merchant Bank. At Intercontinental, he was at various times in the Treasury and Financial Services department and the Corporate Banking department. In 1996, he moved to United Bank for Africa Plc where he oversaw the Corporate Banking Sector, South and was principally responsible for the development of the bank's oil and gas business. In May 2001, he joined the Bank as an Assistant General Manager with responsibility for its Energy Group. In April 2004, he was promoted to Deputy General Manager of the Bank. He joined the Board of Directors in 2005 as an Executive Director.

Mr. Lamido A. Sanusi , Executive Director (Risk & Management Control) (born 1961)

Mr. Sanusi was General Manager at the United Bank for Africa Plc before he joined the board of the Bank in 2005. He graduated with a Bachelor of Science degree in Economics from the Ahmadu Bello University (ABU) in 1981 and received a second Bachelor's degree in Islamic Law from the International University of Africa, Khartoum, Sudan in 1997. Lamido began his working career in academics, teaching undergraduate Economics at ABU from 1983 to 1985, and thereafter began a banking career with Icon Limited (Merchant Bankers). In May 1997 he joined United Bank for Africa Plc. He joined the Bank in 2005 as an Executive Director responsible for Risk & Management Controls.

Prince Ajibola Afonja (born 1943)

Prince Ajibola Afonja, a non-executive director, has been prominent in Nigerian politics and has held several Nigerian government portfolios, including acting as a member of a Judicial Commission of Inquiry, a delegate to the National Political Reform Conference and a member of the Governing Council of Federal University of Technology Minna, Niger State. Prince Afonja is also a member of the board of directors of several other companies.

Lt. Gen. Garba Duba (Rtd) (born 1942)

Lt.-Gen. Duba, a non-executive director, joined the Nigerian Army in 1962 and held various responsible positions including aide-de-campe to the Military Governor of the old Northern Region and former Military Governor, Sokoto State. He retired from the Nigerian Army over ten years ago. He is a businessman, farmer and chairman of New Nigerian Development Company Limited.

Mr. Oyekanmi Hassan-Odukale, MFR (born 1956)

Mr. Hassan-Odukale, a non executive director, is a board member of various companies, including Prestige Assurance Plc, Adswitch Plc and Globe Reinsurance Company Limited. He is currently also the Managing Director, Leadway Assurance Company Limited. Mr. Odukale obtained both a Bachelor's and a Master's degrees in Business Administration (Finance) from University of Houston, Texas.

Mr. Alhaji Aliyu A. Alkali, MNI (born 1948)

Mr. Alhaji Aliyu A. Alkali, a non-executive director, has held several responsible positions in many organizations. He is a fellow of the Institute of Purchasing & Marketing Administration (IPMA), a fellow of the Institute of Corporate Administration (FCA) and a fellow of the Chartered Institute of Bankers. In 1991 he obtained a Masters degree in Business Administration from Bayero University Kano. He is currently the Group Managing Director/CEO of New Nigeria Development Company (NNDC) Limited Kaduna.

Mr. Alhaji Abdullahi Mahmoud (born 1945)

Mr. Alhaji Mahmoud, a non-executive director, is a professional banker and accountant. He has held various responsible positions in different banks, insurance and companies in Nigeria, including General Manager of United Bank of Africa Plc and Managing Director of International Merchant Bank Limited. He currently is the Group Managing Director of New Nigerian Development Company Limited.

Dr. Ayoola Otudeko (born 1943)

Dr. Otudeko, a non executive director, is a Fellow of the Chartered Institute of Bankers, UK, a Fellow of the Institute of Chartered & Corporate Accountants (with honors), UK, a Fellow of the Institute of Chartered Accountants of Nigeria and an associate member of the Institute of Chartered Secretaries (with honors), UK. He is the Chairman of Honeywell Group Limited, a Nigerian conglomerate, and he is also on the board of the Bank's UK subsidiary FBN UK.

Dr. Udo Udo-Aka (born 1938)

Dr. Udo-Aka, a non executive director, holds responsible positions in several companies in Nigeria and abroad. He is a Fellow of the International Education, Leadership Development Program, California, the Nigerian Marketing Association and the Institute of Personnel Management of Nigeria. Dr. Udo-Aka obtained a B.Sc. degree in Finance and Banking and an MBA in International Business from the University of Oregon, and a Ph.D degree in Business Administration from the University of Nebraska. He currently runs a consultancy firm.

Senior Management

On June 13, 2002, Mr. Jacobs M. Ajekigbe was appointed as the Bank's Managing Director/Chief Executive. Other than the executive officers of the Bank who are also Directors as described above, the principal officers of the Bank (all of whom have the title of Deputy General Manager) and their areas of responsibility are as follows:

Name	Year Joined Bank	Area of Responsibility
Fanimokun Akinwumi Godson......................	1980	Corporate Banking
Ezeobele Aka Chike	1994	Retail Banking
Iyamah Eugene Uche.....................................	1979	Corporate Banking
Otiti Isiaka Taiwo	2001	Information Tech
Borodo Tijjani Mohammed	1988	Comp. Secretary
Bolade Timothy Olaosebikan	1978	Compliance Dept.
Olatunbosun Kayode Ayotunde.....................	1976	Retail Banking
Ogundero Ademola Olumide.........................	1998	Retail Banking
Lawanson Kehinde Adebo.............................	2004	Corporate Banking
Azubike Afamefuna Chukwuemeka.............	1980	Classified Asset Mgt.
Dosumu Mofoluke Benedicta........................	2001	Foreign Operations
Aderinto Mojisola Titilayo	1990	Financial Control
Okeke Bernadine A A....................................	2001	Human Capital Management
Soluade Adebisi Oluyemi	2001	Consumer Finance
Ibrahim Adamu Babangida............................	2001	Retail Banking - North
Giwa-Amu Subusola Ibironke	2001	Service Quality Management
Kukoyi Festus Olaniyi	1980	Legal Services
Ojumah Valentine Omonigho........................	2006	Corp. Plan. & Group Coord.
Shobo Francis Olugbenga..............................	2001	Retail Banking
Kwargana Ibrahim Abubakar	2004	Internal Audit
Ndifon Columbus Takim	1990	Retail Banking - South
Bakre Olufemi Nojeemdeen	1988	Corporate Banking

Conflicts of Interests

The Bank does not have any loans outstanding to its directors or senior officers other than usual staff mortgages or personal loans. None of the directors or officers of the Bank has or has had any interest in any transactions effected by the Bank that are or were unusual in their nature or conditions or significant to the business of the Bank and that were either: (a) effected during the current or preceding fiscal year or (b) effected during an earlier fiscal year and remain in any respect outstanding or unperformed.

Certain directors and officers of the Bank serve as directors and executive officers of the Bank's affiliates. The Bank engages in transactions with some of its affiliates, including transactions in the ordinary course of business. As a result, potential conflicts of interest between the directors' and officers' duties to the Bank and their private interests or other duties could arise.

OWNERSHIP

The Bank was incorporated on March 31, 1894 by Sir Alfred Jones, a shipping magnate, as a limited liability company with its head office in Liverpool, England. The Bank's shares were listed on the NSE in March 1971. As of December 31, 2006, the Bank had 336,885 registered shareholders, all of which were Nigerian citizens and associations, with 4.97% held by First Dependants Nigeria Limited, a subsidiary of the Bank that manages the Bank's staff's pension. As of December 31, 2006, the share capital of the Bank consisted of authorized capital with a value of ₦5.0 billion (US$39.4 million) and of which ₦5.24 billion (US$41.24 million) was fully paid.

Shareholder Structure

Registered shareholdings in the Bank as of December 31, 2006 were as follows:

Shareholder	Nominal Amount (₦)	%
First Dependants Nigeria Limited.	260,231,446	4.97
Others	4,978,437,942	95.03
Total..	**5,238,669,388**	**100.00**

Dividend Policy

The Bank's dividend policy in recent years has been to reinvest a portion of the cash amount of any dividends in its capital, which portion has recently been 50% with the remainder being distributed in cash to the Bank's shareholders. Nevertheless, there can be no assurance that such policy will be applied in the subsequent fiscal years.

DESCRIPTION OF THE NOTES AND THE OTHER TRANSACTION DOCUMENTS

The following summary of certain provisions of the Notes, the Indenture and the Credit Agreement does not purport to be complete and is qualified in its entirety by reference to the provisions of the applicable Transaction Documents. The Noteholders and Note Owners will be entitled to the benefits of, be bound by, and be deemed to have notice of all of the provisions of the Transaction Documents. Copies of the Transaction Documents will be on file with the Indenture Trustee, the Issuer and the Managers and may be inspected by prospective purchasers of Notes (or beneficial interests therein) at the corporate trust office of the Indenture Trustee in New York City, New York, the registered office of the Issuer and the offices of the Managers and, so long as the Notes are listed on the "Official List" of the Irish Stock Exchange, the Transaction Documents will be available for inspection through the Irish Listing Agent and Irish Paying Agent, with whom the Transaction Documents will be deposited in both electronic and hardcopy form, for the life of the Notes.

Status of Notes

The Notes will constitute secured obligations of the Issuer, whose assets will consist primarily of the Collateral. The Issuer's obligations to make any payments with respect to the Notes or otherwise under the Indenture will be subject to its receipt of a corresponding payment under the Collateral, which payments with respect to the Loan and the Credit Agreement are subject to the subordination and other provisions of the Credit Agreement.

Notes and Indenture

Each Note will represent the right of the applicable Noteholder to receive *pro rata* payments of interest and principal with respect to the Notes. Interest and principal payable on the Notes will equal the amounts of interest and principal payable by, and by payable by the Issuer to the Noteholders on the dates payable by, the Bank to the Issuer under the Loan. As such, the interest rate on the Notes equals the Interest Rate on the Loan. The Notes will represent obligations of the Issuer and do not represent interests in or obligations of the Bank, the Indenture Trustee or any other person. The Indenture Trustee (as pledgee of the Collateral and in its capacity as the Administrative Agent) will have the right to institute a direct cause of action against the Bank if there is a Default.

Interest

The Loan (and thus the Notes) will bear interest from the Closing Date at the rate identified in the definition of "Interest Rate." Before the Payment Date in March 2012, the interest on the Loan (and thus on the Notes) will be payable semi-annually in arrears on each Payment Date. Thereafter, interest on the Loan (and thus on the Notes) will be payable quarterly in arrears on each Payment Date. All such interest payable on the Notes will be paid to the applicable Noteholders of record as of 5:00 p.m. (New York City time) on the last Business Day of the calendar month preceding the applicable Payment Date (*i.e.*, the Record Date); *provided* that the final payment in respect of a Note will be made only against surrender of such Note to the Indenture Trustee. All payments by the Issuer to the Noteholders under the Transaction Documents are required to be paid in Dollars in the United States. See "Summary of Terms—Interest" above.

As noted above, the amount of interest on each Note required to be distributed to the Noteholders on each Payment Date will be equivalent to the amount of interest then payable by the Bank under the Loan. The Noteholders will also be entitled to the payment by the Issuer of Additional Amounts (if any) with respect to each payment of interest (except to the extent that such amounts are paid directly by the Issuer to the applicable taxing authorities); *it being understood* that the Issuer will only make such payments to the extent of its receipt of the corresponding payment from the Bank under the Credit Agreement. See "—Additional Amounts" below.

"*Business Day*" means any day other than a Saturday, Sunday or other day on which banking institutions in New York, New York or Lagos, Nigeria are permitted or required by applicable law to remain closed; *provided* that, with respect to any actions taken or to be taken by the Administrative Agent (including in its capacity as the Indenture Trustee), such term means a day in the jurisdiction of the Administrative Agent other than a Saturday, Sunday or other day on which the Administrative Agent is not open for business.

"*Three-Month LIBOR*" means, as of any Determination Date:

(a) the rate for deposits in Dollars for a period equal (or substantially equal) to the relevant Interest Period that appears on page LIBOR01 of the Reuters Monitor Money Rates Service (or such other page as may replace that page on that service for the purpose of displaying comparable rates or prices) as of 11:00 a.m. (London time) on such Determination Date, or

(b) if Three-Month LIBOR cannot be determined on such Determination Date using the foregoing method, then the Three-Month LIBOR for the relevant Interest Period will be the Three-Month LIBOR as determined using the foregoing method for the first day before such Determination Date on which Three-Month LIBOR can be so determined.

"*Interest Period*" means: (a) initially, the period from and including the Closing Date to but excluding the first Payment Date thereafter, and (b) thereafter, the period from the end of the preceding Interest Period to but excluding the next Payment Date.

"*Determination Date*" means, for any Interest Period from the Interest Period commencing on the March 2012 Payment Date, the second London Business Day before the day on which such Interest Period commences; *provided* that if such second London Business Day is not a New York Business Day, then the Determination Date for such Loan will be the preceding London Business Day that is also a New York Business Day.

"*London Business Day*" means a day (other than a Saturday, Sunday or public holiday) on which transactions in Dollars are effected in the London interbank market.

"*New York Business Day*" means any day other than a Saturday, Sunday or other day on which banking institutions in New York, New York are permitted or required by applicable law to remain closed.

Principal

Unless a Default of the type described in clause (d) of the definition thereof has occurred (thereby permitting the acceleration of the Loan), or if the Bank causes the Issuer to make an optional prepayment of the Notes as described in "—Optional Prepayment" below, no principal will be payable on the Notes until the Maturity Date.

Additional Amounts

All payments to be made to a Beneficiary by the Issuer under the Indenture and the Notes are to be made free and clear of, and without deduction or withholding for, or on account of, any current or future taxes, duties, assessments or governmental charges of whatever nature (collectively, "*Taxes*") imposed, levied, collected, withheld or assessed by (or on behalf of) any taxing authority in: (a) Nigeria, (b) the Cayman Islands and/or (c) a jurisdiction from and/or through which a payment is made unless such Taxes are required by applicable law to be deducted or withheld. If any such Taxes are required to be deducted or withheld, then the Issuer, subject to the exceptions described below, will be required to pay to the Indenture Trustee (for the benefit of the applicable recipient(s) of such payment) such additional amounts ("*Additional Amounts*") as may be necessary so that the recipient(s) of such payments will receive the full amount otherwise payable in respect of such payments had no such Taxes (including any Taxes payable in respect of such Additional Amounts) been required to be so deducted or withheld. Notwithstanding the preceding sentences, the Issuer's obligation to make any such payments is limited to its receipt of a corresponding payment by the Bank under the Credit Agreement (including the Bank's agreement to provide funds to the Issuer with respect to any such payments required to be made by the Issuer under the Indenture), which payment obligations of the Bank are subject to the subordination and other provisions of the Credit Agreement described in "Summary of Terms—Subordination; Ranking of Obligations" above.

Notwithstanding the preceding paragraph, no such Additional Amounts will be payable by the Issuer (and, hence, by the Bank) with respect to any such payment:

(a) in the case of any Tax (including income tax) assessed or imposed by any taxing authority of any jurisdiction to the extent that such Tax would not have been assessed or imposed but for any present or former connection between the applicable recipient of such payment (or between a fiduciary, settlor, beneficiary, member or shareholder of such recipient, if such recipient is an estate, a trust, a partnership or a corporation) and such jurisdiction including, without limitation, such recipient (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident thereof or being or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein other than its participation in the transactions effected by the Transaction Documents and the receipt of payments thereunder,

(b) for any estate, inheritance, gift, personal property, sales, transaction, franchise, transfer or other similar Tax,

(c) to the extent that any such Taxes would not have been imposed but for the failure of the applicable recipient of such payment to comply with any certification, identification, information, documentation or other reporting requirement to the extent: (i) such compliance is required by applicable law as a precondition to exemption from, or reduction in the rate of deduction or withholding of, such Taxes (including Internal Revenue Service Forms W-8BEN, W-8IMY, W-8ECI, W-8EXP, 6166 and W-9 or any successor form, as applicable), and (ii) at least 30 days before the first Payment Date with respect to which the Issuer (or the Bank) shall apply this clause (c), the Issuer (or the Bank on its behalf) shall have notified such recipient in writing that such recipient will be required to comply with such requirement,

(d) to the extent of any Tax imposed by reason of the recipient's past or present status as a non-United States private foundation or other non-United States tax-exempt organization,

(e) where a claim for payment is made more than 30 days after payment first became due except to the extent that a Noteholder or Note Owner would have been entitled to Additional Amounts on claiming for payment on the last day of such 30 day period, assuming such last day to have been a Business Day,

(f) where such withholding or deduction is imposed upon a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive, or

(g) due to any combination of the circumstances described in clauses (a) through (f),

nor will any Additional Amounts be paid with respect to any payment to a recipient who is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent that such payment would be required to be included in the income, for tax purposes, of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been in the place of such recipient.

Notwithstanding the foregoing, the limitations on the obligation of the Issuer (and, hence, the Bank) to pay Additional Amounts as set forth in clause (c) above will not apply if the applicable payment recipient delivers a notice to the Issuer and the Bank that a certification, identification, information, documentation or other reporting requirement described in such clause would be materially more onerous (in form, in procedure or in the substance of information disclosed) to the applicable recipient than comparable information or other reporting requirements imposed under United States tax law, regulation and administrative practice (such as Internal Revenue Service Forms W-8BEN, W-8IMY, W-8ECI, W-8EXP, 6166 and W-9 or any successor form).

Upon the written request of the Indenture Trustee and to the extent available, the Issuer and the Bank will provide the Indenture Trustee with documentation reasonably satisfactory to it evidencing the payment of Taxes in respect of which the Issuer or the Bank (as applicable) has paid any Additional Amounts. To the extent applicable to a Noteholder or a Note Owner, copies of such documentation provided by the Issuer will be made available to such Noteholder or Note Owner upon written request therefore to the Indenture Trustee.

As of the Closing Date (and save as otherwise provided under "Taxation—Certain Nigerian Tax Considerations" below), the payment by the Issuer on the Notes and otherwise under the Indenture will not be subject to taxation in Nigeria or the Cayman Islands, and no withholding for Cayman Islands taxes will be required on any payments by the Issuer to the Noteholders.

The Issuer's obligation to pay Additional Amounts will survive the sale or other transfer of Notes (or beneficial interests therein) by any Noteholder (or Note Owner) , the termination of the Indenture and the resignation or removal of the Indenture Trustee. If the Issuer should fail to pay Additional Amounts in full in accordance with the provisions hereof, then the applicable recipient(s) and the Indenture Trustee will have a direct cause of action against the Issuer to collect such shortfall Additional Amounts.

Collateral

On the Closing Date, the Issuer will grant to the Indenture Trustee a security interest in the Collateral to secure its obligations to the Beneficiaries under the Indenture and the Notes. Payments to the Noteholders will be funded solely from the Issuer's receipt of funds under the Collateral.

"*Beneficiaries*" means each of the Indenture Trustee, the Noteholders, the Note Owners and any other person entitled to payment under the Notes and the Indenture; *provided* that such term will not include: (a) the Issuer, the Bank or any of their respective affiliates other than to the extent that such Person is a Noteholder or Note Owner or (b) any Person in a capacity unrelated to the transactions contemplated by the Transaction Documents.

Representations and Warranties of the Issuer

As of the Closing Date, the Issuer will make certain representations and warranties in the Indenture to the Indenture Trustee (for the benefit of each of the Indenture Trustee, each Noteholder and each other Beneficiary), including (among other representations) the following:

(a) it has been duly incorporated, is validly existing and is in good standing under the laws of the Cayman Islands and has full power and authority, and all governmental licenses, authorizations, consents and approvals, to execute and deliver the Transaction Documents to which it is a party and to perform its obligations thereunder,

(b) its execution and delivery of the Transaction Documents to which it is a party, and its performance thereunder: (i) have been duly authorized by all necessary corporate action (including any necessary shareholder or similar action), (ii) require no action by or in respect of, or filing with, any governmental authority, except such as have been taken or made on or before the Closing Date and remain in full force and effect; *it being understood* that certain Uniform Commercial Code financing statements (and similar filings) that have been delivered to the Indenture Trustee on or before the Closing Date may be filed by (or on behalf of) the Indenture Trustee with the appropriate registries promptly after the Closing Date, (iii) will not contravene any applicable law in any material respect, (iv) will not contravene any of its organizational documents, (v) will not contravene or constitute a default under any contractual obligation, judgment, injunction, order or decree binding upon it or any of its properties and (vi) except pursuant to the Transaction Documents, will not result in the creation or imposition of any lien on any of its properties,

(c) each of the Transaction Documents to which it is a party has been duly executed and delivered by it and (with respect to any Note, upon its initial authentication and delivery by the Indenture Trustee) constitutes its legal, valid and binding obligation enforceable against it in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect affecting the enforcement of creditors' rights in general and except as such enforceability may be limited by general principles of equity (whether considered in a suit at law or in equity),

(d) it is in compliance with: (i) its organizational documents and (ii) all applicable laws (including the Prohibited Nations Acts) and contractual obligations (with respect to this clause (ii), except to the extent that the failure to comply therewith could not reasonably be expected, alone or in the aggregate, to have an Issuer Material Adverse Effect),

(e) it has not engaged in any activities (including the incurrence of any indebtedness) since its incorporation other than those incidental to its incorporation and other appropriate corporate steps (including the issuance of shares or other equity interests and arrangements for the payment of administrative fees, the making of the Loan, the authorization and the issuance of the Notes, the execution of the Transaction Documents to which it is a party and the performance of the activities referred to in or contemplated by the Transaction Documents),

(f) there exists no Default and no event the existence of which would be a Default with the expiration of any applicable grace period, the delivery of notice or both,

(g) the Indenture Trustee has a first priority perfected security interest in the Collateral under Cayman Islands and New York law for the benefit of the Beneficiaries (subject only to: (i) any liens for Taxes, assessments and other governmental charges payable by the Issuer and not yet due and (ii) the fact that the appropriate Uniform Commercial Code financing statement(s) have been delivered to the Indenture Trustee but may not yet have been filed by the appropriate recorder),

(h) there is no litigation, arbitration, tax or labor claim or other similar action or proceeding of or before any arbitrator or governmental authority pending or (to its knowledge) threatened against it or any of its properties,

(i) It: (i) is not unable to pay its debts as they become due within the meaning of the Companies Law (2004 Revision) of Cayman Islands law, (ii) will not be rendered so unable to pay its debts as they become due by virtue of the transactions contemplated by the Transaction Documents and (iii) is not entering into the Transaction Documents with the actual intent to defraud its creditors within the meaning of the Fraudulent Dispositions Law (1996 Revision) of the Cayman Islands; neither the directors nor the shareholders of the Issuer have taken any steps to have the Issuer placed in liquidation or to wind-up the Issuer, and

(j) it is subject to civil and commercial law with respect to its obligations under the Transaction Documents, and its execution, delivery and performance of and under the Transaction Documents constitute private and commercial acts rather than public or governmental acts; neither it nor any of its properties has any immunity from suit, court jurisdiction, attachment prior to judgment, attachment in aid of execution of a judgment, set-off, execution of a judgment or from any other legal process with respect to any obligations under the Transaction Documents; and neither the Cayman Islands government nor the government of any other jurisdiction owns any of its membership or similar “equity” interests.

“*Issuer Material Adverse Effect*” means a material adverse effect on: (a) the performance by the Issuer of its obligations to pay principal, interest and other amounts under the Transaction Documents, (b) the normal conduct of the Issuer’s business, (c) the enforceability and/or validity against the Issuer of the Transaction Documents to which it is a party and/or (d) the rights and interests of the Indenture Trustee (including in its capacity as the Administrative Agent), the Noteholders and/or the Note Owners under the Transaction Documents.

Certain Covenants of the Issuer

Pursuant to the Indenture, the Issuer will make certain covenants relating to the conduct of its business, including (among other covenants) agreements:

(a) not to create, assume or otherwise incur indebtedness (including any contingent obligations) or any other obligations or liabilities of any kind (including any indebtedness obtained from the Bank) other than the Notes, any other obligations under or contemplated by the Transaction Documents and normal course obligations relating to the maintenance of its existence (including the payment of taxes, registration fees, accounting expenses and similar costs),

(b) not to create or suffer to exist any liens on the Collateral or any of its other properties other than: (i) any liens that may be created for the benefit of the Indenture Trustee (on behalf of the Beneficiaries) under the Transaction Documents, (ii) liens for taxes, assessments and other governmental charges payable by the Issuer and not yet due and (iii) any right of setoff or similar banker's lien held by the bank at which a deposit account is maintained by the Issuer,

(c) not to consolidate or merge with or into any other person or (except pursuant to the Transaction Documents) sell, assign, lease, transfer or otherwise dispose of (or purport to sell, assign, lease, transfer or otherwise dispose of), directly or indirectly, all or any part of its properties to any other person,

(d) not to: (i) create or acquire any subsidiaries or (ii) other than as specifically contemplated by the Transaction Documents, make any investment,

(e) not to pay any dividends or make any other distribution to its member(s) other than to declare and pay a dividend in the amount of up to the initial transaction fee received from the Bank in connection with the issuance of the Notes,

(f) not to engage in any business activity other than as required or contemplated under the Transaction Documents,

(g) except to the extent required by applicable law (including by any governmental authority), not to take (or where it has the power to prevent the relevant action, knowingly permit to be taken) any action (or refrain from taking any action) that could be reasonably expected to have an Issuer Material Adverse Effect,

(h) not to make, or cause or permit to be made on its behalf, any payment, monetary transfer or deposit other than as specifically contemplated by the Transaction Documents, as required by applicable law or payments on obligations permitted by clauses (a) and (e),

(i) to comply at all times with all applicable laws, except where: (i) the necessity of compliance therewith is being contested by the Issuer in good faith by appropriate proceedings or (ii) the failure to do so could not be reasonably expected to have an Issuer Material Adverse Effect,

(j) to preserve and keep in full force and effect its corporate existence, rights and privileges necessary or desirable in the normal conduct of business, including maintaining its registered office in the Cayman Islands,

(k) not to deduct any amounts payable by it to the Bank against the payments to it from the Bank under the Loan or otherwise under the Credit Agreement for or on account of any set-off or counterclaim or otherwise apply set-off against the Bank in any manner whatsoever, all rights with respect thereto being waived in the Credit Agreement,

(l) to perform its obligations under the Transaction Documents,

(m) it will not agree or consent to any amendment, modification or waiver of any provision of the Loan and/or the Credit Agreement without the consent of the Indenture Trustee and the Controlling Party; *provided* that: (i) the Issuer may agree to any amendment, modification or waiver of the Credit Agreement without any such consent to add to the representations and/or covenants of the Bank and/or the Issuer or surrender any right or power conferred upon the Bank and/or (except rights or powers against the Bank) the Issuer; *it being understood* that the Issuer will promptly send to the Indenture Trustee a copy of any such amendment, waiver or modification, and (ii) no such amendment to the Loan and/or the Credit Agreement will, without the consent of every Noteholder, reduce in any manner the amount of, or delay the timing of or alter the priority of, any Subordinated Obligations, or change any date of payment on the Loan, or change the place of payment where, or the coin or currency in which, the Loan is payable, or impair the

Indenture Trustee's (in its capacity as the Administrative Agent) right to institute suit for the enforcement of any such payment,

(n) it will not, without the prior written consent of the Indenture Trustee, initiate (or otherwise agree to) any amendment, supplement or other modification of its Memorandum or Articles of Association or any other organizational documents,

(o) except as otherwise specifically provided in the Transaction Documents, any payments that the Issuer receives under the Loan and the Credit Agreement will be: (i) if held by the Issuer, held in trust for the Beneficiaries and delivered to the Indenture Trustee, and (ii) if held by another person on behalf of the Issuer (including any bank with which the Issuer maintains an account), instructed by the Issuer to be delivered to the Indenture Trustee, in each case promptly (but in any event within two Business Days) after the Issuer's obtaining actual knowledge of its (or such other person's) receipt thereof, and

(p) (i) if the Notes are accepted for trading on the Irish Stock Exchange, to use commercially reasonable efforts to: (A) maintain the ability to trade the Notes on the Irish Stock Exchange and (B) comply with the requirements of the Irish Stock Exchange to the extent required in order to maintain the listing of the Notes, and (ii) if the Notes are at any time not tradeable on any European Economic Area regulated market stock exchange, to use commercially reasonable efforts to list the Notes for trading on an European Economic Area regulated market stock exchange.

Mandatory Prepayment

The Notes may be subject to mandatory prepayment, in whole but not in part, in limited circumstances. As described in "—Credit Agreement—Defaults" below, the Bank will be obligated to pay to the Administrative Agent (for the benefit of the Issuer) the Prepayment Price for the full prepayment of the Loan after the occurrence of a Default relating to the bankruptcy or similar event of the Bank. If any such payment of the Prepayment Price is made by the Bank, then the Issuer (or the Administrative Agent on its behalf) will pay such amount to the Indenture Trustee for further payment to the applicable Beneficiaries in accordance with the Indenture.

As promptly as possible (and, in any event, by no later than its next Business Day) after its receipt from (or on behalf of) the Bank and/or the Issuer of a Prepayment Price for the Loan (or portion thereof) as described above or in "—Optional Prepayment" below, the Indenture Trustee (on behalf of the Issuer) will use the proceeds thereof to prepay all or the applicable portion of the Notes and to make all other payments to the applicable Beneficiaries included in such Prepayment Price; *it being understood* that such payments to the applicable Beneficiaries of a portion of the Prepayment Price thus might not occur until the Indenture Trustee's Business Day after the applicable date of prepayment (the "*Prepayment Date*"). From such payment, the Noteholders will be entitled to receive an amount in Dollars equal to the sum of: (a) the outstanding principal amount of the Notes (or, in the case of a partial prepayment, the portion thereof to be prepaid), (b) all accrued and unpaid interest (if any) thereon to but excluding the Prepayment Date, (c) all unpaid Additional Amounts (if any) payable under the Transaction Documents, (d) an amount equal to the Make-Whole Premium (if any) for the Loan (or, in the case of a partial prepayment, the portion thereof to be prepaid) to but excluding the Prepayment Date and (e) all other amounts (if any) then due and payable to the Noteholders (or Note Owners) under the Transaction Documents.

If any payment of the Prepayment Price (whether for a mandatory prepayment or an optional prepayment) shall not have been paid in full on the applicable Prepayment Date, then: (a) the Indenture Trustee (as pledgee of the Collateral and in its capacity as the Administrative Agent) will have a direct cause of action against the Bank to collect such unpaid amount for the benefit of the Issuer and the applicable Beneficiaries and (b) the Indenture Trustee will: (i) use the received amounts to make all payments included in the Prepayment Price in the order set forth in the following paragraph and (ii) seek instruction from the Controlling Party with respect to the amount of such shortfall owed by the Bank.

As set forth in the Indenture, the allocations described in the preceding paragraph for an insufficient Prepayment Price will be made in the following order of priority (in each case, to the extent that such amounts were included in the calculation of such Prepayment Price): (a) Indenture Trustee fees, (b) an amount equal to the interest accrued and payable on the Notes to but excluding the applicable Prepayment Date, (c) all unpaid Additional

Amounts (if any) payable to the Beneficiaries under the Transaction Documents, (d) principal on the Notes, (e) on a *pro rata* basis based upon such amounts that are then payable, any other amounts due under the Transaction Documents to the Beneficiaries other than the Bank, the Issuer and any affiliates of either thereof, (f) on a *pro rata* basis based upon such amounts that are then payable, any other amounts payable by the Issuer and/or the Bank to any Beneficiary who is the Bank, the Issuer or an affiliate of either thereof, and (g) and any other amounts payable by the Bank to the Issuer under the Transaction Documents.

"*Prepayment Price*" will be defined in the Credit Agreement as, for any date of determination, an amount in Dollars equal to the sum of: (a) the outstanding principal amount of the Loan (or, in the case of a partial prepayment, the portion thereof to be prepaid), (b) all accrued and unpaid interest (if any) on such prepaid principal amount to but excluding the applicable Prepayment Date, (c) all unpaid Additional Amounts, (d) the Make-Whole Premium (if any) for the Loan (or, in the case of a partial prepayment, the portion thereof to be prepaid) to but excluding the Prepayment Date and (e) all other amounts then due and payable by the Issuer and/or the Bank under the Transaction Documents (with respect to partial prepayment of the Loan, excluding any portion thereof not being so prepaid and any accrued interest thereon).

"*Controlling Party*" means, as of any date of determination, the Noteholders that, in the aggregate, hold more than 50% (or, with respect to any amendment or waiver of (or consent under) clause (a) of "—Credit Agreement—Covenants of the Bank" below), 66 2/3%) of the outstanding principal amount of the Notes on such date.

Optional Prepayment

The Issuer will (if the Bank elects to prepay the Loan (or, if permitted, a portion thereof) pursuant to "Summary of Terms—Optional Prepayment" above), by payment to the Indenture Trustee of an amount equal to the Prepayment Price for the Loan (or the portion thereof that the Bank wishes to prepay), prepay the Notes (or such portion thereof) in the manner provided in "Summary of Terms—Optional Prepayment;" *provided* that: (a) with respect to any optional prepayment pursuant to the first paragraph of "Summary of Terms—Optional Prepayment" above: (i) any partial prepayment will be required to be in an aggregate principal amount of at least US$5,000,000 and US$1,000,000 multiples in excess thereof, (ii) the Issuer may not so prepay the Notes (or such portion thereof) at any time unless the Bank shall have obtained any necessary prior governmental or regulatory approvals (including from the Central Bank) to make a corresponding payment of the Loan (such approvals to be reasonably evidenced to the Indenture Trustee (in its capacity as the Administrative Agent)), (iii) the Issuer may not make any such prepayment absent the Bank's contemporaneous prepayment of the Loan (or an equivalent portion thereof) and (iv) any portion of such Prepayment Price that is not to be paid to the Noteholders or Note Owners will be paid to the applicable payee thereof, and (b) with respect to any optional prepayment pursuant to the second paragraph of "Summary of Terms—Optional Prepayment" above, except with respect to any prepayments resulting from the Loan ceasing to be eligible to qualify as "Tier II" capital (*i.e.*, quasi-capital credits) under Nigerian law (*i.e.*, clause (a) thereof), in the case of any prepayment before the March 2012 Payment Date, the Central Bank shall have provided its prior consent to such prepayment (such Central Bank approval to be reasonably evidenced to the Administrative Agent).

If such prepayment is desired, then the Bank will give the Issuer and the Indenture Trustee (in its capacity as the Administrative Agent) an irrevocable notice of its request to prepay all or any portion of the Loan not less than 35 days nor more than 90 days before the applicable Payment Date, upon delivery of which notice the Loan (or the applicable portion thereof) and all other obligations payable by the Bank under the Transaction Documents (with respect to any partial prepayment of the Loan, excluding any portion thereof not being so prepaid and any accrued interest thereon) will become due and payable on such Payment Date. Upon its receipt of such notice, the Issuer will give the Indenture Trustee an irrevocable written notice of its request to prepay the Notes not less than 30 days nor more than 90 days before the applicable Prepayment Date, upon delivery of which notice the Notes (or the applicable portion thereof) will become due and payable on the applicable Prepayment Date. Any such prepayment of less than all of the Notes shall be allocated on a *pro rata* basis to the Noteholders based upon their respective holdings as of the most recent Record Date.

Subject to the description in "—Mandatory Prepayment" above with respect to the Bank's failure to pay the full amount of the then-required Prepayment Price, following receipt by the Issuer (or the Administrative Agent on its behalf) of the Prepayment Price in connection with an optional prepayment of the Loan in accordance with the above, the Noteholders will be entitled to receive from the Issuer an amount in Dollars equal to the sum of: (a) the outstanding principal amount of the Notes (or, in the case of a partial prepayment, the portion thereof to be prepaid), (b) all accrued and unpaid interest (if any) on such prepaid principal amount to but excluding the applicable Prepayment Date, (c) all unpaid Additional Amounts (if any) payable to the Noteholders, (d) an amount equal to the Make-Whole Premium (if any) for the Loan (or, in the case of a partial prepayment, the portion thereof to be prepaid) to but excluding the applicable Prepayment Date and (e) all other amounts (if any) then due and payable to the Noteholders (or Note Owners) under the Transaction Documents (with respect to partial prepayment of the Notes, excluding any portion thereof not being so prepaid and any accrued interest thereon). Other than any Make-Whole Premium included in the Prepayment Price, no prepayment premium will be payable to the Noteholders in the event of any early prepayment of the Notes, whether as a result of a Default or an optional prepayment.

The "*Make-Whole Premium*" means: (a) as of any date of determination before the March 2012 Payment Date, an amount equal to the difference (but not less than zero) between: (i) the present value (compounded on a quarterly basis) to such date of the expected future principal and interest cash flows from the Loan (or portion thereof) being prepaid discounted at a *per annum* rate equal to the then-bid side yield (as most recently published in the New York edition of The Wall Street Journal) on the U.S. Treasury Note or Bill having a maturity date closest to the remaining weighted average life on the Loan calculated at the time of prepayment, *plus* 0.50% *per annum*, and (ii) the aggregate principal amount of the Loan (or portion thereof) to be prepaid; *provided* that, with respect to clauses (i) and (ii), the Maturity Date will be deemed to be the March 2012 Payment Date, and (b) thereafter, US$0.

Issuer Movement

The Indenture will provide that, notwithstanding anything else in the Transaction Documents, including the covenants above, the Issuer may relocate to, reorganize in and/or combine with another entity organized in another jurisdiction (the "*Issuer Movement*") so long as: (a) the Controlling Party has so consented in its sole discretion, (b) S&P shall have confirmed to the Indenture Trustee that its rating of the Notes will not (as a result of the Issuer Movement) be withdrawn or reduced to below the lower of: (i) its then-current rating on the Notes and (ii) its initial rating on the Notes and (c) the Bank shall have requested the Issuer to effect the Issuer Movement. Each of the Issuer, the Bank and the Indenture Trustee (including in its capacity as the Administrative Agent) is (without the need for any approvals, consents or instructions from any Noteholders or Note Owners, but in accordance with all other provisions applicable thereto) authorized (but not obligated) to join in the execution of any amendment (including amendment and restatement) or to execute any replacement of the Indenture, the Credit Agreement and any other applicable Transaction Documents to the extent required to provide for the Issuer Movement. Promptly after any Issuer Movement, the Indenture Trustee will so notify all of the Noteholders.

Enforcement by Noteholders

No Noteholder will have any right to institute any proceeding against the Bank and/or the Issuer with respect to the Indenture, the Notes, the Loan and/or the other Transaction Documents (including due to any Default thereunder) unless: (a) such Noteholder has previously given written notice to the Indenture Trustee of a continuing Default, (b) the Controlling Party has made a written request to the Indenture Trustee to institute proceedings in respect of such Default in its own name as Indenture Trustee (or in its capacity as Administrative Agent), (c) the Noteholders shall have provided (or caused to be provided) to the Indenture Trustee security or indemnity reasonably satisfactory to it against the costs, expenses and liabilities, including attorneys' fees and expenses, that might be incurred by the Indenture Trustee therein or thereby, (d) the Indenture Trustee has failed to institute such proceedings for 60 days thereafter and (e) no direction inconsistent with such request has been given to the Indenture Trustee during such 60-day period by the Controlling Party; *provided* that the exercise of any such rights is subject to the limitation that in no event shall the Bank and/or the Issuer be required to make any accelerated payments under the Transaction Documents unless and until a Subordination Event has occurred or if there are no remaining Senior Obligations outstanding. Notwithstanding the above, the right of any Noteholder to institute a suit for the enforcement of the payment of principal or interest on the Notes on the due date therefor may not be impaired without its consent.

Form, Denomination and Registration

The Notes (or beneficial interests therein) will be offered for purchase in minimum authorized denominations in the amounts indicated in “Summary of Terms—Denominations” above. No service charge will be made for any registration of transfer or exchange of the Notes, but the Indenture Trustee may require payment of a sum sufficient to cover any tax or other government charge payable in connection therewith. The Notes (or beneficial interests therein) may not be transferred unless the principal amount so transferred is in an authorized denomination.

Notes (or beneficial interests therein) will be deposited on the Closing Date with the Common Depositary for and in respect of interests held through Euroclear and Clearstream and will be registered in the name of BT Globenet Nominees Limited (the Common Depositary’s nominee). Except as described in this Offering Circular, beneficial interests in the Global Note will be represented through accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in Euroclear and Clearstream. Investors may elect to hold interests in the Global Note through Euroclear or Clearstream in Europe if they are participants in such systems, or indirectly through organizations that are participants in such systems. Except as described in this Offering Circular, owners of beneficial interests in the Global Note will not be entitled to have the Notes registered in their names, will not receive or be entitled to receive physical delivery of the Notes in definitive form and will not be considered holders of the Notes under the Notes or the Indenture.

Definitive Notes

All Notes will be delivered in the form of the Global Note. If: (a) any Clearing System notifies the Indenture Trustee in writing that it is unwilling or unable to continue as the depositary for a Global Note and (b) the Issuer and the Indenture Trustee are unable to locate a qualified successor depositary within 90 days of such notice, then the Indenture Trustee will notify all applicable Note Owners through the applicable Clearing System(s) of the occurrence of any such event and of the availability of definitive Notes to such Note Owners. Upon the giving of such notice and the surrender of the Global Notes by the applicable Clearing System(s) accompanied by registration instructions, the Issuer will issue and the Indenture Trustee will authenticate definitive Notes (which will be in definitive, fully registered, non-global form without interest coupons) to replace such Global Note. In all cases, definitive Notes delivered in exchange for the Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the applicable depositary (whether the common depositary or a successor thereto). Definitive Notes may not be issued in bearer form.

