IMPORTANT NOTICE

THIS OFFERING CIRCULAR IS AVAILABLE ONLY TO: (1) QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED BELOW); (2) INSTITUTIONAL ACCREDITED INVESTORS (AS DEFINED BELOW); OR (3) CERTAIN PERSONS OUTSIDE OF THE U.S.

IMPORTANT: You must read the following before continuing. The following applies to the Offering Circular following this notice, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Issuer, the Guarantor, the Arrangers and Dealers (each as defined in the Offering Circular) as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. NEITHER THE SECURITIES NOR THE GUARANTEE DESCRIBED IN THIS OFFERING CIRCULAR HAVE BEEN OR WILL BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTIONS AND MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S")), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING CIRCULAR MAY ONLY BE COMMUNICATED TO PERSONS IN THE UNITED KINGDOM IN CIRCUMSTANCES WHERE SECTION 21(1) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 DOES NOT APPLY. THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of your representation: In order to be eligible to view this Offering Circular or make an investment decision with respect to the securities, investors must be either: (1) Qualified Institutional Buyers ("QIBs") (within the meaning of Rule 144A under the Securities Act); (2) persons who are "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that are institutions ("Institutional Accredited Investors") who execute and deliver an IAI Investment Letter (as defined in the Offering Circular) in which they agree to purchase the Notes for their own account and not with a view to the distribution thereof; or (3) non-U.S. persons within the meaning of Regulation S outside the United States. This Offering Circular is being sent at your request and by accepting the email and accessing this Offering Circular, you shall be deemed to have represented to us that (1) you and any customers you represent are either: (a) QIBs; (b) Institutional Accredited Investors; or (c) non-U.S. persons within the meaning of Regulation S outside the U.S., (2) unless you are a QIB or an Institutional Accredited Investor, the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the U.S., (3) you are a person who is permitted under applicable law and regulation to receive this Offering Circular and (4) you consent to delivery of such Offering Circular by electronic transmission.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Offering Circular to any other person.

This Offering Circular does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that an offering of securities described herein be made by a licenced broker or dealer and the Arrangers and Dealers or any affiliate of the Arrangers or applicable Dealers is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Arrangers or such Dealer or such affiliate on behalf of the Issuer or holders of the applicable securities in such jurisdiction.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Issuer, the Guarantor, the Arrangers and Dealers nor any person who controls them nor any director, officer, employee nor agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Issuer, the Guarantor, the Arrangers and Dealers.

Please ensure that your copy is complete. You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk, and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

GTB FINANCE B.V.

(incorporated with limited liability in the Netherlands)

U.S.$2,000,000,000
Global Medium Term Note Programme
unconditionally and irrevocably guaranteed by

GUARANTY TRUST BANK PLC

(incorporated with limited liability in the Federal Republic of Nigeria)

Under this U.S.$2,000,000,000 Global Medium Term Note Programme (the "**Programme**"), GTB Finance B.V. (the "**Issuer**" or "**GTB Finance**") may from time to time issue notes (the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The payments of all amounts due in respect of the Notes will be unconditionally and irrevocably guaranteed by Guaranty Trust Bank plc (the "**Guarantor**" or the "**Bank**").

Notes may be issued in bearer or registered form (respectively "**Bearer Notes**" and "**Registered Notes**"). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.$2,000,000,000 (or its equivalent in other currencies calculated as provided for in the Programme Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Overview of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe to such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "*Risk Factors*" beginning on page 12.

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "**U.K. Listing Authority**") for Notes issued under the Programme during the period of 12 months from the date of this Offering Circular to be admitted to the official list of the U.K. Listing Authority (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Notes to be admitted to trading on the London Stock Exchange's regulated market (the "**Regulated Market**").

References in this Offering Circular to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange's Regulated Market and have been admitted to the Official List. The Regulated Market is a regulated market for the purpose of the Market in Financial Instruments Directive 2004/139/EC.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "***Terms and Conditions of the Notes***") of Notes will be set out in a final terms document (the "**Final Terms**") which, with respect to Notes to be listed on the London Stock Exchange, will be delivered to the U.K. Listing Authority and the London Stock Exchange.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer, the Guarantor and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

Unless otherwise specified in the applicable Final Terms, Senior Notes issued under the Programme are expected to be rated B+ (long term rating) or B (short term rating) by Standard & Poor's Credit Market Services Europe Limited ("**S&P**") and B+ (long term rating) or B (short term rating) by Fitch Ratings Ltd. ("**Fitch**") and dated Subordinated Notes issued under the Programme are expected to be rated B- (long term rating) by S&P. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. As of the date of this Offering Circular, each of S&P and Fitch is established in the European Union and has applied for registration under Regulation (EU) No 1060/2009 (the "**CRA Regulation**"), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

Neither the Notes nor the Guarantee contained in the Trust Deed (as defined under "*Terms and Conditions of the Notes*") (the "**Guarantee**") have been, nor will they be, registered under the U.S. 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, and any Notes issued in bearer form will be subject to U.S. tax law requirements. The Notes may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) unless the Notes are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. See "*Form of the Notes*" for a description of the manner in which Notes will be issued. Registered Notes are subject to certain restrictions on transfer, see "*Subscription and Sale and Transfer and Selling Restrictions*".

The Issuer and the Guarantor may agree with any Dealer and Deutsche Trustee Company Limited (the "**Trustee**") that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplemental Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Arrangers

J.P. Morgan		**Morgan Stanley**

Dealers

Citi	**J.P. Morgan**	**Morgan Stanley**

The date of this Offering Circular is 4 May 2011

This Offering Circular comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the "Prospectus Directive").

The Issuer and the Guarantor accept responsibility for the information contained in this Offering Circular. To the best of the knowledge of the Issuer and the Guarantor (each having taken all reasonable care to ensure that such is the case) 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.

Copies of the Final Terms will be available from the registered office of the Issuer and the specified office set out below of each of the Paying Agents (as defined below).

Certain information under the heading "*Book Entry Clearance Systems*" has been extracted from information provided by the clearing systems referred to therein. Each of the Issuer and the Guarantor confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant clearing systems, no facts have been omitted which would render the reproduced information inaccurate or misleading.

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by the Issuer or the Guarantor in connection with the Programme. No Dealer or the Trustee accepts any liability in relation to the information contained in this Offering Circular or any other information provided by the Issuer or the Guarantor in connection with the Programme.

Subject as provided in the applicable Final Terms, the only persons authorised to use this Offering Circular in connection with an offer of Notes are the persons named in the applicable Final Terms as the relevant Dealer or the Managers, as the case may be.

No person is or has been authorised by the Issuer, the Guarantor or the Trustee to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor, any of the Dealers or the Trustee.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, the Guarantor, any of the Dealers or the Trustee that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or the Guarantor. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, the Guarantor, any of the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer and/or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor throughout the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and the U.S. Treasury regulations promulgated thereunder.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Guarantor, the Dealers and the Trustee do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor, the Dealers or the Trustee which is intended to permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom and the Netherlands), Nigeria, Japan and Switzerland. See "*Subscription and Sale and Transfer and Selling Restrictions*".

In making an investment decision, investors must rely on their own independent examination of the Issuer and the Guarantor and the terms of the Notes being offered, including the merits and risks involved. Neither the Notes nor the Guarantee have been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Offering Circular or confirmed the accuracy or determined the adequacy of the information contained in this Offering Circular. Any representation to the contrary is unlawful.

None of the Dealers, the Issuer, the Guarantor or the Trustee makes any representation to any investor regarding the legality of its investment under any applicable laws. Any investor should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

U.S. INFORMATION

Registered Notes may be offered or sold within the United States only to "qualified institutional buyers" within the meaning of Rule 144A of the Securities Act ("QIBs") or to "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act that are institutions ("Institutional Accredited Investors"), in either case in transactions exempt from registration under the Securities Act). Each U.S. purchaser of Registered Notes is hereby notified that the offer and sale of any Registered Notes to it may be being made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A under the Securities Act ("Rule 144A").

Purchasers of Definitive IAI Registered Notes as (defined in "*Form of the Notes – Registered Notes*") will be required to execute and deliver an IAI Investment Letter (as defined under "*Terms and Conditions of the Notes – Transfers of Registered Notes*"). Each purchaser or holder of Definitive IAI Registered Notes, Notes represented by a Rule 144A Global Note (as defined in "*Form of the Notes – Registered Notes*") or any Notes issued in registered form in exchange or substitution therefor (together Legended Notes) will be deemed, by its acceptance or purchase of any such Legended Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in "*Subscription and Sale and Transfer and Selling Restrictions*". Unless otherwise stated, terms used in this paragraph have the meanings given to them in "*Form of the Notes*".

TO ENSURE COMPLIANCE WITH U.S. INTERNAL REVENUE SERVICE CIRCULAR 230, PROSPECTIVE INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS OFFERING CIRCULAR IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY PROSPECTIVE INVESTORS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) PROSPECTIVE INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER RSA 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENCED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is incorporated under the laws of the Netherlands and its directors and executive officers are residents of the Netherlands and Nigeria, respectively. A substantial portion of the assets of the Issuer and of its directors and executive officers are located in the Netherlands and Nigeria. As a result, it may not be possible for investors (a) to effect service of process upon the Issuer or any such person outside the Netherlands or Nigeria, as the case may be, (b) to enforce against any of them, in courts of jurisdictions other than the Netherlands or Nigeria, as the case may be, judgments obtained in such courts that are predicated upon the laws of such other jurisdictions or (c) to enforce against any of them, in the courts of the Netherlands or Nigeria, as the case may be, judgments obtained in jurisdictions other than the Netherlands or Nigeria, respectively, including judgments obtained in the United States predicated upon the civil liability provisions of the federal securities laws of the United States. The Issuer has been advised by legal counsel in the Netherlands, NautaDutilh N.V., that the Netherlands does not currently have a treaty with the United States providing for reciprocal recognition and enforcement of judgments (other than arbitral awards) in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon United States federal securities laws, would not be directly enforceable in the Netherlands. If the party in whose favour such final judgment is rendered brings a new suit in a competent court in the Netherlands, such party may, however, submit to a Dutch court the final judgment that has been rendered in the United States. This court will have discretion to attach such weight to the judgment of a federal or state court in the United States as it deems appropriate. The Netherlands courts can be expected to give conclusive effect to a final and enforceable judgment of such court without re-examination or re-litigation of the substantive matters adjudicated upon. This would require (i) proper service of process to have been given, (ii) the proceedings before such court to have complied with principles of proper procedure (*behoorlijke rechtspleging*), and (iii) such judgment not being contrary to the public policy of the Netherlands. This Offering Circular is being submitted on a confidential basis in the United States to a limited number of QIBs or Institutional Accredited Investors (each as defined under "*Form of the Notes*") for informational use solely in connection with the consideration of the purchase of the Notes being offered hereby. Its use for any other purpose in the United States is not authorised. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

The Bank is incorporated under the laws of Nigeria and most of its operations are located in Nigeria. None of the directors or executive officers of the Bank is a resident of the United States and all of the Bank's assets and the assets of such persons are located outside the United States. In addition, substantially all of the assets of the Bank's directors and executive officers are located in Nigeria. As a result, it may not be possible for investors to effect service of process within the United States upon the Bank or such persons or to enforce against any of them judgments of U.S. federal or state courts, including judgments predicated upon civil liabilities under the securities laws of the United States or any state or territory within the United States.

There are two regimes for the enforcement of foreign judgments in Nigeria: the Reciprocal Enforcement of Judgment Ordinance Cap 175, Laws of the Federation of Nigeria and Lagos, 1958 (the "Reciprocal Enforcement Ordinance") and the Foreign Judgments (Reciprocal Enforcement) Act, Cap F35 Laws of the Federation of Nigeria 2004 (the "Reciprocal Enforcement Act").