In the case of definitive Notes issued in exchange for the Global Note, such definitive Notes will bear the legend referred to under “Notice to Investors” (unless counsel to the Issuer or the Indenture Trustee determine otherwise in accordance with applicable law), subject to the provisions of such legend. The holder of a definitive Note may transfer such Note, subject to compliance with the provisions of such legend, by surrendering it at the office or agency maintained by the Indenture Trustee for such purpose in New York City, New York. Upon the transfer, exchange or replacement of definitive Notes bearing the legend, or upon specific request for removal of the legend on a definitive Note, the Indenture Trustee will deliver only Notes that bear such legend or will refuse to remove such legend, as the case may be, unless there is delivered to the Indenture Trustee such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer and the Indenture Trustee that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

In addition to the above, at any time during the existence of a Default, any Note Owner thereof may, by delivery of notice to the Indenture Trustee through the applicable Clearing System(s), request the delivery of a definitive Note with respect to all or any portion of the beneficial interests in the Notes owned by such Note Owner. Any such notice must be accompanied by related registration instructions and the surrender of the applicable Global Note. Upon receipt of such notice and the Global Note, the Indenture Trustee will: (a) issue definitive Notes (which will be in definitive, fully registered, non–global form without interest coupons) to such Note Owner in an amount equal to such beneficial interests in the Notes, (b) to the extent that any principal of the Notes will still be held by the applicable Clearing System(s) (or their respective replacement(s) or nominee(s)), issue a new Global Note to such Clearing System(s) (or such replacement or nominee) for such amount, and (c) revise the Register accordingly.

Mutilated, Destroyed, Lost or Stolen Notes

In case any Note shall become mutilated, defaced, destroyed, lost or stolen, the Issuer will execute and the Indenture Trustee will, upon direction by the Issuer, authenticate, register and deliver a new Note of like tenor (including the same date of issuance) and equal principal amount registered in the same manner, dated the date of its authentication and bearing interest from the date to which interest has been paid on such Note, in exchange and substitution for such Note (upon surrender and cancellation thereof) or in lieu of and in substitution for such Note. In case a Note is destroyed, lost or stolen, the applicant for a substitute Note will furnish the Issuer and the Indenture Trustee: (a) satisfactory evidence of the destruction, loss or theft of such Note and of the ownership thereof and (b) subject to the terms of the Indenture, such security or indemnity as may be required by them to save each of them harmless. Upon the issuance of any substituted Note, the Indenture Trustee may require the payment by the registered holder thereof of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any fees and expenses (including those of the Indenture Trustee) connected therewith.

Notwithstanding any statement herein, the Issuer and the Indenture Trustee reserve the right to impose such transfer, certificate, exchange or other requirements, and to require such restrictive legends, on Notes as they may determine are necessary to ensure compliance with the securities laws of the United States and the states therein and any other applicable laws.

Registration of Transfer

The Indenture Trustee will be responsible for (among other things): (a) maintaining a record of the aggregate holdings of Notes and accepting Notes for exchange and registration of transfer, (b) ensuring that payments in respect of the Notes are duly paid to the applicable Noteholders to the extent funds are available therefor and (c) transmitting notices to the applicable Noteholders and from such Noteholders to the Issuer (in each case, as contemplated by the Indenture). In the event of a partial transfer of a definitive Note, new Notes will be obtainable at the office of the Indenture Trustee in connection with such transfer.

The Indenture Trustee will keep at its office a register (the "*Register*") in which, subject to such reasonable regulations as it may prescribe, it will provide for the registration of the Notes and registration of transfers and exchanges of the Notes. The Indenture Trustee will, upon at least two of its Business Days' prior written notice and during regular business hours of the Indenture Trustee, permit any Noteholder to inspect and copy the Register and other books and records of the Indenture Trustee to the extent relating to the Notes.

Under certain circumstances described in the Indenture, the Issuer may vary or terminate the appointment of the Indenture Trustee and the Indenture Trustee may appoint additional trustees or other agents. The Issuer will cause notice of any resignation, termination or appointment of the Indenture Trustee, and of any change in the office through which any such agent will act, to be provided to Noteholders in accordance with "—Notices; Meetings of Noteholders" below.

In the event of a partial transfer of a definitive Note, new Notes will be obtainable at the office of the Indenture Trustee.

Distributions

Payments on the Notes will be made by the Indenture Trustee (from amounts received (including in its capacity as Administrative Agent) from the Bank under the Credit Agreement) directly to the registered Noteholders in accordance with the procedures set forth in the Indenture. The Issuer has appointed Deutsche Bank AG, London Branch as principal paying agent for the Notes (the "*Principal Paying Agent*"). Payments of interest, principal and Additional Amounts (if any) will be made on each Payment Date to the Noteholders appearing on the Register as of the relevant Record Date. Payments to Noteholders will be made by check sent by first-class mail to the address of such Noteholders appearing on the Register as of the relevant Record Date or, if transfer instructions have been provided to the Indenture Trustee no less than five Business Days prior to the relevant Record Date, by electronic funds transfer in immediately available funds to an account maintained by such Noteholder with a bank having electronic funds transfer capability; *provided* that the final payment in respect of the Notes will be made only against surrender of such Note to the Indenture Trustee. Unless such designation for payment by electronic funds transfer is revoked, any such designation made by such Noteholder shall remain in effect with respect to any future payments to such Noteholder under the Indenture. The Issuer will reimburse the Indenture Trustee for any wiring or similar administrative charges (if any) that are imposed in connection with the remitting of such payments to any Noteholder, and the Credit Agreement will provide that, promptly upon request therefore, the Bank will pay such charges (or reimburse the Issuer for any such payments already made by the Issuer) in connection with the remitting of any payments to any Noteholder or otherwise under the Transaction Documents.

On or before January 31 of each year, the Indenture Trustee will furnish to each person who at any time during the preceding calendar year was a Noteholder a statement prepared by the Indenture Trustee containing such customary information as the Indenture Trustee deems necessary or desirable to enable the Noteholders (and the Note Owners) to prepare their tax returns.

Any monies deposited with or paid to the Indenture Trustee for the payment of the Issuer's payment obligations under the Indenture and not applied but remaining unclaimed for three years (or such lesser time as the Indenture Trustee shall be satisfied, after notice from the Issuer and/or the Bank, that is one month before the escheat period provided under applicable law) after the date upon which such principal, interest or other amount shall have become due and payable will (to the extent not required to escheat to any governmental authority) be repaid by the Indenture Trustee to or for the account of the Issuer and, to the extent permitted by applicable law, the person with the right to receive such payment of principal, interest or any other amount may thereafter look only to the Issuer for any related payment that it may be entitled to receive, and all liability of the Indenture Trustee with respect to such monies will thereupon cease.

Notices; Meetings of Noteholders

Any notice or communication to a Noteholder will be deemed to have been duly given: (a) upon the mailing of such notice or communication by first-class mail to such Noteholder at its registered address as recorded in the Register and (b) in addition, so long as the Notes are listed on the Irish Stock Exchange and the rules of such stock exchange so require, any notice or communication to the Noteholders will be delivered by either: (i) publication of such notice in a leading daily newspaper having general circulation in Ireland or (ii) sending an electronic notice to the Irish Stock Exchange for release on its Regulatory News Network (or successor), in each case not later than the latest date (if any), and not earlier than the earliest date (if any), prescribed in the Indenture for the giving of such notice or communication.

A meeting of Noteholders may be held at any time and from time to time to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by the Indenture to be made, given or taken by the Noteholders. The Indenture Trustee may at any time call a meeting of the Noteholders for any such purpose to be held at such time and at such place as the Indenture Trustee shall reasonably determine. Notice of every meeting of the Noteholders, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, will be given by the Indenture Trustee to each Noteholder not less than ten nor more than 60 days before the date fixed for the meeting. In case at any time the Issuer or Noteholders holding at least 10% of the outstanding principal amount of the Notes shall have requested the Indenture Trustee to call a meeting of the Noteholders for any such purpose, by written request setting forth in reasonable detail the action proposed to be taken at such meeting, the Indenture Trustee will call such a meeting for such purposes by giving notice thereof.

To be entitled to vote at any meeting of Noteholders, a person must be a Noteholder or a person duly appointed by an instrument in writing as proxy for a Noteholder. The quorum at any meeting called to adopt a resolution shall be the Controlling Party. Any instrument given by or on behalf of any Noteholder in connection with any consent to any modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent holders of such Note. Any action taken at a duly called and held meeting of the Noteholders will be conclusive and binding on all Noteholders, whether or not they gave consent or were present at the meeting; *it being understood* that, in taking any actions for which an indicated portion of the Noteholders is required under the Indenture to approve, such level of approval will be required. The Indenture Trustee may make such reasonable and customary regulations as it shall deem advisable for any meeting of Noteholders with respect to proof of the appointment of proxies, the record date for determining the registered Noteholders entitled to vote (which date will be specified in the notice of meeting), the adjournment and chairmanship of such meeting, the appointment and duties of inspectors of such meeting, the conduct of votes, the submission and examination of proxies, certificates and other evidence of the right to vote and such other matters concerning the conduct of the meeting as it shall deem appropriate. A record of the proceedings of each meeting of Noteholders will be prepared by the party calling the meeting and a copy thereof will be delivered to the Issuer and the Indenture Trustee.

Notwithstanding anything herein or in the Transaction Documents to the contrary, should any Notes (or beneficial interests therein) be owned by the Issuer, the Bank or any of their respective affiliates, then any vote participated in by Noteholders will exclude from such voting the vote relating to (and principal amount of) the Notes (or beneficial interests therein) of any such person; *provided* that if such persons own all of the Notes (or beneficial interests therein), then such voting restriction will not apply; *it being understood* that such exclusion from voting does not include circumstances where the Bank, any affiliate thereof or any affiliate of the Issuer is the owner of any Notes (or a beneficial interest therein) on behalf of another person who is not the Issuer, the Bank, any successors of either thereof or any affiliates of any thereof. Each Noteholder and Note Owner (by its acceptance of a Note or a beneficial interest therein) will be deemed to have agreed to notify the Indenture Trustee and the Issuer promptly: (a) after such acquisition, if it is the Issuer, the Bank or any of their respective affiliates, and (b) after any transfer of such Note (or beneficial interest therein), of such transfer. In taking (or not taking) any actions as a result of the vote of the Noteholders, the Indenture Trustee will be entitled to rely upon all such notices received by it pursuant to the preceding sentence.

Amendments to the Indenture and the other Transaction Documents

The Issuer and the Indenture Trustee (subject to certain limited exceptions in which such consent is not required, only with the written consent of the Controlling Party), from time to time and at any time (but always with the consent of the Bank), may enter into a written amendment to the Indenture or any other Transaction Document for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or any other Transaction Document or of modifying in any manner the rights of the Beneficiaries in respect thereof.

Notwithstanding anything to the contrary in the preceding paragraph, no such amendment to the Indenture or any other Transaction Document will, without the consent of every Noteholder:

(a) reduce in any manner the amount of, or delay the timing of or alter the priority of, any payments that are required to be made in the Indenture, or change any date of any such payment, or change the place of payment where, or the coin or currency in which, any such payment is payable, or impair the Indenture Trustee's right to institute a suit for the enforcement of any such payment,

(b) permit the disposition of the Collateral or any portion thereof,

(c) reduce the percentage of the aggregate outstanding principal amount of the Notes that is required for any such amendment, or reduce such percentage required for any waiver or instruction provided for in the Indenture,

(d) modify specified provisions of the Indenture, or

(e) materially increase the discretionary authority of the Indenture Trustee.

If the Indenture Trustee (including in its capacity as the Administrative Agent) receives a request for a consent to any amendment, modification, waiver or supplement in respect of any Transaction Document, then the Indenture Trustee will promptly (and, in any event, within one of its Business Days) send a notice of such proposed amendment, modification, waiver or supplement to each Noteholder that is registered on the Register as of such date. The Indenture Trustee will request from the Noteholders directions as to: (a) whether or not the Indenture Trustee (including in its capacity as the Administrative Agent) should take or refrain from taking any action that it has the option to take and (b) whether or not to give or execute any waivers, consents, amendments, modifications or supplements that it is entitled to give or execute. Provided that such a request for such direction shall have been made, in directing any action or casting any such vote or giving any such consent, the Indenture Trustee (including in its capacity as the Administrative Agent) will vote in favor of such amendment, modification, waiver or supplement only with the consent of the Controlling Party (or, if required pursuant to the previous paragraph, every Noteholder) and otherwise will vote against such amendment, modification, waiver or supplement.

As noted in "—Credit Agreement—Subordination of the Bank's Obligations to the Issuer under the Credit Agreement" below, the provisions of the Credit Agreement effecting the subordination of the Subordinated Obligations may not be amended or waived in any manner that would reduce such subordination unless the Administrative Agent shall have received either: (a) written confirmation from the Central Bank (or other Nigerian governmental authority then responsible for the capital adequacy of banks) that such amendment or waiver will not result in the Loan ceasing to qualify as "Tier II" quasi-capital equity of the Bank or (b) an opinion of counsel from Nigerian counsel that such amendment or waiver will not result in the Loan ceasing to qualify as "Tier II" quasi-capital equity of the Bank (which opinion may not have any material qualifications or assumptions that could reasonably be considered, individually or in the aggregate, to reduce the certainty of such opinion).

The Indenture Trustee

Deutsche Bank Trust Company Americas, a bank organized under New York law, is the Indenture Trustee under the Indenture (and, thus, the Administrative Agent under the Credit Agreement). The Indenture Trustee's registered office is at 60 Wall Street, 27th Floor, New York City, New York 10005. The Indenture Trustee and its affiliates may from time to time enter into normal banking and trustee relationships with the Issuer, the Bank, any Noteholder, any Note Owner and their respective affiliates; *provided* that the Indenture Trustee may not be a Noteholder or Note Owner for its own account. At any time, for the purpose of meeting any legal requirement of any jurisdiction in which any part of the Collateral may at the time be located, the Indenture Trustee will have the power and may execute and deliver all documents to appoint one or more person(s) to act as co-trustee(s) or separate trustee(s) of all or any part of the Collateral, and to vest in such person(s), in such capacity and for the benefit of the Beneficiaries, such title to the Collateral, or any part thereof, and (subject to certain limitations), such powers, duties, obligations, rights and trusts as the Indenture Trustee may in good faith consider necessary or desirable; *it being understood* that the Indenture Trustee will remain primarily responsible for the satisfaction of all of its obligations under the Transaction Documents.

The Indenture Trustee may resign and be discharged of the trust created by the Indenture by giving at least 90 days' written notice to the Bank, the Issuer and the Noteholders, and such resignation will take effect upon receipt by the Indenture Trustee of an instrument of acceptance of appointment executed by a successor trustee as provided in the Indenture; *it being understood* that such replacement may occur before the end of such 90 day period. The Indenture Trustee may be removed as trustee at any time, with or without cause, upon written notice by the Controlling Party delivered to the Indenture Trustee, the Bank and the Issuer, and (unless such notice provides otherwise) such removal shall take effect upon receipt by the Indenture Trustee of an instrument of acceptance of appointment executed by a successor trustee as provided in the Indenture. In addition, the Issuer or the Controlling Party may (by notifying the Indenture Trustee in writing, with a copy to the Issuer, the Bank and such successor Indenture Trustee) remove the Indenture Trustee and (with the consent of the Bank) appoint a successor Indenture Trustee if at any time any of the following occurs: (a) the Indenture Trustee ceases to meet certain eligibility criteria set forth in the Indenture and fails to resign after written request for such resignation by the Issuer, the Bank or the Controlling Party or (b) the Indenture Trustee becomes incapable of acting, or (in its individual capacity) shall be adjudged a bankrupt or insolvent, or a receiver or liquidator of the Indenture Trustee (in its individual capacity) or of its property shall be appointed, or any public officer takes charge or control of the Indenture Trustee (in its individual capacity) or of its property or affairs for the purpose of rehabilitation, conservation or liquidation.

Credit Agreement

On the Closing Date, the Bank, the Issuer and the Indenture Trustee (in its capacity as the Administrative Agent) will enter into the Credit Agreement, pursuant to which agreement the Issuer will make the Loan to the Bank from the proceeds of the issuance of the Notes. All of the Bank's obligations under the Credit Agreement will be unsecured obligations of the Bank.

Subordination of the Bank's Obligations to the Issuer under the Credit Agreement

The Loan and the Bank's other payment obligations (other than payment of fees and expenses of the Indenture Trustee) under the Credit Agreement will be subordinated to the payment of the Senior Obligations in the manner described in "Summary of Terms—Subordination; Ranking of Obligations" above.

During the existence of any Subordination Event, no payments will be made on account of the principal of or interest on (or other portions of) any Subordinated Obligations, unless and until the Senior Obligations have been paid in full. In furtherance thereof, during the existence of any Subordination Event the payees of the Senior Obligations will be entitled to receive, for application to the payment thereof until paid in full, any payment or distribution of any kind or character, whether in cash, securities or other property, that may be payable or deliverable in respect of the Subordinated Obligations during such Subordination Event before the Issuer, the Administrative Agent (including in its capacity as the Indenture Trustee) and other payees of the Subordinated Obligations are entitled to receive any payment with respect to the Subordinated Obligations.

In the event that, notwithstanding the preceding paragraph, the Issuer, the Administrative Agent (including in its capacity as the Indenture Trustee) or any other payee of the Subordinated Obligations shall have received during any Subordination Event any payment or distribution of property of the Bank with respect to the Subordinated Obligations of any kind or character, whether in cash, securities or other property, before all Senior Obligations are paid in full or payment thereof provided for, the Credit Agreement will provide that then and in such event such payment or distribution will: (a) if the existence of such Subordination Event is known to such payee, be received and held in trust, and (b) be promptly (if received by a payee without knowledge of such Subordination Event, promptly after it obtains such knowledge) paid over or delivered to the Bank's bankruptcy administration (or similar person) for application to the payment of all Senior Obligations remaining unpaid, to the extent necessary to pay all Senior Obligations in full, after giving effect to any concurrent payment or distribution to or for the payees of the Senior Obligations; *provided* that: (i) if there is then no bankruptcy administration (or similar person) then having exclusive power and authority over the Bank, then and in such event such payment or distribution will be promptly paid over or delivered to the Bank, and (ii) if such payee shall have already used such payment or distribution before it obtains knowledge that such payment or distribution was received during the existence of a Subordination Event, then such payee will nonetheless so pay over or deliver an amount equal to such payment or distribution. In no event will the Issuer, the Administrative Agent (including in its capacity as the Indenture Trustee) or any other payee of the Subordinated Obligations have any obligations or liability with respect to the application of any such paid over or delivered payments or distributions as among the holders of the Senior Obligations.

The Indenture will provide that the Indenture Trustee (including in its capacity as the Administrative Agent), the Issuer, any Noteholder, any Note Owner or any other person that receives any amounts from the Bank (including through the exercise of any right of set-off or similar right) relating to a purported payment of a Subordinated Obligation (including any payment on the Loan by the Bank to the Issuer, which funds were used by the Issuer to make payment on the Notes) will be required to turn over any such amounts received during a Subordination Event to the Bank's bankruptcy administration (or similar person) until the Senior Obligations have been paid in full. To the extent that any Beneficiary has received any such payment of the Subordinated Obligations during a Subordination Event and has been notified by the Bank (or such bankruptcy administration or similar Person), the Issuer or the Indenture Trustee, the Indenture will provide that it will be required promptly to return such amounts (without interest) to the Indenture Trustee for delivery to the Bank's bankruptcy administration (or similar person) in the manner provided in the Credit Agreement.

The Credit Agreement will provide that the provisions of the Credit Agreement effecting the subordination of the Subordinated Obligations may not be amended or waived in any manner that would reduce such subordination unless the Administrative Agent shall have received either: (a) written confirmation from the Central Bank (or other Nigerian governmental authority then responsible for the capital adequacy of banks) that such amendment or waiver will not result in the Loan ceasing to qualify as "Tier II" quasi-capital equity of the Bank or (b) an opinion of counsel from Nigerian counsel that such amendment or waiver will not result in the Loan ceasing to qualify as "Tier II" quasi-capital equity of the Bank (which opinion may not have any material qualifications or assumptions that could reasonably be considered, individually or in the aggregate, to reduce the certainty of such opinion). In addition, the Credit Agreement will provide that the holders of Senior Obligations will be third-party beneficiaries of such provisions and that such provisions may not be amended or waived in any manner (other than to add to the conditions to such amendment or waiver) absent the consent of persons holding a majority of the Senior Obligations (or their authorized representatives), any attempt to do so being null and void *ab initio*.

Use of Proceeds

The proceeds of the Loan will be used by the Bank for general corporate purposes (including paying to the Issuer on the Closing Date a loan arrangement fee in an amount equal to the arranger fees and other expenses relating to the offering of the Notes). No proceeds from the Loan will be used by the Bank to make loans or otherwise provide funds (directly or, to its knowledge, indirectly) to countries (or any person of such countries) or any other person contrary to the Prohibited Nations Acts.

Payments by the Bank

The Loan will bear interest from the Closing Date at the Interest Rate. The interest on the Loan will be payable by the Bank to the Issuer in arrears on each Payment Date. Accrued interest also will be paid on the date of any optional prepayment of the Loan (for the portion of the Loan being prepaid) and any mandatory prepayment of the Loan. The principal of the Loan, together with all accrued and unpaid interest thereon and all other outstanding obligations under the Credit Agreement, is payable in full on the Maturity Date. All payments by the Bank to the Issuer under the Transaction Documents are required to be paid in Dollars in the United States.

All payments to be made by the Bank on the Subordinated Obligations will be required to be made without set-off, defense, recoupment, counterclaim or any other reduction. Except as otherwise expressly provided herein, all payments of the Subordinated Obligations will be made by the Bank to the Administrative Agent for the account of the Issuer (or other applicable recipients). Pursuant to the Indenture, the Issuer will instruct the Indenture Trustee to apply all such payments towards the making of any corresponding payments payable by the Issuer under the Indenture. Any payments by the Bank will be applied to the relevant Payment Dates in the order of the dates of required payment.

As noted in "—Notes and Indenture—Additional Amounts" above, the Bank will agree in the Credit Agreement to pay Additional Amounts (if any) with respect to any payment under the Credit Agreement and, if any Additional Amounts are required to be paid by the Issuer under the Indenture, to pay to the Administrative Agent (for the benefit of the applicable recipient(s) of such payment) such Additional Amounts. The Bank has been advised following consultation with the Nigerian tax authorities that the Loan (with its only scheduled principal payment being payable on the Maturity Date) should qualify for a 100% reduction in the witholding tax. Accordingly, as of the Closing Date, the Bank believes that the payment by the Bank on the Loan and otherwise under the Credit Agreement will not be subject to taxation in Nigeria or the Cayman Islands, and no withholding for Nigerian taxes will be required on any payments by the Bank under the Transaction Documents. However, the Bank is required to pay stamp duties in respect of the Credit Agreement. See "Taxation" below.

Representations and Warranties of the Bank

On the Closing Date, the Bank will make certain representations and warranties in the Credit Agreement, including (among other representations) the following:

> (a) it and each of its subsidiaries is duly licensed and qualified to do business (with respect to the Bank, as a commercial bank) in accordance with the laws of its jurisdiction of organization and each other jurisdiction in which its operates, it and each of its subsidiaries has been duly organized and it and each of its subsidiaries: (i) is validly existing (with respect to the Bank, as a banking corporation) under the laws of its jurisdiction of organization, with full corporate (or similar) power and authority (including all licenses and authorizations) to own or lease its property and to conduct its business as presently conducted and (with respect to the Bank) to execute, deliver and perform its obligations under each Transaction Document to which it is a party and to consummate the transactions contemplated thereby, and (ii) is duly qualified as a foreign corporation and (where such concept is recognized) is in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such

qualification, in each case except to the extent that any failure thereof could not reasonably be expected, alone or in the aggregate, to have a Bank Material Adverse Effect,

(b) its execution and delivery of the Transaction Documents to which it is a party, and its performance thereunder: (i) have been duly authorized by all necessary corporate action (including any necessary shareholder or similar action), (ii) require no action by or in respect of, or filing with, any governmental authority (including the Central Bank), except that the Bank is required to certify receipt of the proceeds of the Loan and submit copies of the agreements relating thereto within 24 hours of receipt to the Central Bank, (iii) will not contravene: (A) its organizational documents or (B) any applicable law, (iv) will not (with or without notice and/or expiration of any applicable grace period) contravene or constitute a default under any contractual obligation, judgment, injunction, order, writ or decree binding upon it, any of its subsidiaries or any of their respective properties and (v) will not result in the creation or imposition of any lien on any of its or its subsidiaries' properties,

(c) each of the Transaction Documents to which it is a party has been duly executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect affecting the enforcement of creditors' rights in general and except as such enforceability may be limited by general principles of equity (whether considered in a suit at law or in equity),

(d) it and each of its subsidiaries is in compliance with: (i) its organizational documents and (ii) all applicable laws and contractual obligations, in each case except to the extent that the failure to comply therewith could not reasonably be expected, alone or in the aggregate, to have a Bank Material Adverse Effect,

(e) there exists no Default and no event the existence of which would be a Default with the expiration of any applicable grace period, the delivery of notice or both,

(f) (i) each of the Bank and its Material Subsidiaries: (A) is solvent on both a consolidated and unconsolidated basis and (B) has not ceased or suspended generally payments of its debts or announced any intention to do so and there is no admission in writing by the Bank or any of its Material Subsidiaries of its inability to do so, (ii) the Bank will not be rendered insolvent (whether on a consolidated or an unconsolidated basis) by virtue of the transactions effected by the Transaction Documents, (iii) the Bank is not entering into the Transaction Documents with the actual intent to hinder, delay or defraud its present or future creditors and (iv) each of the Bank and its Material Subsidiaries is able to pay its debts as they fall due and has no outstanding negotiations with any creditor with a view to readjustment or rescheduling of its indebtedness, nor is there any outstanding assignment for the benefit of or a composition with its creditors, and no moratorium exists in respect of the indebtedness of the Bank or any of its Material Subsidiaries; neither the directors nor the shareholders of the Bank or any of its Material Subsidiaries have taken (nor does the Bank have any knowledge that any other person has taken or threatened to take) any steps for the winding up, dissolution, administration or reorganization of the Bank or any of its Material Subsidiaries or for the appointment of a receiver, liquidator, administrator, assignee, trustee, custodian, sequestrator or other similar officer of the Bank or any of its Material Subsidiaries,

(g) there is no litigation, arbitration, tax or labor claim or other similar action or proceeding of or before any arbitrator or governmental authority pending or (to its knowledge) threatened against it, any of its subsidiaries or any of their respective properties that could reasonably be expected, alone or in the aggregate, to have a Bank Material Adverse Effect,

(h) its March 31, 2006 and December 31, 2006 consolidated and unconsolidated financial statements are complete and correct in all material respects and fairly present its financial condition on the dates and for the periods involved (subject, with respect to interim unaudited periods, to applicable audit adjustments), and have been prepared in accordance with the indicated accounting standards, which (except as explicitly described therein) have been consistently applied,

(i) from March 31, 2006 until the Closing Date, there has not been any material adverse change in, or any development that could reasonably be expected to materially adversely affect, the business, condition (financial or otherwise) and/or results of operations of the Bank and its subsidiaries taken as a whole,

(j) each of the Bank and its Material Subsidiaries has filed all tax returns and reports that are required by applicable law to have been filed by it and has paid all Taxes thereby shown to be owing, in each case except for any Taxes that are immaterial, are not yet due or are being contested in good faith and with respect to which any reserves required by generally accepted accounting principles have been set aside, and

(k) it: (i) is subject to civil and commercial law with respect to its obligations under the Transaction Documents to which it is a party and its execution, delivery and performance thereof and thereunder constitute private and commercial acts rather than public or governmental acts, (ii) is not entitled to any sovereign or other immunity from the jurisdiction of any court or from any action, suit or proceeding, or from set-off or service of process in connection therewith, and none of its properties is immune from attachment (before or after judgment) or execution and (iii) has made in the Transaction Documents to which it is a party a valid waiver of any right it may have to sovereign immunity.

"*Bank Material Adverse Effect*" means a material adverse effect on: (a) the performance by the Bank of its obligations to pay principal, interest and other amounts under the Transaction Documents, (b) the legal or financial ability of the Bank to conduct its business, (c) the enforceability and/or validity against the Bank of the Transaction Documents to which its is a party and/or (d) the rights and interests of the Issuer, the Indenture Trustee (including in its capacity as the Administrative Agent), the Noteholders and/or the Note Owners under the Transaction Documents.

"*Material Subsidiary*" means, at any particular time, a subsidiary of the Bank whose total assets and/or liabilities exceed 5% of the consolidated total assets or liabilities (as applicable) of the Bank (based upon the twelve calendar month period ending on the date of the most recent financial statements delivered by the Bank pursuant to clause (g) of "—Covenants of the Bank" below or, if none have yet been so delivered, the financial statements dated as of December 31, 2006).

Covenants of the Bank

Pursuant to the Credit Agreement, the Bank will make certain covenants relating to the conduct of its business, including (among other covenants) agreements:

(a) not, without the consent of the Administrative Agent, close any merger with or into, consolidation with or sale, assignment or other conveyance (directly or indirectly) of all or substantially all of its property (whether in a single transaction or a series of related transactions) to, any person unless:

(i) (A) with respect to any merger or consolidation, the Bank is the surviving entity, or (B) such person assumes in writing all of the Bank's rights and obligations under the Transaction Documents and the Bank (or such person) delivers to the Administrative Agent one or more opinion(s) of counsel in form and substance reasonably satisfactory to the Administrative Agent to the effect that: (1) such assumption is sufficient for each such Transaction Document to constitute a legal, valid and binding obligation of such person, enforceable against it (subject to customary bankruptcy and similar exceptions) in accordance with its terms, and (2) immediately after such assumption, such person has in full force and effect its legal existence and rights, licenses, consents, approvals, franchises and privileges in the jurisdictions necessary: (x) for the performance of its obligations under the Transaction Documents and (y) in the normal conduct of its business (except, in each case, to the extent that any failure to have such rights, licenses, consents, approvals, franchises and privileges could not reasonably be expected, alone or in the aggregate, to have a Bank Material Adverse Effect; *it being understood* that, for purposes of this clause (2), such person will be deemed to be the "Bank" for purposes of the term "Bank Material Adverse Effect"),

(ii) S&P shall have confirmed that its rating of the Notes will not (as a result of such merger, consolidation, sale, assignment or other conveyance) be withdrawn or reduced to below the lower of: (A) its then current rating on the Notes and (B) its initial rating on the Notes, and

(iii) no Default (or any event that would be a Default with the expiration of any applicable grace period, the delivery of notice or both) shall be expected to exist immediately after giving effect to such proposed merger, consolidation, sale, assignment or conveyance.

Upon any consolidation of the Bank with, or merger of the Bank into, any other person or any conveyance or transfer of the properties of the Bank substantially as an entirety in accordance with the above, the successor person formed by such consolidation or into which the Bank is merged or to which such conveyance or transfer is made will succeed to, and be substituted for, and may exercise every right and power of, the Bank under the Transaction Documents, and thereafter the predecessor person will be relieved of all obligations and covenants under the Transaction Documents,

(b) subject to clause (a), to do or cause to be done (and to cause each of its subsidiaries to do or cause to be done) all things necessary to maintain, renew and keep in full force and effect its (or such subsidiary's) legal existence and rights and franchises in all jurisdictions (with respect to the Bank, including its banking license), in each case except where the failure to do so could not be reasonably expected to have a Bank Material Adverse Effect,

(c) to comply (and cause its subsidiaries to comply) at all times with all applicable laws (including: (i) those of the Central Bank and (ii) requirements to pay taxes), except where the failure to do so could not be reasonably expected to have a Bank Material Adverse Effect; *provided* that this will not include compliance by the Bank with minimum capital requirements under Nigerian banking law; *it being understood* that if such were to occur, then the Bank will use commercially reasonable efforts to reenter into compliance with such minimum capital requirements as promptly as possible thereafter,

(d) the Bank may not make payments of dividends on any of its equity (other than dividends payable in additional shares of its own stock), any payments on any "Tier I" quasi-capital credits or any payment of principal on any "Tier II" quasi-capital credits, or repurchase or redeem any of its equity or "Tier I" or "Tier II" quasi-capital credits, if at the time of such payment (or immediately after such payment) it is (or would be) out of compliance with minimum capital requirements under Nigerian banking law; *provided* that it may make any such payments of principal on "Tier II" quasi-capital credits to the extent that simultaneously therewith it makes a *pro rata* payment on the Loan,

(e) to use the proceeds from the Loan for general corporate purposes (including paying to the Issuer on the Closing Date a loan arrangement fee in an amount equal to the arranger fees and other expenses relating to the offering of the Notes); no proceeds from the Loan will be used by the Bank to make loans or otherwise provide funds (directly or, to its knowledge, indirectly) to countries (or any person of such countries) or any other person contrary to the Prohibited Nations Acts,

(f) promptly (and in any event within five Business Days) after its obtaining actual knowledge of such event, to provide the Administrative Agent (for further delivery to the Noteholders and the Issuer) notification of a Default or an event that would be a Default with the expiration of any applicable grace period, the delivery of notice or both (including events that have since been cured), with notice specifying all such events and what actions have been taken and/or will be taken with respect to such events,

(g) within 90 days after the end of each of the first three quarterly periods of each fiscal year of the Bank and 150 days after the end of each fiscal year of the Bank, it will provide to the Administrative Agent (for further delivery to the Noteholders and the Issuer) copies of unaudited Nigerian GAAP or IFRS (with respect to a fiscal quarter) or audited Nigerian GAAP or IFRS (with respect to a fiscal year) consolidated balance sheet and statements of income,

(h) promptly to execute and deliver all further documents, and take all further action, that may be necessary that the Indenture Trustee (including in its capacity as the Administrative Agent) may reasonably request to be taken, in accordance with applicable laws, in order: (i) to enable the Bank to enter into, exercise its rights under and perform its obligations under the Transaction Documents, (ii) to ensure that the Bank's obligations under the Credit Agreement and the other Transaction Documents are legally binding and enforceable, (iii) to make the Notes, the Credit Agreement and the other Transaction Documents admissible in evidence in the courts of the State of New York, the Cayman Islands or Nigeria, (iv) to enable the Administrative Agent (including in its capacity as the Indenture Trustee) and the Issuer to exercise and/or enforce any of their respective rights under and carry out the terms, provisions and purposes of the Notes, the Credit Agreement and the other Transaction Documents, (v) to take any and all actions necessary to preserve the enforceability of, and maintain the Indenture Trustee's (including in its capacity as the Administrative Agent) and the Issuer's rights under, the Transaction Documents, and (vi) to assist the Administrative Agent (including in its capacity as the Indenture Trustee), to the extent reasonably practicable, in the enforcement and performance of its rights and obligations under the Transaction Documents,

(i) during a Subordination Event, not to make any payments (whether scheduled, optional or mandatory): (i) except to the extent required by the applicable law of Nigeria, on any other quasi-capital credits unless *pro rata* payments are simultaneously being made under the Subordinated Obligations, (ii) on any "Tier I" quasi-capital credits or (iii) with respect to any equity (including any dividends other than dividends payable in additional shares of its own stock) nor repurchase or redeem any of its equity or any quasi-capital credits,

(j) not to deduct any amounts payable by it under the Transaction Documents against any payments payable to it for or on account of any set-off or counterclaim or otherwise apply set-off relating to the Transaction Documents in any manner whatsoever, all rights with respect thereto being waived in the Credit Agreement.

Default

The Credit Agreement will provide that the "*Defaults*" will be the following:

(a) failure by the Bank and/or the Issuer to pay principal on the Loan and/or the Notes on the Maturity Date or any applicable Prepayment Date,

(b) failure by the Bank or the Issuer to pay: (i) interest on the Loan and/or the Notes (as applicable) or Additional Amounts within 15 days of the date such payment is required to be made or (ii) except for principal on the Loan and/or the Notes on the Maturity Date, any other amounts payable under the Transaction Documents within 30 days of receipt of written demand from the Administrative Agent,

(c) except as specifically provided in another Default: (i) the Issuer or the Bank shall have failed to observe or perform any of its covenants specified in the Transaction Documents to which it is a party and (ii) except with respect to clauses (c), (d)(i) and (h) of "—Notes and Indenture—Covenants of the Issuer" above or clauses (a), (f), (h), (i) and (k) of "—Covenants of the Bank" above, such failure shall continue unremedied for at least 30 days after the Issuer or the Bank (as applicable) obtains actual knowledge of such failure,

(d) the occurrence of any Subordination Event,

(e) (i) if the Bank or all or a substantial part of its property is condemned, seized, nationalized or otherwise appropriated by any person acting under the authority of any national, regional or local government or (ii) the Bank is prevented by any such person from exercising normal control over all or any substantial part of its property (including where any governmental authority takes any action to the effect that the management of the Bank is wholly or partially displaced or the authority of the Bank in the conduct of its business is wholly or partially curtailed), or

(f) any governmental authority of Nigeria shall declare a moratorium on the payment of non-Nigerian currency-denominated debt by: (i) Nigeria or any governmental authority thereof and/or (ii) any other person of or in Nigeria.

Upon the occurrence of any Default relating to the Bank described in clause (d), all amounts payable by the Issuer and the Bank under the Transaction Documents will be immediately due and payable without any declaration or other act by the Issuer, the Administrative Agent or any other person. Upon the occurrence of any other Default (including the occurrence of any Default relating to the Issuer described in clause (d)), there will be no right of acceleration; *however*, during the existence of a Default, the Interest Rate will be increased as described in the proviso to the definition of "Interest Rate" and the Administrative Agent may pursue any other available remedy (such as injunctive relief to the extent permitted by applicable law) to enforce any provisions of the Transaction Documents. (See "—Notes and the Indenture—Mandatory Prepayment" above).

The Indenture Trustee (in its capacity as the Administrative Agent) will waive a Default only to the extent that it is instructed to do so as follows: (a) with respect to: (i) Defaults described in clauses (a) and (b) of the definition thereof or (ii) relating to a covenant or other provision of the Transaction Documents that cannot be modified or amended without the consent of each affected Noteholder, the instruction of each affected Noteholder, and (b) otherwise, the instruction of the Controlling Party.

CLEARING AND SETTLEMENT

The information set out below in connection with Euroclear and Clearstream (together, the "*Clearing Systems*") is subject to any change in or reinterpretation of the rules, regulations and procedures of the Clearing Systems currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Bank believes to be reliable, but none of the Issuer, the Bank, the Indenture Trustee and the Managers takes any responsibility for the accuracy of the information. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Bank, the Indenture Trustee and the Managers will have any responsibility or liability for any aspect of the records relating to, or payments made on account of interests in, the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Clearing Systems

Clearstream

Clearstream is incorporated under the laws of Luxembourg as a professional depository. Clearstream holds securities for Clearstream participants (as defined below) and facilitates the clearance and settlement of securities transactions between Clearstream participants through electronic book-entry changes in accounts of Clearstream participants, thereby eliminating the need for physical movement of securities. Clearstream provides to Clearstream participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. As a professional depositary, Clearstream is subject to regulation by the Luxembourg Monetary Institute. Clearstream participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include the Managers ("*Clearstream participants*"). Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream participant either directly or indirectly.

The ability of an owner of a beneficial interest in a Note to pledge such interest to persons or entities that do not participate in the Clearstream system, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for such interest because Clearstream can act only on behalf of Clearstream participants, who in turn act on behalf of indirect Clearstream participants and certain banks. The laws of some jurisdictions may require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in the Notes to such persons may be limited. In addition, beneficial owners of the Notes through the Clearstream system will receive distributions of principal, Interest, Additional Amounts (if any) and any other payments on the Notes only through Clearstream participants.

Distributions with respect to the Notes held beneficially through Clearstream will be credited to cash accounts of Clearstream participants in accordance with its rules and procedures, to the extent received by Clearstream.

Euroclear

Euroclear was created as a cooperative in 1968 to hold securities for Euroclear participants (as defined below) and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of securities and any risk from lack of simultaneous transfers of securities and cash. Euroclear provides various other services, including securities lending and borrowing and interfaces with domestic markets in several countries. All operations are conducted by the Euroclear Bank, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Bank, not the cooperative. The cooperative establishes policy for Euroclear on behalf of Euroclear participants. Euroclear participants include banks (including Central Banks), securities brokers and dealers and other professional financial intermediaries and may include the Managers ("*Euroclear participants*"). Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with Euroclear participants, either directly or indirectly.

Securities clearance accounts and cash accounts with Euroclear Bank are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the "*Euroclear Terms and Conditions*"). The Euroclear Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear and receipts of payment with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. Euroclear Bank acts under the Euroclear Terms and Conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding through Euroclear participants.

The ability of an owner of a beneficial interest in a Note to pledge such interest to persons or entities that do not participate in the Euroclear system, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for such interest because Euroclear can act only on behalf of Euroclear participants, who in turn act on behalf of indirect Euroclear participants and certain banks. The laws of some jurisdictions may require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in the Notes to such persons may be limited. In addition, beneficial owners of the Notes through the Euroclear system will receive distributions of principal, interest, Additional Amounts (if any) and any other payments on the Notes only through Euroclear participants.

Distributions with respect to the Notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the Euroclear Terms and Conditions, to the extent received by the Euroclear Bank and by Euroclear.

Euroclear and Clearstream Arrangements

So long as Euroclear or Clearstream or their nominee or their common depository is the registered holder of the Global Notes, Euroclear, Clearstream or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Notes for all purposes under the Notes and the other Transaction Documents. Payments of principal, interest, Additional Amounts (if any) and any other payments in respect of the Global Notes will be made to Euroclear, Clearstream or such nominee, as the case may be, as registered holder thereof. None of the Issuer, the Indenture Trustee, the Managers and any affiliate of any of the above or any person by whom any of the above is controlled (as such term is defined in the Securities Act) will have any responsibility or liability for any records relating to or payments made on account of beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Distributions of principal, interest and Additional Amounts (if any) with respect to the Notes will be credited in United States Dollars, to the extent received by Euroclear or Clearstream from the Indenture Trustee, to the cash accounts of Euroclear or Clearstream customers in accordance with the relevant system's rules and procedures.

The holdings of book-entry interests in the Global Notes through Euroclear and Clearstream will be reflected in the book-entry accounts of each such institution.

Initial Settlement

Investors holding beneficial interests in the Notes will follow the settlement procedures applicable to conventional eurobonds in registered form. Beneficial interests in the Notes will be credited to the securities custody accounts of Euroclear and Clearstream holders on the settlement date against payment for value on the settlement date.

Secondary Market Trading

It is important to establish at the time of trading of any of the Notes (or beneficial interests therein) where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date because the purchaser's location determines the place of delivery. Any trading must also comply with the trading restrictions stated on the applicable Note, in the Indenture and in applicable law.

Trading Between Euroclear and/or Clearstream Participants

Secondary market sales of book-entry interests in the Notes held through Euroclear and Clearstream to purchasers of book-entry interests in the Notes through Euroclear or Clearstream will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream and will be settled using the procedures applicable to conventional eurobonds in same-day funds.

CERTAIN LEGAL ASPECTS RELATING TO THE TRANSACTION

General

The following is a general discussion of certain legal aspects of the transactions contemplated by the Transaction Documents. In particular, the following discussion describes certain Nigerian legal aspects relating to the transactions contemplated by the Transaction Documents and is based upon the advice of G. Elias & Co., special Nigerian counsel for the Bank, and the provisions of the relevant laws of Nigeria in effect on the date hereof, all of which are subject to change. The following does not constitute, and should not be considered, legal advice to the Indenture Trustee, the investors or any other person.

Governing Law Clauses

The parties to the Notes, the Indenture and the Credit Agreement have chosen the laws of the State of New York to govern such documents. Subject to certain customary qualifications, Nigerian courts will honor the Bank's agreement to such governing laws.

Jurisdiction

The Bank and the Issuer will submit to the jurisdiction of federal and state courts in the City of New York in connection with the transactions described herein. Each of the Bank and the Issuer will appoint CT Corporation System, at its registered office in the City of New York, as its authorized agent for the service of process in New York. In addition, process may be served in any other manner permitted by law.

Judgments against the Bank obtained in a non-Nigerian court may be enforced in Nigeria against it if there is a treaty in effect between the respective foreign jurisdiction and Nigeria or a federal law providing for reciprocal recognition and enforcement of foreign judgments. There is no such treaty currently in effect between Nigeria and the United States of America. The Credit Agreement will be governed by the laws of the State of New York and will permit disputes, controversies and causes of action brought by any party thereto against the Bank to be settled by arbitration in London, England in accordance with the LCIA Rules. As Nigeria is a party to the New York Convention, arbitration awards obtained against the Bank in the United Kingdom in relation to the Transaction Documents would be recognized and enforced against the Bank in Nigeria in accordance with the terms of the New York Convention (which have been incorporated into Nigerian domestic law by virtue of the Arbitration & Conciliation Act Cap 19, 1990). See "Enforcement of Judgments and Arbitral Awards and Service of Process."

Subject to certain customary qualifications and assumptions, Baker & McKenzie LLP, special United States counsel to the Bank, will opine that the Transaction Documents to which the Bank and/or the Issuer is a party governed by New York law are enforceable against the Bank and/or the Issuer (as applicable) under New York law, whether in an original proceeding in New York or in enforcement of a valid judgment obtained in a Nigerian court.

Subject to certain customary qualifications and assumptions, G. Elias & Co., special Nigerian counsel to the Bank, will opine that the choice by the Bank of the law of the State of New York as the governing law of the Transaction Documents to which it is a party is a valid choice of law that would be given effect by Nigerian courts.

Quasi-Capital Credit ("Tier II") Rules under Nigerian Law

There are no detailed rules on quasi-capital credits in Nigeria as the Central Bank has only issued one circular in relation to quasi-capital credits. This circular (Circular Ref. BSD/11/2003) merely recognizes primary ("Tier I") capital and quasi-capital credits ("Tier II") as constituents of capital in Nigeria as provided by Basel II. The Basel II rules for Tier II quasi-capital credits are fairly limited, principally requiring that "Tier II" quasi-capital credits are: (a) limited to a maximum of 50% of the bank's total "Tier I" capital elements, (b) are unsecured subordinated debt capital instruments with a minimum original fixed term to maturity of over five years and (c) during the last five years to maturity, a cumulative discount (or amortization) factor of 20% per year will be applied to reflect the diminishing value of these instruments as a continuing source of strength.

While the Transaction Documents will be structured to satisfy these "Tier II" requirements, it is possible that the Central Bank may in the future adopt more detailed "Tier II" requirements, including some that may conflict with the Transaction Documents. If such occurs, then it is possible that the Bank would lose the ability to treat the Loan as "Tier II" capital and thus may elect to exercise the prepayment option described in "Summary of Terms—Optional Prepayment" above.

Insolvency of the Bank

Nigerian bankruptcy law is largely based upon pre-1900 English Law with a few amendments. The insolvency of a bank under Nigerian law is regulated by a combination of the Banks & Other Financial Institutions Act, 1991 (as amended) (the "*BOFIA*"), the Central Bank of Nigeria Act, 1991 (as amended) (the "*Central Bank Act*"), the Nigeria Deposit Insurance Corporation Act, Cap 301 LFN 1990 (as amended) (the "*NDIC Act*"); the Bankruptcy Act Cap 30 LFN 1990 and the CAMA. According to Section 650 of the CAMA, a Nigerian company (including a bank) is considered insolvent when in respect of any judgment, act or court order against it, the company is unable to satisfy execution or any other process issued thereon in favor of a creditor, and the execution or other process remain unsatisfied for not less than six weeks. With respect to banks in particular, the combination of the above-described Nigerian laws essentially provides that when a bank is unable to meet its obligations or suspends payment, its assets will be available to meet all of its deposit liabilities prior to the payment of any other liabilities of the bank.

In the event of insolvency of a Nigerian company (including a bank), certain preferred creditors (*e.g.*, creditors for tax payments, provident funds, salaries and other staff remuneration) and secured creditors rank in priority to unsecured creditors. Unsecured creditors for the purposes of distributions upon insolvency rank *pari passu* with each other. Additionally, the liquidator of an insolvent company has the power to disclaim onerous contracts.

In accordance with general common law, any transaction entered into by a company within three months before its winding-up will be deemed fraudulent and invalid if such transaction is entered into with the purpose of giving the counterparty to the transaction a preference over other creditors of the company.

Generally, the winding-up or liquidation of banks in Nigeria entails the active intervention and supervision by the Central Bank and the Nigerian Deposit Insurance Corporation ("*NDIC*"). Additionally, with a view to ensuring that all depositors and other creditors of insolvent banks are adequately protected, there are special provisions of banking statutes that make banking insolvency a highly-regulated matter. Some of these regulations are described in the following paragraphs.

Pursuant to the provisions of the BOFIA, if any licensed bank is: (a) likely to become unable to meet its obligations under BOFIA, (b) about to suspend payment to any extent, (c) insolvent or (d) in a grave situation - such as having insufficient assets to cover its liabilities to the public, as is revealed by a special examination of the bank by the Central Bank; then the Governor of the Central Bank may by order, compel such bank to desist from granting further credit, or to act in certain ways with respect to the business of the bank, remove any officer, manager or director of the bank and appoint anyone as adviser to the bank. Where, after any of these orders has been granted, such bank's condition does not improve, the BOFIA empowers the Central Bank to hand over control of such bank to the NDIC, which will control and carry on the business of the bank until such a time as the Central Bank is of the opinion that it is no longer necessary to do so. In the event that a bank over which the NDIC has control cannot be rehabilitated, the NDIC may recommend to the Central Bank other resolution measures, which may include the revocation of the bank's license.

Once a bank's license is revoked by the Central Bank, the NDIC is empowered under Section 28(I) of the NDIC Act to take necessary steps to apply to the Federal High Court for the winding up of the affairs of the bank.

On the failure of an insured bank, the NDIC is required to publish in national newspapers notice of the fact that a bank insured by it has (with the approval of the Minister of Finance) been deemed to be closed on account of such bank's inability to meet the demands of its depositors in any circumstance where the bank is to be liquidated without adequate provision being made for its depositors. Such notice will require all depositors of the bank facing liquidation to forward their claims to the NDIC. The receiver appointed for the failed bank has the power to:

(a) realize the assets of the failed bank, (b) enforce the individual liability of the shareholders and directors of the failed bank and/or (c) wind-up the affairs of such failed bank as is provided in the NDIC Act.

The board of directors of the failed bank is also obliged to offer the assets of the bank for sale to the NDIC, or as security for loans from the NDIC. The proceeds of every such sale or loan will be expended for the same purpose and in the same manner as other funds realized from the liquidation of the assets of the bank.

Other mandatory principles of Nigerian of insolvency law include the following:

Pari-passu Treatment of Creditors. Nigerian law follows the principle that the assets of a company in liquidation must be distributed *pari passu* among its creditors. Accordingly, the provisions of any contract that seek to circumvent this basic mandatory insolvency principle may be unenforceable, except that Nigerian courts may not dishonor an agreement between a creditor and his debtor if that contract creates a trust or does not seek to provide for the relevant creditor to enjoy some advantage in a bankruptcy or winding-up that is denied to other creditors.

Fraudulent Preference. Under the CAMA, if a winding up order is made in relation to a company, then the court may set aside a transaction entered into by the company deemed to be a fraudulent preference pursuant to the Bankruptcy Act Cap 30 LFN 1990. A transaction will be considered to be a fraudulent preference if it is entered into with a view to giving any creditor (or such creditor's trustee or guarantor) a preference over other creditors where such transaction involves: (a) conveyance, transfer, delivery or charge of property, (b) the payment of money, (c) the incurring of obligations or (d) any other act relating to property. In order to constitute a fraudulent preference, the transaction must have taken place within three months of the presentation of the winding up petition. For such an order to be made under the CAMA, the company must have been unable to pay its debts within the meaning of the CAMA at the time of the transaction or as a consequence of the transaction. No order may be made under the CAMA if the company entered into the transaction in good faith and for the purpose of carrying on its business and there were reasonable grounds at that time for believing that the transaction would benefit the company.

Onerous Property. By virtue of the CAMA a liquidator may, with leave of court, at any time within twelve months after the commencement of winding up, disclaim any onerous property or contract of the company in liquidation. For this purpose, onerous property means any unprofitable contract and any other property that is unsaleable or not readily saleable, or is such that it may give rise to a liability to pay money or perform any other onerous act. A disclaimer operates to determine, from the date of the notice of disclaimer, the rights, interests and liabilities of the company in or in respect of the property disclaimed. Any person sustaining loss or damage in consequence of such a disclaimer is deemed a creditor of the company to the extent of any loss or damage suffered. A notice of disclaimer may not be given if a person interested in the property has written to the liquidator requiring him to decide whether to disclaim and no disclaimer has been made within 28 days (or such longer period as the court may allow). These provisions of the CAMA have not been the subject of any judicial decisions; *however*, Nigerian Courts may be persuaded by the interpretation given to Section 178 Insolvency Act, 1986 (UK), which is similar to the CAMA provisions.

Rescission. A Nigerian court may, (on the application of a person who has contracted with a company that has subsequently gone into liquidation) make an order rescinding a contract between such person and such company in liquidation on such terms as to payment (by or to either party) of damages for non-performance of the contract, or otherwise as the court thinks just. This provision has, however, not been the subject of any judicial decision.

Cancellation of Banking License

The Governor of the Central Bank, with the approval of its Board of Directors, may revoke any licence granted under the BOFIA to a bank. The licence may be revoked if a bank:

(a) ceases to carry on in Nigeria the type of banking business for which the licence was issued for any continuous period of six months or any period aggregating six months during a continuous period of twelve months,

(b) goes into liquidation or is wound up or otherwise dissolved,

(c) fails to fulfill or comply with any condition subject to which the licence was granted,

(d) has insufficient assets to meet its liabilities, and/or

(e) fails to comply with any obligation imposed by or under the BOFIA or the Central Bank Act.

In the event that a bank informs the Central Bank that: (a) it is likely to become unable to meet its obligations under the BOFIA, (b) it is about to suspend payment to any extent or (c) it is insolvent, or where (after an examination of the bank's books) the Central Bank is satisfied that the bank is in a grave situation, the Governor of the Central Bank may by order in writing:

(i) prohibit the bank from extending any further credit facility for a period that may be set out in the order subject to such exceptions and conditions as stated in the order, which prohibition may be extended,

(ii) require the bank to take any steps or any action or refrain from doing any act or thing in relation to the bank or its business or its directors or officers that the Central Bank may consider necessary within a period stipulated in the order,

(iii) remove for reasons to be recorded in writing any manager or officer of the bank notwithstanding anything written in law or in the memorandum and articles of the bank,

(iv) notwithstanding any legal requirement in particular as to minimum number of directors, remove from office any director of the bank and appoint persons as director or directors to be paid by the bank such remuneration as set out in the order, and/or

(v) appoint any person to advise the bank in relation to the proper conduct of its business and provide in the order that this person be paid such remuneration by the bank.

If, after taking the above steps or such other measure as the Central Bank thinks appropriate, the state of the affairs of the bank does not improve, then the Central Bank may turn over the control of the bank to the NDIC on terms and conditions that the Central Bank shall stipulate. The NDIC shall remain in the control of the bank until no longer necessary; *however*, if the bank cannot be rehabilitated, then the NDIC may recommend to the Central Bank other resolution measures, which may include the revocation of the bank's licence. Where the bank's licence is revoked, the NDIC shall apply to the Nigerian Federal High Court for a winding up of the affairs of the bank.

Where the NDIC has assumed control over a bank and such bank is under-capitalized to the extent that its risk weighted assets is below 5% but above 2%, the NDIC may take such steps as listed in clauses (i) to (v) above, including requiring the bank to submit a recapitalization plan acceptable to the NDIC.

TAXATION

The following is a general summary of certain Cayman Islands and Nigerian income tax considerations in connection with an investment in the Notes. This summary does not address all aspects of Cayman Islands and Nigerian income tax law and does not discuss the tax considerations of any other jurisdiction. While this summary is considered to be a correct interpretation of existing laws in force on the date of this Offering Circular, there can be no assurance that those laws or the interpretation of those laws will not change. This summary does not discuss all of the income tax consequences that may be relevant to an investor in light of such investor's particular circumstances or to investors subject to special rules, such as regulated investment companies, certain financial institutions or insurance companies. In addition, this summary does not discuss the tax consequences of the Notes being issued at a discount. **Prospective investors are advised to consult their tax advisors with respect to the tax consequences of the purchase, ownership or disposition of the Notes (or the purchase, ownership or disposition by a Note Owner of beneficial interests therein), including any tax consequences that may arise due to the Notes being issued at a discount, as well as any tax consequences that may arise under the laws of any state, municipality or other taxing jurisdiction.**

Certain Cayman Islands Tax Considerations

In the opinion of Maples and Calder, Cayman Islands counsel to the Issuer: (a) payments of interest and principal on the Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal to any holder of the Notes nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax, (b) the Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax and (c) no Cayman Islands stamp duty is payable in respect of the issue or transfer of the Notes although stamp duty may be payable if the Notes are executed in or brought into the Cayman Islands and an instrument transferring title to a Note, or any Transaction Document, which is brought to or executed in the Cayman Islands will be subject to stamp duty. The Issuer has applied for and expects to receive an undertaking from the Governor-in-Council of the Cayman Islands substantially to the effect that, for a period of 20 years from the date of the granting of the undertaking: (a) no law that is thereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Issuer or its operations; and (b) in addition, that no tax to be levied on profits, income, gains or appreciations or that is in the nature of estate duty or inheritance tax shall be payable by the Issuer on or in respect of the shares, debentures or other obligations of the Issuer or by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1999 Revision) of the Cayman Islands.

Certain Nigerian Tax Considerations

The following summary of certain Nigerian tax matters as in force on the date of this Offering Circular describes the principal tax consequences of an investment in the Notes, the sale or transfer of the Notes (or beneficial interests therein) and payments made by the Bank to the Issuer. This summary does not intend to be a comprehensive description of all of the tax considerations that may be relevant to a decision to make an investment in the Notes. In addition, it does not describe any tax consequences arising under the laws of any taxing jurisdiction other than Nigeria.

Taxation of Noteholders. Under the current Nigerian laws and regulations, payments of principal and interest by the Issuer on the Notes to an individual who is a non-resident of Nigeria or to a legal entity that is not incorporated in Nigeria (together, the "*Non-Nigerian Holders*"), will not be subject to taxation in Nigeria and no withholding of any Nigerian tax will be required on any such payments. In addition, gains realized by Non-Nigerian Holders derived from the disposal, sale, exchange or transfer of the Notes (or beneficial interests therein) will not be subject to capital gains, inheritance, value added or similar taxes in Nigeria.

Any individual who is a resident of Nigeria or any legal entity that is incorporated in Nigeria (together, "*Nigerian Holders*") will be subject to taxation in Nigeria on interest and other income from the Notes. Such interest and other income on Notes (or beneficial interests therein) held by a Nigerian Holder will be a part of such investor's general taxable income except to the extent that such Nigerian Holder repatriates the interest income to Nigeria through a foreign currency account maintained with a bank or authorized dealer in Nigeria.

Taxation of Payments under the Loan. Payments of interest on foreign loans (such as the Loan) is normally liable to withholding tax, which is deemed as a final tax under the provisions of the Companies Income Tax Act, Cap 60, 1990, as amended ("*CITA*") The current rate of such withholding tax is 10%; *however*, if the lender or recipient of interest payment on a foreign loan is based in a country with a double taxation treaty that has been brought into force by adoption by the Nigerian National Assembly, then the withholding tax is reduced by 25% (*i.e.*, to 7.5%). Currently, Nigeria has concluded binding double taxation treaties with Belgium, Canada, France, the Netherlands, Pakistan, Romania and the United Kingdom and has signed treaties with each of South Africa and South Korea, which are not yet brought into force by statute.

As the Issuer (the lender under the Loan) is based in the Cayman Islands, payments of interest from the Bank to the Issuer under the Loan thus would normally be subject to Nigerian withholding tax of 10%. However, CITA also provides that the withholding tax on interest payments on a loan may be reduced by between 40% and 100% depending upon the term of the loan and whether there is a moratorium on certain payments. The Bank has been advised following consultation with the Nigerian tax authorities that the Loan (with its only scheduled principal payment being payable on the Maturity Date) should qualify for a 100% reduction in the withholding tax. Accordingly, as of the Closing Date, the Bank believes that, as such, there is no withholding tax applicable on payments by the Bank to the Issuer under the Loan.

Stamp Taxes. The Notes will not be liable to any Nigerian stamp, issue, registration or similar tax or duty; *however*, the Credit Agreement is liable to stamp duty in Nigeria. This stamp duty will be paid by the Bank on or shortly after the Closing Date.

EU Savings Tax Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each member state has been required, since July 1, 2005, to provide to the tax authorities of another member state details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other member state. However, Austria, Belgium and Luxembourg are required instead to apply a withholding system for a transitional period in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period commenced on July 1, 2005 and terminates at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. A number of non-EU countries and territories, including Switzerland, have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date. Therefore payment of interest on the Notes that are made or collected through Belgium, Luxembourg, Austria or any other relevant country may be subject to withholding tax that would prevent investors in the Notes from receiving interest on the Notes in full.

THE ABOVE SUMMARIES ARE NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE INVESTMENT IN THE NOTES. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF THEIR PARTICULAR SITUATIONS.

CERTAIN ERISA CONSIDERATIONS

Subject to the following discussion, the Notes may be acquired by pension, profit-sharing or other employee benefit plans, as well as individual retirement accounts, Keogh plans and other plans covered by Section 4975 of the Code, as well as entities deemed to hold "plan assets" of any of the foregoing under the Regulation (as defined below) (each such entity, a "*Benefit Plan*"). Section 406 of ERISA and Section 4975 of the Code prohibit a Benefit Plan from engaging in certain transactions with persons that are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to such Benefit Plan. A violation of these "prohibited transaction" rules may result in an excise tax or other penalties and liabilities under ERISA and the Code for such persons or the fiduciaries of the Benefit Plan. In addition, Title I of ERISA also requires fiduciaries of a Benefit Plan subject to ERISA to make investments that are prudent, diversified and in accordance with the governing plan documents.

If the assets of the Issuer were deemed to be plan assets of Benefit Plans that purchased Notes: (a) if any such Benefit Plans are subject to ERISA, ERISA's fiduciary standards would apply to the Issuer and might materially affect the operations of the Issuer, and (b) any transactions involving the Issuer could be deemed a transaction with each Benefit Plan and may cause certain transactions into which the Issuer might enter in the ordinary course of business to constitute prohibited transactions under ERISA and/or Section 4975 of the Code. Under a regulation issued by the United States Department of Labor and modified by Section 3(42) of ERISA (the "*Regulation*"), the assets of the Issuer would be treated as plan assets of a Benefit Plan for the purposes of ERISA and the Code only if the Benefit Plan acquired an "equity interest" in the Issuer and none of the exceptions to plan assets contained in the Regulation were applicable. An equity interest is defined under the Regulation as an interest other than an instrument that is treated as indebtedness under applicable local law and that has no substantial equity features. Although there is little guidance on the subject, the Notes are unlikely to be treated as indebtedness for purposes of the Regulation and the Issuer is likely to be deemed to hold plan assets of investing Benefit Plans. The activities of the Issuer are generally limited, however, to its activities with respect to the Loan and to passing through to Noteholders payments from the Bank.

However, without regard to whether the Notes are treated as an equity interest for purposes of the Regulation, the acquisition or holding of Notes by or on behalf of a Benefit Plan could be considered to give rise to a prohibited transaction if the Issuer, the Bank, the Managers, the Indenture Trustee or any of their respective affiliates is or becomes a party in interest or a disqualified person with respect to such Benefit Plan. Certain exemptions from the prohibited transaction rules could be applicable to the purchase and holding of Notes by a Benefit Plan depending on the type and circumstances of the plan fiduciary making the decision to acquire such Notes. Included among these exemptions are: Prohibited Transaction Class Exemption ("*PTCE*") 96-23, regarding transactions effected by "in-house asset managers;" PTCE 95-60, regarding investments by insurance company general accounts; PTCE 91-38, regarding investments by bank collective investment funds; PTCE 90-1, regarding investments by insurance company pooled separate accounts; and PTCE 84-14, regarding transactions effected by "qualified professional asset managers." In addition to the class exemptions listed above, the Pension Protection Act of 2006 provides a statutory exemption under Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code for prohibited transactions between a Benefit Plan and a person or entity that is a party in interest to such Benefit Plan solely by reason of providing services to the Benefit Plan (other than a party in interest that is a fiduciary, or its affiliate, that has or exercises discretionary authority or control or renders investment advice with respect to the assets of the Benefit Plan involved in the transaction), provided that there is adequate consideration for the transaction. Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts that might be construed as prohibited transactions. There can be no assurance that any of these, or any other exemption, will be available with respect to any particular transaction involving the Notes and prospective purchasers that are Benefit Plans should consult with their advisors regarding the applicability of any such exemption.

By acquiring a Note (or a beneficial interest therein), each purchaser and transferee will be deemed to represent and warrant that: (a) either: (i) the funds used for such acquisition do not constitute the assets of any "employee benefit plan" as defined in Section 3(3) of ERISA, that is subject to the provisions of part 4 of Subtitle B of Title I of ERISA, any plan to which Section 4975 of the Code applies, or any entity whose underlying assets include "plan assets" of any of the foregoing, or a governmental, church or non-U.S. plan subject to any Similar Law, or (ii) the acquisition, holding and disposition of such Note (or a beneficial interest therein) does not and will not result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code (or, in the case of a governmental, church, or non-U.S. plan, a violation of any Similar Laws), and (b) it agrees not to sell or otherwise transfer any interest in the Notes otherwise than to an acquirer or transferee that is deemed to make these same representations, warranties and agreements with respect to its acquisition, holding and disposition of such Notes.

Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA) and certain church plans (as defined in Section 3(33) of ERISA) are not subject to ERISA requirements. Governmental plans, however, may be subject to applicable law that is substantially similar to the fiduciary responsibility provisions of ERISA or Section 4975 of the Code.

A PLAN FIDUCIARY CONSIDERING THE PURCHASE OF NOTES (OR A BENEFICIAL INTEREST THEREIN) SHOULD CONSULT ITS LEGAL ADVISORS REGARDING WHETHER THE ASSETS OF THE ISSUER WOULD BE CONSIDERED PLAN ASSETS, THE POSSIBILITY OF EXEMPTIVE RELIEF FROM THE PROHIBITED TRANSACTION RULES AND OTHER ISSUES AND THEIR POTENTIAL CONSEQUENCES.

PLAN OF DISTRIBUTION

The Issuer intends to offer the Notes through the Managers. Subject to the terms and conditions contained in a purchase agreement (the "*Purchase Agreement*"), dated as of March 23**,** 2007, among the Bank, the Issuer and the Managers, the Issuer has agreed to sell and the Managers have agreed to purchase all of the Notes.

The Managers have advised the Bank and the Issuer that they propose initially to offer the Notes (or beneficial interests therein) at the price listed on the cover page of this Offering Circular. After the initial offering, the price to investors may be changed. The Bank and the Issuer have agreed to reimburse either of the Managers for certain expenses incurred in connection with the Offering.

The Bank and the Issuer have agreed to indemnify each of the Managers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that each of the Managers may be required to make in respect of those liabilities.

The Managers are offering the Notes (or beneficial interests therein), subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including, but not limited to, the validity of the Notes, and other conditions contained in the Purchase Agreement, such as the receipt by the Managers of officers' certificates and legal opinions. The Managers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

In connection with the initial distribution of the Notes, the Managers will not offer or sell the Notes (or beneficial interests therein) except pursuant to offers and sales to non-U.S. persons that occur outside the United States within the meaning of Regulation S. The Notes have not been registered under the Securities Act and may not be offered or sold in the United States or to U.S. persons (other than distributors) except pursuant to Regulation S or another exemption from the registration requirements of the Securities Act. The Issuer is not registered under the 1940 Act.

Investors in the Notes may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the offering price of the Notes (or beneficial interests therein) so purchased.

The Managers are not obligated to facilitate trading in the Notes (or beneficial interests therein) and any such activities, if commenced, may be discontinued at any time, for any reason, without notice. If the Managers do not facilitate trading in the Notes (or beneficial interests therein) for any reason, there can be no assurance that another firm or person will do so.

As noted in "General Information" above, in connection with the issuance of the Notes, the Managers (or any person acting on their behalf) may over-allot the Notes (in certain circumstances, provided that, pursuant to the Price Stabilizing Rules, the aggregate principal amount of the Notes allotted does not exceed 105% of the aggregate principal amount of the Notes) or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Managers (or any person acting on their behalf) will undertake stabilization action. In certain circumstances, any stabilization action may begin only on or after the date on which adequate disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but (pursuant to the Price Stabilizing Rules) it must end no later than the earlier of 30 days after the issuance date of the Notes and 60 days after the date of the allotment of the Notes.

In the ordinary course of their businesses, each of the Managers and their respective affiliates have engaged, and in the future may engage, in investment banking and commercial banking business with the Bank and its affiliates, including the extension of credit facilities ("*Other Business*"). Each of the Managers and/or their respective affiliates may also be investors in the Notes on the Closing Date and/or from time to time in the future. Notwithstanding each of the Managers' obligations under the Purchase Agreement, each of the Managers and its affiliates will be entitled to act with respect to such Other Business, and their investment in such Notes, in the same manner as if such Manager had not entered the Purchase Agreement and regardless of the effect of such actions on the Notes. As described in "Description of the Bank—Subsidiaries and International Offices—FBN Capital

Limited", FBN Capital Limited is a wholly owned subsidiary of the Bank. Other than standard banking relationships between Merrill Lynch International (and its affiliates) and the Bank (and its affiliates), including mandates for capital markets and other investment banking enterprises, neither Merrill Lynch International nor any of its affiliates has any material relationships with the Bank and/or the Issuer.

LEGAL MATTERS

Certain legal matters relating to the issuance of the Notes will be passed upon for the Bank by Baker & McKenzie LLP, New York, New York. Certain legal matters relating to Nigerian law will be passed upon for the Bank by G. Elias & Co., Lagos, Nigeria. Certain legal matters relating to Cayman Islands law will be passed upon by Maples and Calder, Cayman Islands counsel to the Issuer.

ADDITIONAL GENERAL INFORMATION

1. The Global Note has been accepted into the applicable settlement systems used by Euroclear and Clearstream (ISIN code XS0289169491 and Common Code number 28916949).

2. The issuance and sale of the Notes by the Issuer, the making of the Loan by the Issuer to the Bank and the execution and delivery by the Issuer and the Bank of the Transaction Documents have been authorized pursuant to the authority of the respective officers of the Issuer and the Bank under a resolution of their respective Boards of Directors (dated March 23, 2007 and November 8, 2006, respectively).

3. The Bank produces audited consolidated annual and unaudited consolidated and unconsolidated quarterly interim financial statements. Copies of the latest audited financial statements of the Bank (in English) delivered by the Bank pursuant to clause (g) of "Description of the Notes and the Other Transaction Documents—Credit Agreement—Covenants of the Bank" above may be obtained, and copies of the Transaction Documents referred to herein (including the forms of the Notes) will be available for inspection, at the registered office of the Issuer and the Indenture Trustee. The Issuer does not and does not expect to publish financial statements.

4. Except as described in this Offering Circular: (a) there has been no significant change in the financial or trading position and no material change in the prospects of the Bank since December 31, 2006, being the end of the last financial period for which the Bank's Interim Financial Statements have been published and (b) there has been no material adverse change in the financial position or prospects of the Issuer since the date of its incorporation.

LISTING MATTERS

1. An application has been made to the Irish Financial Services Regulatory Authority, as competent authority under the Prospectus Directive, for this Offering Circular to be approved. Application has also been made to the Irish Stock Exchange for the Notes to be admitted to its "Official List" and trading on its regulated market; *however*, no assurance can be given that such listing will be obtained.

2. Except as described in this Offering Circular, there are no governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the Bank or the Issuer (as applicable) is aware) that may have, or have had during the 12 months before the date of this Offering Circular, a significant effect on the Bank's or the Issuer's (as applicable) consolidated financial position.

3. As noted in "Description of the Notes and the Other Transaction Documents" above, copies of the Transaction Documents will, so long as the Notes are listed on the "Official List" of the Irish Stock Exchange, be available for inspection through the Irish Listing Agent and Irish Paying Agent in both electronic and hardcopy form for the life of the Notes.

4. Copies of the Memorandum and Articles of Association of the Issuer, the Memorandum and Articles of Association of the Bank and the latest audited financial statements of the Bank will, so long as the Notes are listed on the "Official List" of the Irish Stock Exchange, be available for inspection through the Irish Paying Agent in both electronic and hardcopy form.

5. As noted in "Description of the Notes and the Other Transaction Documents—Notes and Indenture—Notices; Meetings of Noteholders" above, so long as the Notes are listed on the "Official List" of the Irish Stock Exchange, any notice or communication to the Noteholders will be delivered by either: (a) publication of such notice in a leading daily newspaper having general circulation in Ireland or (b) sending an electronic notice to the Irish

Stock Exchange for release, in each case not later than the latest date (if any), and not earlier than the earliest date (if any), prescribed in the Indenture for the giving of such notice or communication.

6. As noted in "Description of the Notes and the Other Transaction Documents—Notes and Indenture—Distributions" above, any monies deposited with or paid to the Indenture Trustee for the payment of the Issuer's payment obligations under the Indenture and not applied but remaining unclaimed for three years (or such lesser time as the Indenture Trustee shall be satisfied, after notice from the Issuer and/or the Bank, that is one month before the escheat period provided under applicable law) after the date upon which such principal, interest or other amount shall have become due and payable will (to the extent not required to escheat to any governmental authority) be repaid by the Indenture Trustee to or for the account of the Issuer and, to the extent permitted by applicable law, the person with the right to receive such payment of principal, interest or any other amount may thereafter look only to the Issuer for any related payment that it may be entitled to receive, and all liability of the Indenture Trustee with respect to such monies will thereupon cease.

7. As noted in "The Issuer—Capitalization" above, as of the date of this Offering Circular: (a) the Issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities, and (b) there has been no change in the capitalization of the Issuer since the date of its incorporation other than the issuance of its equity as noted in such section above.

8. As noted in "The Issuer—Financial Statements/Litigation" above, the Issuer is newly incorporated, it has not commenced any operations, it has not prepared any financial information since its date of incorporation and it does not intend to provide to any Noteholder or Note Owner any financial information.

9. The total expenses related to the admission to trading are expected to be approximately €4,400.

10. The Issuer has been established as a special purpose vehicle.

11. The registered office of the Issuer is P.O. Box 1093GT, Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands (Telephone: +1-345-945-7099 and its registration number is MC-182726.

12. The registered office of the Bank is located at Samuel Asabia House, 35 Marina, Lagos, Nigeria (telephone: +234-1-2665900-19) and its registration number is RC 6290.

13. The Issuer will agree in the Indenture to comply with the requirements of the Irish Stock Exchange to the extent required in order to maintain the listing of the Notes on such exchange.

AUDITORS

The Annual Financial Statements have been audited by the Auditors, independent certified public accountants in Nigeria, as stated in their reports appearing herein. With respect to the Interim Financial Statements, the Auditors have applied limited review procedures in accordance with the International Standard on Review Engagements 2004. Each Auditor is an institution authorized by the Central Bank to conduct independent audits of banks in Nigeria. Each Auditor is a member of the Institute of Chartered Accountants of Nigeria (ICAN).

INDEX OF DEFINED TERMS

FINANCIAL STATEMENTS

INDEX OF FINANCIAL STATEMENTS

Financial Statements of the Bank for the Nine-Month Period Ended December 31, 2006 and Consolidated and Unconsolidated Financial Statements of the Bank and its Affiliates for the Years Ended March 31, 2006, 2005 and 2004

Deloitte

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

Tel: +234 1 4930720-4
Fax: +234 1 4970023
www.deloitte.com

PKF

Pannell Kerr Forster
Chartered Accountants
Tajo House
3/5 Iman Dauda Street
Off Eric Moore Road, Surulere
G.P.O. 2047 Marina, Lagos, Nigeria

Tel: (01) 8042074, 7734940
Fax: (01) 2630317
E-mail: pkfng@hyperia.com

REPORT OF THE INDEPENDENT JOINT AUDITORS

TO THE MEMBERS OF FIRST BANK OF NIGERIA PLC

Report on the Financial Statements

We have audited the accompanying financial statements of **First Bank of Nigeria Plc**, as at 31 December 2006, set out on pages 4 to 31 which have been prepared on the basis of the significant accounting policies on pages 4 to 6.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the Companies and Allied Matters Act CAP C20 LFN 2004 and Banks and Other Financial Institutions Act CAP B3 LFN 2004. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In accordance with circular BSD/1/2004 issued by the Central Bank of Nigeria, details of insider-related credits are as disclosed in note 35.

Opinion

In our opinion, the Bank have kept proper accounting records and the financial statements are in agreement with the records in all material respects and give in the prescribed manner, information required by the Companies and Allied Matters Act CAP C20 LFN 2004 and the Banks and Other Financial Institutions Act CAP B3 LFN 2004. The financial statements give a true and fair view of the financial position of First Bank of Nigeria Plc as at 31 December 2006, and of its financial performance and its cash flows for the period ended in accordance with the Statement of Accounting Standards issued by the Nigerian Accounting Standards Board, relevant circulars issued by the Central Bank of Nigeria and relevant International Financial Reporting Standards.

Akintola Williams Deloitte
Chartered Accountants
Lagos, Nigeria
05 March 2007

Pannell Kerr Forster
Chartered Accountants
Lagos, Nigeria
05 March 2007

FIRST BANK OF NIGERIA PLC

ACCOUNTING POLICIES
FOR THE NINE MONTHS ENDED 31 DECEMBER 2006

The following are the significant accounting policies adopted by the Bank in the preparation of its financial statements:

1. **Basis of accounting**

The accounts are prepared under the historical cost convention modified to include the revaluation of certain land and buildings (own premises only).

2. **Investments**

.1 Quoted investments other than dated securities are stated at the lower of cost and market value.

.2 Unquoted investments are stated at cost less provision for doubtful investments.

.3 Dated securities are stated at cost.

3. **Bad and doubtful accounts**

Loans and advances are stated after the deduction of provisions against debts considered doubtful of recovery. Loans are classified as to performing and non-performing; and are considered non-performing when principal and or interest repayment obligations are in arrears for over three months. Specific provisions are made on non-performing accounts as follows:

More than 90 days but less than 180 days	-	10%
180 days but less than 360 days	-	50%
360 days and over	-	100%

A general provision of 1% is made on all performing balances in line with the Prudential Guidelines of the Central Bank of Nigeria.

4. **Interest**

Interest on loans and advances is accrued to profit until such a time as reasonable doubt exists about its collectibility. Interest accruing on non-performing accounts is not taken to the credit of profit and loss account until the debt is recovered.

ACCOUNTING POLICIES
FOR THE NINE MONTHS ENDED 31 DECEMBER 2006 (Cont'd)

5. Advances under finance lease

Advances to customers under finance leases are stated net of unearned income. Lease finance is recognized in a manner, which provides a constant yield on the outstanding net investment over the lease period.

In accordance with the prudential Guidelines for licensed banks, specific provision is made on leases that are not performing while a general provision of at least 1% is made on the aggregate net investment in the finance lease.

6. Fixed assets

Fixed assets are stated at cost or valuation less accumulated depreciation.

7. Depreciation

Depreciation is provided to write off the cost of fixed assets over their estimated useful lives on a straight line basis at the following annual rates:

Freehold buildings	-	2% from date of use
Leasehold buildings	-	2% for leases of 50 years and above
	-	over expected life in case of leases under 50 years
Motor vehicles	-	25%
Computer equipment	-	33.33%
Other fixed assets	-	20%

8. Foreign currencies

Transactions in foreign currencies are recorded in Naira at the rate of exchange ruling at the date of the transactions.

Foreign currency balances are converted to Naira at the rate of exchange ruling at the balance sheet date and the resultant profit/loss on conversion is taken to profit and loss account in respect of Bank - owned funds and the rest charged/credited to third parties.

The Bank's equity investment in FBN Bank (UK) Limited is stated at transaction cost.

9. Taxation

Income tax is provided on taxable profit at the current statutory rate.

Provision for deferred taxation is made by the liability method and calculated at the current rate of taxation on the differences between the net book value of qualifying fixed assets and their corresponding tax written down value.

10. Retirement benefits

Arrangements for retirement benefits (on a defined contribution basis) for members of staff are based on the provisions of the staff pension scheme, which is contributory. The matching contributions of 5% and 10% for staff and bank respectively are based on current salaries and designated allowances and are charged to profit and loss account. Membership of the scheme is automatic upon resumption of duties with the Bank.

11. Off Balance Sheet Engagements

Transactions that are not currently recognized as assets or liabilities in the balance sheet but which nonetheless give rise to credit risks, contingencies and commitments are reported off balance sheet. Such transactions include letters of credit, bonds, guarantees, indemnities, acceptances and trade related contingencies such as documentary credit, etc.

Outstanding and unexpired commitments at year end in respect of these transactions are shown by way of note to the financial statements.

Income on off balance sheet engagements is in form of commission which is recognized as and when transactions are executed.

12. Income recognition

.i Interest income and interest expense

Interest is accrued on daily balances on all assets and liabilities to which interest is applicable.

.ii Fees, commissions and other income

Fees and commissions, where material, are amortized over the life of the related service. Otherwise fees, commissions and other income are recognized as earned upon completion of the related service.

.iii Investment income

This is recognized on an accrual basis and credited to the profit and loss account.

.iv Lease finance income

This is recognized on a basis that provides a constant yield on the outstanding principal over the lease term.