The Reciprocal Enforcement Ordinance applies to judgments obtained in the High Court in England or Ireland, or in the Court of Session in Scotland or to other parts of Her Majesty's control to which the Reciprocal Enforcement Ordinance is extended by proclamation.

Subject to certain exceptions, judgments obtained in these jurisdictions are enforceable by registration under the Reciprocal Enforcement Ordinance. To be enforceable, such judgments must be registered within 12 months after the date of the judgment or such longer period as may be allowed by the courts. The judgment must (i) derive from civil proceedings; (ii) be final and capable of execution in the country of delivery; (iii) must not have been wholly satisfied; and (iv) not suffer from want of jurisdiction, lack of fair hearing or fraud, be contrary to public policy or have been discontinued because the issue had already been decided by another competent court before its determination by the foreign court.

Accordingly, foreign judgments relating to the Notes are registrable and enforceable in Nigeria if such judgements are obtained in the High Courts of England or Ireland or in the Court of Session in Scotland or in other parts of the Her Majesty's control to which the Reciprocal Enforcement Ordinance is extended by proclamation. However, such judgments obtained are not registrable or enforceable in Nigeria where (i) the foreign court acted without jurisdiction; (ii) the judgment debtor, being a person who was neither carrying on business nor ordinarily resident within the jurisdiction of the foreign court, did not voluntarily appear or otherwise submit or agree to submit to the jurisdiction of that court; (iii) the judgment debtor was not duly served with the process of the foreign court; (iv) the judgment was obtained by fraud; (v) the judgment debtor satisfies the registering court that an appeal is pending against the judgment or that he is entitled to and intends to appeal against the judgment; or (vi) the judgment was in respect of a cause of action which could not have been entertained by the registering court for reasons of public policy or for some other similar reason. In this regard, notwithstanding that a judgment emanates from a jurisdiction to which the Reciprocal Enforcement Ordinance applies, such judgment will not be registrable or enforceable in Nigeria if the judgment falls within any of the exceptions enumerated in (i) to (vi) above.

Furthermore, in the event that in the future the Minister of Justice of Nigeria (the "Minister of Justice") changes the Reciprocal Enforcement Act (discussed below) to apply to judgments from the High Court in England or Ireland, or in the Court of Session in Scotland or to other parts of Her Majesty's control, then enforcement of such judgments will need to be in accordance with the Reciprocal Enforcement Act.

The second regime for the enforcement of foreign judgments in Nigeria, the Reciprocal Enforcement Act, applies to judgements obtained in the superior courts of any country (other than Nigeria) subject to the satisfaction of the following two conditions: (i) Nigerian judgements must be accorded substantial reciprocity of treatment in courts of the relevant foreign jurisdiction, and (ii) the Minister of Justice must have made an order extending the applicability of the Reciprocal Enforcement Act to judgments obtained in such foreign jurisdiction. Where the above two conditions are satisfied in respect of any jurisdiction (whether or not covered by the Reciprocal Enforcement Ordinance), the Reciprocal Enforcement Act shall apply to those jurisdictions. To be enforceable, judgements from such jurisdictions must be registered within six years after the date of the judgment, or where the proceedings have been by way of appeal, within six years after the date of the last judgment given in those proceedings. Such judgements are only registrable where the judgement would have been enforceable by execution in the jurisdiction of the original court.

Judgments not covered by the Reciprocal Enforcement Ordinance or the Reciprocal Enforcement Act (whether because they are delivered in countries to which the Reciprocal Enforcement Ordinance does not apply or because the two conditions stated in the preceding paragraph are not satisfied) may only be enforced under residual common law powers, which allow such judgments obtained in foreign courts to be used as evidence in a new suit.

There is no treaty between the United States and Nigeria providing for reciprocal enforcement of judgments and the Minister of Justice has not directed the application of the Reciprocal Enforcement Act to judgments derived from US courts. Thus, as of the date hereof, judgments from courts in the United States can only be enforced in Nigeria if the person seeking to enforce them is able to formulate a fresh cause of action on the basis of the foreign judgment in the Nigerian courts.

Based on the provisions of the Reciprocal Enforcement Ordinance, foreign judgments can be enforced and recovered in foreign currency. In contrast, the Reciprocal Enforcement Act provides that a foreign judgment to which the Reciprocal Enforcement Act applies may only be enforceable in Nigeria in the local currency. However, the relevant provision of the Reciprocal Enforcement Act will only become effective if the Minister of Justice declares that the Reciprocal Enforcement Act shall apply to judgments of superior courts of a particular country that accords reciprocal treatment to judgments of superior courts of Nigeria. In that event, judgments of superior courts of that country (whether or not previously covered by the Reciprocal Enforcement Ordinance), when registered and enforced in Nigeria, will be enforced only in Naira. One challenge presented by this is that the judgment creditor may be faced with significant exchange rate losses given that the judgment sum will be converted into the local currency on the basis of the rate of exchange on the date the judgment is sought to be enforced and is obtained. To date, the Minister of Justice has not issued any order extending the application of the Reciprocal Enforcement Act to judgments of superior courts of any country, and until such order is made, there is no restriction on Nigerian courts to register and enforce foreign judgments which come under the purview of the Reciprocal Enforcement Ordinance in foreign currency.

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over allot 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 Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial statements

The Bank maintains its books of accounts in Naira in accordance with Nigerian GAAP (as defined below).

Historically, the Bank was only required to prepare unconsolidated financial information relating to the Bank in accordance with the Banks and Other Financial Institutions Act, Cap B3 LFN 2004 (the "**BOFIA**"); relevant Statements of Accounting Standards in Nigeria; Central Bank of Nigeria ("**CBN**") circulars and the Companies and Allied Matters Act, Cap C20 LFN 2004 (the "**CAMA**") (together, "**Nigerian GAAP**"). Copies of the Group's audited financial statements prepared in accordance with Nigerian GAAP for 2010 and 2009 are available for inspection, but are expressly not incorporated by reference into this Offering Circular. See "*General information – Documents available*". Since the Bank's listing of global depositary receipts ("**GDRs**") on the London Stock Exchange in July 2007, the Bank and its subsidiaries (the "**Group**") have prepared (i) annual financial statements for the Group on a consolidated basis in accordance with International Financial Reporting Standards ("**IFRS**") as promulgated by the International Accounting Standards Board and (ii) condensed consolidated interim semi-annual financial statements for the Group in accordance with IFRS.

The Nigerian Accounting Standards Board ("**NASB**") and the CBN have established 1 January 2012 as the effective date by which all Nigerian banks will be required to begin publishing annual and semi-annual financial statements in accordance with IFRS. Nigerian banks will also be required to produce Nigerian GAAP financial statements and the CBN will continue to assess compliance with the CBN's capital requirements and the CBN's Prudential Guidelines for Licenced Banks (the "**CBN Prudential Guidelines**"). Accordingly, unless otherwise stated, information in this Offering Circular relating to the Bank's compliance with the CBN Prudential Guidelines and capital requirements has been prepared in accordance with Nigerian GAAP. There are significant differences between Nigerian GAAP and IFRS. See "*Risk Factors – Risks related to the Bank and the Group – The CBN's Prudential Guidelines and capital adequacy requirements are assessed on the basis of Nigerian GAAP*".

Certain selected statistical data and other financial information presented in the sections "*Selected Consolidated Financial Information*", "*Management's Discussion and Analysis of Results of Operations and Financial Condition*" and "*Selected Statistical and Other Information*" of this Offering Circular were prepared using monthly averages of the Bank on a stand-alone basis, as such monthly averages are not available on a consolidated basis.

In January 2008, the CBN introduced a requirement that Nigerian banks change their financial year-end to 31 December, with effect no later than their 2009 year end. This policy was intended to bring Nigerian banks' financial reporting in line with international standards, assist rating agencies in their assessment and ranking of Nigerian banks and create a uniform basis for the comparison of Nigerian banks. All Nigerian banks had a common financial year end of 31 December for the first time on 31 December 2009.

The Bank changed its financial year end from 28 February to 31 December in 2008, resulting in a 10-month financial reporting period from 1 March 2008 to 31 December 2008. The Bank's results for the 10 month period ended 31 December 2008 are not directly comparable to those for any financial years included herein and are not indicative of results that would have been achieved for a period of twelve months ended 31 December 2008. For a discussion of the risks involved in the change of the Bank's financial year end, see "*Risk Factors – Risks related to the Bank and the Group – The Bank's 2008 financial statements are not comparable to its 2009 and 2010 financial statements*".

Unless otherwise indicated, financial information set forth herein related to the Group has been derived from the Group's consolidated financial statements as of and for the financial year ended 31 December 2010, with comparative financial information as of and for the financial year ended 31 December 2009 (the "**2010 Financial Statements**") and consolidated financial statements as of and for the financial year ended 31 December 2009, with comparative financial information as of and for the 10 month period ended 31 December 2008 (the "**2009 Financial Statements**" and, together with the 2010 Financial Statements, the "**Annual Financial Statements**"), each of which was prepared in accordance with IFRS. The 2010 Financial Statements and the 2009 Financial Statements, including the audit reports of KPMG Professional Services, Nigeria ("**KPMG**") thereon, are set forth elsewhere in this Offering Circular. KPMG's audit reports in respect of each of the 2010 Financial Statements and the 2009 Financial Statements include an emphasis of matter in relation to the fact that the Group also prepared financial statements in accordance with Nigerian GAAP, as follows: "Emphasis of Matter – We draw attention to the fact that these consolidated financial statements are prepared in addition to the Group's statutory consolidated financial statements as described in Note 2 to the consolidated financial statements".

As set out in Note 44 to the Group's 2010 Financial Statements, certain of the Group's 2009 balances were reclassified in line with the presentation in the 2010 Financial Statements due to the following reasons:

- Finance lease expense was reclassified from operating lease expense to other operating expense to properly state operating lease expense.
- Other fees and commission expense was reclassified from general administrative expense to fees and commission expense in order to properly categorise it based on its nature.
- Corporate banking fees and commission were reclassified from other fees and commission expenses to reflect the judgement that commercial banking customers be best categorised as corporate customers.
- Recognised asset/liability for defined benefit obligation was reclassified from other liabilities where it was shown as a negative balance to other assets.
- Disclosure on the fair value of collateral and other security enhancements held against loans and advances to customers and banks was changed because the Bank standardised its rating grades in the last quarter of 2010, by increasing the rating buckets from 6 to 10, as described in Note 5 of the 2010 Financial Statements.

In this Offering Circular, the prior period balances for 2009 are presented as reclassified in the 2010 Financial Statements and the balances for 2008 are presented on a consistent basis.

Investors should note that the Group's segment financial information in its IFRS financial statements does not correspond directly to the business divisions described below. For example, the Public Sector Division is relatively small and is reported as part of the Group's retail banking segment in its IFRS financial statements.

According to paragraph 8.2.3 of the CBN "Code of Corporate Governance for Banks in Nigeria Post Consolidation" (the "**CBN Code**"), which requires that banks rotate their firm of external auditors every ten years, beginning with the six-month period ended 30 June 2011, PricewaterhouseCoopers Nigeria will review and audit the Group's financial statements. See "*Directors and Senior Management – Overview of Nigerian Company law*".