FIRST BANK OF NIGERIA PLC

BALANCE SHEET AS AT 31 DECEMBER 2006

	Note	31 Dec. 2006 N'm	31 March 2006 N'm
ASSETS			
Cash and short-term funds	2	59,790	49,444
Due from banks and other financial institutions	3	125,881	94,029
Bills discounted		77,421	108,316
Investments	4	114,404	63,729
Loans and advances	5	217,869	175,657
Advances under finance lease	6	2,799	1,701
Other assets	7	31,479	31,317
Fixed assets	8	15,579	13,952
TOTAL ASSETS		**645,222**	**538,145**
LIABILITIES			
Deposit and current accounts	9	497,289	390,846
Due to other banks	10	185	323
Tax payable	11	5,580	4,148
Deferred taxation	12	3,491	2,751
Dividend payable	13	-	5,238
Other liabilities	14	67,808	75,843
		574,353	479,149
CAPITAL AND RESERVES			
Share capital	15	5,238	2,619
Capital reserve	16	13,297	13,297
Statutory reserve	17	12,480	10,699
Exchange difference reserve	18	2,836	2,836
General reserve	19	26,454	17,549
Bonus issue reserve	20	-	2,619
Reserve for small/medium scale industries	21	8,185	6,998
Core capital		68,490	56,617
Fixed assets revaluation reserve		2,379	2,379
Shareholders' funds		70,869	58,996
TOTAL LIABILITIES		**645,222**	**538,145**
Contingent liabilities and other obligations on behalf of customers and customers' liability thereof	32	118,490	80,662

The financial statements on pages 4 to 31 were approved on March52007 by the Board of Directors and signed on its behalf by:

Umaru Abdul Mutallab, CON } Chairman

Jacobs Moyo Ajekigbe } Managing Director

Sanusi Lamido Sanusi } Executive Director

The accounting policies on pages 4 to 6 and the notes on pages 10 to 29 form part of these financial statements.

FIRST BANK OF NIGERIA PLC

PROFIT AND LOSS ACCOUNT
FOR THE NINE MONTHS ENDED 31 DECEMBER 2006

	Note	Nine months ended 31 December 2006 N'm	Year ended 31 March 2006 N'm
Gross earnings		54,501	61,243
Interest earnings	22	31,392	37,218
Interest expense	23	(8,952)	(7,750)
Net interest income		22,440	29,468
Commissions and other income	24	23,109	24,025
		45,549	53,493
Overheads	25	(28,566)	(33,748)
Provision for bad and doubtful accounts	26	(1,859)	(3,617)
Profit on ordinary activities		15,124	16,128
Exceptional item		-	3,703
Profit before taxation after exceptional item		15,124	19,831
Current taxation	11	(2,511)	(3,038)
Deferred taxation	12	(740)	(740)
Profit after taxation		11,873	16,053
Profit attributable to ordinary shareholders		**11,873**	**16,053**
Dealt with as follows:			
Statutory reserve	17	1,781	2,408
Reserve for small scale industries	21	1,187	1,605
Dividend	13	-	5,238
General reserve	19	8,905	6,802
		11,873	**16,053**
Earning per share (basic):			
- Actual	27	1.13	3.06
- Adjusted	27	1.13	1.53

The accounting policies on pages 4 to 6 and the notes on pages 10 to 29 form part of these financial statements.

FIRST BANK OF NIGERIA PLC

STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 31 DECEMBER 2006

	Note	Nine months ended 31 December 2006 N'm	Year ended 31 March 2006 N'm
Cash flows from operating activities			
Interest earnings	22	31,392	37,218
Commission and other income		20,512	22,055
Lease income		308	411
Dividend received from associated company		167	86
Recoveries on loans previously written off		2,090	1,436
Interest expenses		(8,952)	(7,750)
Cash payment to employees and suppliers		(26,150)	(30,621)
Income tax paid	11	(1,079)	(2,989)
Operating profit before changes in operating assets and liabilities		18,288	19,846
Changes in operating assets/liabilities			
Loans and advances		(37,494)	(64,435)
Advances under finance lease		(1,098)	(772)
Other assets		(379)	(177)
Deposit and current accounts		106,443	125,791
Other liabilities		(8,035)	20,686
Net cash from operating activities	28	77,725	100,939
Cash flows from investing activities			
Net proceeds from sale of investments		(8,317)	6,563
Redemption of dated securities		11,520	434
Purchase of fixed assets	8	(4,072)	(3,830)
Proceeds on sale of fixed assets		60	100
Dividend received from subsidiaries		288	37
Purchase of investments		(60,525)	(41,203)
Bills discounted		30,895	(8,181)
Net cash used in investing activities		(30,151)	(46,080)
Cash flows from financing activities			
Proceeds from issue of shares		-	643
Dividend paid to shareholders	13	(5,238)	(6,325)
Net cash used in financing activities		(5,238)	(5,682)
Net increase in cash and cash equivalents		42,336	49,177
Opening cash and cash equivalents		143,150	93,973
Closing cash and cash equivalents	29	**185,486**	**143,150**

NOTES TO THE ACCOUNTS
FOR THE NINE MONTHS ENDED 31 DECEMBER 2006

	Nine months ended 31 December 2006 N'm	Year ended 31 March 2006 N'm

1 Legal form

The Bank, which commenced operations in Nigeria in 1894 as a branch of British West Africa Limited, was incorporated as a private limited liability company in Nigeria in 1969 and was converted to a public company in 1970. The Bank's shares are quoted on the Nigerian Stock Exchange.

2. Cash and short-term funds

	Nine months ended 31 December 2006 N'm	Year ended 31 March 2006 N'm
Cash	17,868	10,537
Balances with Central Bank of Nigeria:		
Cash reserve requirement	22,609	16,307
Current account	18,899	22,273
Other account	414	327
	59,790	**49,444**

3. Due from banks and other financial institutions

	Nine months ended 31 December 2006 N'm	Year ended 31 March 2006 N'm
In Nigeria	18,805	33,736
Outside Nigeria (See note 3.1)	108,164	61,381
	126,969	95,117
Provision for doubtful accounts	(1,088)	(1,088)
	125,881	**94,029**

3.1 Amount held on behalf of customers included in balances with other banks outside Nigeria are:

	Nine months ended 31 December 2006 N'm	Year ended 31 March 2006 N'm
Deposit with FBN Bank (UK) Limited	42,749	17,492
Vostro accounts	28,158	28,531
	70,907	**46,023**

FIRST BANK OF NIGERIA PLC

NOTES TO THE ACCOUNTS (Cont'd)

		Nine months ended 31 December 2006 N'm	Year ended 31 March 2006 N'm
4.	**Investments**		
4.1	**Dated securities (Quoted)**		
	Maturing within 1 year		
	Market value N18billion (31/03/2006 - N28billion)		
	- Federal Government Bonds	18,000	27,819
	- State Governments Bonds	416	416
	- Others	21	41
	Maturing between 1 and 5 years		
	- Federal Government Bonds	67,067	16,181
	- State Governments Bonds	1,200	1,200
	- Others	4,040	4,040
	Maturing after 5 years		
	- Federal Governments Bonds	7,500	-
		98,244	49,697
	Less: Provision	-	(808)
		98,244	48,889
4.2	**Equities**		
(a)	**(Quoted)**		
	SCOA Nigeria Plc		
	[market value - N17.3m (31/03/2006 - N8.5m)]	34	34
	Less: Provision	(17)	(25)
		17	9
(b)	**(Unquoted):**		
	Vee Networks Limited	2,908	2,908
	Banque Internationale Du Benin, Cotonou	98	98
	Onwuka Hi-Tech Industry	5	5
	African Export-Import Bank, Cairo	10	10
	Consolidated Discounts Ltd	15	15
	ValuCard Nig. Limited	186	186
	Nigeria Interbank Settlement System	43	34
	ATM Consortium Limited	59	59
		3,324	3,315
	Less: Provision	(288)	(288)
		3,036	3,027
4.3	**Associated company [Unquoted equity]**		
	Kakawa Discount House Limited	74	74
4.4	**Subsidiaries: [Unquoted equities]**		
	FBN Bank (UK) Limited	4,389	4,389
	FBN Capital Limited	1,300	1,300
	First Pension Custodian Nigeria Limited	2,000	2,000
	First Trustees Nigeria Limited	23	23
	FBN Mortgages Limited	100	100
	FBN Insurance Brokers Nigeria Limited	15	15
	First Registrars Nigeria Limited	10	10
	First Funds Limited	50	45
		7,887	7,882

FIRST BANK OF NIGERIA PLC

NOTES TO THE ACCOUNTS (Cont'd)

		Nine months ended 31 December 2006 N'm	Year ended 31 March 2006 N'm
4.5	**Others:**		
	SMIES Investments		
	Through:		
	SME Managers Limited	526	526
	SME Partnership Limited	64	64
	Chase Executive Partners Limited	30	30
	Interswitch Limited	32	32
	First Funds Limited	4,494	3,196
		5,146	3,848
		114,404	**63,729**

4.6 The issuers of the industrial securities (quoted and unquoted) are as follows:

Dated securities [Quoted]		
Maturing within 1 year:		
19% PZ Industries Floating Rate Debenture Stock 1997/2004	1	1
Neimeth Int'l Debenture Stock 2004/2008	20	40
Federal Government of Nigeria Bond	18,000	27,819
State Government Bonds	416	416
	18,437	28,276
Maturing between 1 & 5 years:		
Neimeth Int'l Debenture Stock 2004/2008 Floating Rate secured Cum Convertible Redeemable Mortgage Debenture stock	40	40
Tinapa Business Resort Limited	4,000	4,000
Federal Government of Nigeria Bond	67,067	16,181
State Government Bonds	1,200	1,200
Maturing after 5 years:		
Federal Government Bonds	7,500	-
	79,807	21,421
Provisions	-	(808)
	79,807	20,613
	98,244	**48,889**

4.7 In the opinion of the Directors, the market value of the unquoted investments is not lower than cost.

NOTES TO THE ACCOUNTS (Cont'd)

	Nine months ended 31 December 2006 N'm	Year ended 31 March 2006 N'm
5. Loans and advances		
5.1 Summary:		
Secured against real estate	42,854	33,548
Otherwise secured	180,954	153,889
Unsecured	1,243	2,567
Gross loans	225,051	190,004
Provision for doubtful accounts		
- General	(2,736)	(1,727)
- Specific	(3,652)	(8,782)
- Interest in suspense	(794)	(3,838)
Net loans	**217,869**	**175,657**

5.2

Analysis of loans and advances by quality	Nine months ended 31 December 2006 Gross Loans N'm	Nine months ended 31 December 2006 Provision N'm	Year ended 31 March 2006 Gross Loans N'm	Year ended 31 March 2006 Provision N'm
Non-performing:				
- Sub-standard	1,705	170	2,414	241
- Doubtful	532	266	5,093	2,547
- Lost	3,216	3,216	5,994	5,994
- Interest in suspense	794	794	3,838	3,838
	6,247	4,446	17,339	12,620
Performing	218,804	2,736	172,665	1,727
Gross loans	**225,051**	**7,182**	**190,004**	**14,347**

FIRST BANK OF NIGERIA PLC

NOTES TO THE ACCOUNTS (Cont'd)

	Nine months ended 31 December 2006 N'm	Year ended 31 March 2006 N'm
5.3 Provision for doubtful accounts		
General:		
At 1 April	1,727	1,128
Charge for the period (note 26)	1,009	599
At end of the period	2,736	1,727
Specific:		
At 1 April	8,782	27,340
Written off in the period	(6,568)	(24,988)
	2,214	2,352
Arising on acquisition of:		
-FBN (Merchant Bankers) Limited	-	2,105
-MBC International Bank Limited	-	2,229
	2,214	6,686
Provided during the period	1,769	5,969
Recovered during the period	(331)	(3,873)
Charge for the period (note 26)	1,438	2,096
At end of the period	3,652	8,782
Interest:		
At 1 April	3,838	4,370
Recovered during the period	(13)	(67)
	3,825	4,303
Arising on acquisition of:		
-FBN (Merchant Bankers) Limited	-	2,305
-MBC International Bank Limited	-	120
Additions during the period	389	14,966
Written off during the period	(3,420)	(17,856)
At end of the period	794	3,838
Total at end of the period	**7,182**	**14,347**

	Nine months ended 31 December 2006 N'm	Year ended 31 March 2006 N'm
5.4 Maturity profile of loans and advances		
On call	2,476	42,593
Over 1 month but within 3 months	42,276	50,351
Over 3 months but within 6 months	22,074	21,274
Over 6 months but within 12 months	35,289	45,880
Over 1 year but within 3 years	71,439	18,565
Over 3 years but within 5 years	51,497	11,341
	225,051	**190,004**
5.5 Analysis of loans and advances by nature		
Overdrafts	76,769	80,136
Term loans	83,625	65,915
Commercial papers	59,879	40,406
Others	4,778	3,547
	225,051	**190,004**
5.6 Insider-related credits		
Aggregate amount of insider related credits outstanding at year-end classified by performance:		
Performing	19,593	13,541
Non - performing (note 35)	40	40
	19,633	**13,581**

The details of the non-performing accounts as shown above are analysed in note 35 to this financial statements in line with Central Bank of Nigeria Circular BSD/1/2004.

NOTES TO THE ACCOUNTS (Cont'd)

		Nine months ended 31 December 2006 N'm	Year ended 31 March 2006 N'm
6.	**Advances under finance lease**		
	Gross investment [all performing]	2,827	1,718
	Provision for performing accounts (Note 26)	(28)	(17)
		2,799	**1,701**
6.1	The investment in finance leases by maturity is:		
	Over 3 months but within 6 months	94	-
	Over 6 months but within 12 months	241	422
	Over 12 months	2,492	1,296
		2,827	**1,718**
7.	**Other assets**		
	Impersonal accounts:		
	Interbranch balances	13,699	8,679
	Clearing	1,310	11,491
	Prepayments	5,665	5,204
	Others	7,670	4,145
	Accrued income	4,127	1,260
	Accounts receivable	696	2,009
		33,167	32,788
	Provision for doubtful accounts (Note 7.1)	(1,688)	(1,471)
		31,479	**31,317**
7.1	Provision for doubtful accounts		
	At 1 April	1,471	1,986
	Arising during the period	217	-
	Written off during the period	-	(515)
	At end of the period	**1,688**	**1,471**

	Freehold Land and Buildings N'm	Leasehold buildings N'm	Vehicles, Equipment and Others N'm	Total N'm
8. Fixed assets				
(a) Summary:				
Cost/valuation:				
At 1 April	7,834	801	19,706	28,341
Exchange difference	-	-	(2)	(2)
Additions	852	90	3,130	4,072
Disposals	-	-	(305)	(305)
At 31 December	8,686	891	22,529	32,106
Depreciation:				
At 1 April	1,026	154	13,209	14,389
Exchange difference	-	-	(1)	(1)
Charge for the period	126	-	2,290	2,416
Eliminated on disposals	-	-	(277)	(277)
At 31 December	1,152	154	15,221	16,527
Net book value:				
At 31 December 2006	**7,534**	**737**	**7,308**	**15,579**
At 31 March 2006	6,808	647	6,497	**13,952**

(b) Land and buildings comprise:	**Cost/ Valuation N'm**
Freehold	8,160
Under construction	526
	8,686
Leasehold	891
	9,577

8.1 Certain land and buildings (own premises only) with a net book value of N187.7 million were professionally valued at N1,183.7 million on 31 December, 1990 by Messrs Jide Taiwo & Co. and Diya Fatimilehin & Co., Estate surveyors and valuers on the basis of open market value between a willing seller and buyer. The sum of N448.152 million was then recognised as revaluation reserve in the account.

During the year ended 31 December, 1995, selected land and buildings (own premises only) including those revalued at 31 December, 1990, were professionally re-valued at N5,056.4 million by Messrs Jide Taiwo & Co. and Diya Fatimilehin & Co., Estate surveyors and valuers on the basis of open market value between a willing seller and buyer. In compliance with the Central Bank of Nigeria's guidelines on recognition of revaluation reserve on own premises, the sum of N1,931.150 million was incorporated in the account. This represents the revaluation surplus of N4,291.4 million discounted by 55%.

Revaluation of land and buildings is carried out at the discretion of the directors and it is considered as and when necessary.

NOTES TO THE ACCOUNTS (Cont'd)

	Nine months ended 31 December 2006 N'm	Year ended 31 March 2006 N'm
9. Deposit and current accounts		
9.1 Summary		
In Nigeria:		
Demand	275,840	195,274
Savings	146,082	128,236
Time	75,367	67,336
	497,289	**390,846**
9.2 The deposit liabilities maturity profile is as follows:		
On demand	195,937	323,510
Under 3 months	104,982	33,478
3 - 6 months	67,830	21,307
6 - 12 months	81,060	10,161
Over 12 months	47,480	2,390
	497,289	**390,846**
10. Due to other banks		
In Nigeria	185	313
Outside Nigeria	-	10
	185	**323**
11. Tax payable		
11.1 Per profit and loss account		
Income tax:		
Based on profit for the period	2,301	2,787
Education tax	210	251
	2,511	**3,038**
11.2 Per balance sheet		
Income tax:		
At 1 April	4,148	3,954
Based on profit of the period	2,511	3,038
Arising on acquisition	-	145
	6,659	7,137
Payments during the period	(1,079)	(2,989)
At end of the period	**5,580**	**4,148**

The charge for taxation in these accounts is based on the provisions of the Companies Income Tax Act CAP C21 LFN 2004 as amended and the Education Tax Act, CAP E4 LFN 2004.

FIRST BANK OF NIGERIA PLC

NOTES TO THE ACCOUNTS (Cont'd)

		Nine months ended 31 December 2006 N'm	Year ended 31 March 2006 N'm
12.	**Deferred taxation**		
	At 1 April	2,751	2,010
	Arising during the period	740	740
	Arising on consolidation	-	1
	At end of the period	**3,491**	**2,751**
13.	**Dividend**		
	Proposed for the year per profit and loss account and balance sheet	**-**	**5,238**
14	**Other liabilities**		
	Payable and transfers	13,840	15,778
	Provisions and accruals	1,394	3,185
	Provision for frauds and losses	1,865	1,464
	Unearned discounts	4,171	48
	Provision for off balance sheet engagements	17	17
	Others (note 14.1)	46,521	55,351
		67,808	**75,843**
14.1	Others comprise:		
	Vostro balances	28,158	28,531
	Uncleared effects	-	10,255
	Impersonal items	18,363	16,565
		46,521	**55,351**

	Nine months ended 31 December 2006 N'm	Year ended 31 March 2006 N'm
15. Share capital		
15.1 **Authorised:**		
20,000,000,000 (31/03/2006 - 6,000,000,000) ordinary shares of 50k each	**10,000**	**3,000**
15.2 **Allotted, called up and fully paid:**		
Ordinary shares of 50k each:		
At 1 April	2,619	1,976
Arising during the year		
- Rights issue on shares awaiting regulatory clearance (now cleared)	-	22
- Bonus issues:		
- Transfer from bonus issue reserve (note 20)	2,619	494
- Arising on shares awaiting regulatory clearance (now cleared)	-	9
- Arising on acquisition of FBN (MB) Limited	-	34
- New issues arising on consolidation of :		
- FBN (Merchant Bankers) Limited	-	20
- MBC International Bank Limited	-	64
At end of the period	**5,238**	**2,619**

At the Annual General Meeting of the Bank held on 24 August, 2006, members approved a bonus issue of one ordinary share of 50 kobo for every one share held by them as at 14 August 2006.

16. Capital reserve		
At 1 April	13,297	9,784
Arising from the rights issue	-	770
Arising on acquisition	-	2,743
At end of the period	**13,297**	**13,297**
17. Statutory reserve		
At 1 April	10,699	8,291
Appropriation from the profit and loss account	1,781	2,408
At end of the period	**12,480**	**10,699**

The appropriation for the period represents 15% of profit after tax in accordance with section 16 of the Banks and Other Financial Institutions Act, CAP B3 LFN 2004.

NOTES TO THE ACCOUNTS (Cont'd)

	Nine months ended 31 December 2006 N'm	Year ended 31 March 2006 N'm
18. Exchange difference reserve		
At end of the period	**2,836**	**2,836**
19. General reserve		
At 1 April	17,549	13,519
Reserve for bonus issue (note 20)	-	(2,619)
Prior year adjustment in respect of:		
- Bonus issue arising from shares awaiting regulatory clearance (now cleared)	-	(9)
- Dividend thereon	-	(144)
Retained profit for the year	8,905	6,802
At end of the period	**26,454**	**17,549**
20. Bonus issue reserve		
At 1 April	2,619	494
Transfer from the general reserve	-	2,619
Utilised for bonus issue (note 15)	(2,619)	(494)
At end of the period	**-**	**2,619**
21. Reserve for small / medium scale industries		
At 1 April	6,998	5,393
Transfer from profit and loss account	1,187	1,605
At end of the period	**8,185**	**6,998**

This is computed at 10% of profit after tax in accordance with Central Bank of Nigeria Guideline. As at 31 December 2006, the Bank has invested the sum of N4.494 billion (31 March 2006 - N3.196 billion) in SMIEIS through First Funds Limited (see note 4.5).

FIRST BANK OF NIGERIA PLC

NOTES TO THE ACCOUNTS (Cont'd)

	Nine months ended 31 December 2006 N'm	Year ended 31 March 2006 N'm
22. Interest earnings		
Bank sources:		
- Placement with local banks	1,516	1,018
- Treasury bills	9,396	13,536
- Interest on Federal and State Govt Bonds	4,833	3,352
	15,745	17,906
Non-Bank source:		
- Interest on loans and advances	15,647	19,312
	31,392	**37,218**
23. Interest expenses		
Non-Bank sources:		
- Demand	1,060	786
- Time deposits	4,890	4,149
- Savings	2,498	2,749
- Domiciliary	504	66
	8,952	**7,750**
24. Commissions and other income		
Commissions and charges	10,995	16,339
Foreign exchange income	1,415	1,026
Dividend	478	129
Investment income	6,803	3,370
Lease income	308	411
Profit on sale of fixed assets	32	-
Recoveries on loans previously written off	2,090	1,436
Commissions on Western Union transactions	869	1,314
Sundry income	119	-
	23,109	**24,025**

FIRST BANK OF NIGERIA PLC

NOTES TO THE ACCOUNTS (Cont'd)

	Nine months ended 31 December 2006 N'm	Year ended 31 March 2006 N'm
25. Overheads		
25.1 Operating expenses:		
Charges and expenses (note 25.2)	23,940	28,335
Depreciation on fixed assets	2,416	3,094
Premium on insurance of deposit liabilities	2,210	2,286
Loss on disposal of fixed assets	-	33
	28,566	**33,748**
25.2 Charges and expenses		
These include :		
Directors' emoluments	177	106
Profit on sale of fixed assets	32	-
Bank's contribution to retirement benefits	1,165	1,472
Auditors' remuneration:	29	36
26. Provision for bad and doubtful accounts		
Loans and advances:		
- General (note 5)	1,009	599
- Specific (note 5)	1,438	2,096
Other assets (note 7)	217	-
Due from banks and other financial institutions (note 3)	-	983
Investments	(816)	(69)
Advances under finance lease (note 6)	11	8
	1,859	3,617

27. Earnings per share (Basic)

Earnings per share is calculated on the profit after taxation and is based on the number of ordinary shares issued and paid up at 31 December 2006

	Nine months ended 31 December 2006 N'm	Year ended 31 March 2006 N'm
28. Reconciliation of net cash provided by operating activities		
Profit after tax	11,873	16,053
Adjustments to reconcile profit after tax to net cash		
Depreciation of fixed assets	2,416	3,094
Provision for bad and doubtful accounts	1,859	3,617
Provision for deferred taxes	740	740
Decrease in taxes payable	1,432	49
Exceptional income	-	(3,703)
(Profit)/Loss on disposal of fixėd assets	(32)	33
Dividend received from subsidiaries		(37)
Changes in assets and liabilities		
Increase in loans and advances	(37,494)	(64,435)
Increase in other assets	(379)	(772)
Increase in advances under finance lease	(1,098)	(177)
Increase in deposit and other current accounts	106,443	125,791
Increase / (decrease) in other liabilities	(8,035)	20,686
Net cash flow from operating activities before changes in operating assets	**77,725**	**100,939**

29. Cash and cash equivalents		
Cash and short-term funds	59,790	49,444
Due from other banks and financial institutions	125,881	94,029
Due to other banks	(185)	(323)
	185,486	**143,150**

NOTES TO THE ACCOUNTS (Cont'd)

	Nine months ended 31 December 2006 N'm	Year ended 31 March 2006 N'm
30. Chairman's and Directors' emoluments		
1 Emoluments:		
Fees:		
Chairman	2.10	0.40
Other Directors	11.60	1.90
	13.70	2.30
Emoluments as Executives	163.10	103.50
	176.80	**105.80**
Highest paid Director	**29.80**	**15.11**

3 The number of Directors excluding the Chairman, whose emoluments were within the following ranges were:

	Number	Number
₦1,400,001 - ₦1,900,000	7	7
₦1,900,001 and above	7	7

	Nine months ended 31 December 2006	Year ended 31 March 2006

31. Employees

31.1 Employees remunerated at higher rates:

The number of employees excluding directors in receipt of emoluments excluding allowances and pension contributions within the following ranges were:

N		N	Number	Number
60,001	-	70,000	111	117
70,001	-	80,000	97	24
80,001	-	90,000	166	150
90,001	-	100,000	130	152
100,001	-	110,000	129	129
110,001	-	120,000	39	229
120,001	-	130,000	7	57
130,001	-	140,000	675	1,010
140,001	-	150,000	1,029	299
150,001	-	200,000	1,152	1,093
200,001	-	300,000	2,938	2,939
300,001	-	400,000	413	476
400,001	-	500,000	114	-
500,001	-	700,000	315	378
700,001	-	1,000,000	150	-
			7,465	**7,053**

31.2 The average number of persons employed in the year were as follows:

Managerial	272	266
Senior staff	6,305	5,836
Junior staff	888	951
	7,465	**7,053**
	N'm	**N'm**
The related staff costs amounted to	**13,577**	**14,679**

32. Off balance sheet engagements

32.1 The bank enters into various commitments in the normal course of business which are not reflected on the balance sheet and in respect of which there are corresponding obligations by customers.

These are as follows:

	N'm	N'm
Acceptances, guarantees and indemnities	40,515	26,103
Bonds and performance guarantees	74,828	44,257
Treasury bills intermediation and others	3,147	10,302
	118,490	**80,662**

NOTES TO THE ACCOUNTS (Cont'd)

32. Off balance sheet engagements (Cont'd)

32.2 There were contingent liabilities in respect of legal actions against the Bank for amounts totalling N8,646,358,348 (31 March 2006 - N6,375,412,139) for which no provisions have been made. The actions are being contested and the Directors are of the opinion that no significant liabilities will arise therefrom.

	Nine months ended 31 December 2006 N'm	Year ended 31 March 2006 N'm
33. Guarantees and other financial commitments		
33.1. Capital commitments		
Capital expenditure authorised by the Directors but not provided for in these accounts are as follows:		
Contracted	2,363	2,106
Not contracted	73	-

33.2. The Directors are of the opinion that all known liabilities and commitments which are relevant in the assessment of the state of financial affairs of the Bank have been taken into consideration in the preparation of these accounts.

FIRST BANK OF NIGERIA PLC

NOTES TO THE ACCOUNTS (Cont'd)

34. Segmental Information - Geographic segment

The following table sets out profit and loss information, average loans and advances to customers, net interest margin and selected balance sheet information by geographic segment for the year ended:-

	Nine months ended 31 December 2006 Nmillion	Year ended 31 March 2006 Nmillion
Interest received	31,392	37,218
Interest payable	(8,952)	(7,750)
Net interest income	**22,440**	**29,468**
Fees and commissions received net	10,995	16,339
Income from foreign exchange transactions	1,415	1,026
Income from Western Union transactions	869	1,314
Other operating income	9,830	5,346
Non-interest income	**23,109**	**24,025**
Net revenue	**45,549**	**53,493**
Operating expenses	26,150	30,654
Depreciation	2,416	3,094
Total Costs	**28,566**	**33,748**
Operating profit before provision for loan losses	16,983	19,745
Provision for loan losses	1,859	3,617
Profit before taxation	**15,124**	**16,128**
Total assets employed	645,222	538,145
Depreciation on fixed assets		
Net interest margin (%)	71%	79%

MATURITIES OF ASSETS AND LIABILITIES	0-30 days Nmillion	1-3 months Nmillion	3-6 months Nmillion	6-12 months Nmillion	Over 1 year Nmillion	Total Nmillion
Assets						
Cash and other short term funds	163,390	22,281	-	-	-	185,671
Government securities	-	77,421	-	-		77,421
Investments	-	-	-	18,437	95,967	114,404
Loans and advances	2,476	42,276	22,074	35,289	115,754	217,869
Advances under finance lease	-	-	94	241	2,464	2,799
Other assets	1,310	30,169	-	-	-	31,479
Fixed assets	-	-	-	-	15,579	15,579
Total assets	**167,176**	**172,147**	**22,168**	**53,967**	**229,764**	**645,222**
Liabilities						
Deposits	195,937	104,982	67,830	81,060	47,665	497,474
Other liabilities	37,785	30,023	-	-	-	67,808
Taxation	-	-	-	5,580	3,491	9,071
Capital & reserves	-	-	-		70,869	70,869
Total Liabilities	**233,722**	**135,005**	**67,830**	**86,640**	**122,025**	**645,222**
Net liquidity gap as at 31 December 2006	(66,546)	37,142	(45,662)	(32,673)	107,739	-
Assets as at 31 March 2006						538,145
Liabilities as at 31 March 2006						538,145
Net liquidity gap as at 31 March 2006						-

NOTES TO THE ACCOUNTS (Cont'd)

35. **Details of insider-related credits as at 31 December, 2006**

S/NO	Name of Borrower	Relationship to Reporting Institution	Date Granted	Expiry Date	Rate of Interest	Principal N"000"	Cummulative Interest N"000"	Total Provision N"000"	Payment Made N"000"	Outstanding Credit: Performing N"000"	Outstanding Credit: Non-performing N"000"	Perfected Security: Nature	Perfected Security: Value N"000"	Perfected Security: Date of Valuation	Remarks
1	Tropical Petroleum (Alh Abba Kyari)	Non-Ed	1996	31/10/97	19	144.00	7995363	7,995,363	NIL	NIL	7,995,363				CBN approval to write off the balance is awaited.
2	Woherem	Ex-ED	19/03/04	30/06/04	9	15	NIL	NIL	NIL	NIL	NIL	L/M			C of O at lekki held by the bank.
3	Abdulsalam T. Ogueyi	Ex-staff	31/8/02	31/8/12	9	15,673	NIL	NIL	NIL	NIL	NIL	L/M	10,200		Being perfected
4	Alli-Balogun	Ex-staff	28/10/02	31/1/12	9	9,175	NIL	NIL	NIL	NIL	NIL	L/M	8,100		L/M being arranged 8.1m
5	E. O. Aboje	Ex-staff	5/6/1998	4/6/2008	9	8,401	NIL	NIL	NIL	NIL	NIL	L/M	25,891	30/09/99	perfected
6	S. A. Olubodun	Ex-staff	29/9/98	30/6/10	9	6,745	NIL	NIL	NIL	NIL	NIL	L/M	10,300	29/12/01	Perfected

Remarks: Except for credits relating to Tropical Petroleum, all the other insider-related credits relate to retired staff of the bank whose individual applications for interest concessions have been favourably considered following payment of conceded amounts but are awaiting the CBN's approval to write off the residual balances.

FIRST BANK OF NIGERIA PLC

BANK STATEMENT OF VALUE ADDED
FOR THE NINE MONTHS ENDED 31 DECEMBER 2006

	Nine months ended 31 December 2006 N'm	%	Year ended 31 March 2006 N'm	%
Gross earnings:				
- Ordinary activities	54,501		61,243	
- Interest expense	(8,952)		(7,750)	
	45,549		53,493	
Exceptional item	-		3,703	
Administrative and other expenses - Local	(12,573)		(15,975)	
Doubtful debts provision	(1,859)		(3,617)	
VALUE ADDED	**31,117**	**100**	**37,604**	**100**
DISTRIBUTED AS FOLLOWS:				
In payment to employees:				
- Salaries, allowances and pension	13,577	44	14,679	39
In payment to Government:				
- Income tax	2,511	8	3,038	8
- Deferred taxation	740	2	740	2
In payment to shareholders:				
- Dividend	-	-	5,238	14
	16,828	54	23,695	63
Retained for future replacement of assets and expansion of business:				
- Depreciation	2,416	8	3,094	8
- Profit re-invested in the business	11,873	38	10,815	29
	14,289	46	13,909	37
	31,117	**100**	**37,604**	**100**

Value added represents the additional wealth which the company has been able to create by its own and its employees' efforts. This statement shows the allocation of that wealth among employees, shareholders, government and that retained for future creation of more wealth.

FIRST BANK OF NIGERIA PLC

BANK FIVE-YEAR FINANCIAL SUMMARY
NINE MONTHS ENDED 31 DECEMBER 2006

	Nine months ended 31 December	Year ended 31 March			
	2006	2006	2005	2004	2003
	N'm	N'm	N'm	N'm	N'm
ASSETS					
Cash and short-term funds	59,790	49,444	30,220	22,509	19,724
Due from other Banks and financial institutions	125,881	94,029	64,143	80,369	116,547
Bills discounted	77,421	108,316	100,135	92,922	94,226
Investments	114,404	63,729	24,655	16,825	7,343
Loans and advances	217,869	175,657	114,673	78,040	56,046
Advances under finance lease	2,799	1,701	937	-	-
Other assets	31,479	31,317	30,625	11,596	17,428
Equipment on lease	-	-	-	665	644
Fixed assets	15,579	13,952	12,108	9,564	8,620
TOTAL ASSETS	**645,222**	**538,145**	**377,496**	**312,490**	**320,578**
LIABILITIES					
Deposit	497,289	390,846	264,988	206,643	191,088
Due to other Banks	185	323	390	538	2,867
Tax payable	5,580	4,148	3,954	4,022	3,123
Deferred taxation	3,491	2,751	2,010	1,533	1,165
Dividend	-	5,238	6,325	5,429	3,811
Other liabilities	67,808	75,843	55,157	55,704	93,484
	574,353	479,149	332,824	273,869	295,538
SHAREHOLDERS' FUNDS	70,869	58,996	44,672	38,621	25,040
	645,222	**538,145**	**377,496**	**312,490**	**320,578**
Gross earnings	54,501	61,243	49,475	45,121	45,055
Profit on ordinary activities before taxation	15,124	16,128	15,145	14,106	13,393
Exceptional item	-	3,703	-	-	-
Profit on ordinary activities after taxation and exceptional item	11,873	16,053	12,184	-	-
Profit after taxation	11,873	16,053	12,184	11,096	10,323
Dividend	-	5,238	6,325	5,429	3,811
Return on shareholders' funds	22%	27%	27%	28%	41%
Earnings per share (basic)					
- actual	113k	306k	308k	381k	406k
- adjusted	113k	153k	116k	106k	99k
Dividend per share					
- actual	-	100k	160k	155k	150k
Dividend cover (times)	-	3.06	1.93	2.04	2.71

Note:
Earnings per share is based on profit attributable to shareholders and 10,477,338,776 ordinary shares of 50k each.

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

Tel: +234 1 4930720-4
Fax: +234 1 4970023
www.deloitte.com

PKF
Pannell Kerr Forster
Chartered Accountants
Tapa House
3/5 Imam Dauda Street
Off Eric Moore Road, Surulere
G. P. O. 2047Marina, Lagos, Nigeria

Tel: 124 1 8042074, 7734940
Fax: 234 1 7748266.
E-mail: pkfnig@hyperia.com

Report of the Joint Auditors

To The Members Of First Bank Of Nigeria Plc

We have audited the financial statements of First Bank of Nigeria Plc as at 31 March 2006 set out on pages 58 to 87 which have been prepared on the basis of the accounting policies on pages 53 to 55.

Respective responsibilities of Directors and Auditors

In accordance with the Companies and Allied Matters Act, CAP C20 LFN 2004, the Bank's Directors are responsible for the preparation of the financial statements. Our responsibility is to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with the international standards on auditing issued by the International Federation of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Bank's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements and assessed whether the Bank's accounting records have been properly kept. We have obtained the information and explanations we required for the purpose of our audit and have received adequate returns from branches not visited by us. The assets of the bank have been properly valued and adequate provision has been made for diminution in value thereof.

In accordance with circular BSD/1/2004 issued by the Central Bank of Nigeria, details of insider-related credits are as disclosed in note 38.

Contraventions

No contravention of the Banks and Other Financial Institutions Act CAP B3 LFN 2004 by the bank came to our knowledge during the year ended 31 March, 2006.

Opinion

In our opinion, the Bank and the group have kept proper accounting records and the financial statements are in agreement with the records. The financial statements drawn up in conformity with the generally accepted accounting standards in Nigeria, give a true and fair view of the state of affairs of the Bank and of the group at 31 March, 2006 and of the profit and cash flows for the year ended on that date, and have been properly prepared in accordance with the Companies and Allied Matters Act, CAP C20 LFN 2004, the Banks and Other Financial Institutions Act, CAP B3 LFN 2004 and relevant circulars issued by the Central Bank of Nigeria.

Akintola Williams Deloitte

Chartered Accountants
Lagos, Nigeria
28 June, 2006

PKF Pannell Kerr Forster

Chartered Accountants
Lagos, Nigeria
28 June, 2006

The following are the significant accounting policies adopted by the Bank in the preparation of its financial statements:

1. Basis of accounting

The accounts are prepared under the historical cost convention modified to include the revaluation of certain land and buildings (own premises only).

2. Basis of consolidation

The group financial statements incorporate the financial statements of the Bank and three of its wholly owned subsidiaries, FBN Bank (UK) Limited, First Trustees Nigeria Limited and First Registrars Nigeria Limited, all made up to 31 March 2006. The other subsidiaries whose results are immaterial have not been consolidated.

The Bank acquired FBN (Merchant Bankers) Limited and MBC International Bank Limited during the year. On acquisition, the assets and liabilities of the merged entities are measured at their fair values at the date of acquisition. Resulting difference between the cost of acquisition and the fair values of the identifiable net assets acquired after accounting for consolidation expenses is credited to a capital reserve account in the period of acquisition.

The results of MBC International Bank Limited and FBN (Merchant Bankers) Limited acquired with effect from 1 January 2006 are included in the consolidated financial statements from the date of acquisition.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Investments in Associated company

Investments in associated company are carried in the balance sheet at cost. Profit and losses are eliminated to the extent of the Group's interest in the associated company.

3. Capital reserve

Capital reserve arising on consolidation represents the difference between the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the merged entities at the date of acquisition.

4. Investments

.1 Quoted investments other than dated securities are stated at the lower of cost and market value.

.2 Unquoted investments are stated at cost less provision for doubtful investments.

.3 Dated securities are stated at cost.

.4 Investments in subsidiaries are stated at cost.

5. Bad and doubtful accounts

Loans and advances are stated after the deduction of provisions against debts considered doubtful of recovery. Loans are classified as to performing and non-performing; and are considered non-performing when principal and or interest repayment obligations are in arrears for over three months. Specific provisions are made on non-performing accounts as follows:

More than 90 days but less than 180 days	-	10%
180 days but less than 360 days	-	50%
360 days and over	-	100%

A general provision of 1% is made on all performing balances in line with the Prudential Guidelines of the Central Bank of Nigeria.

6. Interest

Interest on loans and advances is accrued to profit until such a time as reasonable doubt exists about its collectibility. Interest accruing on non-performing accounts is not taken to the credit of profit and loss account until the debt is recovered.

7. Advances under finance lease

Advances to customers under finance leases are stated net of unearned income. Lease finance is recognized in a manner, which provides a constant yield on the outstanding net investment over the lease period.

In accordance with the Prudential Guidelines for licensed banks, specific provision is made on leases that are not performing while a general provision of at least 1% is made on the aggregate net investment in the finance lease.

8. Fixed assets

Fixed assets are stated at cost or valuation less accumulated depreciation.

9. Depreciation

Depreciation is provided to write off the cost of fixed assets over their estimated useful lives on a straight line basis at the following annual rates:

Freehold buildings	-	2% from date of use
Leasehold buildings	-	2% for leases of 50 years and above
	-	over expected life in case of leases under 50 years
Motor vehicles	-	25%
Computer equipment	-	33.33%
Other fixed assets	-	20%

10. Foreign currencies

Transactions in foreign currencies are recorded in Naira at the rate of exchange ruling at the date of the transactions.

Foreign currency balances are converted to Naira at the rate of exchange ruling at the balance sheet date and the resultant profit/loss on conversion is taken to profit and loss account in respect of Bank - owned funds and the rest charged/credited to third parties.

The Bank's equity investment in FBN Bank (UK) Limited is stated at transaction cost.

11. Taxation

Income tax is provided on taxable profit at the current statutory rate.

Provision for deferred taxation is made by the liability method and calculated at the current rate of taxation on the differences between the net book value of qualifying fixed assets and their corresponding tax written down value.

12. Retirement benefits

Arrangements for retirement benefits (on a defined contribution basis) for members of staff are based on the provisions of the staff pension scheme, which is contributory. The matching contributions of 5% and 10% for staff and bank respectively are based on current salaries and designated allowances and are charged to profit and loss account and are paid over within the year to the funds manager. Membership of the scheme is automatic upon resumption of duty with the Bank.

13. Off Balance Sheet Engagements

Transactions that are not currently recognized as assets or liabilities in the balance sheet but which nonetheless give rise to credit risks, contingencies and commitments are reported off balance sheet. Such transactions include letters of credit, bonds, guarantees, indemnities, acceptances, trade related contingencies such as documentary credit, etc.

Outstanding and unexpired commitments at year end in respect of these transactions are shown by way of note to the financial statements.

Income on off balance sheet engagements is in form of commission which is recognized as and when transactions are executed.

14. Income recognition

.1 Interest income and interest expense

Interest is accrued on daily balances on all assets and liabilities to which interest is applicable.

.2 Fees, commissions and other income

Fees and commissions, where material, are amortized over the life of the related service. Otherwise fees, commissions and other income are recognized as earned upon completion of the related service.

.3 Investment income

This is recognized on an accrual basis and credited to the profit and loss account.

.4 Lease finance income

This is recognised on a basis that provides a constant yield on the outstanding principal over the lease term.

Balance Sheet

As at 31 March, 2006

	Note	The Group 2006 ₦'m	The Group 2005 ₦'m	The Bank 2006 ₦'m	The Bank 2005 ₦'m
ASSETS					
Cash and short-term funds	2	50,992	32,856	49,444	30,245
Due from banks and other financial institutions	3	169,580	129,281	94,029	64,118
Bills discounted		108,316	105,624	108,316	100,135
Investments	4	60,875	21,651	63,729	24,655
Loans and advances	5	177,303	123,739	175,657	114,673
Advances under finance lease	6	1,701	1,283	1,701	937
Other assets	7	31,851	43,716	31,317	30,625
Fixed assets	8	14,222	12,689	13,952	12,108
TOTAL ASSETS		614,840	470,839	538,145	377,496
LIABILITIES					
Deposit and current accounts	9	448,915	331,806	390,846	264,988
Due to other banks	10	323	390	323	390
Tax payable	11	5,142	4,758	4,148	3,954
Deferred taxation	12	2,746	2,089	2,751	2,010
Dividend payable	13	5,238	6,325	5,238	6,325
Other liabilities	14	90,183	75,666	75,843	55,157
		552,547	421,034	479,149	332,824
CAPITAL AND RESERVES					
Share capital	15	2,619	1,976	2,619	1,976
Capital reserve	16	12,644	10,076	13,297	9,784
Statutory reserve	17	11,358	8,950	10,699	8,291
Exchange difference reserve	18	3,343	3,957	2,836	2,836
General reserve	19	20,364	15,358	17,549	13,519
Bonus issue reserve	20	2,619	494	2,619	494
Reserve for small/medium scale industries	21	6,967	5,536	6,998	5,393
Core capital		59,914	46,347	56,617	42,293
Fixed assets revaluation reserve		2,379	2,379	2,379	2,379
Shareholders' funds		62,293	48,726	58,996	44,672
Minority interest		-	1,079	-	-
		62,293	49,805	58,996	44,672
TOTAL LIABILITIES		614,840	470,839	538,145	377,496
Contingent liabilities and other obligations on behalf of customers and customers' liability thereof	34	115,961	83,407	80,662	60,578

The financial statements on pages 53 to 87 were approved on 28 June 2006 by the Board of Directors and signed on its behalf by:

Umaru Abdul Mutallab (CON) — Chairman

Jacobs Moyo Ajekigbe — Managing Director

Sanusi Lamido Sanusi — Executive Director

The accounting policies on pages 53 to 55 and the notes on pages 61 to 83 form part of these financial statements.

Profit and Loss Account

For the year ended 31 March, 2006

	Note	The Group 2006 ₦'m	The Group 2005 ₦'m	The Bank 2006 ₦'m	The Bank 2005 ₦'m
Gross earnings		67,440	57,255	61,243	49,475
Interest earnings	22	40,743	36,455	37,218	32,275
Interest expense	23	(10,040)	(8,555)	(7,750)	(5,854)
Net interest income		30,703	27,900	29,468	26,421
Commissions and other income	24	26,697	20,800	24,025	17,200
		57,400	48,700	53,493	43,621
Overheads	25	(35,285)	(29,461)	(33,748)	(26,648)
Provision for bad and doubtful accounts	26	(3,985)	(2,431)	(3,617)	(1,828)
Profit on ordinary activities		18,130	16,808	16,128	15,145
Exceptional item	27	3,703	-	3,703	-
Profit before taxation after exceptional item		21,833	16,808	19,831	15,145
Current taxation	11	(3,720)	(3,110)	(3,038)	(2,484)
Deferred taxation	12	(730)	(464)	(740)	(477)
Profit after taxation		17,383	13,234	16,053	12,184
Minority interest		-	(184)	-	-
Profit attributable to ordinary shareholders		17,383	13,050	16,053	12,184
Dealt with as follows:					
Statutory reserve	17	2,408	1,887	2,408	1,827
Reserve for small scale industries	21	1,605	1,558	1,605	1,514
Dividend	13	5,238	6,325	5,238	6,325
General reserve	19	8,132	3,280	6,802	2,518
		17,383	13,050	16,053	12,184
Earning per share:					
- Actual	28	3.32	3.35	3.06	3.08
- Adjusted	28	3.32	2.53	3.06	2.33

The accounting policies on pages 53 to 55 and the notes on pages 61 to 83 form part of these financial statements.

Statement of Cash Flows

For the year ended 31 March, 2006

	Note	The Group 2006 ₦'m	The Group 2005 ₦'m	The Bank 2006 ₦'m	The Bank 2005 ₦'m
Cash flows from operating activities					
Interest earnings	22	40,743	36,455	37,218	32,275
Commission and other income		24,813	16,033	22,055	15,754
Lease income		411	582	411	76
Dividend received from associated company		-	-	86	58
Recoveries on loans previously written off		1,436	3,481	1,436	626
Interest expenses		(10,040)	(8,555)	(7,750)	(5,854)
Cash payment to employees and suppliers		(32,036)	(27,074)	(30,621)	(24,439)
Income tax paid	11	(3,436)	(3,052)	(2,989)	(2,552)
Operating profit before changes in operating assets and liabilities		21,891	17,870	19,846	15,944
Changes in operating assets/liabilities					
Loans and advances		(60,613)	(35,405)	(64,435)	(38,338)
Advances under finance lease		(422)	(1,296)	(772)	(946)
Other assets		12,435	(19,296)	(177)	(19,029)
Deposit and current accounts		117,042	76,315	125,791	58,345
Other liabilities		14,517	1,011	20,686	(547)
Net cash from operating activities	29	104,850	39,199	100,939	15,429
Cash flows from investing activities					
Net proceeds from sale of investments		6,563	-	6,563	-
Redemption of dated securities		434	21	434	21
Purchase of fixed assets	8	(3,908)	(4,989)	(3,830)	(4,758)
Proceeds on sale of fixed assets		103	29	100	23
Dividend received from subsidiaries		37	685	37	685
Purchase of investments		(41,203)	(9,909)	(41,203)	(7,890)
Bills discounted		(2,692)	(6,776)	(8,181)	(7,213)
Net cash used in investing activities		(40,666)	(20,939)	(46,080)	(19,132)
Cash flows from financing activities					
Proceeds from issue of shares		643	227	643	227
Dividend paid to shareholders	13	(6,325)	(5,429)	(6,325)	(5,429)
Net cash used in financing activities		(5,682)	(5,202)	(5,682)	(5,202)
Net increase/(decrease) in cash and cash equivalents		58,502	13,058	49,177	(8,905)
Opening cash and cash equivalents		161,747	148,689	93,973	102,878
Closing cash and cash equivalents	30	220,249	161,747	143,150	93,973

	The Group 2006 ₦'m	The Group 2005 ₦'m	The Bank 2006 ₦'m	The Bank 2005 ₦'m

1. Legal form

The Bank, which commenced operations in Nigeria in 1894 as a branch of British West Africa Limited, was incorporated as a private limited liability company in Nigeria in 1969 and was converted to a public company in 1970. The Bank's shares are quoted on the Nigerian Stock Exchange.

2. Cash and short-term funds

	The Group 2006 ₦'m	The Group 2005 ₦'m	The Bank 2006 ₦'m	The Bank 2005 ₦'m
Cash	12,085	6,775	10,537	5,886
Balances with Central Bank of Nigeria:				
Cash reserve requirement	16,307	20,694	16,307	19,601
Current account	22,273	5,387	22,273	4,758
Other account	327	-	327	-
	50,992	32,856	49,444	30,245

3. Due from other banks and financial institutions:

	The Group 2006 ₦'m	The Group 2005 ₦'m	The Bank 2006 ₦'m	The Bank 2005 ₦'m
In Nigeria	39,658	40,234	33,736	33,014
Outside Nigeria	131,133	89,167	61,381	31,209
	170,791	129,401	95,117	64,223
Provision for doubtful accounts	(1,211)	(120)	(1,088)	(105)
	169,580	129,281	94,029	64,118
Amount held on behalf of customers included in balances with other banks outside Nigeria are:				
Deposit with FBN Bank (UK) Limited	-	-	17,492	14,196
Vostro accounts	28,531	19,129	28,531	19,129
	28,531	19,129	46,023	33,325

		The Group 2006 ₦'m	The Group 2005 ₦'m	The Bank 2006 ₦'m	The Bank 2005 ₦'m
4.	Investments				
.1	Dated securities				
	(Quoted)				
	Maturing within 1 year				
	Market value ₦28billion (2005 - ₦31m)				
	- Federal Government Bonds	27,819	-	27,819	-
	- State Governments Bonds	623	10	416	10
	- Others	41	21	41	21
	Maturing between 1 and 5 years				
	- Federal Government Bonds	16,181	10,000	16,181	10,000
	- State Governments Bonds	1,200	578	1,200	353
	- Others	4,040	80	4,040	80
	Maturing after 5 years				
	- State Governments Bonds	-	1,667	-	1,667
		49,904	12,356	49,697	12,131
	Less: Provision	(808)	(1,025)	(808)	(1,025)
		49,096	11,331	48,889	11,106
.2	Equities				
(a)	(Quoted)				
	Sundry including dealing securities				
	[market value - ₦8.5m]	1,626	1,671	34	-
	Less: Provision	(256)	(22)	(25)	-
		1,370	1,649	9	-
(b)	(Unquoted):				
	Vee Networks Limited	2,908	5,768	2,908	5,768
	Banque Internationale Du Benin, Cotonou	98	98	98	98
	African Export-Import Bank, Cairo	10	10	10	10
	Consolidated Discounts Ltd	15	-	15	-
	ValuCard Nig. Plc	186	138	186	138
	Nigeria Automated Clearing System Plc	27	34	27	27
	Nigeria Interbank Settlement System	7	-	7	-
	ATM Consortium	59	58	59	58
		3,310	6,106	3,310	6,099
	Less: Provision	(283)	(98)	(283)	(98)
		3,027	6,008	3,027	6,001
.3	Associated company [Unquoted equity]				
	Kakawa Discount House Limited	74	74	74	57
		74	74	74	57
.4	Subsidiaries: [Unquoted equities]				
	FBN Bank (UK) Limited (note 4.8)	-	-	4,389	4,389
	FBN Capital Limited	1,300	-	1,300	-
	First Pension Custodian Nigeria Limited	2,000	-	2,000	-
	FBN (Merchant Bankers) Limited	-	-	-	624
	First Trustees Nigeria Limited	-	-	23	23
	FBN Mortgages Limited	100	100	100	100
	FBN Insurance Brokers Nigeria Limited	15	15	15	15
	First Registrars Nigeria Limited	-	-	10	10
	First Funds Limited	45	45	45	45
		3,460	160	7,882	5,206

		The Group		The Bank	
		2006 ₦'m	2005 ₦'m	2006 ₦'m	2005 ₦'m
.5	Others:				
	SMIES Investments				
	Through:				
	SME Managers Limited	526	431	526	357
	SME Partnership Limited	64	-	64	-
	Chase Executive Partners Limited	30	-	30	-
	Interswitch Limited	32	32	32	32
	First Funds Limited	3,196	1,966	3,196	1,896
		3,848	2,429	3,848	2,285
		60,875	21,651	63,729	24,655
.6	The issuers of the industrial securities (quoted and unquoted) are as follows:				
	Dated securities [Quoted]				
	Maturing within 1 year:				
	19% PZ Industries Floating				
	Rate Debenture Stock 1997/2004	1	1	1	1
	Neimeth Int'l Debenture Stock 2004/2008	40	20	40	20
	Federal Government of Nigeria Bond	27,819	-	27,819	-
	State Government Bonds	623	10	416	10
		28,483	31	28,276	31
	Maturing between 1 & 5 years:				
	19% PZ Industries Floating				
	Rate Debenture Stock 1997/2004	-	20	-	20
	Neimeth Int'l Debenture Stock 2004/2008				
	Floating Rate secured Cum Convertible				
	Redeemable Mortgage Debenture stock	111	80	40	80
	Tinapa Business Resort Limited	4,000	-	4,000	-
	Federal Government of Nigeria Bond	16,181	10,000	16,181	10,000
	State Government Bonds	1,200	558	1,200	333
	Maturing after 5 years:				
	State Government Bonds	-	1,667	-	1,667
		21,492	12,325	21,421	12,100
	Provisions	(808)	(1,025)	(808)	(1,025)
		20,684	11,300	20,613	11,075
		49,167	11,331	48,889	11,106

.
7 In the opinion of the Directors, the market value of the unquoted investments is not lower than cost.

.8 Except for FBN Bank (UK) Limited, which was incorporated in the United Kingdom, all other subsidiaries were incorporated in Nigeria.

	The Group 2006 ₦'m	The Group 2005 ₦'m	The Bank 2006 ₦'m	The Bank 2005 ₦'m
5. Loans and advances				
.1 Summary:				
Secured against real estate	33,548	31,159	33,548	25,429
Otherwise secured	154,026	126,603	153,889	119,054
Unsecured	4,098	3,922	2,567	3,028
Gross loans	191,672	161,684	190,004	147,511
Deduct: Provision for loan losses (note 5.2)	(14,369)	(37,945)	(14,347)	(32,838)
	177,303	123,739	175,657	114,673

.2 Analysis of loans and advances by quality

.2.1 The Group	2006 Gross Loans ₦'m	2006 Provision ₦'m	2005 Gross Loans ₦'m	2005 Provision ₦'m
Non-performing				
- Sub-standard	2,414	241	1,684	300
- Doubtful	5,093	2,547	5,103	3,616
- Lost	9,838	9,838	32,787	32,787
	17,345	12,626	39,574	36,703
Performing	174,327	1,743	122,110	1,242
Gross loans	191,672	14,369	161,684	37,945

.2.2 The Bank	2006 Gross Loans ₦'m	2006 Provision ₦'m	2005 Gross Loans ₦'m	2005 Provision ₦'m
Non-performing:				
- Sub-standard	2,414	241	1,661	297
- Doubtful	5,093	2,547	4,229	2,629
Lost	9,832	9,832	28,784	28,784
	17,339	12,620	34,674	31,710
Performing	172,665	1,727	112,837	1,128
Gross loans	190,004	14,347	147,511	32,838

	The Group		The Bank	
	2006	2005	2006	2005
	₦'m	₦'m	₦'m	₦'m
.3 Provision for doubtful debts				
Principal:				
At 1 April:	31,555	32,724	28,468	30,236
Written off in the year	(24,988)	(3,815)	(24,988)	(3,765)
	6,567	28,909	3,480	26,471
Arising on acquisition of:				
- FBN (Merchant Bankers) Limited	(645)	-	2,105	-
- MBC International Bank Limited	2,229	-	2,229	-
Reclassification from Commercial paper	-	258	-	258
	8,151	29,167	7,814	26,729
Provided during the year	6,574	6,079	6,568	5,084
Recovered during the year	(3,882)	(3,691)	(3,873)	(3,345)
Charge for the year (note 26)	2,692	2,388	2,695	1,739
	10,843	31,555	10,509	28,468
Made up as follows:				
Specific	9,100	30,313	8,782	27,340
General	1,743	1,242	1,727	1,128
	10,843	31,555	10,509	28,468
Interest:				
At 1 April:	6,390	9,974	4,370	8,766
Recovered during the year	(67)	(472)	(67)	(443)
	6,323	9,502	4,303	8,323
Arising on acquisition of:				
- FBN (Merchant Bankers) Limited	(27)	-	2,305	-
- MBC International Bank Limited	120	-	120	-
Additions during the year	14,966	2,766	14,966	1,896
Written off during the year	(17,856)	(5,878)	(17,856)	(5,849)
At 31 March	3,526	6,390	3,838	4,370
Total	14,369	37,945	14,347	32,838

	The Group		The Bank	
	2006 ₦'m	2005 ₦'m	2006 ₦'m	2005 ₦'m
.4 Maturity profile of loans and advances				
On call	42,730	32,072	42,593	26,408
Over 1 month but within 3 months	50,351	11,733	50,351	6,387
Over 3 months but within 6 months	21,274	33,983	21,274	32,569
Over 6 months but within 12 months	46,044	27,239	45,880	26,949
Over 1 year but within 3 years	18,999	45,638	18,565	45,504
Over 3 years but within 5 years	12,274	11,019	11,341	9,694
	191,672	161,684	190,004	147,511
.5 Analysis of loans and advances by nature				
Overdrafts	146,352	51,485	80,136	50,822
Term loans	1,367	76,138	65,915	62,630
Commercial papers	40,406	27,168	40,406	27,168
Others	3,547	6,893	3,547	6,891
	191,672	161,684	190,004	147,511
.6 Insider-related credits Aggregate amount of insider related credits outstanding at year-end classified by performance:				
Performing	13,541	10,885	13,541	10,577
Non - performing (note 38)	40	498	40	498
	13,581	11,383	13,581	11,075
The details of the non-performing accounts as shown above are analysed in note 38 to this financial statements in line with Central Bank of Nigeria Circular BSD/1/2004.				
.7 The charge for bad and doubtful accounts is made up of:				
Specific provision	2,191	1,945	2,096	1,367
General provision	501	443	599	372
	2,692	2,388	2,695	1,739

	The Group		The Bank	
	2006 ₦'m	2005 ₦'m	2006 ₦'m	2005 ₦'m
6. Advances under finance lease				
Gross investment (all performing)	1,718	1,618	1,718	1,204
Less: Unearned income	-	(322)	-	(258)
	1,718	1,296	1,718	946
Provision for performing accounts (note 26)	(17)	(13)	(17)	(9)
	1,701	1,283	1,701	937
.1 The investment in finance leases by maturity is:				
Over 3 months but within 6 months	-	1,618	-	1,204
Over 6 months but within 12 months	422	-	422	-
Over 12 months	1,296	-	1,296	-
	1,718	1,618	1,718	1,204
7. Other assets				
Impersonal accounts:				
Interbranch balances	8,178	9,485	8,679	10,355
Clearing	11,492	11,428	11,491	11,428
Prepayments	5,359	4,169	5,204	3,796
Others	4,601	18,632	4,145	5,338
Accrued income	1,628	726	1,260	547
Accounts receivable	2,142	1,395	2,009	1,147
	33,400	45,835	32,788	32,611
Provision for doubtful accounts (note 7.1)	(1,549)	(2,119)	(1,471)	(1,986)
	31,851	43,716	31,317	30,625
.1 Provision for doubtful accounts				
At 1 April	2,119	3,117	1,986	2,995
Arising during the year	32	-	-	-
Written off during the year	(602)	(998)	(515)	(1,009)
At 31 March	1,549	2,119	1,471	1,986

8. Fixed assets

.1 The Group

(a) Summary:

	Freehold Land and Buildings ₦'m	Leasehold buildings ₦'m	Vehicles, Equipment and Others ₦'m	Total ₦'m
Cost/valuation:				
At 1 April	6,956	100	17,133	24,189
Exchange difference on opening balance	-	(11)	(29)	(40)
Additions	824	-	3,084	3,908
Disposals	-	-	(475)	(475)
Adjustment arising from acquisition	259	801	861	1,921
At 31 March	8,039	890	20,574	29,503
Depreciation:				
At 1 April	974	26	10,500	11,500
Exchange difference on opening balance	-	(2)	(12)	(14)
Charge for the year	103	9	3,105	3,217
Eliminated on disposals	-	-	(340)	(340)
Adjustment arising from acquisition	44	154	720	918
At 31 March	1,121	187	13,973	15,281
Net book value:				
At 31 March 2006	6,918	703	6,601	14,222
At 31 March 2005	5,982	74	6,633	12,689

(b) Land and buildings comprise:

	Cost/ Valuation ₦'m
Freehold	7,513
Under construction	526
	8,039
Leasehold	890
	8,929

Fixed assets (Cont'd)

.2 The Bank

(a) Summary:

	Freehold Land and Buildings ₦'m	Leasehold buildings ₦'m	Vehicles, Equipment and Others ₦'m	Total ₦'m
Cost/valuation:				
At 1 April	6,748	-	16,069	22,817
Arising on acquisition	262	801	1,096	2,159
Additions	824	-	3,006	3,830
Disposals	-	-	(465)	(465)
At 31 March	7,834	801	19,706	28,341
Depreciation:				
At 1 April	879	-	9,830	10,709
Arising on acquisition	44	154	720	918
Charge for the year	103	-	2,991	3,094
Eliminated on disposals	-	-	(332)	(332)
At 31 March	1,026	154	13,209	14,389
Net book value:				
At 31 March 2006	6,808	647	6,497	13,952
At 31 March 2005	5,869	-	6,239	12,108

(b) Land and buildings comprise:

	Cost/ Valuation ₦'m
Freehold	7,308
Under construction	526
	7,834
Leasehold	801
	8,635

.3 Certain land and buildings (own premises only) with a net book value of ₦187.7 million were professionally valued at ₦1,183.7 million on 31 December, 1990 by Messrs Jide Taiwo & Co. and Diya Fatimilehin & Co., Estate surveyors and valuers on the basis of open market value between a willing seller and buyer. The sum of ₦448.152 million was then recognised as revaluation reserve in the account.

During the year ended 31 December, 1995, selected land and buildings (own premises only) including those revalued at 31 December, 1990, were professionally re-valued at ₦5,056.4 million by Messrs Jide Taiwo & Co. and Diya Fatimiliehin & Co., Estate surveyors and valuers on the basis of open market value between a willing seller and buyer. In compliance with the Central Bank of Nigeria's guidelines on recognition of revaluation reserve on own premises, the sum of ₦1,931.150 million was incorporated in the account. This represents the revaluation surplus of ₦4,291.4 million discounted by 55%.

Revaluation of land and buildings is carried out at the discretion of the directors and it is considered as and when necessary.

	The Group 2006 ₦'m	The Group 2005 ₦'m	The Bank 2006 ₦'m	The Bank 2005 ₦'m
9. Deposit and current accounts				
.1 Summary				
In Nigeria:				
Demand	195,274	117,917	195,274	115,912
Savings	128,236	104,353	128,236	104,353
Time	67,336	58,213	67,336	44,723
	390,846	280,483	390,846	264,988
Outside Nigeria:				
Demand	5,220	1,267	-	-
Time	52,849	50,056	-	-
	448,915	331,806	390,846	264,988
.2 The deposit liabilities maturity profile is as follows:				
On demand	328,730	223,537	323,510	220,265
Under 3 months	86,327	68,149	33,478	7,580
3 - 6 months	21,307	31,712	21,307	29,214
6 - 12 months	10,161	6,163	10,161	5,707
Over 12 months	2,390	2,245	2,390	2,222
	448,915	331,806	390,846	264,988
10. Due to other banks				
In Nigeria	313	380	313	380
Outside Nigeria	10	10	10	10
	323	390	323	390
11. Taxation				
.1 Per profit and loss account				
Income tax:				
Based on profit for the year	3,449	2,833	2,787	2,249
Education tax	271	277	251	235
	3,720	3,110	3,038	2,484
.2 Per balance sheet				
Income tax:				
At 1 April	4,758	4,700	3,954	4,022
Based on profit of the year	3,720	3,110	3,038	2,484
Arising on acquisition	100	-	145	-
	8,578	7,810	7,137	6,506
Payments during the year	(3,436)	(3,052)	(2,989)	(2,552)
	5,142	4,758	4,148	3,954

The charge for taxation in these accounts is based on the provisions of the Companies Income Tax Act CAP C21 LFN 2004 as amended and the Education Tax Act, CAP E4 LFN 2004.

	The Group		The Bank	
	2006 ₦'m	2005 ₦'m	2006 ₦'m	2005 ₦'m
12. Deferred taxation				
.1 Per profit and loss account				
Arising during the year	740	464	740	477
Prior years' under provision				
No longer required	(10)	-	-	-
	730	464	740	477
.2 Per balance sheet				
At 1 April	2,089	1,625	2,010	1,533
Arising during the year	740	464	740	477
Arising on consolidation	1	-	1	-
No longer required	(10)	-	-	-
Eliminated on acquisition	(74)	-	-	-
	2,746	2,089	2,751	2,010
13. Dividend				
Proposed for the year per profit and loss account and balance sheet	5,238	6,325	5,238	6,325

The proposed dividend of ₦1.00 (2005 - ₦1.60) per 50 kobo ordinary share is subject to deduction of withholding tax at the appropriate rate.

	The Group 2006 ₦'m	The Group 2005 ₦'m	The Bank 2006 ₦'m	The Bank 2005 ₦'m
14. Other liabilities				
Payable and transfers	16,027	11,094	15,778	10,735
Provisions and accruals	3,787	2,826	3,185	2,295
Provision for frauds and losses	1,464	1,159	1,464	1,159
Unearned discounts	82	589	48	373
Provision for off balance sheet engagements	17	-	17	-
Others (note 14.1)	68,806	59,998	55,351	40,595
	90,183	75,666	75,843	55,157
.1 Others comprise:				
Vostro balances	28,531	19,129	28,531	19,129
Uncleared effects	10,255	8,537	10,255	8,411
Sundry credit balances	13,455	19,523	-	1,826
Impersonal items	16,565	12,809	16,565	11,229
	68,806	59,998	55,351	40,595

	The Group		The Bank	
	2006 ₦'m	2005 ₦'m	2006 ₦'m	2005 ₦'m
15. Share capital				
.1 Authorised:				
6,000,000,000 ordinary shares of 50k each	3,000	3,000	3,000	3,000
.2 Allotted, called up and fully paid:				
Ordinary shares of 50k each:				
At 1 April	1,976	1,751	1,976	1,751
Arising during the year				
- Rights issue on shares awaiting regulatory clearance (now cleared)	22	6	22	6
- Bonus issues:				
- Transfer from bonus issue reserve (note 20)	494	219	494	219
- Arising on shares awaiting regulatory clearance (now cleared)	9	-	9	-
- Arising on acquisition of FBN (MB) Limited	34	-	34	-
- New issues arising on consolidation of :				
- FBN (Merchant Bankers) Limited	20	-	20	-
- MBC International Bank Limited	64	-	64	-
At 31 March	2,619	1,976	2,619	1,976

At the Annual General Meeting of the Bank held on 24 August 2005,members approved a bonus issue of one ordinary share of 50 kobo for every four shares held by them as at 12 August 2005.

	The Group 2006 ₦'m	The Group 2005 ₦'m	The Bank 2006 ₦'m	The Bank 2005 ₦'m
16. Capital reserve				
At 1 April	10,076	9,586	9,784	9,580
Arising from the rights issue	770	204	770	204
Consolidation reserve	(286)	286	-	-
Arising on acquisition (note 31)	2,743	-	2,743	-
Adjustment on subsidiary	(659)	-	-	-
	12,644	10,076	13,297	9,784
17. Statutory reserve				
At 1 April	8,950	7,063	8,291	6,464
Appropriation from the profit and loss account	2,408	1,887	2,408	1,827
At 31 March	11,358	8,950	10,699	8,291

The appropriation for the year represents 15% of profit after tax of the parent company in accordance with section 16 of the Banks and Other Financial Institutions Act, CAP B3 LFN 2004.

	The Group		The Bank	
	2006 ₦'m	2005 ₦'m	2006 ₦'m	2005 ₦'m
18. Exchange difference reserve				
At 1 April	3,957	3,874	2,836	2,836
Movement during the year	(614)	83	-	-
At 31 March	3,343	3,957	2,836	2,836
19. General reserve				
At 1 April	15,358	12,485	13,519	11,513
Reserve for bonus issue (note 20)	(2,619)	(494)	(2,619)	(494)
Prior year adjustment in respect of:				
- Bonus issue arising from shares awaiting regulatory clearance (now cleared)	(9)	(1)	(9)	(1)
- Dividend thereon	(144)	(17)	(144)	(17)
Adjustment for reserve of subsidiary	(354)	105	-	-
Retained profit for the year	8,132	3,280	6,802	2,518
At 31 March	20,364	15,358	17,549	13,519
20. Bonus issue reserve				
At 1 April	494	219	494	219
Transfer from the general reserve (note 19)	2,619	494	2,619	494
Utilised for bonus issue (note 15)	(494)	(219)	(494)	(219)
At 31 March	2,619	494	2,619	494
21. Reserve for small / medium scale industries				
At 1 April	5,536	3,978	5,393	3,879
Transfer from profit and loss account	1,605	1,558	1,605	1,514
Eliminated on acquisition of FBN (MB) Ltd	(174)	-	-	-
At 31 March	6,967	5,536	6,998	5,393

This is computed at 10% of profit after tax in accordance with Central Bank of Nigeria Guideline. As at 31 March 2006, the Group has invested the sum of N3.196 billion (2005 - N1.966 billion) in SMIEIS through First Funds Limited (See note 4.5).

	The Group 2006 ₦'m	The Group 2005 ₦'m	The Bank 2006 ₦'m	The Bank 2005 ₦'m
22. Interest earnings				
Bank sources:				
- Placement with local banks	1,018	17,080	1,018	2,194
- Treasury bills	16,888	16,704	16,888	15,688
	17,906	33,784	17,906	17,882
Non-Bank source:				
- Interest on Loans and advances	22,837	2,671	19,312	14,393
	40,743	36,455	37,218	32,275
23. Interest expenses				
Non-Bank sources:				
- Demand	3,076	598	786	598
- Time deposits	4,149	5,723	4,149	3,022
- Savings	2,749	2,223	2,749	2,223
- Domiciliary	66	11	66	11
	10,040	8,555	7,750	5,854
24. Commissions and other income				
Commissions and charges	18,759	12,898	17,653	12,056
Foreign exchange income	1,202	1,395	1,026	1,315
Dividend	87	58	129	743
Investment income	4,412	2,367	3,370	2,367
Lease income	411	582	411	76
Profit on sale of fixed assets	-	19	-	17
Recoveries on loans previously written off	1,436	3,481	1,436	626
Sundry income	390	-	-	-
	26,697	20,800	24,025	17,200

	The Group		The Bank	
	2006 ₦'m	2005 ₦'m	2006 ₦'m	2005 ₦'m
25. Overheads				
.1 Operating expenses:				
Charges and expenses (note 25.2)	29,750	25,350	28,335	22,823
Depreciation on fixed assets	3,217	2,385	3,094	2,208
Premium on insurance of deposit liabilities	2,286	1,726	2,286	1,617
Loss on disposal of fixed assets	32	-	33	-
	35,285	29,461	33,748	26,648
.2 Charges and expenses				
These include :				
Profit on sale of fixed assets	-	(19)	-	(17)
Bank's contribution to retirement benefits	1,507	564	1,472	514
Auditors' remuneration:				
- Nigeria operations	41	44	36	32
- UK operations	20	19	-	-
26. Provision for bad and doubtful accounts				
Loans and advances (note 5.3)	2,692	2,388	2,695	1,739
Other assets (note 7)	32	(112)	-	-
Due from banks and other financial institutions (note 3)	1,091	120	983	80
Investments	162	22	(69)	-
Advances under finance lease (note 6)	8	13	8	9
	3,985	2,431	3,617	1,828

27. Exceptional item

This represents profit derived on part disposal of shares in Vee Networks Nigeria Limited during the year.

28. Earnings per share (Basic)

Earnings per share is calculated on the profit after taxation and is based on the number of ordinary shares issued and paid up at 31 March 2006.

	The Group		The Bank	
	2006	2005	2006	2005
	₦'m	₦'m	₦'m	₦'m
29. Reconciliation of net cash provided by operating activities				
Profit after tax	17,383	13,234	16,053	12,184
Adjustments to reconcile profit after tax to net cash provided by operating activities				
Depreciation of fixed assets	3,217	2,385	3,094	2,208
Provision for bad and doubtful accounts	3,985	2,431	3,617	1,828
Provision for deferred taxes	730	464	740	477
Decrease/(increase) in taxes payable	284	60	49	634
Exceptional income	(3,703)	-	(3,703)	-
Loss / (profit) on disposal of fixed assets	32	(19)	33	(17)
Dividend received from subsidiaries	(37)	(685)	(37)	(685)
Changes in assets and liabilities				
Increase in loans and advances	(60,613)	(35,405)	(64,435)	(38,338)
Increase in other assets	12,435	(19,296)	(177)	(19,029)
Increase in advances under finance lease	(422)	(1,296)	(772)	(946)
Increase in deposit and other current accounts	117,042	76,315	125,791	58,345
Increase / (decrease) in other liabilities	14,517	1,011	20,686	(1,232)
Net cash flow from operating activities before changes in operating assets	104,850	39,199	100,939	15,429
30. Cash and cash equivalents				
Cash and short-term funds	50,992	32,856	49,444	30,245
Due from other banks and financial institutions	169,580	129,281	94,029	64,118
Due to other banks	(323)	(390)	(323)	(390)
	220,249	161,747	143,150	93,973

31. Acquisition of Banks

On 1 January 2006, the Bank acquired 36.85% and 100% of the issued share capital of FBN (Merchant Bankers) Limited and MBC International Bank Limited respectively by share exchange. Before the merger, FBN (Merchant Bankers) Limited was a subsidiary of the Bank and it held 63.15% of its equity share capital. The transaction has been accounted for by the purchase method of accounting.

The summary of the transactions is as follows:

	FBN [MB] Ltd ₦'m	MBC Int Bank Ltd ₦'m	Total ₦'m
Tangible assets taken over	17,073	19,795	36,868
Liabilities absorbed	(13,804)	(19,053)	(32,857)
Net assets taken over	3,269	742	4,011
Nominal value of shares issued	(54)	(64)	(118)
Cost of investments in the subsidiary written off	(624)	-	(624)
	2,591	678	3,269
Merger expenses			(526)
Capital reserve on acquisition			2,743

32. Chairman and Directors' emoluments

	The Bank	
	2006	2005
.1 Emoluments:	₦'m	₦'m
Fees:		
Chairman	0.40	0.40
Other Directors	1.90	1.60
	2.30	2.00
Emoluments as Executives	103.50	75.70
	105.80	77.70
Highest paid Director	15.11	15.11

.2 The fees attributable to directors of the parent company serving on the boards of the subsidiaries amounting to ₦600,400; (2005 - ₦600,400) have been paid over and included in the income of the parent company.

.3 The number of Directors excluding the Chairman, whose emoluments were within the following ranges were:

	2006 Number	2005 Number
₦230,001 - ₦240,000	7	7
₦1,900,001 and above	7	7

33. Employees

.1 Employees remunerated at higher rates:

The number of employees excluding directors in receipt of emoluments excluding allowances and pension contributions within the following ranges were:

₦		N	The Group 2006 Number	The Group 2005 Number	The Bank 2006 Number	The Bank 2005 Number
60,001	-	70,000	117	9	117	-
70,001	-	80,000	24	17	24	-
80,001	-	90,000	150	14	150	855
90,001	-	100,000	152	8	152	161
100,001	-	110,000	129	17	129	161
110,001	-	120,000	229	0	229	1
120,001	-	130,000	57	8	57	1,642
130,001	-	140,000	1,010	0	1,010	1,236
140,001	-	150,000	299	12	299	1,030
150,001	-	200,000	1,093	496	1,093	1,058
200,001	-	300,000	2,939	824	2,939	205
300,001	-	400,000	477	3,912	476	144
400,001	-	500,000	-	626	-	92
500,001	-	700,000	456	696	378	92
700,001	-	1,000,000	-	-	-	15
1,000,001	-	1,500,000	-	236	-	-
1,500,001	-	2,000,000	-	60	-	-
2,000,001	-	2,500,000	-	32	-	-
Over		2,500,000	-	21	-	-
			7,132	6,988	7,053	6,692

.2 The average number of persons employed in the year were as follows:

	The Group 2006 Number	The Group 2005 Number	The Bank 2006 Number	The Bank 2005 Number
Managerial	277	262	266	199
Senior staff	5,877	5,424	5,836	5,276
Junior staff	978	1,302	951	1,217
	7,132	6,988	7,053	6,692
	₦'m	₦'m	₦'m	₦'m
The related staff costs amounted to	15,348	12,757	14,679	11,936

34. Off balance sheet engagements

.1 The bank enters into various commitments in the normal course of business which are not reflected on the balance sheet and in respect of which there are corresponding obligations by customers.
These are as follows:

	The Group 2006 ₦'m	The Group 2005 ₦'m	The Bank 2006 ₦'m	The Bank 2005 ₦'m
Acceptances, guarantees and indemnities	44,140	49,402	26,103	27,434
Bonds and performance guarantees	44,715	34,005	44,257	33,144
Treasury bills intermediation and others	27,106	-	10,302	-
	115,961	83,407	80,662	60,578

34. Off balance sheet engagements (cont'd)

.2 There were contingent liabilities in respect of legal actions against the Bank for amounts totalling ₦6,375,412,139 (2005 - ₦3,424,774,363) for which no provisions have been made. The actions are being contested and the Directors are of the opinion that no significant liabilities will arise therefrom.

35. Guarantees and other financial commitments

	2006 ₦'m	2005 ₦'m
.1 Capital commitments		
Capital expenditure authorised by the Directors but not provided for in these accounts are as follows:		
Contracted	2,106	1,226
Not contracted	-	-

.2 The Directors are of the opinion that all known liabilities and commitments which are relevant in the assessment of the state of financial affairs of the Bank have been taken into consideration in the preparation of these accounts.

36. Segmental information - Geographic segment

The following table sets out profit and loss information, average loans and advances to customers, net interest margin and selected balance sheet information by geographic segment for the year ended:-

	NIGERIA		FOREIGN		TOTAL	
	2006 ₦million	2005 ₦million	2006 ₦million	2005 ₦million	2006 ₦million	2005 ₦million
Interest received	37,218	32,275	6,838	1,701	44,056	33,976
Interest payable	(7,750)	(5,854)	(3,640)	(897)	(11,390)	(6,751)
Net interest Income	29,468	26,421	3,198	804	32,666	27,225
Fees and commissions received net	17,653	12,056	1,658	413	19,311	12,469
Income from foreign exchange transactions	1,026	1,315	323	80	1,349	1,395
Other operating income	5,346	3,829	70	17	5,416	3,846
Non-interest income	24,025	17,200	2,051	510	26,076	17,710
Net revenue	53,493	43,621	5,249	1,314	58,742	44,935
Operating expenses	30,654	24,440	2,939	731	33,593	25,171
Depreciation	3,094	2,208	266	66	3,360	2,274
Total Costs	33,748	26,648	3,205	797	36,953	27,445
Operating profit before Provision for loan losses	19,745	16,973	2,044	517	21,789	17,490
Provision for loan losses	3,617	1,829	257	64	3,874	1,893
Profit before taxation	16,128	15,144	1,787	453	17,915	15,597
Total assets employed	538,145	377,494	296,527	73,767	834,672	451,261
Depreciation on fixed assets						
Net interest margin (%)	79%	82%	47%	47%	74%	84%

MATURITIES OF ASSETS AND LIABILITIES	0-30 days ₦million	1-3 months ₦million	3-6 months ₦million	6-12 months ₦million	Over 1 year ₦million	Total ₦million
Assets						
Cash and other short term funds	127,166	16,307	-	-	-	143,473
Government securities	-	108,316	-	-	-	108,316
Investments	-	-	-	28,276	35,453	63,729
Loans and advances	42,593	50,351	21,274	45,880	15,559	175,657
Advances under finance lease	-	-	-	-	1,701	1,701
Other assets	11,491	19,826	-	-	-	31,317
Fixed assets	-	-	-	-	13,952	13,952
Total assets	181,250	194,800	21,274	74,156	66,665	538,145
Liabilities						
Deposits	323,510	33,478	21,307	10,161	2,713	391,169
Other liabilities	40,831	40,250	-	-	-	81,081
Taxation	-	-	-	3,778	3,121	6,899
Capital & reserves	-	-	-		58,996	58,996
Total Liabilities	364,341	73,728	21,307	13,939	64,830	538,145
Net liquidity gap as at 31 March 2006	(183,091)	121,072	(33)	60,217	1,835	-

Assets as at 31 March 2005	377,496
Liabilities as at 31 March 2005	377,496
Net liquidity gap as at 31 March 2005	-

37. Nigerian Accounting Standards Board

During the period, the Nigerian Accounting Standards Board (NASB) drew the attention of the bank to certain disclosure requirements in the financial statements for the year ended 31 March, 2005 which in their opinion, did not represent the best mode of compliance with the relevant statements of the accounting standards (SAS). Based on the recommendations of the NASB, these financial statements have been prepared to ensure compliance with disclosure requirements of these standards. These include disclosures relating to:

.1 SAS 3 (45)c: Revaluation of assets, methods adopted, frequency of revaluation, nature of indices used and the name of the external valuers.

.2 SAS 18 (79) and (82): Reconciliation of the amounts in the statement of cash flows with equivalent items reported in the profit and loss account and the balance sheet. Disclosure of reconciliation of cash flows from operating activities to operating profit or loss after income tax as reported in the profit and loss account.

.3 SAS 2 (24)b: Distinction between local items from imported goods and services on the value added statements.

.4 SAS 10 (63) (i and ii): Analysis of interest income and expenses between Banks and Non-Bank sources.