Third party information

The Issuer and the Guarantor have obtained certain statistical and market information that is presented in this Offering Circular on such topics as the Nigerian banking sector and the Nigerian and West African economic and political landscape and related subjects from certain Government and other third-party sources described herein. This third-party information is presented in the following sections of the Offering Circular: "*Exchange Rates and Exchange Controls*", "*Overview of the Group*", "*Risk Factors*", "*Description of the Group*", "*Asset, Liability and Risk Management*", "*Management's Discussion and Analysis of Result of Operations and Financial Condition*"., "*Directors and Senior Management*", "*Nigeria*", and "*The Nigerian Banking Sector*". The Issuer and the Guarantor have accurately reproduced such information and, so far as the Issuer and the Guarantor are aware and are able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Nevertheless, prospective investors are advised to consider this data with caution. Prospective investors should note that some of the Issuer's and the Guarantor's estimates are based on such third-party information. Neither the Issuer nor the Guarantor nor any of the Dealers have independently verified the figures, market data or other information on which third parties have based their studies.

Certain statistical information reported herein has been derived from official publications of, and information supplied by, a number of Government agencies and ministries, including the CBN, the Nigerian Debt Management Office ("**DMO**") and the Nigerian National Bureau of Statistics ("**NBS**"). Official data published by the Nigerian Government may be substantially less complete or researched than those of more developed countries. Nigeria faces a number of challenges in gathering statistical data such as inadequate data coverage, inadequate information on sub-national public finances, lack of regularly available data on economic activity and significant errors and omissions in the balance of payment data, all of which hinder compilation of timely and consistent data. Nigeria has attempted to address some inadequacies in its national statistics through the adoption of the Statistics Act of 2007, which established the National Statistical System ("**NSS**") and created the NBS (which came into existence as a result of the merger of the Federal Office of Statistics and the National Data Bank) as its co-ordinator.

Certain information in this Offering Circular has been obtained from the 2009 Banking Industry Report of Agusto & Co. One of the Bank's newly appointed directors, Mr. Olabode Mubasheer Agusto, (appointed in April 2010) is the founder and a director of Agusto & Co. Limited.

The Issuer and the Guarantor have derived substantially all of the information contained in this Offering Circular concerning its competitors from publicly available information, such as annual reports, and have accurately reproduced such information and, so far as the Issuer and the Guarantor are aware and are able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. The Issuer and the Guarantor have relied on the accuracy of this information without independent verification.

Until 2008, the Group had prepared its financial statements using a financial year-end of the last day in February. Historical information prior to 2009 presented herein with respect to other banks in Nigeria may be based on different financial year-ends. Additionally, most Nigerian banks currently prepare their financial statements in accordance with Nigerian GAAP. Therefore, certain information included in this Offering Circular on the business, operating results and financial condition of other banks in Nigeria may not be directly comparable to the business, operating results and financial condition of the Bank or the Group when presented in accordance with IFRS. See "*General information – Documents available*".

Rounding

Certain figures included in this Offering Circular have been subject to rounding adjustments. 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 which precede them.

Certain defined terms

In this Offering Circular:

- "**euro**" or "**€**" refers to the currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to Article 123 of the treaty establishing the European Community, as amended;
- "**GBP**" or "**£**" refers to the lawful currency of the United Kingdom;
- "**Naira**" or "**₦**" refers to the Nigerian Naira, the official currency of Nigeria;
- "**NDIC**" refers to the Nigerian Deposit Insurance Corporation;
- the "**Netherlands**" refers to the Kingdom of the Netherlands European territory;
- "**Nigeria**" or the "**Government**" refers to the Federal Republic of Nigeria;
- "**SEC**" refers to the Nigerian Securities and Exchange Commission;
- "**United States**" or the "**U.S.**" refers to the United States of America; and
- "**U.S. dollar**", "**U.S.$**" refers to the lawful currency of the United States of America.

FORWARD LOOKING STATEMENTS

Certain statements included herein may constitute forward looking statements that involve a number of risks and uncertainties. Certain such forward looking statements can be identified by the use of forward looking terminology such as "believes," "expects," "may," "are expected to," "intends," "will," "will continue," "should," "would be," "seeks," or "anticipates" or similar expressions or the negative thereof or other variations thereof or comparable terminology. These forward looking statements include all matters that are not historical facts. They appear in a number of places throughout this Offering Circular and include statements regarding the Group's intentions, beliefs or current expectations concerning, amongst other things, the Group's results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which it operates. By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future.

Prospective investors should be aware that forward looking statements are not guarantees of future performance and that the Group's actual results of operations, financial condition and liquidity, and the development of the industry in which it operates may differ materially from those made in or suggested by the forward looking statements contained in this Offering Circular. In addition, even if the Group's results of operations, financial condition and liquidity and the development of the industry in which it operates are consistent with the forward looking statements contained in this Offering Circular, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause those differences include, but are not limited to:

- anticipated growth of the Group's institutional, commercial, public sector, retail and investment banking businesses and anticipated growth of its cross selling activities among client segments and products;
- expectations as to the Group's expansion in West Africa; and
- estimates as to the impact of investments in information technology to improve cost efficiencies.

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

- overall political, economic and business conditions in Nigeria, including oil prices;
- the demand for the Group's services;
- competitive factors in the industries in which the Group and its customers compete;
- changes in government regulations;
- changes in tax requirements, including tax rate changes, new tax laws and revised tax law interpretations;
- interest rate fluctuations and other capital market conditions;
- exchange rate fluctuations;
- effects of the global financial crisis;
- economic and political conditions in international markets, including governmental changes;
- hostilities and restrictions on the ability to transfer capital across borders; and
- the timing, impact and other uncertainties of future actions.

The sections of this Offering Circular entitled "*Risk Factors*," "*Management's Discussion and Analysis of Results of Operations and Financial Condition*," "*Description of the Group*" and "*Selected Statistical and Other Information*" contain a more complete discussion of the factors that could affect the Group's future performance and the industry in which it operates. In light of these risks, uncertainties and assumptions, the forward looking events described in this Offering Circular may not occur.

Neither the Bank nor the Issuer undertakes any obligation to update or revise any forward looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward looking statements attributable to the Bank or the Group or to persons acting on their behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Offering Circular.

EXCHANGE RATES AND EXCHANGE CONTROLS

Exchange rates

The currency of Nigeria is the Naira, which was introduced in January 1973. The three exchange rates which operate in the Nigerian economy are:

- the Dutch Auction System ("**DAS**") rate, which is managed by the CBN and consists of the Wholesale Dutch Auction System ("**WDAS**") rate or the Retail Dutch Auction System ("**RDAS**") rate. The WDAS and RDAS are alternate regimes which do not operate at the same time. The current DAS rate in operation in Nigeria is the WDAS (the "**Official Exchange Rate**");
- the inter-bank exchange rate which is a rate determined by a two-way quote system of banks trading among themselves with funds obtained from other official sources of foreign exchange outside of the CBN, such as the interbank market, oil companies, non-oil export proceeds and customer inflows; and
- the bureaux de change ("**BDC**") rate, which rate was introduced in 2009 when the CBN issued licences to BDC operators as one of the measures to stabilise the exchange rate.

The following table sets forth information on the Official Exchange Rate between the Naira and the U.S. dollar for each of the periods specified.

	Average	**Low**	**High**	**Period End**
		(U.S.$1.00)		
2006	128.14	129.79	127.77	127.78
2007	125.07	127.14	117.64	117.64
2008	117.78	129.16	116.64	129.16
2009	147.27	151.37	149.19	149.19
2010	150.30	151.55	149.08	150.66
Three months ended 31 March 2011	150.01	151.02	148.50	151.02

Sources: CBN

As of 27 April 2011, the Official Exchange Rate was ₦152.92: U.S.$1.00.

U.S. dollar translation

Solely for the convenience of the reader, this Offering Circular presents unaudited translations of certain Naira amounts into U.S. dollars. The Group has translated the summary income statement and balance sheet information as of and for the year ended 31 December 2010 and certain other financial information into U.S. dollars at the rates of U.S.$1.00 = ₦152.064. This rate represents the Ruling Market Rate on 31 December 2010 and certain other financial. The "Ruling Market Rate" is a U.S. dollar/ Naira exchange rate, which is determined as a mid-market rate (between the bid rate and offer rate) determined on the basis of the average closing rates from the six most active trading banks on the relevant date.

No representation is made that the Naira or U.S. dollar amounts in this Offering Circular could have been converted in U.S. dollars or Naira, as the case may be, at any particular rate or at all.

Exchange controls

The Exchange Control (Repeal) Act No. 8 of 1995 and the Foreign Exchange (Monitoring and Miscellaneous) Provisions Act, Cap F34 LFN 2004 (the "**Forex Act**"), which repealed various pieces of legislation, substantially liberalised exchange controls in Nigeria which had been in place since 1982. The Forex Act introduced regulatory monitoring provisions on foreign exchange in Nigeria in place of exchange control provisions. The Forex Act allows any person to invest foreign currency or capital imported into Nigeria through an authorised dealer in any enterprise or security in Nigeria (except enterprises expressly prohibited by relevant provisions of Nigerian law). Following importation of the investment capital, the authorised dealer shall, within a period of 24 hours, issue to the investor, a Certificate of Capital Importation which guarantees unconditional repatriation and/or transferability of funds in freely convertible currency.

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OVERVIEW OF THE GROUP

This section contains an overview of the detailed information and financial information included elsewhere in this Offering Circular. This overview may not contain all of the information that may be material to prospective investors and, therefore, should be read in conjunction with this entire Offering Circular, including the more detailed information regarding the Group's business and financial information and related notes included elsewhere in this Offering Circular or referenced herein. Prospective investors should also carefully consider the information set forth in the section "Risk Factors".

The Group offers a wide range of financial services and products throughout Nigeria and in Anglophone West Africa. The Bank's business is primarily focused on large and medium-size corporate clients. Since 2005, the Bank has increased its retail business, primarily targeting high-end retail customers who are employed by large, reputable companies. In recent years, the Group has re-branded itself to establish a more recognisable brand and to create awareness of its evolution as a regional West African bank with a nationwide network in Nigeria and focus on the provision of banking services to nearly all segments of the Nigerian economy.

The Group's front office operations involve the following four divisions:

- *Institutional Banking Division*, which services multi-nationals and large corporate organisations with annual gross revenue of ₦5.0 billion (U.S.$33.3 million) and above. In addition to servicing corporate customers, the Institutional Banking Division manages the Treasury Group and the Corporate Finance Group. Within the Institutional Banking Division, the Bank has specialised groups focused on general corporate banking and on the energy and telecommunications industries.

- *Commercial Banking Division*, which is structured to meet the banking needs of middle market entities such as manufacturers, importers, distributors, traders and other medium-sized corporate organisations with annual gross revenues between ₦250 million and ₦5.0 billion (U.S.$1.7 million and U.S.$33.3 million).

- *Retail Banking Division*, which provides banking services, primarily deposit accounts, to individuals and small businesses with annual gross revenues less than ₦250 million (U.S.$1.7 million).

- *Public Sector Division*, which services the needs of governments and government agencies at the federal, state and local government levels as well as contractors to Nigerian state and government agencies.

The Group's core business areas are supported by corporate centres, including the Operations Division, which is responsible for providing technical support and infrastructure for the rest of the Group's divisions and activities. Also included under corporate centres are the Corporate Services Division, which provides risk management services, and the Internal Services Division, which provides administrative, legal and security support to the Group.