38. Details of insider-related credits as at 31 March, 2006

S/NO	Name of Borrower	Relationship to Reporting Institution	Date Granted	Expiry Date	Rate of Interest	Cummulative		Total Provision ₦"000"	Payment Made ₦"000"	Outstanding Credit		Perfected Security			Remarks
						Principal ₦"000"	Interest ₦"000"			Performing ₦"000"	Non-performing ₦"000"	Nature	Value ₦"000"	Date of Valuation	
1	S. A. Olubodun	Ex-staff	29/9/98	30/6/10	12	7,580		4,075	141		6,914	L/M	10,300	29/12/01	perfected
2	Abdulsalam T. Ogueyi	Ex-Staff	31/8/02	31/8/12	9	NIL			NIL		18,744	L/M			Perfected
3	Alli-Balogun T.	Ex-staff	28/01/02	31/1/12	9	NIL			NIL		5,886	L/M			L/M arranged N8.1m
4.1	Alh. Abba Kyari	Ex-director	1996	31/10/97	12	NIL									
4.2	Tropical Petroleum Nig. Ltd						16,760		NIL		144	TLM	13,500		
5	J. S. K. Iyonkyoh	Ex-Staff	14/7/01	20/3/06	9	14,220	15,569	-			NIL	L/M	9,600	25/6/97	
6	E. O. Aboje	Ex-Staff	5/6/1998	4/6/2008	9	28,191	25,891		NIL		8,400	L/M	25,891	30/09/99	
	Total										**40,088**				

Remarks:

Application for interest concession have been made and favourably considered for all the insider-related credits of ex - staff of the bank. Payment of the respective amounts conceded have been made but approval to write off the residual balances is being awaited from the Central Bank of Nigeria.

It is the Bank's policy to give consumer loans to staff at an interest rate of 9% as part of its welfare package.

39. Comparative figures

.1 Certain figures related to the previous year have been restated to conform with current year's classifications.

.2 The comparative figures for the bank in 2005 represent those for the entity only as against 2006 which represent figures for the merged entities

Group Statement of Value Added

For the year ended 31 March, 2006

	2006 ₦'m	%	2005 ₦'m	%
Gross earnings:				
- Ordinary activities	67,440		57,255	
- Interest expense	(10,040)		(8,555)	
	57,400		48,700	
Exceptional item	3,703		-	
Administrative and other expenses - Local	(16,661)		(13,772)	
Administrative and other expenses - Foreign	(59)		(731)	
Doubtful debts provision	(3,985)		(2,431)	
VALUE ADDED	40,398	100	31,766	100
DISTRIBUTED AS FOLLOWS:				
In payment to employees:				
- Salaries, allowances and pension	15,348	38	12,757	40
In payment to Government:				
- Income tax	3,720	9	3,110	10
- Deferred taxation	730	2	464	1
In payment to shareholders:				
Dividend	5,238	13	6,325	20
	25,036	62	22,656	71
Retained for future replacement of assets and expansion of business:				
- Depreciation - Local	3,158	8	2,319	7
- Depreciation - Foreign assets	59	0	66	0
- Profit re-invested in the business	12,145	30	6,725	21
	15,362	38	9,110	29
	40,398	100	31,766	100

Value added represents the additional wealth which the group has been able to create by its own and its employees' efforts. This statement shows the allocation of that wealth among employees, government, shareholders and that retained for future creation of more wealth.

Bank Statement of Value Added

For the year ended 31 March, 2006

	2006 ₦'m	%	2005 ₦'m	%
Gross earnings:				
- Ordinary activities	61,243		49,475	
- Interest expense	(7,750)		(5,854)	
	53,493		43,621	
Exceptional item	3,703		-	
Administrative and other expenses - Local	(15,975)		(12,504)	
Doubtful debts provision	(3,617)		(1,828)	
VALUE ADDED	37,604	100	29,289	100
DISTRIBUTED AS FOLLOWS:				
In payment to employees:				
- Salaries, allowances and pension	14,679	39	11,936	41
In payment to Government:				
- Income tax	3,038	8	2,484	8
- Deferred taxation	740	2	477	2
In payment to shareholders:				
- Dividend	5,238	14	6,325	22
	23,695	63	21,222	73
Retained for future replacement of assets and expansion of business:				
- Depreciation	3,094	8	2,208	7
- Profit re-invested in the business	10,815	29	5,859	20
	13,909	37	8,067	27
	37,604	100	29,289	100

Value added represents the additional wealth which the company has been able to create by its own and its employees' efforts. This statement shows the allocation of that wealth among employees, government, shareholders and that retained for future creation of more wealth.

Group Five-Year Financial Summary

For the year ended 31 March, 2006

ASSETS	2006 ₦'m	2005 ₦'m	2004 ₦'m	2003 ₦'m	2002 ₦'m
Cash and short-term funds	50,992	32,881	24,098	21,445	18,066
Due from other Banks and financial institutions	169,580	129,256	124,591	185,291	121,768
Bills discounted	108,316	105,624	98,848	106,242	63,679
Investments	60,875	21,651	17,458	2,952	2,668
Loans and advances	177,303	123,739	83,500	60,439	66,384
Advances under finance lease	1,701	1,283	-	-	-
Other assets	31,851	43,716	24,307	22,193	9,156
Equipment on lease	-	-	1,316	1,434	676
Fixed assets	14,222	12,689	10,093	9,087	8,196
TOTAL ASSETS	614,840	470,839	384,211	409,083	290,593
LIABILITIES					
Deposit	448,915	332,196	255,491	269,584	178,603
Due to other Banks	323	-	-	-	-
Current taxation	5,142	4,758	4,700	3,599	1,499
Deferred taxation	2,746	2,089	1,625	1,241	722
Dividend	5,238	6,325	5,429	3,811	2,642
Other liabilities	90,183	75,666	74,655	102,968	86,925
	552,547	421,034	341,900	381,203	270,391
SHAREHOLDERS' FUNDS	62,293	48,726	41,605	27,006	19,406
MINORITY INTERESTS	-	1,079	706	874	796
TOTAL LIABILITIES	614,840	470,839	384,211	409,083	290,593
Gross earnings	67,440	57,255	51,318	50,597	46,267
Profit before taxation	21,833	16,808	14,853	14,420	6,172
Profit after taxation	17,383	13,234	11,483	11,010	4,776
Profit attributable to Shareholders	17,383	13,050	11,618	10,932	4,588
Dividend	5,238	6,325	5,429	3,811	2,642
Return on shareholders' funds	28%	27%	28%	40%	24%
Earnings per share (basic) - actual	333k	335k	399k	430k	226k
Dividend per share - actual	100k	160k	155k	150k	130k
Dividend cover (times)	3.33	2.09	2.12	2.87	1.74

Note:

Earnings per share is based on profit attributable to shareholders and 5,238,669,388 ordinary shares of 50k each.

Bank Five-Year Financial Summary

For the year ended 31 March, 2006

	2006 ₦'m	2005 ₦'m	2004 ₦'m	2003 ₦'m	2002 ₦'m
ASSETS					
Cash and short-term funds	49,444	30,220	22,509	19,724	15,501
Due from other Banks and financial institutions	94,029	64,143	80,369	116,547	117,299
Bills discounted	108,316	100,135	92,922	94,226	54,178
Investments	63,729	24,655	16,825	7,343	780
Loans and advances	175,657	114,673	78,040	56,046	61,918
Advances under finance lease	1,701	937	-	-	-
Other assets	31,317	30,625	11,596	17,428	8,664
Equipment on lease	-	-	665	644	190
Fixed assets	13,952	12,108	9,564	8,620	7,826
TOTAL ASSETS	538,145	377,496	312,490	320,578	266,356
LIABILITIES					
Deposit	390,846	264,988	206,643	191,088	168,064
Due to other Banks	323	390	538	2,867	111
Tax payable	4,148	3,954	4,022	3,123	1,176
Deferred taxation	2,751	2,010	1,533	1,165	694
Dividend	5,238	6,325	5,429	3,811	2,642
Other liabilities	75,843	55,157	55,704	93,484	75,922
	479,149	332,824	273,869	295,538	248,609
SHAREHOLDERS' FUNDS	58,996	44,672	38,621	25,040	17,747
	538,145	377,496	312,490	320,578	266,356
Gross earnings	61,243	49,475	45,121	45,055	41,717
Profit on ordinary activities before taxation	16,128	15,145	14,106	13,393	5,087
Exceptional item	3,703	-	-	-	-
Profit on ordinary activities after taxation and exceptional item	16,053	-	-	-	-
Profit after taxation	16,053	12,184	11,096	10,323	3,979
Dividend	5,238	6,325	5,429	3,811	2,642
Return on shareholders' funds	27%	27%	28%	41%	22%
Earnings per share (basic) - actual	306k	308k	381k	406k	196k
Dividend per share - actual	100k	160k	155k	150k	130k
Dividend cover (times)	3.06	1.93	2.04	2.71	1.51

Note:

Earnings per share is based on profit attributable to shareholders and 5,238,669,388 ordinary shares of 50k each.

Report of The Joint Auditors

To the Members of FirstBank of Nigeria Plc.

We have audited the financial statements of First Bank of Nigeria Plc as at 31 March 2005 set out on pages 56 to 83 which have been prepared on the basis of the accounting policies on pages 51 to 53.

Respective responsibilities of Directors and Auditors

In accordance with the Companies and Allied Matters Act 1990, the Bank's Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with the international standards on auditing issued by the International Federation of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Bank's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements and assessed whether the Bank's accounting records have been properly kept. We have obtained all the information and explanations we required for the purpose of our audit and have received adequate returns from branches not visited by us. The assets of the bank have been properly valued and adequate provision made for diminution in value thereof.

In accordance with circular BSD/1/2004 issued by the Central Bank of Nigeria, details of insider-related credits are as disclosed in note 32.

Contraventions

During the year ended 31 March, 2005, the Bank contravened certain sections of the Banks and Other Financial Institutions Act, 1991. The particulars thereof and penalties paid thereon are set out in note 30.

Opinion

In our opinion, the Bank has kept proper accounting records and the financial statements are in agreement with the records. The financial statements drawn up in conformity with the generally accepted accounting standards in Nigeria, give a true and fair view of the state of affairs of the Bank and of the group at 31 March 2005 and of the profit and cash flows for the year ended on that date, and have been properly prepared in accordance with the Companies and Allied Matters Act 1990, the Banks and Other Financial Institutions Act, 1991 and relevant circulars issued by the Central Bank of Nigeria.

Akintola Williams Deloitte Touche

Chartered Accountants
Lagos, Nigeria
20 June 2005

PKF Pannell Kerr Forster

Chartered Accountants
Lagos, Nigeria
20 June 2005

Accounting Policies

For the year ended 31 March, 2005

The following are the significant accounting policies adopted by the Bank in the preparation of its financial statements:

1. **Basis of accounting**

   The accounts are prepared under the historical cost convention modified to include the revaluation of certain land and buildings (own premises only).

2. **Basis of consolidation**

   The group financial statements include the financial statements of the Bank and four of its subsidiaries, FBN Bank (UK) Limited, FBN (Merchant Bankers) Limited, First Trustees Nigeria Limited and First Registrars Nigeria Limited. The other subsidiaries whose results are immaterial have not been consolidated. All the financial statements are made up to 31 March.

3. **Investments**

   1 Quoted investments other than dated securities are stated at the lower of cost and market value.

   2 Unquoted investments are stated at cost less provision for doubtful investments.

   3 Dated securities are stated at cost.

4. **Bad and doubtful accounts**

   Loans and advances are stated after the deduction of provisions against debts considered doubtful of recovery. Loans are classified as to performing and non-performing; and are considered non-performing when principal and or interest repayment obligations are in arrears for over three months. Specific provisions are made on non-performing accounts and a general provision of 1% is made on all performing balances in line with the Prudential Guidelines of the Central Bank of Nigeria.

5. **Interest**

   Interest on advances is accrued to profit until such a time as reasonable doubt exists about its collectibility. Interest accruing on non-performing accounts is not taken to the credit of profit and loss account until the debt is recovered.

6. **Advances under finance lease**

   Advances to customers under finance leases are stated net of unearned income. Lease finance is recognised in a manner, which provides a constant yield on the outstanding net investment over the lease period.

7. **Equipment on lease**

   Equipment on lease to customers is stated at cost less accumulated depreciation. Depreciation is provided on an appropriate basis to write-off the related asset cost over the period of the lease, and is included in operating expenses.

   Rental income from equipment on lease is credited to lease income on a consistent basis over the lease term.

8. **Fixed assets**

Fixed assets are stated at cost or valuation less accumulated depreciation.

9. **Depreciation**

Depreciation is provided to write off the cost of fixed assets over their estimated useful lives on a straight line basis at the following annual rates:

Freehold buildings	-	2% from date of use
Leasehold buildings	-	2% for leases of 50 years and above over expected life in case of leases under 50 years
Motor vehicles	-	25%
Computer equipment	-	33.33%
Other fixed assets	-	20%
Equipment on lease	-	equally over the period of the lease.

10. **Foreign currencies**

Transactions in foreign currencies are recorded in Naira at the rate of exchange ruling at the date of the transactions.

Foreign currency balances are converted to Naira at the rate of exchange ruling at the balance sheet date and the resultant profit/loss on conversion is taken to profit and loss account in respect of Bank - owned funds and the rest charged/credited to third parties.

The Bank's equity investment in FBN Bank (UK) Limited is stated at transaction cost.

11. **Deferred taxation**

Provision for deferred taxation is made by the liability method and calculated at the current rate of taxation on the differences between the net book value of qualifying fixed assets and their corresponding tax written down value.

12. **Retirement benefits**

Arrangements for retirement benefits (on a defined contribution basis) for members of staff are based on the provisions of the staff pension scheme, which is contributory. The matching contributions of 5% and 10% for staff and bank respectively are based on current salaries and designated allowances and are charged to profit and loss account. Membership of the scheme is automatic upon resumption of duties with the Bank.

13. **Contingent liabilities**

Transactions that are not currently recognized as assets or liabilities in the balance sheet but which nonetheless give rise to credit risks, contingencies and commitments are reported off balance sheet. Such transactions include letters of credit, bonds, guarantees, indemnities, acceptances, trade related contingencies such as documentary credit, etc.

Outstanding and unexpired commitments at year end in respect of these transactions are shown by way of note to the financial statements.

Income on off balance sheet engagements is in form of commission. Commission is recognized as and when transactions are executed.

14. Income recognition

(a) Interest income and interest expense

Interest is accrued on daily balances on all assets and liabilities to which interest is applicable. Interest accruing on bad and doubtful accounts is not taken to income until the debt is recovered.

(b) Fees, commissions and other income

Fees and commissions, where material, are amortized over the life of the related service. Otherwise fees, commissions and other income are recognized as earned upon completion of the related service.

(c) Investment income

Recognised on an accrual basis and credited to the profit and loss account.

Balance Sheet

As at 31 March, 2005

	Notes	The Group 2005 ₦'m	The Group 2004 ₦'m	The Bank 2005 ₦'m	The Bank 2004 ₦'m
Assets					
Cash and short-term funds	1	162,137	148,689	94,363	102,878
Bills discounted	2	105,624	98,848	100,135	92,922
Investments	3	21,651	17,458	24,655	16,825
Loans and advances	4	123,739	83,500	114,673	78,040
Advances under finance lease	5	1,283	-	937	-
Other assets	6	43,716	24,307	30,625	11,596
Equipment on lease	7	-	1,316	-	665
Fixed assets	8	12,689	10,093	12,108	9,564
Total Assets		**470,839**	**384,211**	**377,496**	**312,490**
Liabilities					
Deposits and current accounts	9	332,196	255,491	265,378	207,181
Taxation	10	4,758	4,700	3,954	4,022
Deferred taxation	11	2,089	1,625	2,010	1,533
Other liabilities	12	81,991	80,084	61,482	61,133
		421,034	**341,900**	**332,824**	**273,869**
Capital And Reserves					
Share capital	13	1,976	1,751	1,976	1,751
Capital reserve	14	10,076	9,856	9,784	9,580
Statutory reserve	15	8,950	7,063	8,291	6,464
Exchange difference reserve	16	3,957	3,874	2,836	2,836
General reserve	17	15,358	12,485	13,519	11,513
Bonus issue reserve	18	494	219	494	219
Reserve for small/medium scale industries	19	5,536	3,978	5,393	3,879
Core capital		46,347	39,226	42,293	36,242
Fixed assets revaluation reserve		2,379	2,379	2,379	2,379
Shareholders' funds		48,726	41,605	44,672	38,621
Minority interest		1,079	706	-	-
		49,805	42,311	44,672	38,621
Total Liabilities		**470,839**	**384,211**	**377,496**	**312,490**
Contingent liabilities and other obligations on behalf of customers and customers' liability thereof	28	**83,407**	**57,647**	**60,578**	**48,829**

Umaru A. Mutallab, CON — Chairman

Jacobs Moyo Ajekigbe — Managing Director

Bashiru A. Bakare — Executive Director

The notes on pages 59 to 78 form part of these accounts.

Profit & Loss Account

As at 31 March, 2005

	Notes	The Group 2005 ₦'m	The Group 2004 ₦'m	The Bank 2005 ₦'m	The Bank 2004 ₦'m
Gross earnings		57,255	51,318	49,475	45,121
Interest earnings	20	36,455	33,301	32,275	29,861
Interest expenses		(8,555)	(6,573)	(5,854)	(4,374)
Net interest income		27,900	26,728	26,421	25,487
Commissions and other income	21	20,800	18,017	17,200	15,260
		48,700	44,745	43,621	40,747
Overheads	22	(29,461)	(26,937)	(26,648)	(24,886)
Provision for bad and doubtful accounts	23	(2,431)	(2,955)	(1,828)	(1,755)
Profit before taxation		16,808	14,853	15,145	14,106
Current taxation	10	(3,110)	(2,982)	(2,484)	(2,642)
Deferred taxation	11	(464)	(388)	(477)	(368)
Profit after taxation		13,234	11,483	12,184	11,096
Minority interest		(184)	135	-	-
Profit attributable to ordinary shareholders		**13,050**	**11,618**	**12,184**	**11,096**
Dealt with as follows					
Statutory reserve	15	1,887	1,664	1,827	1,664
Reserve for small scale industries	19	1,558	1,411	1,514	1,411
Dividend	24	6,325	5,429	6,325	5,429
General reserve	17	3,280	3,114	2,518	2,592
		13,050	**11,618**	**12,184**	**11,096**
Earnings per share					
- Actual		3.35	3.99	3.08	3.81
- Adjusted		3.35	2.90	3.08	2.81

The notes on pages 59 to 78 form part of these accounts.

Statement of Cash Flows

For the year ended 31 March, 2005

	The Group		The Bank	
	2005	2004	2005	2004
	₦'m	₦'m	₦'m	₦'m
Cash flows from operating activities				
Interest and commission earned	57,255	51,318	49,475	45,121
Interest expenses	(8,555)	(6,573)	(5,854)	(4,374)
Provision on doubtful accounts	(2,431)	(2,955)	(1,828)	(1,755)
Profit on sale of fixed assets	19	11	17	22
Loss on sale of equipment on lease	(41)	(3)	-	-
Cash payment to employees and suppliers	(27,737)	(24,582)	(24,755)	(22,910)
Operating profit before changes in operating assets and Liabilities	18,510	17,216	17,055	16,104
Changes in operating assets/liabilities				
Deposit and current accounts	76,705	(14,093)	58,197	7,887
Loans and advances	(40,239)	(23,061)	(36,633)	(21,994)
Other assets	(19,409)	(2,114)	(19,029)	5,832
Advances under finance lease	1,283	-	937	-
Other liabilities	1,696	(28,313)	(547)	(32,441)
Exchange difference reserve	83	1,038	-	-
	38,629	(49,327)	19,980	(24,612)
Taxes paid	(3,052)	(1,876)	(2,552)	(1,743)
Net cash from operating activities	35,577	(51,203)	17,428	(26,355)
Cash flows from investing activities				
Purchase of fixed assets	(4,989)	(2,915)	(4,758)	(2,692)
Exchange difference on fixed assets opening balance	(2)	(28)	-	-
Proceeds on sale of fixed assets	29	36	23	26
Transfer to loans and advances	(979)	-	(946)	-
Purchase of equipment on lease	-	(560)	-	(297)
Purchase of investments	(4,193)	(14,506)	(7,830)	(9,482)
Bills discounted	(6,776)	7,394	(7,213)	1,304
Net cash used in investing activities	(16,910)	(10,579)	(20,724)	(11,141)
Cash flows from financing activities				
Right Issues	6	227	6	227
Share Premium from right issues	204	7,687	204	7,687
Dividend paid to shareholders	(5,429)	(3,811)	(5,429)	(3,811)
Dividend paid by subsidiary	-	(368)	-	-
Net cash from / (used in) financing activities	(5,219)	3,735	(5,219)	4,103
Net (decrease) / increase in cash and cash equivalents	13,448	(58,047)	(8,515)	(33,393)
Opening cash and cash equivalents	148,689	206,736	102,878	136,271
Closing cash and cash equivalents	**162,137**	**148,689**	**94,363**	**102,878**

Notes to the Accounts

For the year ended 31 March, 2005

		The Group		The Bank	
		2005 ₦'m	2004 ₦'m	2005 ₦'m	2004 ₦'m
1.	**Cash And Short-term Fund**				
	Cash	6,775	4,297	5,886	3,854
	Balances with Central Bank of Nigeria				
	Cash reserve requirement	20,694	14,966	19,601	13,898
	Current account	5,412	4,835	4,758	4,757
		26,106	19,801	24,359	18,655
	Balances with other banks				
	In Nigeria	40,234	29,892	33,014	26,488
	Outside Nigeria	89,167	94,724	31,209	53,906
		129,401	124,616	64,223	80,394
		162,282	148,714	94,468	102,903
	Provision for doubtful accounts (Note 23)	(145)	(25)	(105)	(25)
		162,137	**148,689**	**94,363**	**102,878**
	Amounts held on behalf of customers included in balances with other banks outside Nigeria are:				
	Deposits with FBN Bank (UK) Limited	-	-	14,196	21,426
	Deposit against drawings on letters of credit	-	1,611	-	63
	Vostro accounts	19,129	21,263	19,129	21,263
		19,129	**22,874**	**33,325**	**42,752**
2.	**Bills Discounted**				
	Treasury bills	105,624	73,267	100,135	67,341
	Trade bills	-	25,839	-	25,839
		105,624	99,106	100,135	93,180
	Less				
	Reclassification to loans and advances (Note 4(iii)	258	-	258	-
	Provision for bad and doubtful accounts.	(258)	(258)	(258)	(258)
		105,624	**98,848**	**100,135**	**92,922**

For the year ended 31 March, 2005

		The Group		The Bank	
		2005	2004	2005	2004
		₦'m	₦'m	₦'m	₦'m
3.	**Investments**				
i.	**Dated securities**				
	(Quoted)				
	Maturing within 1 year				
	market value N31m (2004 - N30m)				
	- State Governments Bonds	10	30	10	30
	- Others	21	-	21	-
	Maturing between 1 and 5 years				
	- State Governments Bonds	578	-	353	-
	- Others	80	102	80	102
	- Federal Government Bond	10,000	-	10,000	-
	Maturing after 5 years				
	- Federal Government Bond	-	10,000	-	10,000
	- State Governments Bonds	1,667	2,107	1,667	2,020
		12,356	12,239	12,131	12,152
	Less Provision (Note 23)	(1,025)	(1,025)	(1,025)	(1,025)
		11,331	11,214	11,106	11,127
ii.	**Equities**				
a.	**(Quoted)**				
	Sundry including dealing securities	1,671	5,084	-	-
	Less Provision	(22)	-	-	-
		1,649	5,084	-	-
b.	**(Unquoted)**				
	Vee-Networks Limited	5,768	-	5,768	-
	Banque Internationale Du Benin, Cotonou	98	98	98	98
	African Export-Import Bank, Cairo	10	10	10	10
	ValuCard Nig. Plc	138	138	138	138
	Nigeria Automated Clearing System Plc	34	34	27	27
	ATM Consortium	58	-	58	-
	Less: Provision	(98)	(98)	(98)	(98)
		6,008	182	6,001	175
iii.	**Associated**				
	Unquoted				
	Kakawa Discount House Limited	74	74	57	57
		74	74	57	57

Notes to the Accounts cont'd

For the year ended 31 March, 2005

		The Group		The Bank	
		2005	2004	2005	2004
		₦'m	₦'m	₦'m	₦'m
iv.	**Subsidiaries**				
	Unquoted equities				
	FBN Bank (UK) Limited (Note 3(ix)	-	-	4,389	4,389
	FBN (Merchant Bankers) Limited	-	-	624	264
	First Trustees Nigeria Limited	-	-	23	23
	FBN Mortgages Limited	100	100	100	100
	FBN Insurance Brokers Limited	15	15	15	15
	First Registrars Nigeria Limited	-	-	10	10
	First Funds Limited	45	45	45	45
		160	160	5,206	4,846
v.	**Others**				
	SMIES Investments				
	Through:				
	SME Managers Limited	431	234	357	180
	Interswitch Limited	32	32	32	32
	First Funds Limited	1,966	478	1,896	408
		2,429	744	2,285	620
		21,651	17,458	24,655	16,825

vi. The investee companies of the industrial securities (Quoted and unquoted) are as follows:

	The Group 2005 ₦'m	The Group 2004 ₦'m	The Bank 2005 ₦'m	The Bank 2004 ₦'m
Dated securities				
Quoted				
Maturing within 1 year				
19% PZ Industries Floating Rate Debenture Stock 1997/2004	1	-	1	-
Neimeth Int'l Debenture Stock 2004/2008	20	-	20	-
State Government Bonds	10	30	10	30
	31	30	31	30

For the year ended 31 March, 2005

	The Group		The Bank	
	2005 ₦'m	2004 ₦'m	2005 ₦'m	2004 ₦'m
Maturing between 1 & 5 years:				
19% PZ Industries Floating Rate Debenture Stock 1999/2006	20	2	20	2
Neimeth Int'l Debenture Stock 2004/2008	80	100	80	100
Floating Rate secured Cum Convertible Redeemable Mortgage Debenture stock				
State Government Bonds	558	-	333	-
FGN Bond	10,000	-	10,000	-
Maturing after 5 years				
FGN Bond	-	10,000	-	10,000
State Government Bonds	1,667	2,107	1,667	2,020
	12,325	12,209	12,100	12,122
Provisions	(1,025)	(1,025)	(1,025)	(1,025)
	11,300	11,184	11,075	11,097
	11,331	**11,214**	**11,106**	**11,127**

vii. Investments in industrial securities comprise quoted and unquoted debenture stocks which are stated at cost. In accordance with the Bank's accounting policy to hold such investments until the date of maturity, no provision has been made in these financial statements to cover shortfall or appreciation between the market value and cost at the balance sheet date.

viii. In the opinion of the Directors, the market value of the unquoted investments is not lower than cost.

ix. Except for FBN Bank (UK) Limited, which was incorporated in the United Kingdom, all other subsidiaries were incorporated in Nigeria.

	The Group		The Bank	
	2005 ₦'m	2004 ₦'m	2005 ₦'m	2004 ₦'m
4. Loans And Advances				
i. **Summary**				
Secured against real estate	31,159	25,525	25,429	22,195
Otherwise secured	126,603	97,593	119,054	92,016
Unsecured	3,922	3,161	3,028	2,912
Gross loans	161,684	126,279	147,511	117,123
Assets realisation and recoveries in suspense	-	(81)	-	(81)
	161,684	126,198	147,511	117,042
Provision for loan losses (Note 4(iii)	(37,945)	(42,698)	(32,838)	(39,002)
	123,739	**83,500**	**114,673**	**78,040**

Included in the above is a sum of N2.702 billion (2004 - N2.921 billion) owed by Nigerian Federal and State Governments and their parastatals. The directors expect that the governments and their parastatals will honour their obligations. However, provisions have been made in respect thereof, in line with Central Bank of Nigeria's Prudential guidelines.

	2005		2004	
	Gross Loans ₦'m	Provision ₦'m	Gross Loans ₦'m	Provision ₦'m
ii. Analysis of loans and advances and provisions				
a. **The Group**				
Non-performing				
- Sub-standard	1,684	300	5,053	2,227
- Doubtful	5,103	3,616	3,752	2,102
- Lost	32,787	32,787	37,570	37,570
	39,574	36,703	46,375	41,899
Performing	122,110	1,242	79,904	799
Gross loans	**161,684**	**37,945**	**126,279**	**42,698**
b. **The Bank**				
Non-performing				
- Sub-standard	1,661	297	4,074	2,126
- Doubtful	4,229	2,629	3,077	1,778
- Lost	28,784	28,784	34,342	34,342
	34,674	31,710	41,493	38,246
Performing	112,837	1,128	75,630	756
Gross loans	**147,511**	**32,838**	**117,123**	**39,002**

		The Group		The Bank	
		2005 ₦'m	2004 ₦'m	2005 ₦'m	2004 ₦'m
iii.	**Provision for doubtful debts**				
	Principal				
	At 1 April	32,724	30,345	30,236	29,002
	Exchange difference on foreign denominated loans	-	(311)	-	(311)
	Reclassification from commercial paper	258	-	258	-
	Written off in the year	(3,815)	(178)	(3,765)	(83)
		29,167	29,856	26,729	28,608
	Provided during the year	6,079	6,242	5,084	4,814
	Recovered during the year	(3,691)	(3,374)	(3,345)	(3,186)
	Charge for the year (Note 23)	2,388	2,868	1,739	1,628
	At 31 March	31,555	32,724	28,468	30,236
	Made up as follows				
	Specific	30,418	31,925	27,340	29,480
	General	1,137	799	1,128	756
		31,555	32,724	28,468	30,236
	Interest				
	At 1 April	9,974	8,937	8,766	7,869
	Additions during the year	2,766	1,238	1,896	1,248
	Waivers / write back on recoveries	(5,878)	(201)	(5,849)	(351)
	Recovered during the year	(472)	-	(443)	-
	At 31 March	6,390	9,974	4,370	8,766
	Total at 31 March	**37,945**	**42,698**	**32,838**	**39,002**
iv.	Loans and advances are analysed by maturity as follows:				
	On call	32,072	26,965	26,408	25,559
	Over 1 month but within 3 months	11,733	15,317	6,387	10,912
	Over 3 months but within 6 months	33,983	8,675	32,569	7,305
	Over 6 months but within 12 months	27,239	20,979	26,949	20,699
	Over 1 year but within 3 years	45,638	43,830	45,504	42,251
	Over 3 years but within 5 years	11,019	10,513	9,694	10,397
		161,684	**126,279**	**147,511**	**117,123**

For the year ended 31 March, 2005

		The Group		The Bank	
		2005	2004	2005	2004
		₦'m	₦'m	₦'m	₦'m
v.	Loans and advances are analysed by type as follows:				
	Overdrafts	51,485	39,862	50,822	38,764
	Term loans	76,138	44,986	62,630	36,928
	Commercial papers	27,168	25,838	27,168	25,838
	Others	6,893	15,593	6,891	15,593
		161,684	**126,279**	**147,511**	**117,123**
vi.	Insider-related credits Aggregate amount of insider related credits outstanding at year-end classified by performance:				
	Performing	10,885	6,679	10,577	6,679
	Non - performing (Note 32)	498	509	498	509
		11,383	**7,188**	**11,075**	**7,188**

The details of the non-performing accounts as shown above are analysed in Note 32 to these financial statements in line with Central Bank of Nigeria Circular BSD/1/2004.

		The Group 2005 ₦'m	The Group 2004 ₦'m	The Bank 2005 ₦'m	The Bank 2004 ₦'m
vii.	The charge for bad and doubtful accounts is made up of:				
	Specific provision	1,945	2,658	1,367	1,422
	General provision	443	210	372	206
		2,388	2,868	1,739	1,628

5. Advances Under Finance Lease

	The Group 2005 ₦'m	The Group 2004 ₦'m	The Bank 2005 ₦'m	The Bank 2004 ₦'m
Gross investment	1,618	-	1,204	-
Unearned income	(322)	-	(258)	-
	1,296	-	946	-
Provision for performing accounts	(13)	-	(9)	-
	1,283	**-**	**937**	**-**

For the year ended 31 March, 2005

		The Group		The Bank	
		2005 ₦'m	2004 ₦'m	2005 ₦'m	2004 ₦'m
6.	**Other Assets**				
	Impersonal accounts				
	Interbranch balances	9,485	3,246	10,355	3,957
	Clearing	11,428	-	11,428	-
	Prepayments	4,169	4,027	3,796	3,755
	Others	18,632	16,590	5,338	3,704
	Accrued income	726	2,003	547	1,626
	Accounts receivable	1,395	673	1,147	540
		45,835	26,539	32,611	13,582
	Provisions	(2,119)	(2,232)	(1,986)	(1,986)
		43,716	**24,307**	**30,625**	**11,596**
7.	**Equipment On Lease**				
	Cost				
	At 1 April	2,617	2,970	1,536	1,669
	Additions	101	560	796	297
	Disposals	(373)	(913)	-	(430)
	Reclassification to loans and advances	(2,345)	-	(2,332)	-
	At 31 March	-	2,617	-	1,536
	Depreciation				
	At 1 April,	1,301	1,536	871	1,025
	Charge for the year	397	675	515	276
	Eliminated on disposals	(332)	(910)	-	(430)
	Reclassification to loans and advances	(1,366)	-	(1,386)	-
	At 31 March	-	1,301	-	871
	Net book value				
	At 31 March 2005	**-**	**1,316**	**-**	**665**
	At 31 March 2004	**1,316**	**1,434**	**665**	**644**

	Land and Buildings ₦'m	Vehicles, Equipment and Others ₦'m	Total ₦'m
8. Fixed Assets			
i. **The Group**			
a. **Summary**			
Cost/valuation			
At 1 April	6,037	13,418	19,455
Exchange difference on opening balance	3	-	3
Additions	1,016	3,973	4,989
Disposals	-	(258)	(258)
At 31 March	7,056	17,133	24,189
Depreciation			
At 1 April	882	8,480	9,362
Exchange difference on opening balance	1	-	1
Charge for the year	117	2,268	2,385
Eliminated on disposals	-	(248)	(248)
At 31 March	1,000	10,500	11,500
Net book value			
At 31 March 2005	**6,056**	**6,633**	**12,689**
At 31 March 2004	**5,155**	**4,938**	**10,093**

b. **Land and buildings comprise:**	Cost / Valuation ₦'m
Freehold	6,402
Leasehold	128
Under construction	526
	7,056

Fixed Assets cont'd	Land and Buildings ₦'m	Vehicles, Equipment and Others ₦'m	Total ₦'m
ii. **The Bank**			
a. **Summary**			
Cost/valuation			
At 1 April	5,738	12,532	18,270
Additions	1,010	3,748	4,758
Disposals	-	(211)	(211)
At 31 March	6,748	16,069	22,817
Depreciation			
At 1 April	780	7,926	8,706
Charge for the year	99	2,109	2,208
Eliminated on disposals	-	(205)	(205)
At 31 March	879	9,830	10,709
Net book value			
At 31 March 2005	**5,869**	**6,239**	**12,108**
At 31 March 2004	**4,958**	**4,606**	**9,564**

b. **Land and buildings comprise**	Cost / Valuation ₦'m
Freehold	6,094
Leasehold	128
Under construction	526
	6,748

Certain land and buildings (own premises only) with a net book value of N187.7 million were professionally valued at N1,183.7 million at 31 December, 1990. The sum of N448.152 million was then recognised as revaluation reserve in the accounts.

During the year ended 31 December, 1995, selected land and buildings (own premises only) including those revalued at 31 December, 1990, were professionally re-valued at N5,056.4 million. In compliance with the Central Bank of Nigeria's guidelines on recognition of revaluation reserve on own premises, the sum of N1,931.150 million was incorporated in 1995 accounts. This represents the revaluation surplus of N4,291.4 million discounted by 55%.

	The Group		The Bank	
	2005	**2004**	**2005**	**2004**
	₦'m	**₦'m**	**₦'m**	**₦'m**
9. Deposits And Current Accounts				
i. **Summary**				
In Nigeria				
Demand	165,677	193,895	115,912	92,212
Savings	104,353	95,638	104,353	95,638
Time	58,213	31,043	44,723	18,793
	328,243	220,576	264,988	206,643
Outside Nigeria				
Demand	1,267	1,596	-	-
Time	2,296	3,240	-	-
	331,806	225,412	264,988	206,643
Due to other banks				
In Nigeria	380	528	380	528
Outside Nigeria	10	29,551	10	10
	332,196	**255,491**	**265,378**	**207,181**
ii. The deposit liabilities maturity profile is as follows:				
On demand	225,409	147,555	220,654	165,247
Under 3 months	66,667	21,536	7,581	8,819
3 - 6 months	31,712	32,261	29,214	30,256
6 - 12 months	6,163	53,659	5,707	2,435
Over 12 months	2,245	480	2,222	424
	332,196	**255,491**	**265,378**	**207,181**
10. Taxation				
i. Per profit and loss account				
Income tax:				
Based on profit for the year	2,833	2,768	2,249	2,454
Education tax	277	214	235	188
	3,110	**2,982**	**2,484**	**2,642**
ii. Per balance sheet				
Income tax:				
Based on profit of the year	3,110	2,982	2,484	2,642
Balance brought forward	4,700	3,594	4,022	3,123
	7,810	6,576	6,506	5,765
Payments during the year	(3,052)	(1,876)	(2,552)	(1,743)
	4,758	**4,700**	**3,954**	**4,022**

The charge for taxation in these accounts is based on the provisions of the Companies Income Tax Act, (LFN CAP 60) as amended and the Education Tax Act, 1993.

		The Group		The Bank	
		2005 ₦'m	2004 ₦'m	2005 ₦'m	2004 ₦'m
11.	**Deferred Taxation**				
	Charge for the year per profit and loss account	464	388	477	368
	Balance brought forward	1,625	1,237	1,533	1,165
		2,089	**1,625**	**2,010**	**1,533**
12.	**Other Liabilities**				
	Proposed dividend (Note 24)	6,325	5,429	6,325	5,429
	Payable and transfers	11,094	12,293	10,735	11,842
	Provisions and accruals	2,826	5,479	2,295	5,233
	Provision for frauds and losses	1,159	942	1,159	942
	Unearned discounts	589	412	373	144
	Others (Note 12(i)	59,998	55,529	40,595	37,543
		81,991	**80,084**	**61,482**	**61,133**
i.	**Others comprise**				
	Vostro balances	19,129	21,263	19,129	21,263
	Uncleared effects	8,537	6,730	8,411	6,613
	Deposit for shares	-	1,000	-	1,000
	Sundry credit balances	19,523	16,258	1,826	249
	Impersonal items	12,809	10,278	11,229	8,418
		59,998	**55,529**	**40,595**	**37,543**
13.	**Share Capital**				
	Authorised				
	6,000,000,000 ordinary shares of 50k each			**3,000**	**3,000**
	Issued and fully paid				
	Ordinary shares of 50k each:				
	At 1 April			1,751	1,270
	Bonus issue during the year (Note 18)			219	254
	Additions			6	227
	At 31 March			**1,976**	**1,751**

Additions to share capital represents the value of right issues in 2004 now transferred from deposit for shares.

At the 35th Annual General Meeting of the Bank held on 19 August 2004, members approved a bonus issue of one (1) ordinary share of 50 kobo each for every eight (8) shares held by them as at 6 August 2004.

For the year ended 31 March, 2005

		The Group		The Bank	
		2005 ₦'m	2004 ₦'m	2005 ₦'m	2004 ₦'m
14.	**Capital Reserve**				
	At 1 April	9,586	1,893	9,580	1,893
	Additions	204	7,687	204	7,687
	Consolidation reserve	286	276	-	-
		10,076	**9,856**	**9,784**	**9,580**
15.	**Statutory Reserve**				
	At 1 April	7,063	5,399	6,464	4,800
	Appropriation from the profit and loss account	1,887	1,664	1,827	1,664
	At 31 March	**8,950**	**7,063**	**8,291**	**6,464**

The appropriation for the year represents 15% of profit after tax of the parent company in accordance with section 16 of the Banks and Other Financial Institutions Act, 1991.

		The Group		The Bank	
		2005 ₦'m	2004 ₦'m	2005 ₦'m	2004 ₦'m
16.	**Exchange Difference Reserve**				
	At 1 April	3,874	2,836	2,836	2,836
	Movement during the year	83	1,038	-	-
	At 31 March	**3,957**	**3,874**	**2,836**	**2,836**
17.	**General Reserve**				
	At 1 April	12,485	10,132	11,513	9,140
	Reserve for bonus issue (Note 18)	(494)	(219)	(494)	(219)
	Utilised by subsidiaries	-	(242)	-	-
	Dividend from subsidiary	-	(300)	-	-
	Prior year adjustment for				
	- Bonus issue	(1)	-	(1)	-
	- Dividend	(17)	-	(17)	-
	- Adjustment on reserve of subsidiary	105	-	-	-
	Retained profit for the year	3,280	3,114	2,518	2,592
	At 31 March	**15,358**	**12,485**	**13,519**	**11,513**
18.	**Bonus Issue Reserve**				
	At 1 April	219	254	219	254
	Transfer from general reserve (Note 17)	494	219	494	219
	Utilised	(219)	(254)	(219)	(254)
	At 31 March	**494**	**219**	**494**	**219**

For the year ended 31 March, 2005

		The Group		The Bank	
		2005 ₦'m	2004 ₦'m	2005 ₦'m	2004 ₦'m
19.	**Reserve For Small/medium Scale Industries**				
	At 1 April	3,978	2,567	3,879	2,468
	Transfer from profit and loss account	1,558	1,411	1,514	1,411
	At 31 March	**5,536**	**3,978**	**5,393**	**3,879**

This is computed at 10% of profit before tax in accordance with Central Bank of Nigeria Guideline. As at 31 March 2005, the Group has invested the sum of N2.429 billion (2004 - N744 million) in SMIEIS through First Funds Limited and Other Companies (See Note 3(v).

		The Group 2005 ₦'m	The Group 2004 ₦'m	The Bank 2005 ₦'m	The Bank 2004 ₦'m
20.	**Interest Earnings**				
	Interest on advances	17,080	14,292	14,393	12,235
	Income from treasury bills	16,704	15,403	15,688	14,274
	Interest on placements	2,671	3,606	2,194	3,352
		36,455	**33,301**	**32,275**	**29,861**
21.	**Commissions And Other Income**				
	Commission and bills charges	12,915	12,888	12,056	11,757
	Foreign exchange	1,395	1,047	1,315	1,015
	Income from investments	2,425	1,634	3,110	1,634
	Lease income	582	1,054	76	481
	Sundry income	3,483	1,394	643	373
		20,800	**18,017**	**17,200**	**15,260**
22.	**Overheads**				
i.	Summary				
	Charges and expenses (Note 22(ii)	25,350	23,071	22,823	21,676
	Depreciation on fixed assets	2,385	1,799	2,208	1,631
	Depreciation on equipment on lease	-	675	-	276
	Premium on insurance of deposit liabilities	1,726	1,392	1,617	1,303
		29,461	**26,937**	**26,648**	**24,886**
ii.	Charges and expenses as stated above include:				
	Profit on sale of fixed assets	(19)	(11)	(17)	(22)
	Loss on sale of equipment on lease	-	3	-	-
	Bank's contribution to retirement benefits	564	616	514	616
	Auditors' remuneration				
	- Nigeria operations	44	34	32	26
	- London operations	19	19	-	17

For the year ended 31 March, 2005

	The Group		The Bank	
	2005 ₦'m	2004 ₦'m	2005 ₦'m	2004 ₦'m
23. Provision For Bad And Doubtful Accounts				
Loans and advances (Note 4(iii)	2,388	2,868	1,739	1,628
Other assets (Note 6)	(112)	(998)	-	(1,009)
Inter-bank placements (Note 1)	120	(40)	80	-
Bills discounted (Note 2)	-	110	-	111
Investments (Note 3)	22	1,015	-	1,025
Advances under finance lease (Note 5)	13	-	9	-
	2,431	**2,955**	**1,828**	**1,755**

24. Dividend

The proposed dividend of ₦1.60 kobo per 50 kobo ordinary share is subject to deduction of withholding tax at the appropriate rate.

25. Chairman's And Directors' Emoluments And Pensions

i. Emoluments:

	The Bank 2005 ₦'m	The Bank 2004 ₦'m
Fees:		
Chairman	0.40	0.40
Other Directors	1.60	1.60
	2.00	2.00
Emoluments as Executives	75.70	82.60
	77.70	84.60
Highest paid Director	15.11	15.11

ii. The fees attributable to directors of the parent company serving on the boards of the subsidiaries amounting to ₦600,400; (2004 - ₦600,400) have been paid over and included in the income of the parent company.

iii. The number of Directors excluding the Chairman, whose emoluments were within the following ranges were:

₦		₦	2005 Number	2004 Number
230,001	-	240,000	5	5
350,001	-	360,000	1	1
500,001	-	510,000	1	1
660,001	-	670,000	-	-
760,001	-	770,000	-	-
1,100,001	-	1,330,000	-	-
1,710,001	-	1,720,000	-	-
1,900,001	and	above	7	7

26. Employees

i. Employees remunerated at higher rates:
The number of employees in Nigeria excluding directors in receipt of emoluments excluding allowances and pension contributions within the following ranges were:

			The Group		The Bank	
			2005 Number	2004 Number	2005 Number	2004 Number
₦		₦				
60,001	to	70,000	9	-	-	-
70,001	to	80,000	17	292	-	270
80,001	to	90,000	14	1,154	-	1,140
90,001	to	100,000	8	1	-	-
100,001	to	110,000	17	17	-	-
110,001	to	120,000	-	1,798	-	1,798
120,001	to	130,000	8	1,433	-	1,432
130,001	to	140,000	-	3	-	-
140,001	to	150,000	12	882	-	882
150,001	to	200,000	496	924	432	883
200,001	to	300,000	824	242	785	190
300,001	to	400,000	3,912	278	3,874	217
400,001	to	500,000	626	164	626	94
500,001	to	700,000	696	-	632	-
1,000,001	to	1,500,000	236	-	236	-
1,500,001	to	2,000,000	60	-	60	-
2,000,001	to	2,500,000	32	-	32	-
	Above	2,500,000	21	-	21	-
			6,988	**7,188**	**6,698**	**6,906**

	The Group 2005	The Group 2004	The Bank 2005	The Bank 2004
ii. The average number of persons employed in the year were as follows:				
Managerial	262	240	205	192
Senior staff	5,424	5,426	5,276	5,300
Junior staff	1,302	1,522	1,217	1,414
	6,988	**7,188**	**6,698**	**6,906**
	₦'m	**₦'m**	**₦'m**	**₦'m**
The related staff costs amounted to	**12,757**	**12,335**	**11,936**	**11,464**

27. Staff Gratuity

Balance as at 31 March	**213**	**213**	**213**	**213**

The actuarial valuation of the Company's Staff Pension and Gratuity Scheme as at 31 March 2002 done by HR Nigeria Limited put the Company's total liability at N637,883,121. Out of this amount, N425,255,414 was unfunded. This is being provided for and funded over a period of 3 years, beginning from 2002.

28. Contingent Liabilities And Other Obligations

i. The Bank enters into various commitments in the normal course of business which are not reflected on the balance sheet and in respect of which there are corresponding obligations by customers.

These are as follows:

	The Group		The Bank	
	2005 ₦'m	2004 ₦'m	2005 ₦'m	2004 ₦'m
Acceptances, guarantees and indemnities	49,402	30,795	27,434	22,738
Bonds and performance guarantees	34,005	26,852	33,144	26,091
	83,407	57,647	60,578	48,829

ii. There were contingent liabilities in respect of legal actions against the Bank for amounts totalling ₦3,424,774,363 (2004 - ₦1,781,481,153) for which no provisions have been made. The actions are being contested and the Directors are of the opinion that no significant liabilities will arise therefrom.

iii. **Deferred capital gains tax**

The potential capital gains tax on the surplus arising from the revaluation of land and buildings amounted to N237,930,200 (2004 - N237,930,200). This would crystallize only on sale of revalued assets at their valuation amounts.

29. Guarantees And Other Financial Commitments

i. Capital commitments
Capital expenditure authorised by the Directors but not provided for in these accounts are as follows:

Contracted	**1,226**	**1,105**
Not contracted	-	-

ii. The Directors are of the opinion that all known liabilities and commitments which are relevant in the assessment of the state of financial affairs of the Bank have been taken into consideration in the preparation of these accounts.

30. Contraventions Of The Banks And Other Financial Institutions Act, 1991

	No of Times Contravened	Penalty Paid ₦'m
Section 60(1) of Banks and Other Financial Institutions Act (BOFIA), 1991	6	3.00
Section 23(1) and 27(1)(b) of BOFIA	1	0.50
		3.50

For the year ended 31 March, 2005

31. Segmental Information - Geographic Segment

i. The following table sets out profit and loss information, average loans and advances to customers, net interest margin and selected balance sheet information by geographic segment for the year ended.

	Nigeria		Foreign		Total	
	2005 ₦'m	2004 ₦'m	2005 ₦'m	2004 ₦'m	2005 ₦'m	2004 ₦'m
Interest received	32,275	29,861	1,701	1,160	33,976	31,021
Interest payable	(5,854)	(4,374)	(897)	(549)	(6,751)	(4,923)
Net interest Income	**26,421**	**25,487**	**804**	**611**	**27,225**	**26,098**
Fees and commissions received net	12,056	11,757	413	185	12,469	11,942
Income from foreign exchange transactions	1,315	1,015	80	32	1,395	1,047
Other operating income	3,829	2,488	17	39	3,846	2,527
Non-interest income	**17,200**	**15,260**	**510**	**256**	**17,710**	**15,516**
Net revenue	**43,621**	**40,747**	**1,314**	**867**	**44,935**	**41,614**
Operating expenses	24,440	22,979	731	699	25,171	23,678
Depreciation	2,208	1,907	66	44	2,274	1,951
Total Costs	**26,648**	**24,886**	**797**	**743**	**27,445**	**25,629**
Operating profit before provision for loan losses	16,973	15,861	517	124	17,490	15,985
Provision for loan losses	(1,829)	(1,755)	(64)	(12)	(1,893)	(1,767)
Profit before taxation	**15,144**	**14,106**	**453**	**112**	**15,597**	**14,218**
Total assets employed	377,494	312,490	73,767	62,132	451,261	374,622
Depreciation on fixed assets						
Net interest margin (%)	82%	85%	47%	53%	75%	84%

Notes to the Accounts cont'd

For the year ended 31 March, 2005

ii.

Maturities Of Assets And Liabilities	0-1 Months ₦'m	1-3 Months ₦'m	3-6 Months ₦'m	6-12 Months ₦'m	Over 1 Year ₦'m	Total ₦'m
Assets						
Cash and other short term funds	81,568	12,795	-	-	-	94,363
Government securities	-	100,135	-	-	-	100,135
Investment	-	-	-	31	24,624	24,655
Loans and advances	54,846	19,870	13,392	1,640	24,925	114,673
Advances under finance lease	-	-	-	-	937	937
Other assets	11,428	19,197	-	-	-	30,625
Fixed assets	-	-	-	-	12,108	12,108
Total assets	**147,842**	**151,997**	**13,392**	**1,671**	**62,594**	**377,496**
Liabilities						
Deposits	220,654	7,581	29,214	5,707	2,222	265,378
Other liabilities	32,902	28,580	-	-	-	61,482
Taxation	-	-	-	2,961	3,003	5,964
Capital & reserves	-	-	-	-	44,672	44,672
Total Liabilities	**253,556**	**36,161**	**29,214**	**8,668**	**49,897**	**377,496**
Net liquidity gap as at 31 March 2005	**(105,714)**	**115,836**	**(15,822)**	**(6,997)**	**12,697**	-
Assets as at 31 March 2004						312,490
Liabilities as at 31 March 2004						312,490
Net liquidity gap as at 31 March 2004						-

32. Details of Insider-related Credits As At 20th June, 2005

S/No	Name of Borrower	Relationship To Reporting Institution	Date	Expiry	Rate of Interest	Principal ₦'000	Cummulative Interest	Total Provision	Payment Made	Performing	Non-Performing	Nature	Value ₦'000	Date of Valuation	Remarks
1	Alhaji M. I. Atta (Oregun Cocoa Mill Ltd)	Ex-chairman	21/03/97	31/10/99	20.5	452,887		452,887	Nil		452,887	Deb	522,401		Deceased
2	S. A. Olubodun	Ex-staff	29/9/98	30/6/10	12	7,580		4,075	3,505		4,075	L/M	10,300	29/12/01	Perfected
3	E. O. Aboje	Ex-staff	06/05/98	04/06/08	12	28,191		10,451	17,740		10,451	L/M	25,891	30/09/99	Perfected
4	J. S. K. Iyonkyoh	Ex-staff	14/07/01	20/3/06	12	14,220	14,677	14,220	Nil		28,897	L/M	9,600	25/6/97	Stamped for 9.6m
5	J. J. Olanrenwaju-Osi	Ex-staff	14/8/96	31/07/01	12	1,578	Nil	1,578	Nil		1,578	L/M	4,000	09/02/98	Perfected
6	Yoosuf-Salami M. A.	Ex-staff	25/5/97	25/5/03	12	Nil	572			-	572	L/M	3,500		Perfected
						504,456					**498,460**				

REMARKS: Except for credits relating to Alh. M.I.A. Atta (Deceased), all the other insider-related credits relate to retired staff of the bank whose individual applications for interest concessions have been favourably considered following payment of conceded amounts but are awaiting the CBN's approval to write off the residual balances.

33. Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. No adjustment made resulted from changes in accounting policy during the year.

34. Approval of Financial Statements

These financial statements were approved by the Board of Directors of the Bank on 20 June, 2005.

Group Statement of Value Added

For the year ended 31 March, 2005

	The Group			
	2005 ₦'m	**%**	**2004 ₦'m**	**%**
Gross earnings				
- Ordinary activities	57,255		51,318	
- Interest expense	(8,555)		(6,573)	
	48,700		44,745	
Administration and other expenses	(14,503)		(11,993)	
Doubtful debts provision	(2,431)		(2,955)	
Value Added	**31,766**	**100**	**29,797**	**100**
Distributed As Follows				
In payment to employees				
Salaries, bonus, allowances	12,757	40	12,335	42
In payment to Government				
- Income taxation	3,110	10	2,982	10
- Deferred taxation	464	1	388	1
In payment to shareholders				
Dividend	6,325	20	5,429	18
	22,656	71	21,134	71
Retained for future replacement of assets and expansion of business:				
- Depreciation	2,385	8	2,474	8
- Profit re-invested in the business	6,725	21	6,189	21
	9,110	29	8,663	29
	31,766	**100**	**29,797**	**100**

Value added represents the additional wealth which the Group has been able to create by its own and its employees' efforts. This statement shows the allocation of that wealth among employees, shareholders, government and that retained for future creation of more wealth.

Bank Statement of Value Added

For the year ended 31 March, 2005

	Bank			
	2005 ₦'m	%	2004 ₦'m	%
Gross earnings				
- Ordinary activities	49,475		45,121	
- Interest expense	(5,854)		(4,374)	
	43,621		40,747	
Administration and other expenses	(12,504)		(11,515)	
Doubtful debts provision	(1,828)		(1,755)	
Value Added	**29,289**	**100**	**27,477**	**100**
Distributed As Follows				
In payment to employees				
Salaries, bonus, allowances	11,936	41	11,464	42
In payment to Government				
- Income taxation	2,484	8	2,642	10
- Deferred taxation	477	2	368	1
In payment to shareholders				
Dividend	6,325	22	5,429	20
	21,222	73	19,903	73
Retained for future replacement of assets and expansion of business:				
- Depreciation	2,208	7	1,907	7
- Profit re-invested in the business	5,859	20	5,667	20
	8,067	27	7,574	27
	29,289	**100**	**27,477**	**100**

Value added represents the additional wealth which the Bank has been able to create by its own and its employees' efforts. This statement shows the allocation of that wealth among employees, shareholders, government and that retained for future creation of more wealth.

Group Five-Year Financial Summary

For the year ended 31 March, 2005

	The Group				
	2005 ₦'m	2004 ₦'m	2003 ₦'m	2002 ₦'m	2001 ₦'m
Assets					
Cash, bank balances and bills discounted	267,761	247,537	312,978	203,513	151,648
Investments	21,651	17,458	2,952	2,668	279
Loans and advances	123,739	83,500	60,439	66,384	50,170
Advances under finance lease	1,283	-	-	-	-
Other assets	43,716	24,307	22,193	9,156	13,187
Equipment on lease	-	1,316	1,434	676	1,092
Fixed assets	12,689	10,093	9,087	8,196	7,631
Total Assets	**470,839**	**384,211**	**409,083**	**290,593**	**224,007**
Liabilities					
Deposits	332,196	255,491	269,584	178,603	155,598
Current taxation	4,758	4,700	3,599	1,499	1,909
Deferred taxation	2,089	1,625	1,241	722	465
Dividend	6,325	5,429	3,811	2,642	2,114
Other liabilities	75,666	74,655	102,968	86,925	44,989
	421,034	341,900	381,203	270,391	205,075
Shareholders' Funds	48,726	41,605	27,006	19,406	18,170
Minority Interests	1,079	706	874	796	762
Total Liabilities	**470,839**	**384,211**	**409,083**	**290,593**	**224,007**
Gross earnings	57,255	51,318	50,597	46,267	32,291
Profit before taxation	16,808	14,853	14,420	6,172	6,715
Profit after taxation	13,234	11,483	11,010	4,776	5,066
Profit attributable to shareholders	13,050	11,618	10,932	4,588	4,938
Dividend	6,325	5,429	3,811	2,642	2,114
Return on shareholders' funds	27%	28%	40%	24%	27%
Earnings per share					
- actual	335k	399k	430k	226k	304k
Dividend per share					
- actual	160k	155k	150k	130k	130k
Dividend cover (times)	2.09	2.12	2.87	1.74	2.34

Note

Earnings per share is based on profit attributable to shareholders and 3,953,264,997ordinary shares of 50k each.

Bank Five-Year Financial Summary

For the year ended 31 March, 2005

	Bank				
	2005	**2004**	**2003**	**2002**	**2001**
	₦'m	**₦'m**	**₦'m**	**₦'m**	**₦'m**
Assets					
Cash, bank balances and bills discounted	194,498	195,800	230,497	186,978	145,924
Investments	24,655	16,825	7,343	780	501
Loans and advances	114,673	78,040	56,046	61,918	46,111
Advances under finance lease	937	-	-	-	-
Other assets	30,625	11,596	17,428	8,664	12,855
Equipment on lease	-	665	644	190	202
Fixed assets	12,108	9,564	8,620	7,826	7,308
Total Assets	**377,496**	**312,490**	**320,578**	**266,356**	**212,901**
Liabilities					
Deposits	265,378	207,181	199,294	168,175	148,279
Current taxation	3,954	4,022	3,123	1,176	1,740
Deferred taxation	2,010	1,533	1,165	694	453
Dividend	6,325	5,429	3,811	2,642	2,114
Other liabilities	55,157	55,704	88,145	75,922	43,222
	332,824	273,869	295,538	248,609	195,808
Shareholders' Funds	44,672	38,621	25,040	17,747	17,093
Total Liabilities	**377,496**	**312,490**	**320,578**	**266,356**	**212,901**
Gross earnings	49,475	45,121	45,055	41,717	29,098
Profit before taxation	15,145	14,106	13,393	5,087	6,201
Profit after taxation	12,184	11,096	10,323	3,979	4,676
Profit attributable to shareholders	6,325	5,429	3,811	2,642	2,114
Dividend	27%	28%	41%	22%	27%
Return on shareholders' funds					
Earnings per share	308k	381k	406k	196k	288k
- actual					
Dividend per share	160k	155k	150k	130k	130k
- actual	1.93	2.04	2.71	1.51	2.21
Dividend cover (times)					

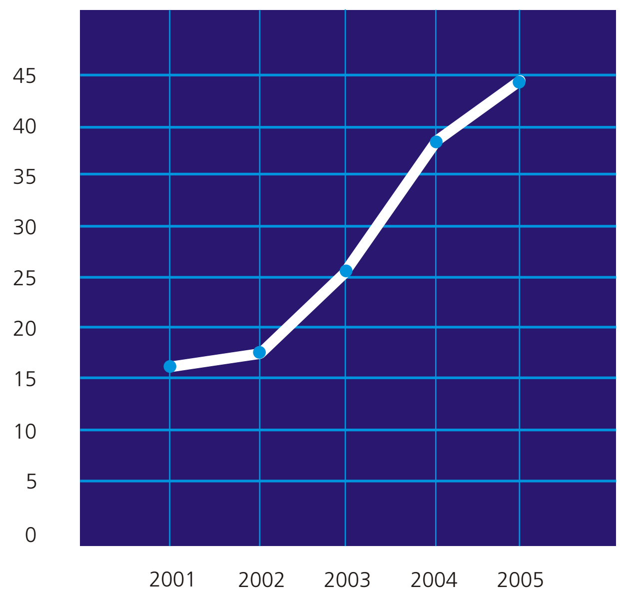
Note

Earnings per share is based on profit attributable to shareholders and 3,953,264,997 ordinary shares of 50k each.

Graphs

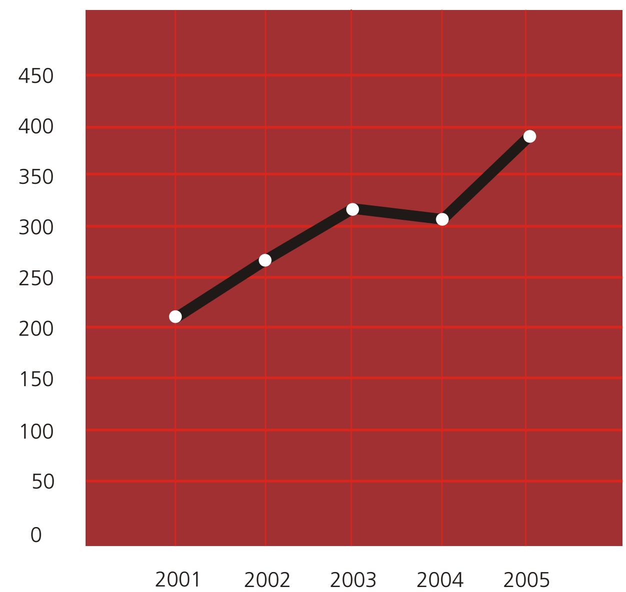
Shareholders' Fund

₦ Billions



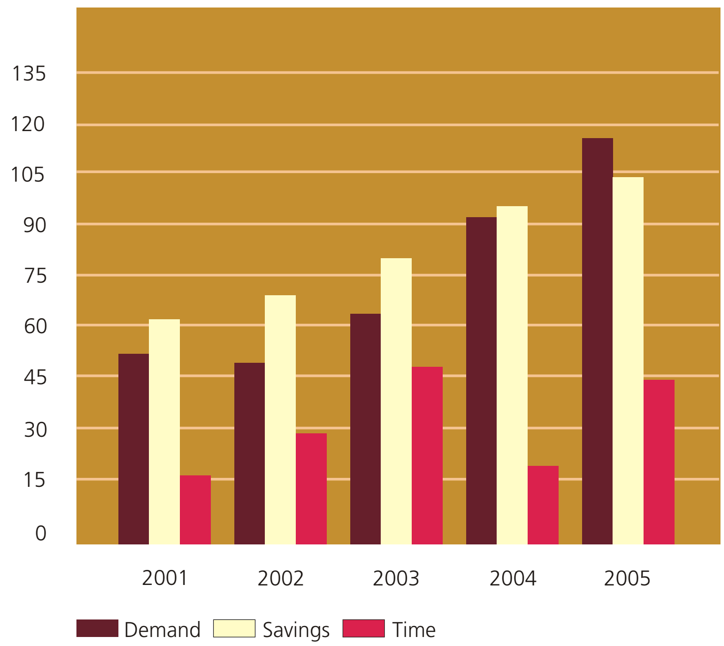
Total Assets

₦ Billions



Deposit Mix

₦ Billions



Statement of Value Added

₦ Billions

DESCRIPTION OF CERTAIN DIFFERENCES BETWEEN IFRS AND NIGERIAN GAAP

The financial statements of the Bank included in Appendix A have been prepared in conformity with Nigerian GAAP, which differs in certain material respects from IFRS. A brief description of certain differences between IFRS and Nigerian GAAP is set forth below. The organizations that promulgate IFRS and Nigerian GAAP have ongoing projects that could have a significant impact on future comparisons such as contained in the following summary. No attempt has been made to identify future differences between IFRS and Nigerian GAAP as the result of existing prescribed or possible future changes in standards and regulations.

The following highlights of certain differences are not intended to provide a comprehensive listing of all existing or future differences between IFRS and Nigerian GAAP, nor all of those specifically related to the Bank or to the industry in which the Bank operates. The Bank has not made any attempt to identify nor quantify the impact of these differences. Had the Bank undertaken to quantify the differences specifically affecting the financial statements presented in this Offering Circular, other potentially significant differences may have come to the attention of the Bank that are not included in the following summary. In addition, no attempt has been made to identify or quantify all classification, disclosure and presentation differences between IFRS and Nigerian GAAP that would affect the manner in which transactions and events are presented in the financial statements or notes thereto or to quantify the impact of these differences.

IFRS is generally more restrictive and comprehensive than Nigerian GAAP with respect to the recognition and measurement of transactions, account classifications and disclosure requirements. The Bank has not attempted to identify disclosures, presentation or classification differences that would affect the manner in which transactions and events are reflected in its consolidated financial statements, including the notes thereto. In addition, the Bank cannot estimate the net effect that applying IFRS would have on any component of its results of operations or financial position, which have been presented in accordance with Nigerian GAAP. The effect of such differences may be, individually or in the aggregate, material.

There can be no assurance that these highlights of certain differences between IFRS and Nigerian GAAP provide a complete description of all differences, which may have a significant impact on the financial statements of the Bank. Accordingly, investors must rely upon their own examination of the Bank and its financial information and should consult their own professional advisors for an understanding of the differences between Nigerian GAAP and IFRS and how these differences might affect the financial information included or incorporated by reference herein.

(1) Basis of Preparation of Financial Statements

Under both Nigerian GAAP and IFRS, financial statements are prepared under historical cost, *except* that under IFRS: (a) derivative financial instruments are measured at fair value, (b) financial instruments at fair value through profit and loss are measured at fair value, (c) Available-for-sale financial assets are measured at fair value, (d) investment properties are measured at fair value and (e) liabilities for cash-settled share-based payment arrangement are measured at fair value.

(2) Goodwill on Consolidation

Under Nigerian GAAP, goodwill acquired by a company through a business combination or arising upon consolidation of the entities making up a group of companies is reduced by provisions for amortization calculated to write off the amount systematically over a period of five years or less as may be determined by the directors of the company. Under IFRS, goodwill acquired in a business combination or arising from consolidation is not amortized but (in accordance with IAS 36 "Impairment of Assets") the acquirer shall assess it for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

(3) Investments

Nigerian GAAP. Under Nigerian GAAP, investments are classified as short-term, long-term and investment properties. Descriptions of the treatment of these three investment classifications are stated below:

Short-Term Investments: Under Nigerian GAAP, short-term investments are valued at the lower of cost and market value. The carrying amount is determined on an item-by-item basis. The amount by which cost exceeds market value (unrealized loss) is charged to the income statement for the period. Realized gain and losses on disposal of short-term investments are taken to the income statement for the period of disposal.

Long-Term Investments: Under Nigerian GAAP, long-term investments are carried at cost or at a revalued amount. When there has been a permanent decline in the value of an investment, the carrying amount of the investment is written down to recognize the loss. Such a reduction is charged to the income statement. Reductions in carrying amount may be reversed when there is an increase, other than temporary, in the value of the investment, or if the reasons for the reduction no longer exist. An increase in carrying amount arising from the revaluation of long-term investments is credited to owner's equity as a revaluation surplus. To the extent that a decrease in carrying amount offsets a previous increase, for the same investment that has been credited as a revaluation surplus and not subsequently reversed or utilized, it is charged against that revaluation surplus rather than to income. An increase on revaluation that is directly related to a previous decrease in carrying amount for the same investment that was charged to income is credited to the extent that it offsets the previously recorded decrease.

Investment Properties: The Bank's investments in unquoted equity and associated and subsidiary companies includes:

- Celtel
- Banque Internationale Du Benin, Cotonou
- Valucard Nigeria Plc
- Nigeria Automated Clearing System Plc
- ATM Consortium
- Kakawa Discount House Limited
- FBN Bank (UK) Limited
- FBN Capital Limited
- First Pension Custodian Nigeria Limited

In addition, Nigerian GAAP applies specific rules for marketable securities (both long- and short-term), short-term, non-trading government securities and trading securities. These are each summarized as follows:

Marketable Securities (Long- and Short-Term): Under Nigerian GAAP, long-term investments in marketable securities are stated at the lower of cost and net realizable value (sale price less cost incurred on realization). Short-term investments in marketable securities are stated at net realizable value. Investments with no active market are stated at the lower of cost and net realizable value.

Short-Term Government Securities (Non-Trading): Short-term investments in government securities are stated at face value. Unearned income is deferred and amortized as earned. Any diminution in value is recognized as appropriate.

Trading Securities: Trading securities include government bonds and other securities held primarily for trading purposes and are stated at net realizable value; *however*, tradable investments with a fixed redemption date held as part of trading securities are stated at cost where applicable. Premiums and discounts arising on purchase are amortized on the yield to redemption.

IFRS: Under IFRS, investments are classified as held-to-maturity, available-for-sale and trading. IAS 39 governs the initial recognition and subsequent measurement of financial assets, including these three categories of investments. There are four categories of financial assets: (a) financial assets (recognized at fair value through profit or loss), (b) held-to-maturity investments (recognized at amortized cost at the effective interest rate), (c) loans and receivables (recognized at amortized cost at effective interest rate) and (d) available-for-sale (recognized at fair value).

Under IFRS, investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured (and derivatives that are linked to, and must be settled by, delivery of such unquoted equity instruments) are required to be measured at cost. Equity investments, which by nature are not held to maturity, have to be revalued to be stated at fair value.

Under IFRS, variable rate debt is required to be recognized at fair value but fixed rate debt is required to be revalued. Changes in the value of debt securities marked to market are included in interest income. IFRS requires short term negotiable securities to be carried at fair value.

(4) Loans and Advances

Under Nigerian GAAP, loans and advances are stated net of provisions for bad and doubtful debts. Provisions are determined in accordance with the Central Bank's prudential guidelines from a specific assessment of each customer's account. The basis is as follows:

Interest and/or principal outstanding over:	***Classification***	***Provision Required***
90 days but less than 180 days	Sub-standard	10%
180 days but less than 360 days	Doubtful	50%
360 days	Lost	100%

A general provision of at least 1% is made on all risk assets that have not been specifically provided for. For a credit exposure where principal is due and unpaid for over 6 months (which should be provided for as noted above) but that has a perfected legal charge over a tangible property, provisioning should take into account 50% of the net realizable value of the security. However, if the facility is due and unpaid for over 1 year, no consideration is made for the pledged security. Where a loan is deemed not collectible, it is written off against the related provision previously established and subsequent recoveries are credited to the income statement on a cash basis.

Under IFRS, loans and advances are classified either as "originated," which are stated at amortized cost based upon the effective interest rate method, or as "held at fair value," in which case the fair value is assessed on an annual basis. Provisioning is made on the incurred loss method and any shortfall to regulatory requirements is accounted for in a statutory credit risk reserve as part of equity. General provisions are no longer made under IFRS, having been replaced by provisions for performing loans based upon historical probability of default and loss giving defaults, with additional provision for specific identified events (*e.g.*, increased interest rates, increased unemployment, drought, etc.). Impairment losses incurred on loans and receivables or held-to-maturity investments carried at amortized costs are 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 (*i.e.*, the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognized in the income statement.

(5) Advances under Finance Leases

Treatment of advances under finance lease under Nigerian GAAP is consistent with IFRS except as regards provisioning, which is in line with the provisions of the Central Bank's prudential guidelines as described under "Loans and Advances" above.

(6) Equipment and Buildings on Lease

Treatment of equipment and building on lease under Nigerian GAAP is largely consistent with IFRS except that under IFRS the rentals over the period for fixed escalation clauses are added together and accounted for in equal installments over the life of the lease.

(7) Fixed Assets

Software. Under Nigerian GAAP, software is treated as an item of fixed assets. Under IFRS, software is accounted for as an intangible.

Land and Buildings. In Nigeria, the Land Use Act, 1978 vested the ownership of land in various tiers of governments. Individual and corporate entities are given the land for use under a 99-year lease arrangement. These types of land are called leasehold lands. All lands acquired before this Act came into effect are freehold lands. Under Nigerian GAAP, land and buildings including leasehold lands are classified as fixed assets. The treatment of leasehold land as part of fixed assets is inconsistent with provisions of IFRS, which requires that all leased properties be disclosed as part of "Other Assets."

(8) Other Assets

Provisions of the Central Bank's prudential guidelines and Nigerian GAAP describe "Other Assets" as those items (of various descriptions) not separately shown on the face of the balance sheet. Provisions are made for the items as follows:

> *Sub-standard*: A minimum provision of 10%. is made for "Other Assets" items classified as sub-standard. These include: (a) cheques purchased and uncleared effects (*i.e.*, cheques sent for clearing) outstanding after the specified clearing period, (b) fraud cases of up to 6 months old, (c) inter-branch items of between 2 to 3 months, (d) all other intangible "Other Assets" accounts existing in the books for up to 3 months and (e) receivables due but outstanding over 3 - 6 months (reasonable judgment is applied).
>
> *Doubtful*: A minimum provision of 50% is made for "Other Assets" items classified as doubtful. These include: (a) cheques purchased and uncleared effects (*i.e.*, cheques sent for clearing) outstanding for between 3 - 6 months, (b) fraud cases of up to 6 - 12 months old, (c) inter-branch items of between 3 - 6 months, (d) all other intangible "Other Assets" accounts existing in the books for between 6 - 12 months and (e) receivables due but outstanding over 6 - 12 months (reasonable judgment is applied).
>
> *Loss*: A provision of 100% is made for "Other Assets" items classified as lost or unsubstantiated. These include: (a) cheques purchased and uncleared effects (*i.e.*, cheques sent for clearing) outstanding over 6 months old, (b) fraud cases over 12 months old, (c) inter-branch items over 6 months old, (d) all other intangible "Other Assets" accounts existing in the books over 6 months old and (e) receivables due but outstanding over 6 months old (reasonable judgment is applied).

Under IFRS, specific assessment of impairment is carried out on each asset category and based upon this an impairment provision is made.

(9) Dividends

Under Nigerian GAAP, a dividend is treated as an adjusting subsequent event and recognized in the financial statement for the year in which the dividend relates. Under IFRS, a dividend declared in a financial year (usually after year end) does not meet the general recognition criteria for provision and is not recognized in the financial statements of the year to which the dividend relates.

(10) Income Recognition

Under Nigerian GAAP, income recognition is treated as follows: (a) interest income is recognized on an accrual basis over the life of the credit, except for interests on non-performing credit facilities, which are overdue by more than 90 days, which are suspended and subsequently recognized on a cash basis, (b) non-credit related fee income charged to customers for services rendered is recognized at the time the service or transaction is considered substantially completed, (c) credit-related fee income where material (considered material if amounting to at least 10% of the projected average annual yield of the facility) is systematically spread over the lifespan of the facility or otherwise credited to income on occurrence, (d) commissions and fees charged to customers for services rendered are recognized at the time the transaction is effected and (e) investment income is recognized on an accrual basis and credited to the income statement. Substantial directly-related (origination) costs are deducted from related fee income before deferral and amortized over the lifespan of the facility.

Under IFRS, interest income is recognized using the effective interest method, measured at the fair value of the consideration received or receivable. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently. The calculation of the effective interest rate includes all fees and points paid or received (fees and commission), transaction costs and discounts or premiums that are an integral part of the effective interest rate.

(11) Intangibles

Under Nigerian GAAP, intangibles are not recognized on the balance sheet. Under IAS 38, intangibles that meet recognition criteria are carried on the balance sheet. Consequently, intangibles with finite useful life are amortized under IFRS over the useful life, while those with indefinite useful life are tested annually for impairment.

(12) Extraordinary Income/Exceptional Items

Under Nigerian GAAP, extraordinary items are reported separately in the appropriate section of the income statement, net of their taxes. Such taxes, where material, are disclosed in the notes to the accounts. Exceptional items are separately reported as part of ordinary activities.

Under IFRS, extraordinary/exceptional items are no longer recognized.

(13) Pension and Retirement Benefits

Nigerian GAAP. Under Nigerian GAAP, retirement benefit costs are accrued and charged to the profit income statement in the year they are generated. Past service costs arising from modification of existing retirement benefit schemes are deferred and charged to the income statement over a five-year period beginning with the year in which the modification is made. Retirement benefit costs are split into current costs and past service costs. Current service costs refer to increases in the present value of defined benefit obligations arising from employee service in a current period and charged to the profit and loss of the period. Past service cost is the increases in the present value of defined benefit obligations for employee service in prior periods, resulting from the introduction of, or changes to, past employment benefits. Past service costs can be negative or positive and are recognized over 5 years.

IFRS. Under IFRS, the net obligation in respect of defined pension plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. That benefit is then discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet on “AAA” credit-rated bonds that have maturity dates approximating to the terms of a company’s obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to the past service by employees is recognized as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the income statement.

All actuarial gains and losses as at January 1, 2004 (the date of transition to IFRS) are required to be recognized. In respect of actuarial gains and losses that arise after January 1, 2004, in calculating a company's obligations in respect of a plan, to the extent that any cumulative unrecognized actuarial gain or loss exceeds 10% of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognized in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognized.

Where this calculation results in a benefit, the recognized asset is limited to the net total of any unrecognized actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

REGULATORY AND BANKING ENVIRONMENT

Introduction

The banking industry continues to be one of the most versatile sectors within the Nigerian economy. The industry has continued to be one of the channels for the growth and development of the Nigerian economy, with outstanding loans showing consistent growth on a year-to-year basis since 1996 according to the Central Bank. However, due to the poor infrastructure and different operating conditions in some cases, the cost of doing business also has continued to rise. In addition to the foregoing, Nigerian banks continue to face the challenges of adapting to frequent changes to regulatory and monetary policies.

The Nigerian banking sector was deregulated in the late 1980s. This deregulation saw a proliferation of banks join the system, with the number of registered entities reaching 120 in 1991. The existence of so many participants in the system and poor regulation led to severe systemic stress throughout the 1990s. This compelled the Central Bank to place in 1995 an embargo on the licensing of new banks until 2001.

The operating environment has remained highly regulated, especially since 1999, as the Central Bank endeavors to attain global regulatory effectiveness and efficiency standards and to achieve its desired macro-economic objectives. Regulatory emphasis has been largely on the foreign exchange business, bank reporting, ethical compliance and capitalization. This more stringent regulatory regime is expected by the Bank's management to be sustained in the foreseeable future given the Central Bank's stated commitment to sanitizing the industry and also given the expected consolidation in the industry. The inadequacy of existing regulations vis-à-vis this expected consolidation is expected by the Bank's management to necessitate new policies and guidelines as well as closer monitoring and scrutiny of all players in the banking industry.

With the entrance of a few new participants into the banking sector in the past couple of years, the industry is experiencing strong competition. In addition, several previously distressed institutions have been taken over by new investors who have recapitalized them. With effect from January 2001, the Central Bank released guidelines for the commencement of universal banking thereby removing the distinction between commercial and merchant banking.

The number of licensed banks in Nigeria as at December 31, 2003 stood at 89. In July 2004, the Central Bank introduced a banking consolidation program aimed at strengthening and developing the sector. The minimum capital base was raised to ₦25 billion (US$190 million) effective as of December 31, 2005 from ₦2bn (US$15 million). During the consolidation period, many banks raised their capital base through public offerings that resulted in the investment of ₦400 billion in the banking sector during 2004 and 2005, 20% of which was in foreign direct investment according to the Central Bank. The consolidation program reduced the number of banks to 25 as of December 31, 2006 as banks that could not satisfy the new capital base requirement were liquidated. To secure depositor confidence, the Central Bank has guaranteed payments to depositors of these liquidated banks and it is hoped by the Central Bank that the capitalization will further support increased lending. In addition, the Central Bank in early 2005 wrote off past overdraft loans by banks with an estimated value of 0.7% of the 2004 GDP. In order to support this consolidation process, the Central Bank intends to reinforce the regulatory framework and has announced a policy of zero tolerance on misreporting and under-provisioning.

In October 2005, Nigeria reached an agreement with the Paris Club of Official Creditors for the cancellation of US$18 billion out of its US$30.07 billion of debt. The debt cancellation led to Nigerian government debt falling to 17% of GDP in 2006 from 66% in 2004. With oil windfalls still growing, the country had a net external creditor position of over 10% of GDP at end-2005, which is forecast by the Central Bank to rise to around 40% by end-2007. Public and external debt service is thus expected to fall to very low levels, with interest payments being equivalent to less than 10% of government revenues and external debt service being below 1% of current account receipts in 2007.

In April 2006, Nigeria paid off the remainder of the US$12.4 billion of its Paris Club debt outstanding. In March 2007, Nigeria agreed to a deal to pay off most of its outstanding US$512 million London Club debt.

The Regulatory Environment

The Nigerian banking industry operates in a highly regulated environment in order to try to maintain a sound industry where adequate protection can be given to depositors. The major regulators of the industry are the Central Bank and the NDIC. Between 1996 and 1998, the Central Bank was under the direct supervision of the Federal Ministry of Finance ("*FMF*"). However, in January 1999 the Central Bank became independent and has had the power to formulate and implement monetary and exchange rate policies. In the same year, the NDIC came under the direct control of the Central Bank to carry out the supervision, examination and liquidation of banks. The main laws applicable to the operations of the industry are as follows:

(a) the Central Bank Act,

(b) the BOFIA,

(c) the NDIC Act,

(d) the Failed Banks (Recovery of Debts) and Financial Malpractices in Banks Act of 1994, and

(e) the Foreign Exchange (Monitoring and Miscellaneous Provisions) Act 1995.

Role of the Central Bank

The Central Bank was established by the Central Bank Act of 1958 and commenced operations on July 1, 1959. The standard objectives of the Central Bank as fixed in the Act are: (a) to issue legal tender currency in Nigeria, (b) to maintain the external reserve and value of the legal tender so as to safeguard the international value of the country, (c) to promote monetary stability and a sound financial system, (d) to act as the banker and financial adviser to the Federal Government and (e) to be a lender of last resort and participate in economic development activities. In this role, the Central Bank has worked to build money and equity markets, introducing treasury instruments, developing the stock exchange and forming the securities market regulatory body. The Central Bank pursues its monetary policy objectives through various means, such as open market operations, cash reserve ratios and liquidity ratios to influence monetary aggregates in the economy.