The Bank has four banking subsidiaries in Anglophone West Africa: Guaranty Trust Bank (Gambia) Ltd. ("**GTB Gambia**"), Guaranty Trust Bank (Sierra Leone) Ltd. ("**GTB Sierra Leone**"), Guaranty Trust Bank (Ghana) Limited ("**GTB Ghana**") and GTB (Liberia) Limited ("**GTB Liberia**"). The Group also has a wholly owned United Kingdom subsidiary called GTB U.K. Limited ("**GTB U.K.**"). GTB U.K. was primarily established to provide banking services to the Bank's customers who regularly travel between London and West Africa. It also offers international trade and settlement services to West African businesses and financial institutions. The Bank also currently has four non-banking subsidiaries, all of which will be either divested or integrated into the Bank by May 2012 under the new CBN banking licence guidelines. In addition the Bank has a special purpose finance vehicle, GTB Finance B.V., which is the Issuer under the Programme. See "*Description of the Group– Subsidiary companies – Non-banking subsidiaries*".

As of 31 March 2011, the Group has 187 branches and 519 ATMs in Nigeria as well as 47 subsidiary branches throughout Anglophone West Africa and one branch in the United Kingdom.

In January 2007, the Bank accessed the international capital markets for the first time and became the first Nigerian company to issue Eurobonds, with an issue of U.S.$350 million notes due 2012, through GTB Finance. This transaction was named "*Nigerian Deal of the Year 2007*" by The Banker Magazine.

In July 2007, the Bank raised U.S.$824 million through an issue of GDRs in the domestic and international capital markets. The GDRs are listed on the main market of the London Stock Exchange. This transaction was awarded "*Nigerian Deal of the Year 2008*" by The Banker Magazine.

In December 2009, the Bank established a ₦200 billion domestic debt issuance programme and issued a debut domestic ₦13.2 billion (U.S.$88.0 million) 5-year senior unsecured fixed rate bond. This was the first domestic bond issuance under an SEC regulated book building process in Nigeria.

The Bank had 356,830 shareholders of its ordinary shares as of 31 December 2010. With the exception of Citibank Nigeria Limited, which held 13.04 per cent. of the Bank's ordinary shares, in its capacity as custodian for the underlying shares in relation to the Bank's GDRs, and Stanbic Nominees Nigeria Limited, which held 11.49 per cent. of the Bank's ordinary shares in trading accounts on behalf of various investors, no shareholder held more than 5.0 per cent. of the Bank's ordinary shares as of 31 December 2010. The Bank is not aware of any shareholder which holds a beneficial interest of 5.0 per cent. or more of the ordinary shares. See "*Share Capital and Share Ownership*". The Bank's 14-member Board of Directors controlled, in the aggregate, 2.02 per cent. of the Bank's ordinary shares as of 31 December 2010.

As of 31 December 2010, the Bank was the fourth largest bank in Nigeria by total assets and for the year ended 31 December 2010 the Bank was the most profitable Nigerian bank, as measured by return on equity and by profit (according to the audited financial statements of Nigerian banks in accordance with Nigerian GAAP).

As of 31 December 2010, the Group had total assets of ₦1,168.1 billion (U.S.$7.7 billion) and total equity attributable to equity holders of the Bank of ₦214.2 billion (U.S.$1.4 billion) and, for the year ended 31 December 2010, it generated ₦39.3 billion (U.S.$258.0 million) in net profit.

The Bank was incorporated in Nigeria in July 1990, under registration certificate number 152321, as a private limited liability company under the CAMA, and in the same year the CBN issued it a licence to operate as a commercial bank. The Bank carries on business as a bank under the BOFIA. In 1996, the Bank was converted into a public limited liability company and listed on the Nigerian Stock Exchange (the "**NSE**"). In 2001, the CBN issued the Bank a universal banking licence, which is the licence it currently holds. In 2010 the CBN issued regulations which repealed the universal banking guidelines and, in January 2011, the Bank received a provisional approval of its application for a commercial banking licence under the new regulations.

The Bank's registered office is located at Plot 1669, Oyin Jolayemi Street, Victoria Island, in Lagos, Nigeria and its telephone number is +234 1 262 2650-64.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth certain historical consolidated financial information derived from the Annual Financial Statements. The Annual Financial Statements have been prepared in accordance with IFRS and are presented in Naira.

Solely for the convenience of the reader, the Bank has translated the selected income statement information and the summary balance sheet information as of 31 December 2010 into U.S. dollars at the rate of U.S.$1.00 = ₦152.064. This rate represents the Ruling Market Rate on 31 December 2010.

The Bank changed its financial year end from 28 February to 31 December in 2008, resulting in a 10-month financial reporting period from 1 March 2008 to 31 December 2008. The Bank's results for the 10-month period ended 31 December 2008 are not directly comparable to those for any other financial years and are not indicative of results that would have been achieved for a period of twelve months ended 31 December 2008. See "*Presentation of Financial and Other Information – Financial Statements*" and "*Risk Factors – Risks related to the Bank and the Group – The Bank's 2008 financial statements are not comparable to its 2009 and 2010 financial statements*".

Prospective investors should read the following summary consolidated financial and other information in conjunction with the information contained in "*Capitalisation and Indebtedness*", "*Selected Statistical and Other Information*" and the Annual Financial Statements and the related notes thereto.

Consolidated statement of financial position of the Group

	As of 31 December			
	2010	**2010**	**2009**	**2008**
	(U.S.$ millions) (unaudited)		*(₦ millions)*	
Assets				
Cash and cash equivalents	1,796	273,075	255,945	274,634
Non pledged trading assets	979	148,872	134,927	20,231
Pledged assets	194	29,482	22,113	55,739
Derivative assets held for risk management	–	–	–	4,618
Loans and advances to banks	1	187	146	34
Loans and advances to customers	3,971	603,907	574,587	421,773
Investment securities	220	33,526	19,159	110,199
Trading properties	48	7,350	5,071	15,086
Property and equipment	298	45,381	41,281	34,963
Intangible assets	13	1,956	2,338	2,233
Deferred tax assets	4	588	411	37
Other assets	156	23,729	23,539	23,572
Total assets	**7,680**	**1,168,053**	**1,079,517**	**963,119**
Liabilities				
Deposits from banks	171	26,027	31,187	62,989
Deposits from customers	4,952	753,088	666,922	469,250
Debt securities issued	440	66,887	67,373	50,103
Current tax liabilities	66	10,082	3,484	9,485
Deferred tax liabilities	32	4,885	6,558	3,646
Other liabilities	400	60,870	91,860	171,591
Liabilities on insurance contracts	19	2,926	1,477	795
Other borrowed funds	151	23,034	12,390	14,221
Total liabilities	**6,231**	**947,799**	**881,251**	**782,080**
Equity				
Share capital and share premium	860	130,735	128,403	126,538
Retained earnings	110	16,660	10,215	13,636
Other components of equity	439	66,828	54,506	36,823
Total equity attributable to equity holders of the Bank	1,409	214,223	193,124	176,997
Non controlling interest	40	6,031	5,142	4,042
Total equity	**1,449**	**220,254**	**198,266**	**181,039**
Total liabilities and equity	**7,680**	**1,168,053**	**1,079,517**	**963,119**

Consolidated statement of comprehensive income of the Group

	For the years ended 31 December			For the 10 month period ended 31 December
	2010	2010	2009	2008
	(U.S.$ millions) except per share data) (unaudited)	*(₦ millions except per share data)*		
Interest income	750	114,005	128,605	71,734
Interest expense	(198)	(30,152)	(44,227)	(22,358)
Net interest income	**552**	**83,853**	**84,378**	**49,376**
Fee and commission income	225	34,155	27,887	20,830
Fee and commission expense	(21)	(3,212)	(1,617)	(175)
Net fee and commission income	**204**	**30,943**	**26,270**	**20,655**
Net trading income	52	7,945	7,444	6,892
Net loss from other financial instruments at fair value profit or loss		–	(141)	2,685
Other operating income and fair value changes	(15)	(2,261)	4,000	1,427
	37	**5,684**	**11,303**	**11,004**
Premium from insurance contracts	32	4,900	5,362	4,037
Premium ceded to re-insurers	(13)	(1,960)	(2,199)	(1,584)
Net premiums from insurance contracts	**19**	**2,940**	**3,163**	**2,453**
Operating income	**812**	**123,420**	**125,114**	**83,488**
Net impairment loss on financial assets	(70)	(10,597)	(33,276)	(4,758)
Net operating income after net impairment loss on financial assets	**742**	**112,823**	**91,838**	**78,730**
Personnel expenses	(116)	(17,655)	(18,484)	(12,751)
Operating lease expenses	(4)	(594)	(583)	(661)
Depreciation and amortisation	(44)	(6,741)	(5,951)	(3,977)
Other operating expenses	(265)	(40,265)	(31,807)	(23,706)
Total expenses	**(429)**	**(65,255)**	**(56,825)**	**(41,095)**
Profit before income tax	**313**	**47,568**	**35,013**	**37,635**
Income tax expense	(54)	(8,248)	(6,410)	(7,721)
Profit for the year	**259**	**39,320**	**28,603**	**29,914**
Other comprehensive income net of income tax:				
Foreign currency translation differences for foreign operations	(3)	(470)	257	(31)
Net change in fair value of available for sale financial assets	9	1,416	503	475
Income tax relating to component of other comprehensive income	–	–	94	(148)
Other comprehensive income for the year, net of tax	6	946	854	296
Total comprehensive income for the year	**265**	**40,266**	**29,457**	**30,210**
Profit attributable to:				
Owners of the Bank	256	38,890	28,592	29,207
Non-controlling interest	3	430	11	707
Profit for the year	259	39,320	28,603	29,914
Total comprehensive income attributable to:				
Owners of the Bank	262	39,900	29,547	29,503
Non-controlling interest	2	366	(90)	707
Total comprehensive income for the year	**265**	**40,266**	**29,457**	**30,210**
Basic earnings per share (Naira)	0.01	1.69	1.53	1.96
Adjusted earnings per share (Naira)	0.01	1.69	1.23	1.60

Key ratios

	As of and for the years ended 31 December		As of and for the 10 month period ended 31 December
	2010	2009	2008
		(%)	
Profitability ratios:			
Return on average equity[(1)(2)]	19.31	15.08	17.46
Return on average assets[(1)]	3.50	2.80	3.53
Net interest margin[(3)]	8.53	8.35	7.66
Net interest income/operating income	74.32	91.88	62.15
Cost to income ratio[(4)]	57.84	61.88	59.22
Operating expenses/average total assets[(1)]	5.81	5.62	4.93
Effective tax rate	17.34	18.31	20.52
Balance sheet ratios:			
Total net loans to customers/total assets	51.72	53.24	43.79
Deposits/total assets	66.70	64.67	55.26
Total equity/total assets	18.34	17.89	18.80
Liquid assets/customer accounts[(5)]	56.11	59.16	65.87
Liquid assets/liabilities of up to one month[(5)]	64.85	59.75	76.59
Capital adequacy ratios (IFRS):			
Total capital	23.24	23.52	22.56
Tier 1 capital	22.11	23.10	22.41
Capital adequacy ratios (Nigerian GAAP):			
Total capital	25.46	26.06	28.10
Tier 1 capital	24.75	25.33	27.47
Credit quality ratios (IFRS):			
Non performing loans/gross loans	6.15	3.32	0.77
Allowances for impairment losses[(6)]/non performing loans	82.47	112.47	131.02
Allowances for impairment losses[(6)]/total gross loans	5.09	3.74	1.01
Impairment charges to average net loans[(1)]	1.76	6.36	1.18
Credit quality ratios (Nigerian GAAP):			
Non performing loans to gross loans	6.74	11.84	1.87
Provisions/non performing loans	100.99	48.86	118.38
Provisions/gross loans	6.81	5.79	2.16
Loan loss expenses/average net loans[(1)]	1.40	7.34	1.14

Notes:

(1) Calculated based on the average of opening and closing balances of the Group for the period.

(2) Calculated on tangible shareholders' equity.

(3) Calculated based on monthly averages of the Bank on a stand alone basis.

(4) Operating expenses/operating income.