The Central Bank is primarily responsible for the formulation of monetary, credit and exchange rate policies within Nigeria. It is empowered to grant and withdraw licenses of all financial institutions, including banks, bureaux de change, community banks, discount houses, finance companies and mortgage institutions. The Central Bank also plays an overall supervisory and regulatory role to financial institutions and is responsible for the liquidation of distressed banks.

Between 1996 and 1998, the Central Bank was under the direct supervision of the FMF. However, with effect from January 1999, the Central Bank was granted autonomy to formulate and implement monetary and exchange rate policies. The Central Bank governs the financial sector through the Central Bank of Nigeria (Amendment) Decree 37 of 1998 and the Banks and Other Financial Institutions (Amendment) Decree 38 of 1998.

To signal the new era, the Central Bank commenced a restructuring exercise code named "Project Eagle". The project, which is in phases, is expected to make the institution more adaptable to the challenges of superintending over the monetary policy framework on behalf of Nigeria.

Nigerian Deposit Insurance Corporation

The history of the NDIC has its origin in the report of a committee set up in 1983 by the Board of the Central Bank, to examine the operations of the banking system in Nigeria. The committee in its report recommended the establishment of a depositors protection fund. Consequently, the NDIC was established through the promulgation of the NDIC Act in 1988. This was part of the economic reform measures taken by the then government to strengthen the safety net for the banking sector following its liberalization policy and the introduction of the 1986 Structural Adjustment Program in Nigeria.

The NDIC provides a financial guarantee (up to a maximum of ₦100,000.00 per depositor) for default in deposit payments in the event of bank failure. For this service, banks are statutorily required to pay an annual premium of 15/16th of 1% of their total deposit liabilities. The NDIC also plays an advisory role to the Central Bank in the liquidation of distressed banks.

Section 5 of the NDIC Act establishing the NDIC provides the following functions for the NDIC: (a) insuring all deposit liabilities of licensed banks and such other financial institutions operating in Nigeria within the meaning of Sections 20 and 26 of the NDIC Act so as to engender confidence in the Nigerian banking system, (b) giving assistance in the interest of depositors, in case of imminent or actual financial difficulties of banks particularly where suspension of payments is threatened, and avoiding damage to public confidence in the banking system, (c) guaranteeing payments to depositors in case of imminent or actual suspension of payments by insured banks or financial institutions up to the maximum amount as provided for in Section 26 of the NDIC Act, (d) assisting monetary authorities in the formulation and implementation of banking policy so as to ensure sound banking practice and fair competition among banks in the country and (e) pursuing any other measures necessary to achieve the functions of the NDIC provided such measures and actions are not repugnant to the functions of the NDIC.

In 1999, the NDIC (which had been autonomous and carried out supervision, examination and liquidation of banks) was brought under the ambit of the Central Bank. It is now controlled by the Central Bank and acts under the mandate of the Central Bank.

The Nigerian Banking System

Assets and Funding

According to the Central Bank, the total asset base of Nigerian banks increased by 104% from ₦3,209 billion in June 2004 to ₦6,555 billion as at end-September 2006. Capital and Reserves were ₦957 billion as against ₦327 billion in June 2004 (a 192% increase), and the industry's capital adequacy ratio of 21.64% (as compared to 15.8% in June 2004) was above the statutory minimum ratio of 10%. The industry's ratio of non-performing credit to total credit was 9.5% as compared to 19.8% in June 2004.

The banking sector is the dominant sector in the Nigerian Stock Exchange and the key driver of its recent growth. In terms of total assets, there are 25 Nigerian banks comparable in size to the first and second largest banks in South Africa. According to Euromoney, 20 out of these 25 Nigerian banks are among the top 100 banks in Africa; 17 are in the top 40; 4 in the top 10; and as of the end of 2006, approximately 17 out of the 25 banks ranked among the top 1,000 banks in the world (in each case, by asset size).

Asset Quality and Capital Adequacy

In August 2003, in order to align with Basel II that was then scheduled to commence internationally (but not in Nigeria) in 2006; the Central Bank increased the minimum capital adequacy ratio for banks from 8% to 10% with effect from January 1, 2004 and also revised the risk weights attached to some asset items as shown in table below:

Type of Asset	New Risk Weights	Old Risk Weights
Claims on banks in Nigeria	20%	0%
Overdue balance with illiquid banks	100%	0%
Claims on banks outside Nigeria:		
OECD countries	20%	20%
Non-OECD countries	100%	20%
Placements with discount houses		
Secured with treasury bills	0%	0%
Unsecured	20%	0%
Certificates of deposits		
Negotiable	50%	0%
Non-negotiable	100%	50%
Bankers acceptances	100%	20%
Industrial investments	100%	50%
Loans to FG agencies & parastatals	100%	0%
Loans secured by mortgage on residential property	100%	50%

New Policy on Minimum Capital Base

On July 6, 2004, the Central Bank announced two new policy directives that have far reaching consequences on the banking industry and the economy - the phased withdrawal of public sector funds from the banking system, which commenced in early August 2004 but was halted due to unintended adverse impact on liquidity and interest rates; and the increase of minimum capitalization of all banks from ₦2 billion to ₦25 billion as of December 31, 2005. The declared objectives of the new capitalization policy were to eliminate the occurrence of failing banks, to infuse public confidence in the banking system and to bolster the capacity of banks to fund development projects and compete effectively in global markets. Major consequences of the policy have been a dramatic reduction in the number of banks and the emergence of mega-banks through mergers and acquisitions. As noted above, this process was the principal reason from the reduction of 89 banks as of December 31, 2003 to 25 as of December 31, 2006.

Provisioning and Loan Loss Reserves

The Central Bank maintains requirements for Nigerian banks with respect to the level of provisioning and loan loss reserves that are to be taken. These requirements are generally based upon the current performance category of the credit, but also take into consideration circumstances where available information indicates the likelihood of a deterioration in credit-quality. This categorization, and the related provisioning requirements, are set out below:

Category	Classification	Characteristics	Provision Required
Active	I	Principal and/or interest repayments are made as and when due	0%
Watchlisted	II	Normal payment of principal and/or interest is in arrears for more than 45 but less than 90 days	0%
Sub-standard	III	Normal payment of principal and/or interest is in arrears for more than 90 but less than 180 days	At least 10% of principal due
Doubtful	IV	Normal payment of principal and/or interest is in arrears for more than 180 but less than 360 days	At least 50% of principal due
Lost	V	Normal payment of principal and/or interest is in arrears for more than 360 days	At least 100% of principal due

While credits that are classified as "watchlisted" are not required to be provisioned for, this classification does trigger a more intensive monitoring process. Credits that are classified as "sub-standard" or worse are maintained on an interest non-accrual basis and interest is recognized only when received in cash.

Liquidity Ratios

Pursuant to the Central Bank Act, Nigerian banks are obligated to hold at least 40% of deposits as liquid assets (*i.e.*, cash and near cash items). A bank's liquid assets do not include: (a) cash deposits to meet the Central Bank's cash reserve requirements and (b) penalty deposits for excess credit by banks that are still subject to an aggregate credit ceiling. Placements with discount houses qualify as liquid assets, as do placements with banks backed by eligible instruments.

The total deposits used in the liquidity computation include demand, savings and time deposits as well as all promissory notes and certificate of deposits held by the non-bank public and other deposit items. Placements with and takings with and takings from discount houses are to be offset against each other and any surplus of assets or liabilities to be applied as the case may be in computing the liquidity requirement.

In order to achieve a capital adequacy level sufficient to guarantee protection from bank operations failure (credit, operational and market risk), banks are required by the Central Bank to maintain a loan to deposit ratio of no more than 80%.

Size of the Industry and Market Structure

As noted above, as at December 31, 2006, there were 25 banks in Nigeria compared to 89 banks as of December 31, 2003. The banking industry's total assets stood at ₦4,515.1 billion as at December 31, 2005 according to the Central Bank. Also, according to the Central Bank, the total loans and advances of the industry stood at ₦1,859.6 billion as of December 31, 2005, an increase of ₦565.1 billion (43.7%) over December 31, 2004 levels.

The banking sector is largely dominated by the "Big 3" banks (the Bank, Zenith Bank Plc and United Bank for Africa Plc), and a number of the successful new generation banks.

As at December 31, 2003, the computed average liquidity ratio for banks stood at 49.7%, compared with the stipulated minimum of 40.0%. However, 21 banks failed to meet the minimum liquidity ratio as at that date. In addition, the average loan to deposit ratio was 77.9% as of December 31, 2003, compared with the prudential limit of 80.0%. The Central Bank responded to this threat to the Nigerian banking system by implementing the more stringent capital requirements described above in order to strengthen the sector and enable it to support real sector development.

The first phase of the banking sector reforms and consolidation, which was concluded by December 31, 2005, resulted in 25 banks emerging from 75 out of the 89 banks that had existed prior to this reform. Fourteen banks which were insolvent (negative shareholders' funds) had their licences revoked by the Central Bank. There was no new application for a banking licence during the 2005 year.

In the process of complying with the minimum capital requirement, ₦406.4 billion was raised by banks from the capital market during 2004 and 2005, out of which ₦360 billion was verified and accepted by the Central Bank as at December 31, 2005. The programme also attracted ₦350.2 billion (about US$3.0 billion) as new investment and US$666.6 million and £0.16 million from foreign direct investment inflow, all according to the Central Bank. The bank consolidation program has brought a number of positive developments to the banking sector, in particular, and the economy in general. In particular, the consolidation has produced relatively well-capitalized banks, which has engendered greater public confidence in the system. It has also brought greater public awareness and a deepening of the Nigerian capital market. The resulting liquidity in the system also resulted in a significant fall in local interest rates. Banks now have greater potential to finance large transactions with higher single-obligor limits. With virtually all of the banks now publicly-quoted, there is a wider regulatory oversight, with the NSEC and the Nigerian Stock Exchange participating in the regulatory oversight. In addition, as the regulators now oversee and focus on fewer banks, they are intended to be able to be more effective and efficient in their supervision.

Real Time Gross Settlement System

As part of its re-engineering and restructuring processes, the Central Bank has introduced a Real Time Gross Settlement System that provides an on-line payment system in which processing and settlement take place continuously in real time (that is, without deferral) and gross (*i.e*., transaction by transaction). The system handles large-value, time-critical payments. Settlement of credit transfer instructions will be done when there is sufficient balance in the settlement account of the participants with the Central Bank and is guaranteed for its finality and irrevocability. One of the intentions of the Central Bank is that this settlement system will help to reduce systemic risk by preventing the failure of a payment or of a participant having effects on other participants and thereby endangering the stability of the financial system. In addition, the system is intended to reduce significantly the risk associated with the current net settlement systems in operations and also accelerate the payment process while guaranteeing finality and irrevocability of transfers and settlement.

Monetary Policy-Based Interest Rate

In its bid to attain bank soundness and effective liquidity management, the Central Bank recently introduced a new framework for monetary policy implementation in the market place using the short-term interest rate as its operating target. This target is called the “Monetary Policy Rate” and it will serve as an indicative rate for transactions in the inter-bank money market as well as money market rates. The ultimate goal of the new framework is to achieve a stable value of the Naira through stability in short-term interest rates around the Monetary Policy Rate, which will be determined and operated by the Central Bank. The main operating principle guiding the new policy is to control the supply of settlement balances of banks and motivate the banking system to target zero balances at the Central Bank, through an active interbank trading or transfer of balances at the Central Bank. This will engender symmetric treatment of deficits and surpluses in the settlement accounts, so that for any bank the cost of an overdraft at the Central Bank would be equal to the opportunity cost of holding a surplus balance with the Central Bank.

The new Monetary Policy Rate replaced the previous “Minimum Rediscount Rate” and is set at 10%, based upon expected inflation rates of 9.0%. For fiscal 2006 as a guide to ensure that interest rates remain positive in real terms, there was a spread of 6% around the rate, that is 3% below and 3% above. This translates into an upper limit of 13%., which is the repo rate, and a lower limit of 7%, representing the rate at which the Central Bank will take deposits from the banks. The policy took effect on December 11, 2006.

THE FEDERAL REPUBLIC OF NIGERIA AND THE NIGERIAN ECONOMY

The information relating to Nigeria is provided for background purposes only. Information presented herein has been extracted from and is presented on the authority of various public official documents and private publications.

Location, Area and Geography

Nigeria is situated in the West African sub region and lies between longitudes 3 degrees and 14 degrees and latitudes 4 degrees and 14 degrees. It has a landmass of 923,768 sq. km. It is bordered to the north by the Republics of Niger and Chad and to the west with the Republic of Benin. It shares the eastern borders with the Republic of Cameroon down to the shores of the Atlantic Ocean forming the southern limits of the Nigerian Territory. Nigeria has about 800km of coastline. Arable land is in abundance in Nigeria for agricultural, industrial and commercial activities.

Forest and woodland are to be found mainly in the southern part of the country, which is affected by seasonal rains from the Atlantic that occur from April to October. Northward, the country becomes drier and the vegetation more savannah in type. The Northern part of the country forms part of the semi-arid sahel region on the fringes of the Sahara, the world's largest desert (3,500,000 square miles) in northern Africa

Nigeria is divided roughly in three by the rivers Niger and Benue, which flow through the country from north-east and north-west, respectively to meet roughly in the center of the country near the new capital Abuja. From here the united rivers flow south to the Atlantic Ocean at the Niger Delta area.

Population

Nigeria has a population of about 140 million people - the largest national population on the African continent, it accounts for approximately 50% of West Africa's population and (in 2005) 60% of the region's GDP according to the Central Bank report of 2005. This population is made up of about 250 pure ethnic groups. Three of them (the Hausa, Igbo and Yoruba) are the major groups and constitute over 40% of the population. In fact, about 10 ethnic/ linguistic groups constitute more than 80% of the population - the other large groups being the Tiv, Ibibio, Ijaw, Kanuri, Nupe, Gwari, Igala, Jukun, Idoma, Fulani, Itsekiri, Edo and Urhobo. The census in 2006 indicated a population of 51% female and 49% male. Nigeria has two main religions, Islam and Christianity, which have a roughly similar number of adherents.

Natural Resources

Nigeria is richly endowed with a range of natural resources including natural gas, petroleum, tin, iron ore, coal, limestone, niobium, lead, zinc and arable land. Petroleum is Nigeria's largest and most important natural resource with an estimate of 345 billion barrels in proven reserves as at the end of 2004 according to the Central Bank's economic report. The country is a member of the Organization of Petroleum Exporting Countries ("*OPEC*") and is the largest oil-producer in Africa.

Government Organization and Political Background

Nigeria was an early twentieth century colony of Britain that became an independent nation in 1960. Following a civil war in 1967-1970 and approximately 16 years of military rule, a new constitution was adopted in 1999 and a peaceful transition to civilian government was completed.

Nigeria is a Federal Republic comprising 36 states and the Federal Capital Territory, Abuja. Until 1991, the city of Lagos was the capital of Nigeria. There are also 774 local government councils in the country.

Nigeria operates a presidential system of government modelled closely to what exists largely in other presidential democracies. The Presidency is the executive arm of government, implementing legislation instituted by the bicameral National Assembly and processes declared by the Judiciary. The National Assembly contains two chambers: the Senate, with 109 seats (three Senators per State and one from the federal capital territory of Abuja), and a 360-seat House of Representatives, where the number of seats per State is based upon such State's population. At the state level there is an elected state governor and state legislature. Elected members in all tiers of government serve four-year terms.

The Presidency is headed by the President who is also the commander-in-chief of all the armed forces of the country. He oversees the day-to-day running of the affairs of the nation, and is assisted by Ministers, Special Assistants, Special Advisers and other relevant government functionaries with supervisory roles over areas of government.

The President is also the Head of State and wields both executive and ceremonial powers and functions. The position of President in Nigeria is open to election and Presidents are in power for a term of 4 years in the first instance. A person can have a maximum of two terms each comprising of four years and must step down at the end of the second term. The Vice President holds the same powers as the President but can only exercise these in the absence of the President or as directed by the President or the National Assembly.

The running of the government is the function of the Federal Executive Council, which includes the President, the Vice-President and the Ministers.

Federal Government

The federal government is in charge of running the country, and is legally bound by the rules of the constitution. The federal government structure is divided into three main branches, the executive, the legislature and the judiciary.

The Executive Arm of Government. Under the Presidential system, the executive is made up of the President, the Vice President and the Ministers. After the President is elected, he is free to choose anybody with good credentials and reputation as his Minister, subject to the approval of the National Assembly. The Vice President is Alhaji Atiku Abubakar. The Ministers are individually responsible to the President, who can dismiss any of them as a matter of course.

Nigeria operates a single Executive system similar to what exists in the United States of America - a system whereby a single individual functions as both the head of state and head of government.

The Executive initiates most of the bills that are passed into law by the legislature. The Executive also has delegated legislative powers that enable it to issue orders, proclamations, etc.

The Executive generates finance for the nation through taxes, rates, customs, excise duties, etc., prepares a national budget and presents to the legislature an Appropriation Bill for its approval.

The Executive formulates policies for the government on the account of the internal and external affairs of the state. It recruits, trains, deploys and monitors staff to ensure that government policies are realized.

The Legislature. The Legislature is the branch of government that is charged with the responsibility of making laws for the good governance of the country. The legislative powers of the Federal Government are invested in the National Assembly, which consists of a Senate and a House of Representatives as described above. The legislative powers of each state are vested in a unicameral legislative body called a House of Assembly.

The House of Representatives currently has 346 members elected on the 4-year term in the first instance and for not more than two terms. The maximum number of seats allowed by the 1999 constitution is 360. The Head of the House of Representatives is the Honorable Speaker, a role that is filled by the vote of the members of the House of Representatives and thus is generally the leader of the largest voting block.

The Judiciary. The judiciary is the branch of government responsible for the interpretation of laws. It is made up of judges and all the courts and other law-adjudicating agencies. Members of the judiciary are appointed on the recommendation of the National Judicial Council. Under the 1999 Constitution, the members of the National Judicial Council are the Chief Justice of Nigeria (who serves as chairman of the council), the next most senior Justice of the Supreme Court (who serves as vice-chairman of the council), the President of the Court of Appeal, five retired Justices selected by the Chief Justice of Nigeria from the Supreme Court or Court of Appeal, the Chief Judge of the Federal High Court, five Chief Judges of States appointed by the Supreme Court, five members of the Nigerian Bar Association with no less than 15 years post call experience, one Grand Khadi appointed by the Chief Justice of Nigeria and one President of the Customary Court of Appeal appointed by the Chief Justice of Nigeria.

Transition to Democratic Rule

In April 2003, Nigeria successfully held its second consecutive national elections, further consolidating the transition from military to democratic rule that began in 1999. President Olusegun Obasanjo assumed power on May 29, 1999 and was re-elected in 2003. The next presidential election is scheduled for April 2007, with President Obasanjo not able to run again due to the term limits. In March 2007, Vice President Atiku Abukabar was disqualified from running for the office of president, and excluded from the final official list of candidates, by the electoral commission. Abukabar has stated that he will contest his disqualification.

Nigeria's international standing has increased as the country has moved from dictatorship to democracy and started implementing economic reforms. Nigeria is a significant participant in the Commonwealth, in the New Partnership for Africa's Development (NEPAD), in the African Union and in the ECOWAS.

Government efforts in the fight against corruption are improving the country's international image through Transparency International surveys and other results, though international rankings still routinely place Nigeria near the bottom. Streamlined due process procedures at the federal level are intended to ensure that public money cannot be disbursed for investment spending unless appropriate procurement procedures have been respected. The government is also committed to forcefully implementing the Nigeria Extractive Industries Transparency Initiative (NEITI). For the first time in Nigeria's history, a financial audit for the oil and gas sector over the period 2000-2004 has been completed and made public.

Lately, the political situation is dominated by the upcoming general elections in 2007. As the political race is heating up, violent incidents in the Niger Delta and ethnic and religious tensions are likely to attract public attention.

Foreign Relations and International Organizations

Nigeria's foreign economic relations revolve around its role in supplying the world economy with oil and natural gas, even as the country seeks to diversify its exports, harmonize tariffs in line with a potential customs union sought by the Economic Community of West African States (ECOWAS), and encourage inflows of foreign portfolio and direct investment. In October 2005, Nigeria implemented the ECOWAS Common External Tariff, which reduced the number of tariff bands. Prior to this revision, tariffs constituted Nigeria's second largest source of revenue after oil exports. In 2005 Nigeria achieved a major breakthrough when it reached an agreement with the Paris Club to eliminate its bilateral debt through a combination of write-downs and buybacks. Nigeria joined the Organization of the Petroleum Exporting Countries in July 1971 and the World Trade Organization in January 1995.

Monetary/Exchange Rate Policy

The main objectives of exchange rate policy in Nigeria are to preserve the value of the domestic currency, maintain a favorable external reserves position and ensure external balance without compromising the need for internal balance and the overall goal of macroeconomic stability. The Central Bank focuses on broad money (M2) as an intermediate target for achieving its inflation goal. The current monetary program for 2006-08 targets M2 growth at no more than 15% and inflation at 10% or below.

Foreign Debt and Financing

With the return of civilian rule in 1999, the Nigerian government launched a bid for debt relief; *however*, as Nigeria is an oil rich nation, it did not qualify for the International Monetary Fund's and the World Bank's "heavily indebted poor countries" debt relief program. Nevertheless, Nigeria continued intensive negotiations with the Paris Club creditors and G8 countries in 2005 in order to attempt to reduce the country's external debt (which was estimated at US$37.5 billion). In mid 2006 Nigeria and the Paris Club agreed to a special debt reduction deal. Under this repayment agreement, Nigeria paid the Paris Club creditors US$12.4 billion in exchange for the cancellation its then-remaining approximately US$31 billion of debt.

The significance of this breakthrough is illustrated by the fact that prior to the agreement, external and domestic debt combined constituted 70% of Nigeria's GDP, thus requiring significant budgetary outlays for debt service. Nigeria's government has announced its intention to work towards a restructuring of Nigeria's debt of US$2.5 billion owed to the London Club of creditors (principally the African Development Bank). Nigeria currently is only required to pay interest on this debt, with the principal payment being scheduled to be paid in a single payment in 2020.

The Nigerian Economy

Nigeria's economy depends heavily upon the oil sector, which contributes the majority of the nation's export revenues and the government's revenues, and approximately a third of gross domestic product (GDP). With its large reserves of human and natural resources, Nigeria has the potential to build a prosperous economy, reduce poverty significantly and provide the health, education, and infrastructure services that its population needs; *however*, Nigeria has historically been (and continues to be) unable to satisfy these goals in any meaningful manner.

Nigeria's macroeconomic performance in the current decade has been healthy, evidencing a 6.3% average GDP growth rate from 2001 to 2006 as compared to only 2.7% for the preceding five years. The Central Bank estimated Nigeria's real GDP growth in 2006 at 5.6% (6.2% in 2005 and 6.6% in 2004). These are considered to be robust rates of growth by historical standards, reflecting strong growth in agriculture and services and increased government spending on infrastructure, against a background of steady rises in oil and gas production. Evidencing the improving diversification of the economy, real non-oil GDP growth was estimated by the Central Bank to be 8.9% in 2006 while real *per capita* GDP growth was 3.6%.

According to the Central Bank's 2005 Annual Report, total federal revenue amounted to ₦5,547.5 billion, representing an increase of 42.2% over the level in 2004. The improved performance was largely attributable to the favorable international crude oil price, which was consistently higher than the budget benchmark price of US$30.00

per barrel. Adherence to the fiscal rule resulted in an accumulated savings of US$16,808.0 million by the three tiers of government at the end of 2005. This was made up of the US$2,984.1 million unspent from the 2004 savings and the US$13,824.0 million accumulated in 2005. Similarly, non-oil revenue increased by 38.8% over its level in 2004, with non-oil export "free on board" value growing from approximately US$750 million in 2004 to approximately US$929 million in 2005. The fiscal operations of the Federal Government recorded a further improvement in 2005, as the fiscal deficit to GDP ratio declined marginally from 1.5% to 1.1%. The primary balance recorded a surplus equivalent to 5.6% of GDP. The stock of public debt as at December 31, 2005, stood at ₦4,221.0 billion, equivalent to 28.3% of GDP, compared with 53.6% of GDP in 2004. The stock of external public debt declined by 44.9% while domestic public debt increased by 11.4% over the level in 2004.

The performance of the real sector was modest in 2005 as the real GDP, measured in 1990 basic prices, grew by 6.2%, compared with 6.5% in 2004. The main growth drivers were agriculture, general commerce and services. Inflationary pressures persisted as the year–on–year inflation rate rose modestly to 11.6% from 10.0% in 2004. Similarly, the 12-month moving average inflation rate for end-December 2006 stood at 14.0%, compared with 17.9% in 2005. However, core inflation rate on both the year-on-year and 12-month moving average basis, remained at a single digit during the year.

The performance of the external sector was strong in 2005, with an overall balance of payments surplus of ₦1,364.8 billion, or 9.2% of GDP, compared with ₦1,128.4 billion or 9.7% of GDP in 2004. Similarly, the current account balance increased from ₦2,064.1 billion, or 17.7% of GDP in 2004, to ₦3,367.0 billion or 22.8% of GDP.

Nigeria's External Debt. Nigeria's external debt can be traced back to 1958 when the country first contracted the sum of US$28 million for railway construction. Since then a number of external debt facilities have been contracted. Total debt outstanding remained low throughout the 1960s and 1970s; *however*, huge external borrowings were made in the mid-1980s to finance large capital projects for economic development in the face of dwindling oil revenues caused by the glut in the international oil market. The general rise in interest rates and the recapitalization of accrued interests on the loans led to a rapid growth in the debt stock. The debt situation worsened with the entry of state governments into external loan contractual obligations, with many of the loans having unfavorable terms and also being widely perceived to have been mismanaged. Specifically, total external debt stock grew rapidly from less than US$1.0 billion in 1970 to US$18.5 billion in 1985 and further to US$34.1 billion in 1995 according to the Central Bank. However, the Central Bank reported that the debit declined to US$30.9 billion in 2002, before rising to US$32.9 billion in 2003 and US$35.9 billion in 2004. It is instructive to note that the increase did not result from new loans, but instead from the arrears on deferred payments. Moreover, Nigeria made cumulative debt service payments of about US$37.0 billion between 1985 and 2004. High oil prices and the growth of non-oil exports in 2006 have increased Nigeria's external reserves, which have allowed Nigeria to meet debt service obligations and also buy-back debt. In total, the debt stock of Nigeria at December 2006 stood at about US$2.5 billion.

By 1986, the country had recognized that its debt profile was unsustainable and, thus, began rounds of negotiations with the Paris Club and other groups of creditors to address the precarious debt situation. During that period, Nigeria was able to secure four major debt restructurings, with the last in 2000. A major outcome of these efforts was that the country reached a rescheduling agreement with the Paris Club in December 2000, which was structured on the "Houston" terms. The Houston terms are a debt restructuring package for lower middle-income countries with per capita income of between US$785.0 and US$3,125.0. In that process, Nigeria rescheduled about US$21.4 billion of Paris Club debt for an 18-20 year period. Also, the Official Development Assistance (ODA) credits were rescheduled at new interest rates that were almost as non-concessional as the original interest rates for over 20 years, with a grace period of 10 years. Commercial credits were rescheduled at over 18 years at market-based interest rates and with a 3-year grace period. In spite of these efforts, Nigeria's external debt stock continued to increase as the Houston terms only allowed for a deferral of payments with no provision for actual debt reduction. Thus, by 2004, the creditor composition of Nigeria's external debt was as follows according to the Central Bank:

- Paris Club - US$30.85 billion or 85.8%
- Multilateral Institutions - US$2.82 billion or 7.9%
- London Club - US$1.44 billion or 4.0%
- Promissory Note Holders - US$0.78 billion or 2.2%
- Non-Paris Club Bilateral - US$0.048 billion or 0.1%

Much of the resources that would have been devoted to the government's poverty reduction programs were being utilized for debt service. For instance, according to the Central Bank, from 0.8% in 1980, the actual debt service ratio (debt service over exports) rose to 23.9% in 1990, but later declined to 7.2% in 2004, largely on account of arrears. The huge external debt obligations thus became burdensome. However, the satisfactory progress made since 2004, with the implementation of a home-grown economic reform program, the National Economic Empowerment and Development Strategy (NEEDS), coupled with improvements in economic governance and the anti-corruption drive of the present administration, added impetus to the quest for debt relief for Nigeria among creditor nations. Also, it was argued that debt forgiveness was imperative if Nigeria was to achieve the objectives espoused under NEEDS, as well as meet the Millennium Development Goals by 2015. Consequently, on June 29, 2005, the country secured a major breakthrough in its quest for debt relief, with the Paris Club agreement to grant Nigeria an International Development Assistance (IDA)-only status, which was supportive of the debt forgiveness struggle. To give practical effect to this, a delegation from the country met with the Paris Club creditors on October 20, 2005, and a final agreement was reached to cancel 60% (US$18 billion) of Nigeria's debt with the Paris Club. The breakdown of the debt owed to the Paris Club was:

- Principal Balance - US$25,199,180.00
- Arrears - US$5,684,634.53
- Total - US$30,847,814.53

The agreement involved a debt reduction, under the "Naples" terms, on eligible debts and a buy back at a market-related discount on the remaining eligible debts after reduction, and was to be implemented in two phases, conditional on the implementation of a comprehensive economic reform program under the Policy Support Instrument (PSI), as approved by the Executive Board of the International Monetary Fund on October 17, 2005. The Naples terms are a more generous debt relief package reserved only for lower income countries that showed good performance on their reform programs. In the first phase, Nigeria undertook to pay arrears of US$6.3 billion, due on all categories of debts, while the Paris Club creditors would grant a 33.0% cancellation of eligible debts and this was achieved during the fourth quarter of 2005. The second phase became due after the approval of the first review of the PSI by the Executive Board of the IMF during the first half of 2006. Consequently, Nigeria paid US$6.1 billion, the amount due under the post-cut off date debt. The Paris Club creditors then granted a further cancellation of 34.0% on eligible debts and then bought back the remaining eligible debts. The execution of this fifth bilateral agreement with the Paris Club creditors would facilitate the resumption of normal bilateral economic relations with the member countries. In the spring of 2006, the total amount paid by Nigeria under the debt relief deal to complete the exit strategy from the Paris Club debt amounted to US$12.4 billion. The debt cancellation led to the Nigerian government's debt falling to 17% of GDP on December 31, 2006 from 66% as of December 31, 2004. With oil revenues still growing, the country had a net external creditor position of over 10% of GDP at end-2005. Although final 2006 data is currently not available from the Central Bank, Nigeria's net external creditor position is expected to have risen to around 40% of GDP by December 31, 2006. Public and external debt service are therefore expected to fall to very low levels, with interest payments equivalent to less than 10% of government revenues, and external debt service below 1% of current account receipts in 2007.

Sovereign Ratings. As a result of the positive developments in the Nigerian economy, the Federal Government of Nigeria engaged Fitch and S&P to undertake rating assessments in January 2006. This effort resulted in a foreign currency rating of "BB-" with an outlook of "Stable" by both agencies.

General. The following sets forth certain macro-economic indicators as published in the Central Bank's Annual Report of 2006:

	For the year ended December 31,					
	2001	**2002**	**2003**	**2004**	**2005**	**2006**
Real GDP growth	4.7%	4.6%	9.6%	6.6%	6.2%	5.6%
Oil Sector	5.2%	(5.7)%	23.9%	3.3%	0.5%	4.7%
Non-oil sector	4.5%	8.3%	5.2%	7.8%	8.2%	8.9%
Oil Production (million barrels per day)	2.2	2.1	2.3	2.5	2.5	2.5
Gross National Savings (% of GDP)	5.3%	3.5%	7.2%	18.4%	19.4%	20.6%
Inflation Rate, (Dec-over-Dec)	16.5%	12.2%	23.8%	10.0%	11.6%	8.5%
Net Domestic Credit (Growth Rate)	79.9%	64.6%	29.1%	12.0%	14.5%	18.8%
Net Credit to Government (Growth Rate)	95.2%	6320.6%	58.4%	(17.9)%	(37.0)%	35.1%
Credit to Private Sector (Growth Rate)	43.5%	19.7%	18.4%	26.6%	30.8%	30.9%
Narrow Money (MI) (Growth Rate)	28.1%	15.9%	29.5%	8.6%	15.5%	21.0%
Broad Money (M2) (Growth Rate)	27.0%	21.6%	24.1%	14.0%	16.0%	29.0%
Exports (US$million)	16,687	14,466	23,950	34,607	47,928	56,000
Imports (US$million)	(11,030)	(12,546)	(16,134)	(14,940)	(17,237)	(23,900)
Current account (US$million)	974	(2,225)	3,851	15,461	25,573	16,500
Current Account Balance (% of GDP)	1.5%	(3.4)%	4.9%	17.7%	22.8%	22.6%
External Reserves (US$billion)	10.4	7.7	7.5	20.0	28.3	42.1
GDP per Capita (US$)	530.7	539.1	620.7	673.0	847.1	1,114.0
External debt (US$million)	28,347	30,992	32,916	35,944	20,476	2,500
External debt (% of GDP)	61.2%	72.0%	61.1%	41.9%	18.1%	4.2%
Population (million)	118.8	122.4	126.2	129.9	133.5	140.0
Population Growth Rate (%)	2.8%	2.8%	2.8%	2.8%	2.8%	2.3%
Life Expectancy at Birth (Years)	54.0	54.0	54.0	54.0	54.0	55.0
Adult Literacy Rate (%)	57.0%	57.0%	57.0%	62.0%	62.0%	67.0%

The following table presents Nigeria's balance of payments for the periods indicated, as published in the Central Bank's press statements and published speeches of the Central Bank Governor:

	2001	**2002**	**2003**	**2004**	**2005**	**2006**
			(US$millions)			
Exports	16,687	14,466	23,950	34,607	47,928	59,000
Imports	(11,030)	(12,546)	(16,134)	(14,940)	(17,237)	(29,200)
Trade balance	5,657	1,920	7,816	19,667	30,691	29,800
Services	(2,968)	(2,390)	(2,239)	(2,625)	(3,148)	(5,800)
Current transfers	1,358	1,409	1,553	2,691	3,399	(3,400)
Balance on current account	974	(2,225)	3,851	15,461	25,573	16,500
Direct investment/Portfolio investment	1,419	2,074	2,187	2,043	5,164	6,100
Capital and financial account	(691)	2,372	(5,025)	(6,874)	(15,087)	5,000
Net errors and omissions	(62)	(77)	(85)	(135)	(120)	0
Reserve assets	(505)	2,735	213	(9,487)	(11,324)	(17,500)

Recent Developments in the Nigerian Economy. According the Central Bank's half-year report, the aggregate output in the Nigerian economy measured by the GDP grew by 7.5% during the second quarter of 2006, compared with the 2.7% increase in the corresponding period of 2005. The growth was driven by the non-oil sector, which grew by 12.8%. Available data indicated further increase in monetary aggregates during the review quarter. Broad money supply (M2) rose by 21.6% over the level in the preceding quarter, while narrow money supply (M1) increased by 15.4% during the period. The increase in M2 was attributable to the rise in foreign assets (net) of the banking system and bank credit to the core private sector. The inflation rate on a 12-month moving average basis was, however, 14.0%, compared with 17.4% in March 2006.

The Central Bank's half-year report that the total federally-collected revenue during the second quarter of 2006 stood at ₦1,284.7 billion, and represented an increase of 23.4% over the proportionate budget estimate but a decline of 24.7% from the level in the preceding quarter. At ₦1,144.2 billion, oil receipts constituted 89.1% of the total and represented an increase of 33.2% over the budget estimate but a decline of 26.2% below the level in the preceding quarter. The rise in oil receipts over the budget estimates reflected the continued increase in international crude oil prices. On the other hand, non-oil receipts, at ₦140.5 billion or 10.9% of the total, were lower than the receipts in the preceding quarter and the Central Bank's budget estimate by 9.0% and 22.7%, respectively. The fall in non-oil receipts relative to target was attributable to the implementation of the ECOWAS Common External Tariff (CET) that has lowered tariff, and the granting of negotiable duty credit certificate to certain categories of exporters by the Nigerian Export Promotion Council. The Nigerian government retained revenue for the second quarter of 2006 was ₦398.1 billion, while total expenditure was ₦309.3 billion. Thus, the fiscal operations of the Nigerian government was estimated to have resulted in a surplus of ₦88.8 billion, as against the budget deficit of ₦94.5 billion and a surplus of ₦40.7 billion recorded in the preceding quarter.

For the quarter ended December 31, 2006, Nigeria's crude oil production, including condensates and natural gas liquids, was estimated by the Nigerian National Petroleum Corporation (NNPC) to be 2.3 million barrels per day (mbd) or 209.3 million barrels for the quarter, representing an increase of 4.5% over the level in the preceding quarter. Crude oil export was similarly estimated at 1.8 mbd or 163.8 million barrels in the quarter, compared with 1.8 mbd and 2.0 mbd in the preceding quarter and corresponding quarter of 2005, respectively. Deliveries to the refineries for domestic consumption remained at 0.45 mbd or 40.95 million barrels for the quarter. At an estimated average of US$70.5 per barrel, the price of Nigeria's reference crude oil, the Bonny Light (37º API), rose by 12.9% and 34.1% over the levels in the preceding quarter and the corresponding quarter of 2005, respectively. The average prices of other competing crude oils, namely the West Texas Intermediate, U.K Brent, Arab Light and the Forcados, increased by 11.7%, 13.9%, 12.9% and 13.4% to US$62.75, US$61.16, US$56.93 and US$62.24, per barrel, respectively. The rise in price was partially attributable to the anxiety over supply disruptions in Iran and continued tension in the Niger Delta area of Nigeria.

The balance of payments account remained favorable in the second quarter of 2006 with an estimated overall surplus of ₦34.4 billion, compared with the surplus of ₦1,014.7 billion and ₦315.6 billion in the preceding quarter and corresponding period of 2005, respectively. The development was attributable to the robust goods account, following the sustained increase in international price of crude oil during the period. The overall balance of payments was expected by the Central Bank to reach US$17.5 billion by December 2006, thus growing by 7.4% from US$16.3 billion in 2005 and by 101.2% from US$8.1 billion in 2004.

Federal Ministry of Finance

The mission of the FMF is to manage the nation's finances in an open, transparent, accountable and efficient manner that delivers on the country's development priorities. The following are the principal functions of the FMF: (a) preparing annual estimates of revenue and expenditure for the national government, (b) formulating policies on fiscal and monetary matters, (c) mobilizing domestic and external financial resources through both internal and external financial institutions, for development purposes, (d) maintaining adequate foreign exchange reserves aimed at ensuring a healthy balance of payment position, (e) maintaining the internal and external value and stability of the Nigerian currency, (f) monitoring government revenue from oil and non-oil resources, (g) supervising the insurance industry, (h) managing revenue allocation matters and (i) relating with relevant international organizations and financial institutions, such as the Economic Commission for Africa, the World Bank, the International Monetary Fund, the United Nations Development Programs, the Commonwealth Economic Committee, ECOWAS, etc. As noted above, since January 1999 the power to formulate and implement monetary and exchange rate policies has been vested in the independent Central Bank.

PRINCIPAL OFFICE OF THE BANK

First Bank of Nigeria Plc
Samuel Asabia House
35 Marina
Lagos, Nigeria

THE ISSUER

FBN Capital Finance Company
P.O. Box 1093GT
Queensgate House
South Church Street
George Town, Grand Cayman
Cayman Islands

MANAGERS

Merrill Lynch International
Merrill Lynch Financial Centre
2 King Edward Street
London EC1A 1HQ
United Kingdom

FBN Capital Limited
16 Keffi Street
S.W. Ikoyi
Lagos, Nigeria

INDENTURE TRUSTEE

Deutsche Bank Trust Company Americas
60 Wall Street
New York, New York 10005
USA

PRINCIPAL PAYING AGENT

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
England

IRISH LISTING AGENT

Deutsche Bank Luxembourg S.A.
2 Boulevard Konrad Adenauer
L-1115 Luxembourg

IRISH PAYING AGENT

Deutsche International Corporate Services (Ireland) Limited
5 Harbourmaster Place
IFSC, Dublin 1, Ireland

LEGAL COUNSEL TO MERRILL LYNCH INTERNATIONAL AS TO UNITED STATES LAW

Mayer, Brown, Rowe & Maw LLP
71 South Wacker Drive
Chicago, Illinois 60606
USA

LEGAL COUNSEL TO MERRILL LYNCH INTERNATIONAL AS TO NIGERIAN LAW

Olaniwun Ajayi
UBA House, Floor 4
57 Marina
Lagos, Nigeria

LEGAL COUNSEL TO THE BANK AS TO UNITED STATES LAW

Baker & McKenzie LLP
1114 Avenue of the Americas
New York, New York 10036
USA

LEGAL COUNSEL TO THE BANK AS TO NIGERIAN LAW

G. Elias & Co.
NCR Building, Floor 6
6 Broad Street
Lagos, Nigeria

AUDITORS TO THE BANK

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

PKF Pannell Kerr Forster
3/5 Imam Dauda Street
G.P.O. 2047 Marina
Lagos, Nigeria

LEGAL COUNSEL TO THE ISSUER AS TO CAYMAN ISLANDS LAW

Maples and Calder
Princes House
7 Princes Street
London EC2R 8AQ

US$175,000,000
FBN CAPITAL FINANCE COMPANY
Subordinated Callable Notes due 2017

FIRST BANK OF NIGERIA PLC

OFFERING CIRCULAR

Merrill Lynch International
FBN Capital Limited

March 23, 2007