(5) Liquid assets include cash and cash equivalents, treasury bills, trading assets and government bonds.

(6) Allowances for impairment losses include allowances for specific impairment and portfolio impairment.

OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms.

This Overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive.

Words and expressions defined in "*Form of the Notes*" and "*Terms and Conditions of the Notes*" shall have the same meanings in this Overview.

Issuer:	GTB Finance B.V.
Guarantor:	Guaranty Trust Bank plc
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. There are also certain factors that may affect the Guarantor's ability to fulfil its obligations under the Guarantee. These factors are set out under "*Risk Factors*". In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are also set out under "*Risk Factors*" and include the fact that the Notes may not be a suitable investment for all investors, certain risks relating to the structure of particular Series of Notes and certain market risks.
Description:	Global Medium Term Note Programme
Arrangers:	J.P. Morgan Securities Ltd. and Morgan Stanley & Co. International plc.
Dealers:	Citigroup Global Markets Limited, J.P. Morgan Securities Ltd., Morgan Stanley & Co. International plc and any other Dealers appointed in accordance with the Programme Agreement.
Trustee:	Deutsche Trustee Company Limited
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale and Transfer and Selling Restrictions*") including the following restrictions applicable at the date of this Offering Circular: **Notes having a maturity of less than one year** Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent. See

	"*Subscription and Sale and Transfer and Selling Restrictions*". **Bearer Notes** The Notes in bearer form are subject to certain restrictions on transfer. See "*Subscription and Sale and Transfer and Selling Restrictions*".
Exchange Agent:	Deutsche Bank Trust Company Americas
Registrar, Paying Agent and Transfer Agent for the Registered Notes (other than Restricted Notes):	Deutsche Bank Luxembourg S.A.
Registrar, Paying Agent and Transfer Agent for the Registered Notes (other than Restricted Notes):	Deutsche Bank Trust Company Americas
Issuing and Principal Paying Agent:	Deutsche Bank A.G., London Branch
Programme Size:	Up to U.S.$2,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer and the Guarantor may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non syndicated basis.
Currencies:	Notes may be denominated in, subject to any applicable legal or regulatory restrictions or any restrictions imposed by the depositary from time to time, any currency agreed between the Issuer and the relevant Dealer.
Redenomination:	The applicable Final Terms may provide that certain Notes may be redenominated in euro. The relevant provisions applicable to any such redenomination are contained in Condition 5 (*Redenomination*).
Maturities:	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to a maximum of 30 years and such other minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully paid or a partly paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer or registered form as described in "*Form of the Notes*". Registered Notes will not be exchangeable for Bearer Notes and *vice versa*.

Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer. Interest on Fixed Rate Notes in bearer form will only be payable outside the United States and its possessions, subject to Condition 7(e) (*General provisions applicable to payments*).
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined: (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as of the Issue Date of the first Tranche of the Notes of the relevant Series); or (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (c) on such other basis as may be agreed between the Issuer and the relevant Dealer. The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes. Interest on Floating Rate Notes in bearer form will only be payable outside the United States and its possessions, subject to Condition 7(e) (*General provisions applicable to payments*).
Index Linked Notes:	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree. Interest on Index Linked Notes in bearer form will only be payable outside the United States and its possessions, subject to Condition 7(e) (*General provisions applicable to payments*).
Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:	Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.
Dual Currency Notes:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such

	rates of exchange, as the Issuer and the relevant Dealer may agree. Interest on Dual Currency Notes in bearer form will only be payable outside the United States and its possessions, subject to Condition 7(e) (*General provisions applicable to payments*).
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Redemption:	The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default or upon a Put Event) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders. The terms of any such redemption, including notice periods, any relevant conditions to be satisfied and the relevant redemption dates and prices will be indicated in the applicable Final Terms. If the applicable Final Terms so specify, Noteholders shall have the option, in the event of a Put Event, to require the Issuer to redeem or purchase the relevant Notes at par plus accrued interest, as further described in Condition 8(e) (*Redemption or Purchase at the option of Noteholders on a Put Event (Change of Control Put)*). The applicable Final Terms may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms. Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution. See "*Certain Restriction: Notes having a maturity of less than one year*" above.
Denomination of Notes:	The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see "*Certain Restrictions: Notes having a maturity of less than one year*" above, and save that the minimum denomination of each Note will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency). Unless otherwise stated in the applicable Final Terms, the minimum denomination of each Definitive IAI Registered Note will be U.S.$500,000 or its approximate equivalent in other Specified Currencies.
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Relevant Jurisdiction as provided in Condition 9 (*Taxation*). In the event that any such deduction is made, the Issuer or, as the case may be, the Guarantor will, save in

	certain limited circumstances provided in Condition 9 (*Taxation*), be required to pay additional amounts to cover the amounts so deducted. The Bank is required by law, in accordance with a double taxation treaty between the Netherlands and Nigeria, to withhold tax at the rate of 7.5 per cent. on interest payments to the Issuer. Tax withheld will (subject to customary exceptions and limitations) be grossed up by such additional amounts as are required for the Issuer to receive, net of any withholding or deduction, the amounts it would have received had no such withholding or deductions been required.
Negative Pledge:	The terms of the Senior Notes will contain a negative pledge provision as further described in Condition 4(a) (*Negative Pledge*).
Certain Other Covenants:	The Senior Notes also contain covenants relating to certain capital adequacy requirements and, among other things, a limited restriction on dividends and similar payments, and restrictions on certain consolidations or mergers, disposals and transactions with affiliates. See Condition 4.
Cross Default:	The terms of the Senior Notes will contain a cross default provision as further described in Condition 11 (*Events of Default and Enforcement*).
Status of the Senior Notes:	The Senior Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4(a) (*Negative Pledge*)) unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.
Subordination:	Payments in respect of the Subordinated Notes will be subordinated as described in Condition 3(c)(*Status of the Subordinated Notes*) and the Trust Deed. The Guarantee by the Guarantor in respect of the Subordinated Notes will be subordinated as described in Condition 3(d)(*Status of the Guarantee in respect of the Subordinated Notes*) and the Trust Deed.
Guarantee:	The Senior Notes will be unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under its guarantee in respect of the Senior Notes will be direct, unconditional and (subject to the provisions of Condition 4(a) (*Negative Pledge*)) unsecured obligations of the Guarantor and will rank *pari passu* and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor from time to time outstanding. The guarantee by the Guarantor in respect of the Subordinated Notes will be subordinated as described in

	Condition 3(d) (*Status of the Guarantee in respect of the Subordinated Notes*) and the Trust Deed.
Rating:	S&P has assigned a B+ long term rating and a B short term rating to Senior Notes issued under the Programme and a B long term rating to dated Subordinated Notes issued under the Programme. Fitch has assigned a B+ (long term rating) or B (short term rating). The rating of certain Series of the Notes to be issued under the Programme may be specified in the applicable Final Terms.
Listing and admission to trading:	Application has been made to the U.K. Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market. Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued. The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.
Governing Law:	The Notes will be governed by, and construed in accordance with, English law, except Condition 3(c) which shall be governed by, and construed in accordance with Dutch law and Condition 3(d) (*Status of the Guarantee in respect of the Subordinated Notes*) which shall be governed by, and construed in accordance with Nigerian law.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom and the Netherlands) Nigeria, Japan and Switzerland and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See "*Subscription and Sale and Transfer and Selling Restrictions*".
United States Selling Restrictions:	Regulation S, Category 2. Rule 144A and Section 4(2) and TEFRA C, TEFRA D or TEFRA not applicable and as specified in the applicable Final Terms. The Notes in bearer form are subject to certain restrictions on transfer. See "*Subscription and Sale and Transfer and Selling Restrictions*".

RISK FACTORS

Each of the Issuer and the Guarantor believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

If the risks described below materialise, the Issuer's and/or Guarantor's business, results of operations, financial condition or prospects could be materially adversely affected, which could cause the trading price of the Notes to decline and investors to lose all or part of their investment. Furthermore, Notes issued under the Programme will have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily, or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer or the Guarantor to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer and the Guarantor based on information currently available to them or which they may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

Risks related to the Issuer

The Issuer's principal purpose is to provide funding, through the international capital markets, to the Guarantor. The Issuer's ability to fulfil its obligations under the Notes is entirely dependent on the performance of the Guarantor. Therefore, in considering the risks that may affect the Issuer's ability to fulfil such obligations, potential investors should primarily focus on the risk factor analysis set out below in respect of the Guarantor and its ability to fulfil its obligations under the Guarantee, which is crucial to the Issuer's ability to fulfil its obligations under the Notes.

Risks related to the Nigerian banking sector

The banking sector is affected by changes in the Nigerian economy.

The financial results and condition of Nigerian banks depend to a significant extent on the performance of the Nigerian economy. Nigeria has experienced periods of slow or negative growth, high inflation and fluctuations in the value of the Naira.

The global financial crisis has impacted Nigeria, particularly through the consequent fluctuations in oil prices and limited availability of capital. According to the NBS, Nigeria's real GDP grew 7.86 per cent. in the first nine months of 2010, 6.96 per cent. in 2009, 5.98 per cent. in 2008 and 6.45 per cent. in 2007. Overall GDP growth for 2010 is estimated at 7.85 per cent., according to provisional data from the NBS.

The Nigerian economy is highly affected by oil prices and by the country's level of oil and gas production. The oil and gas sector accounted for approximately 17 per cent. of GDP in the first half of 2010 and approximately 75.1 per cent. of total gross federally collectible revenue in the first half of 2010.

Crude oil prices (spot rate for Bonny Light crude according to the United States Energy Information Administration) declined from an average of U.S.$101.78 per barrel in 2008 to U.S.$63.02 in 2009, increasing in 2010 to an average of U.S.$81.25 per barrel. The average price of crude oil (spot rate for Bonny Light crude according to the United States Energy Information Administration) was U.S.$106.56 per barrel for the three months ended 31 March 2011.

Nigeria's oil production in 2009 and 2008 averaged 2.1 million barrels per day, compared to 2.5 million barrels per day in 2005. In 2010, oil production levels increased to an average of 2.47 million barrels per day. As of June 2010, Nigeria's crude oil reserves were estimated by the Nigerian Department of Petroleum Resources at 31.81 billion barrels.

Nigeria's annual inflation rate for 2010 as measured by the consumer price index ("**CPI**") was 9.8 per cent. The annual inflation rate was 6.6 per cent. in 2007 and rose to 15.1 per cent. in 2008. Inflationary pressure moderated slightly in 2009 to an annual rate of 12.0 per cent. In June 2010 the NBS reweighted the CPI to lower the weight of food in the inflation basket from 63.8 per cent. to 50.7 per cent., resulting in an upward revision to the inflation rate for June 2010 to 14.1 per cent. from 10.3 per cent.

The exchange rate of the Naira against the U.S. dollar is substantially affected by international oil prices. The significant decline in international oil prices from over U.S.$145 per barrel in July 2008 to below U.S.$40.00 per barrel in January 2009 contributed to the depreciation of the Naira against the U.S. dollar during that period. In late 2008 and early 2009, the Naira/U.S. dollar exchange rate declined from a high of ₦116.64 in 2008 to a low of ₦151.37 in 2009. In the last quarter of 2008, the CBN took measures to address the instability, including drawing from Nigeria's external reserves and intervening in the currency markets. The average exchange rate for the three months ended 31 March 2011 was ₦151.02:U.S.$1.00. The substantial decline in international oil prices and the exchange rate in the last half of 2008 and the first quarter of 2009 had a significant impact on the largely unhedged import contracts of importers, particularly in the downstream oil and gas sector and the banks, including the Bank, which had extended credit to them.

Any deterioration in economic conditions in Nigeria as a result of these or other factors, or any significant fluctuation in GDP, inflation, the value of the Naira or interest rates could adversely affect Nigerian banks, including the Group.

High levels of margin lending led to significant loan impairments in the Nigerian banking sector.

Margin lending, which is lending for the purpose of acquiring shares, with security against the value of the shares, can be relatively risky. If the value of the underlying shares declines, borrowers may not be in a position to post additional security or repay a portion of their loans. Further, if the value of the underlying shares declines quickly and/or significantly, sufficient proceeds may not be realised from a sale of the underlying shares to repay the loan.

The Nigerian Stock Exchange All Share Index (the "**All Share Index**") reached an all-time high of 66,371.21 in March 2008, due at least in part to significant levels of margin lending by Nigerian banks. According to the Agusto & Co. 2009 Banking Industry Report (dated July 2010), the Nigerian banking sector's total exposure to margin lending is estimated to be over ₦1 trillion, representing approximately 13 per cent. of the Nigerian banking sector's total loans and advances. From March 2008 to March 2009, the All Share Index declined significantly, reaching a low of 19,803.60, which represents a decline of 70.3 per cent. from the peak. Although the All Share Index recovered somewhat in the second quarter of 2009, it has since retreated and as of 31 March 2011 was at 20,827.17, which is only 5.2 per cent. above the 2009 low.

Historically, the Bank offered a margin lending facility for the purposes of investing and/or trading in the Stock Market, in shares of companies approved by the Bank. The Bank has not offered new margin lending facilities since 2009, however certain facilities are still outstanding.

When the values of the shares listed on the NSE declined, many banks incurred significant impairments on their margin loan portfolios. This was one of the most significant factors resulting in the CBN taking remedial action, including the Special Examinations (as defined below). See "*–Special examinations of Nigerian banks by the CBN in 2009 identified systemic weaknesses in the banking sector*". Any further decline in the value of the shares listed on the NSE may adversely affect the banking sector.

Special examinations of Nigerian banks by the CBN in 2009 identified systemic weaknesses in the banking sector.

As a result of the high levels of margin lending in the Nigerian banking sector, the CBN made the decision in 2009 to intervene and examine all of the banks in Nigeria. These examinations identified systemic weaknesses in the banking sector, which may continue to have an adverse effect on investment in, and the performance of, the Nigerian economy and the banking sector.

Prior to the CBN's intervention in October 2008, the CBN established the Expanded Discount Window ("**EDW**") to support the banking sector. The EDW allowed banks to borrow from the CBN at longer tenors (from overnight to 360 days) and expanded the types of collateral that could be used for borrowings. In June 2009, the CBN became concerned about the level of bank borrowings at the EDW, most of which was owed by five banks which were permanent or regular users of the EDW (Afribank, Finbank, Intercontinental Bank, Oceanic Bank and Union Bank of Nigeria).

In July 2009, the CBN closed the EDW and instead guaranteed interbank placements and foreign creditors and correspondent banks' credit lines until the end of March 2010. The CBN has subsequently extended this guarantee a number of times and most recently to September 2011. The banking sector may not recover sufficiently for the CBN to allow the guarantee to expire in September 2011. If the guarantee does expire, this may result in a decline in income for banks which have been net lenders in the interbank market, if they reduce their interbank lending following the expiry of the guarantee.

In July 2009, the CBN, together with the NDIC, initiated special examinations (the "**Special Examinations**") of all twenty-four Nigerian banks existing at that time. The result of the Special Examinations of the first ten banks (the Bank, Afribank, Diamond Bank, Finbank, First Bank of Nigeria, Intercontinental Bank, Oceanic Bank, Sterling Bank, Union Bank of Nigeria and United Bank for Africa) was published in August 2009 and revealed that five out of the ten banks (Afribank, Finbank, Intercontinental Bank, Oceanic Bank and Union Bank of Nigeria) were the main users of the EDW over a nine-month period ending June 2009, with an aggregate of ₦434 billion of total outstanding EDW commitments at the peak and which accounted for 90 per cent. of total EDW disbursements. These five banks had high concentrations of margin loans and downstream oil and gas loans, many of which were non-performing as a result of the substantial decline in share prices on the NSE, which began in 2008 and the substantial decline in international oil prices in the second half of 2008.

A second round of Special Examinations covering the remaining 14 banks (Access Bank, Bank PHB, Citibank Nigeria, Ecobank Nigeria, Equitorial Trust Bank, Fidelity Bank, First City Monument Bank, Skye Bank, Spring Bank, Stanbic IBTC Bank, Standard Chartered Bank Nigeria Unity Bank, Wema Bank and Zenith Bank) was completed in October 2009. The CBN found that four of these 14 banks (Bank PHB, Equitorial Trust Bank, Spring Bank and Wema Bank) had significant issues with their liquidity, capital adequacy and corporate governance (together with the five banks in the initial round, the "**Intervened Banks**").

The CBN removed the managing directors and executive directors of each of the Intervened Banks (other than Wema Bank, which had already been taken over by a new management), and injected an aggregate of ₦620 billion (₦420 billion following the initial round of Special Examinations and ₦200 billion following the second round of Special Examinations) in the form of tier two capital into the Intervened Banks (seven year convertible loans, initially at 11.0 per cent., but reduced to 8.0 per cent. in December 2009). Interest on the loans is presently calculated at the CBN monetary policy rate ("**MPR**") minus 3 per cent. It ordered Wema Bank and Unity Bank to recapitalise by 30 June 2010.

Following the special examinations, the Economic and Financial Crimes Commission ("**EFCC**"), a Nigerian government agency which prosecutes cases in relation to certain criminal laws in Nigeria, prosecuted some of the senior management teams of the Intervened Banks alleged to have committed financial improprieties and in October 2010 an executive member of Oceanic Bank was sentenced to a jail term.

The Intervened Banks are now in the process of being recapitalised by the Asset Management Corporation of Nigeria ("**AMCON**"), a company established by the Government in July 2010.

The Government has stated that it intends that AMCON will, among other things, provide liquidity to the banks by buying their non-performing and margin loans, recapitalise the Intervened Banks, and increase access to refinancing opportunities for borrowers.

In November 2010, AMCON announced that it would issue up to ₦2.5 trillion (U.S.$16.6 billion) in principal amount of three-year, zero-coupon bonds ("**AMCON Bonds**"), to finance the purchase of non-performing loans and margin loans from Nigerian banks. AMCON Bonds are guaranteed by the Government.

In December 2010, AMCON issued ₦1.03 trillion principal amount of AMCON Bonds, with net proceeds of ₦770 billion. The proceeds from this issuance were used to purchase non-performing loans from all but one of the Intervened Banks and to purchase margin loans from each of the 21 Nigerian banks that participated in the first tranche of the programme, including the Bank (Citibank Nigeria, Stanbic IBTC Bank and Standard Chartered Bank elected not to participate).

In 2010, the Bank sold non-performing margin and share-backed loans to AMCON which had a gross value of ₦6,431 million and total provisions of ₦5,240 million in exchange for bonds issued by AMCON with a value of ₦2,323 million. The Bank may sell up to 70 per cent. of its remaining non-performing loans to AMCON in 2011, however it will only do so if it is able to reach commercially agreeable terms for this sale.

In April 2011, AMCON issued an aggregate of ₦1.7 trillion in additional AMCON Bonds in three tranches. The first tranche of ₦1.15 trillion was swapped for the initial consideration AMCON Bonds issued in December 2010 to acquire loans from the 21 banks before AMCON received regulatory approval to issue tradeable bonds. The second ₦20.7 billion tranche was issued to investors and the third ₦535 billion tranche was issued for the purpose of acquiring additional non-performing loans from the 22 banks participating in the second tranche of the programme (Citibank Nigeria and Standard Chartered Bank elected not to participate).

If AMCON and other initiatives introduced by the CBN fail to achieve the desired results, the weakness in the banking sector may continue to have an adverse effect on the investment in, and the performance of, the Nigerian economy and consequently the Group.

Although the Bank is not one of the Intervened Banks, it is nonetheless affected by these developments in the Nigerian banking sector including, the risk of deterioration of the commercial soundness and/or perceived soundness of the Nigerian banking sector. Continued systemic weakness in the banking sector may continue to have an adverse effect on investment in, and the performance of, the Nigerian economy and the banking sector, and in turn the Group's business, results of operations and financial condition.

The Nigerian banking sector is affected by global financial conditions as well as the soundness and perceived soundness of financial institutions outside of Nigeria.

Since 2007, the global financial crisis has affected financial markets and generally reduced the availability of capital to governments, financial institutions and other companies. Many financial institutions have needed to seek additional capital or to merge with larger and stronger institutions and some financial institutions, including large, established ones such as Lehman Brothers, failed. Reflecting concern about the stability of the financial markets generally and the strength of counterparties, many lenders and institutional investors reduced, and in some cases, ceased to provide, funding to borrowers, including other financial institutions. Nigerian banks are subject to the risk of deterioration in global financial conditions, as well as the soundness and perceived soundness of financial institutions outside of Nigeria, primarily as it affects the availability of international financing and access to capital markets for Nigerian banks.

The bank regulatory system in Nigeria is changing rapidly.

The Nigerian banking sector is at a relatively early stage of development compared with the banking sectors in more developed countries. Nigeria's banking sector has historically been characterised as highly fragmented and poorly capitalised, with weak banking regulations. In addition, it is unclear how legal and regulatory developments may affect the competitive banking landscape in Nigeria.

In conjunction with the Special Examinations, the CBN has announced and has begun to implement a number of changes to banking regulations, including:

- a requirement for banks to use a uniform 31 December financial year end, by 31 December 2009;
- increased financial reporting disclosure requirements for Nigerian GAAP financial statements prepared and filed with the CBN;
- a requirement for banks to prepare annual IFRS financial statements, beginning from 1 January 2012;
- the termination in 2009 of the CBN's policy limiting aggregate foreign investment in any Nigerian bank to 10 per cent. of the bank's total capital;
- limits on the tenures of banks' chief executive officer ("**CEO**") to ten years, effective as of January 2010, which required the immediate resignation of the CEOs of United Bank for Africa and Zenith Bank and will require the Bank's CEO to resign by August 2012. See "*Directors and Senior Management – Overview of Nigerian company law*";
- a requirement for banks to rotate their firm of external auditors every ten years and not re-appoint them until after a period of ten years has passed, which has required the Bank to appoint a new auditor in 2011 (PriceWaterhouseCoopers), beginning in respect of its interim financial statements as of and for the six months ended 30 June 2011 and its annual financial statements as of and for the year ended 31 December 2011. See "*The Nigerian Banking Sector – Prudential Guidelines*"; and
- reversal of the universal banking regime and institution of the requirement for Nigerian banks to divest non-banking businesses or restructure their banking groups under a holding company structure by May 2012, which has required the Bank to apply to the CBN for a commercial banking licence, and to submit a compliance plan for the divestiture of its non-banking subsidiaries. See "*Description of the Group – Subsidiaries – Non-banking Subsidiaries*".

No assurance can be given that the regulatory environment in which the Group operates in Nigeria will not change in a manner that will have a material adverse effect on the Group's ability to compete and thus on its business, financial condition, results of operations and prospects. Prospective investors should understand that regulatory standards applicable to banks in Nigeria and the oversight and enforcement thereof by regulators differ from those applicable to banking operations in countries with highly developed regulatory regimes. As a result, investors may not have the benefit of all of the protections available in such other countries.

Delay or failure to effectively implement sectoral reforms may adversely affect the growth prospects of Nigerian banks, including the Bank.

The Government is in the process of implementing reforms in the oil and gas, power and shipping sectors. Legislative initiatives behind these reforms include the Nigerian Oil and Gas Industry Content Development Act 2010 (the "**Nigerian Content Act**"), the proposed Petroleum Industry Bill (the "**PIB**"), and the Coastal and Inland Shipping (Cabotage) Act No. 5 of 2003 ("**Cabotage Act**"). Certain of these reforms focus on the use of domestic banks for financing, and the retention of profits in Nigerian banks. The Bank believes that such reforms will provide new business opportunities for Nigerian banks, including increased lending opportunities. However, there is a risk that the PIB may not be enacted into law or that the Nigerian Content Act, the Cabotage Act, the PIB (if enacted) and other expected reforms may not be implemented, or, if implemented, may not provide the expected benefits to the banking sector. See "*– Risks related to Nigeria and other regions in which the Group operates – Certain proposed legal and regulatory reforms in Nigeria may not be successfully implemented*".

The lack of a well-developed central credit bureau in Nigeria and the availability of good quality statistical, corporate and financial information, along with a relatively high credit risk environment make lending difficult.

Banks are subject to credit risk, which is the risk that borrowers may not make payment of principal and interest on loans in a timely manner, if at all, and that upon any such failure to pay, banks may not be able to enforce their security. The credit risk of borrowers in Nigeria is relatively high compared with borrowers in other countries due to the greater uncertainty of the Nigerian regulatory, political, legal, judicial and economic environment and the higher risk of fraud. Additionally, the current legal framework for ownership and transfer of land in Nigeria makes it difficult for landowners to register land rights or to pledge their land ownership rights as collateral for a mortgage or other loan. See "*– Risks related to the Bank and the Group – Difficulty in obtaining and enforcing adequate security as collateral for the Group's loans may adversely affect its loan portfolio*".

Higher credit risk in Nigeria has a material adverse effect on the quality of loan portfolios and exposes banks, including the Bank, to higher risks and more potential losses. Such losses may have a material adverse effect on the Group's financial condition, liquidity and results of operations.

A Nigerian central credit bureau, which keeps information on borrowers' credit history, including information such as timeliness of loan repayments, was launched in 1998, but has not developed into a comprehensive and reliable source. In addition, international rating agencies do not have sufficiently wide coverage of borrowers in Nigeria. Nigeria's system for gathering and publishing statistical information relating to the Nigerian economy generally, or specific economic sectors and companies within it, is not as comprehensive as those of many countries with established market economies. Thus, the statistical, corporate and financial information available to the Group relating to some of its prospective borrowers, particularly middle tier companies, makes the assessment of credit risk, including the valuation of collateral, more challenging. Although the Group typically makes an estimation of the net realisable value of collateral on the basis of which it determines applicable provisioning and collateralisation requirements, the absence of additional statistical, corporate and financial information may decrease the accuracy of banks' including the Group's assessment of their credit risk. This may increase the risk of borrower default, or the risk that the relevant collateral will not have a value commensurate with the loan secured by such collateral.

The Nigerian banking sector is becoming increasingly competitive.

Competition among the largest and best capitalised banks in Nigeria, as well as those banks which have the support of a foreign parent, is increasing. As of 31 December 2010, there were 24 banks registered in Nigeria, however, the Group believes its most significant competitors are First Bank, Zenith Bank and United Bank for Africa. These banks are comparable to or larger than the Group in terms of total assets, deposit base and shareholders funds and may have access to lower cost funding.

Mergers in the banking sector, including possible transactions involving the Intervened Banks, may increase competition. In 2007, the CBN allowed Stanbic Bank Nigeria and IBTC Chartered Bank to merge. With the intent of attracting foreign capital to the Nigerian banking sector, in 2009 the CBN reversed its policy of limiting foreign capital investment in Nigerian banks to 10 per cent. In April 2011, Access Bank and Intercontinental Bank announced a proposed merger (which is subject to regulatory approvals). Other recent proposed strategic transactions include a merger of First Bank of Nigeria and Oceanic Bank (although the parties have since determined not to proceed) and investments in Union Bank of Nigeria by the African Capital Alliance Consortium and in Afribank by Vine Capital. FirstRand Limited of South Africa has also had preliminary discussions regarding an investment in Sterling Bank

Additionally, other international banks, including Standard Chartered Bank Nigeria, a wholly owned subsidiary of Standard Chartered Bank U.K., and Citibank Nigeria, a subsidiary of Citigroup, are increasing their presence in Nigeria and compete with the Group for its high net worth and corporate clients. International banks with the support of a foreign parent may also have access to lower cost funding. In many of the jurisdictions in which the Group operates outside Nigeria, it faces competition from larger, more established, and in some cases, better-capitalised financial institutions.

In addition, the relatively loose monetary policy and other policies of the CBN intended to mitigate the effects of the financial crisis have increased liquidity in the banking sector, which has resulted in increased competition and pricing pressure for new lending opportunities.

Increased competition is likely to result in a further narrowing of spreads between deposit and loan rates and have an adverse impact on the Group's business, financial condition and results of operations.

There are risks in Nigeria associated with weak corporate governance standards, transparency and reporting.

Corporate governance standards are not well-developed or enforced in Nigeria. The CBN implemented the CBN Code in 2006, which is mandatory for all banks in Nigeria and reflects the increasing importance that the CBN places on improved corporate governance. In April 2011, the SEC adopted a new code of corporate governance, which strengthens the corporate governance regime in Nigeria. See "*Directors and Senior Management – Overview of Nigerian Company law*". In December 2007, the Bank adopted corporate governance standards beyond those required by the CBN; however, these standards are not equivalent to those required in the United States or in Western European jurisdictions.

Due to weak corporate governance requirements in the Nigerian banking industry, it is possible that violations of disclosure and reporting requirements or breaches of fiduciary duties by the Bank's directors could significantly affect the Bank's receipt of information material to its operations or result in inappropriate management decisions. Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that either the Issuer or the Group will be unable to comply with its obligations as a company with securities admitted to the Official List.

Nigerian banks will be required to transition to IFRS in 2012.

The NASB and the CBN have established 1 January 2012 as the effective date by which all Nigerian banks will be required to begin publishing annual and semi-annual IFRS financial statements.

Banks will also be required to produce Nigerian GAAP financial statements and the CBN will continue to assess compliance with the Prudential Guidelines in accordance with Nigerian GAAP financial statements. The Group's management financial information (including segment information) is prepared based on Nigerian GAAP, whose requirements differ from those of IFRS in certain respects. Accordingly, the financial information available to management may not be indicative of the Group's results of operations prepared under IFRD. The Bank is in the process of transitioning its internal accounting systems to be able to produce IFRS-based management accounts, and plans to do so during 2011. See "– *Risks related to the Bank and the Group – The CBN's Prudential Guidelines and capital adequacy requirements are assessed on the basis of Nigerian GAAP*".

The transition to IFRS for Nigerian banks may present risks, including in relation to possible poor understanding of IFRS by banks' accounting personnel, which may result in inaccuracies and/or errors in their IFRS financial statements, possible shortages of qualified personnel who have experience with IFRS, both for audit firms and Nigerian banks, and/or the process of transitioning accounting systems to IFRS-based systems. Nigerian banks have all been transitioning to IFRS-based systems according to their own internal deadlines, in order to meet the CBN's 1 January 2012 deadline. Although the Group has prepared annual financial statements on a consolidated basis in accordance with IFRS since 2007, it may also be subject to these risks. Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that either the Issuer or the Group will be unable to comply with its obligations as a company with securities admitted to the Official List.

Capital adequacy requirements in Nigeria differ from international standards.

The capital adequacy requirements in Nigeria differ from those in more developed regulatory jurisdictions and the requirements are not as stringent as the guidelines from the Bank for International Settlements. See "*The Nigerian Banking Sector – Prudential Guidelines*". Moreover, the CBN is focused on paid-up capital levels rather than setting more stringent minimum levels of capital to risk-weighted assets than the current 10.0 per cent. requirement.

In 2004, the Basel Committee on Banking Supervision (the "**Basel Committee**") issued a revised capital adequacy framework ("**Basel II**") to replace the previous Capital Accord issued in 1988 ("**Basel I**"). With regard to the risk weightings to be applied to exposures to sovereign states, Basel II replaced the previous approach by a system that uses both external and internal credit assessments for determining risk weightings. The CBN has recommended a standardised approach to Basel II, although most of the banks operating in the Nigerian banking industry have not yet achieved compliance with Basel I. Furthermore, prudential guidelines applicable to the Group in Nigeria may differ in material respects from the capital requirements contained in Basel I. For instance, under the CBN Prudential Guidelines mortgages carry a risk weight of 100.0 per cent. of the value of the mortgage, compared to 50.0 per cent. under Basel I.

In December 2010 and January 2011, the Basel Committee issued its final guidance on a new capital adequacy framework ("**Basel III**"). The reforms under Basel III include increasing the minimum common equity (or equivalent) requirement and applying stricter regulatory adjustments. In addition, banks will be required to maintain, in the form of common equity (or equivalent), a capital conservation buffer. Further buffers may also be implemented if there is excess credit growth in any given country resulting in a system wide build up of risk. If the Basel III guidelines are implemented in Nigeria in their current form, they could increase the minimum quantity and quality of capital which the Guarantor is obliged to maintain. The CBN has not yet required compliance with Basel III, or issued guidelines for its implementation in Nigeria.

There can be no assurance that the CBN will not change the capital requirements applicable to the Group, and there can be no assurance that the Group will be able to obtain necessary capital on favourable terms, in a timely manner or at all. If the Bank was to fail to meet applicable capital adequacy requirements, the CBN could take remedial actions, including restricting the Group's asset growth, suspending certain of the Group's activities and imposing restrictions on the payment of dividends by the Group, any of which could materially and adversely affect the Group's business, results of operations and financial condition. Failure of the Bank to comply with capital adequacy or other ratios may result in the revocation of the Bank's licence and breach of loan covenants.

Risks related to the Bank and the Group

The Group may not be able to maintain the credit quality of its loan portfolio.

In recent years, the Group has increased its lending volumes in an effort to improve returns. The Group's gross loans and advances to customers grew to ₦603.9 billion (U.S.$3,971 million) as of 31 December 2010, from ₦574.6 billion as of 31 December 2009, and ₦421.7 billion as of 31 December 2008. The growth of the lending growth over recent years may result in increasing levels of non-performing loans as the loan portfolio seasons.

There is no fully-developed central credit bureau in Nigeria and limitations on the country's legal framework (such as the ability to promptly and effectively pledge land as collateral) present risks to the Group's relatively small retail loan portfolio. See "–*Risks related to the Nigerian banking sector–The lack of a well-developed central credit bureau in Nigeria and the availability of good quality statistical, corporate and financial information, along with a relatively high credit risk environment make lending difficult*". As of 31 December 2010, the Group's retail loan portfolio, net of allowances for possible losses and decline in value, was ₦64 billion (U.S.$420.9 million) constituting 10.1 per cent. of its total loans to customers. The Group intends to increase its retail lending, and particularly its credit card business, which may enhance its ability to increase margins, revenues and profits. However, retail customers typically present greater credit risk than larger companies and negative developments in the Nigerian economy could affect retail and commercial borrowers more significantly than larger companies.

The Group's total impairment as of 31 December 2010 stood at ₦32.4 billion (U.S.$213 million), representing 5.72 per cent. of gross loans and advances to customers, compared with ₦22.2 billion, representing 3.72 per cent. as of December 2009 and ₦4.2 billion, representing 1.0 per cent. as of 31 December 2008. The significant increases in impairment in 2009 resulted primarily from the Bank's margin loan portfolio, as a result of the decline in the NSE in the last half of 2008 and first quarter of 2009, as well as loans in the downstream oil and gas sector, as a result of the decline in oil prices and the value of the Naira against the U.S. dollar in 2008. Although the Group has adopted a formal policy prohibiting issuing margin loans and has not provided any new margin facilities since 2009, such loans constituted 2.2 per cent. of the Group's gross loans and advances to customers as of 31 December 2010, as compared with 2.6 per cent. as of 31 December 2009 (according to Nigerian GAAP). In 2010, the Bank sold non-performing margin-and share-backed loans to AMCON with a gross value of ₦6,431 million (U.S.$42,291) and total provisions of ₦5,240 million (U.S.$34,459) in exchange for bonds issued by AMCON with a value of ₦2,323 million (U.S.$15,276). The Bank may sell up to 70 per cent. of its remaining non-performing loans to AMCON in 2011, however it will only do so if it is able to reach commercially agreeable terms for this sale.

Although the Group continues to actively manage and monitor its loan portfolio, there can be no assurance that in the future, particularly as the Group continues to grow its loan portfolio, the Group will be able to maintain the credit quality of its loan portfolio, which could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group intends to increase its lending to retail customers and small and medium-sized corporates which presents greater credit risks.

The Group intends to increase its retail lending, and particularly its credit card business, which may enhance its ability to increase margins, revenues and profits. Retail customers typically present greater credit risk than corporates and negative developments in the Nigerian economy could affect retail borrowers more significantly than corporates. In addition, there is no fully-developed central credit bureau in Nigeria and limitations on the country's legal framework (such as the ability to promptly and effectively pledge land as collateral) present risks to the Group's relatively small retail loan portfolio. See "*–Risks relating to the Nigerian banking sector – The lack of a well-developed central credit bureau and good quality statistical, corporate and financial information and relatively high credit risk make lending difficult*" and "*–Difficulty in obtaining and enforcing adequate security as collateral for the Group's loans may adversely affect its loan portfolio*". As of 31 December 2010, the Group's retail loan portfolio, net of allowances for possible losses and decline in value, was ₦69.7 billion (U.S.$458.1 million) constituting 10.9 per cent. of its total loans to customers. The increase in the Group's retail lending portfolio could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group has historically focused on large companies and plans to increase lending to small and medium sized commercial customers. Small and medium sized companies typically present greater credit risk than lager companies and negative developments in the Nigerian economy could affect commercial borrowers more significantly than large companies, which could have a material adverse effect on the Group's business, results of operations and financial condition.

Difficulty in obtaining and enforcing adequate security as collateral for the Group's loans may adversely affect its loan portfolio.

Although as of 31 December 2010, approximately 90.3 per cent. of the Group's loans and advances to customers were secured (36.7 per cent. were secured against real estate, 7.7 per cent. were secured against shares of quoted companies and 45.9 per cent. were otherwise secured) 9.7 per cent. of the Group's loans and advances to customers were unsecured. For loans which are secured, if the Group is forced to realise on the security, for various reasons the realisable value from the security may be less than the outstanding loan. The Group's recovery rates on non-performing loans have historically been relatively low.

Under relevant Nigerian land laws, the Group is required to obtain the consent of the Governor of the relevant state in which real property collateral is situated in order to perfect its security in the property. The process of perfecting title to land is highly bureaucratic, which may unduly prolong the Group's ability to realise security for loans advanced. In addition, the Nigerian judicial system is still largely undeveloped and faces a number of challenges including delays in the judicial process. Accordingly, there is possibility that the Group's loan portfolio may be affected by its inability to enforce judgements obtained on security due to the inefficiencies in the judicial system.

Failure to obtain security with sufficient value, or to adequately perfect security interests could have a material adverse effect on the Group's business, results of operations and financial condition. See "*–Risks related to Nigeria and other regions in which the Group operates – There are inefficiencies in the judicial system in Nigeria which could materially adversely affect the Group's business"*.

The Group's net interest margin may decline.

The Group's net interest margin (defined as net interest income divided by average interest earning assets of the Group) increased by 8.53 per cent. in the financial year ended 31 December 2010, compared to an increase of 8.35 per cent. in the financial year ended 31 December 2009 and 7.66 per cent. in the 10-month period ended 31 December 2008.

The banking industry in Nigeria has become increasingly competitive, making it more difficult for the Bank to increase lending without competing on the basis of pricing. See "*–Risks relating to the Nigerian banking sector – The Nigerian banking sector is becoming increasingly competitive*". This increased competition, along with the global economic slowdown, have resulted in increasing pressure on the Group's net interest margin, particularly yields earned in the corporate segment as the Group competes for business.

In addition, the relatively loose monetary policy and other policies of the CBN intended to mitigate the effects of the financial crisis have increased liquidity in the banking sector, which has also resulted in increased pricing pressure for new lending opportunities.

The banking sector and the Group are currently benefiting from the availability of relatively low cost funds in the form of retail and institutional deposits. If the Group is required to increase the rates it pays on deposits in order to maintain this deposit base, this could negatively affect the Group's net interest margin.

A decline in the Group's net interest margin could have a material adverse effect on the Group's business, results of operations and financial condition.

Certain aspects of the Group's business are highly concentrated.

As of 31 December 2010, the Group's top 20 borrowers, which are all institutional customers, comprised 34.5 per cent. of its gross loans and advances to customers, compared to 36.6 per cent. as of 31 December 2009 and 27.1 per cent. as of 31 December 2008. Additionally, a substantial portion of the Group's gross loans and advances to customers are concentrated in the oil and gas sector (21.7 per cent. as of 31 December 2010) and manufacturing sector (18.4 per cent. as of 31 December 2010) of the Nigerian economy. This concentration in part reflects the limited number of high quality corporate credits in Nigeria. Any deterioration, however, in the financial condition of one or more of the Group's largest borrowers or deterioration in the general conditions in any sectors of economy in which they operate, may have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's investment portfolio (including investment securities, pledged assets and non-pledged trading assets) is highly concentrated in Government bonds and treasury bills. As of 31 December 2010, ₦370.1 billion, or 91 per cent. of the Group's investment portfolio consisted of investments in Government bonds and treasury bills, compared with ₦326.7 billion, or 95.1 per cent. as of 31 December 2009 and ₦280.6 billion, or 91.6 per cent. as of 31 December 2008. There has been a downward trend in average yields earned on Government securities in recent years. In the event that the Government defaults on its bonds or treasury bills, the yield on such securities continues to decline or if there is some other interruption in the market, there could be a significant adverse impact on the Group.

The Bank's business is geographically concentrated in Lagos State, which has the highest concentration of banking activities in Nigeria. As of 31 December 2010, 71 per cent. of the Group's loans to customers were to borrowers in Lagos State compared to 73 per cent. in 2009 and 70 per cent. in 2008. As of 31 March 2011, 57 of the Bank's 187 branches were located in Lagos State. In addition, the Group also plans to develop five "mega-branches" within the next three years, which will have over 30 teller service points each, and will serve as hubs for customer service in the Lagos area. These branches will further increase the Bank's exposure to Lagos State. See "*Description of the Group – Distribution Channels – Branches".* There is a risk that the banking market in Lagos State is or will become saturated, or that increased competition in Lagos State will have a material adverse effect on the Group's business, results of operations and financial condition.

The Group is dependent on senior management and key personnel, the loss of whom may adversely affect the Group's ability to implement its business strategy.

The Group's continuing success depends, in large part, on its experienced senior management and banking personnel. The Group's current senior management team includes executives that were formerly employed by major Nigerian and international financial institutions. The Group believes that these executives contribute significant experience and expertise to the Group's management, and other business relationships of members of senior management are important to the conduct of the Group's business.

The CBN Prudential Guidelines prescribe a maximum tenure of ten years for chief executive officers of banks and prohibits CEOs from qualifying for appointment in their former bank or subsidiaries of such bank in any capacity until after three years following the expiration of their tenure as CEO. Accordingly, the Bank's CEO, Mr. Olutayo Aderinokun, must resign from the Bank by August 2012, when he reaches his ten-year maximum tenure. In April 2011, the Bank announced that Mr. Aderinokun is on medical leave.

In accordance with the CBN Code, the Bank had previously filed a succession plan with the CBN, which provides that the Managing Director will be replaced by the Deputy Managing Director. See "*Directors and Senior Management – Overview of Nigerian company law*". Nevertheless, the departure of any key senior management may have a material adverse effect on the Group's business, result of operations and financial position.

The Group may have difficulty recruiting and retaining well qualified personnel.

The Group's success will depend, in part, on its ability to continue to recruit and retain well qualified and experienced banking, investment banking and management personnel. Although competition in the Nigerian banking sector for personnel has generally declined since 2009, with a corresponding reduction in wage inflation, there is still considerable competition for well qualified and experienced personnel. In order to recruit qualified and experienced employees and to minimise the likelihood of their departure to other banks, the Group attempts to provide an attractive package of salary, awards and other incentives to employees. The Group also provides training to its employees through a variety of in-house and external training programmes.

While the Group believes that it has effective staff recruitment, training and incentive programmes in place, the Group's failure to recruit, train and/or retain well qualified personnel could have a material adverse effect on its business, financial condition, and results of operations and prospects. The Group is not insured against the consequences of the loss or dismissal of its key personnel.

The Group's risk management policies and procedures may leave it exposed to unidentified or unanticipated risks.

The Group has devoted resources to developing its risk management policies and procedures, particularly in connection with credit, market, liquidity, interest rate and operational risks, and expects to continue to do so in the future in accordance with its Enterprise Risk Management Framework ("**ERM Framework**"). Nonetheless, its risk management techniques may not be fully effective in mitigating its risk exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some of the Group's methods of managing risk are based upon its use of observed historical market behaviour. As a result, these methods may not predict future risk exposures, which could be significantly greater than historical measures indicate. Other risk management methods depend upon evaluation of information regarding the markets which the Group operates in, its clients or other matters that are publicly available or otherwise accessible by the Group. This information may not be accurate, complete, up-to-date or properly evaluated in all instances. In addition, the Group is subject to political, economic and other risks associated with Nigeria and the other countries in which it operates (see "*–Risks related to the Nigerian banking sector – Risks related to Nigeria and other regions in which the Group operates*"), which cannot effectively be managed. Any failure in the Group's risk management techniques may have a material adverse effect on its business, results of operations and financial condition.

In the past the Group has suffered from certain credit-quality problems, lapses in credit approval and control processes, internal control deficiencies and operational problems as a result of weaknesses in the Group's risk management and internal controls. There can be no assurance that the Group's risk management and internal control policies and procedures will adequately control, or protect the Group against, all credit and other risks. Certain risks are unidentified or unforeseeable, and could be greater than the Group's empirical data would otherwise indicate. In addition, the Group cannot guarantee that all of its staff will adhere to its policies and procedures. The Group's growth and expansion may affect its ability to implement and maintain stringent internal controls. The Group's risk management and internal control capabilities are also limited by the information, tools and technologies available to the Group. Any material deficiency in the

Group's risk management or other internal control policies or procedures may expose the Group to significant credit, liquidity, market or operational risk, which may in turn have a material adverse effect on the Group's business, results of operations and financial condition. Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that either the Issuer or the Group will be unable to comply with its obligations as a company with securities admitted to the Official List.

A decline in the value or the illiquidity of the collateral securing the Group's loans may adversely affect its loan portfolio.

Whilst there are limitations on securing effective collateral over certain assets, including land, a substantial portion of the Group's loans to corporate customers and individuals is secured by collateral such as real property, land leasing rights, production equipment, vehicles and securities. Downturns in the relevant markets, a lack of an existing market for the collateral within Nigeria or a general deterioration of economic conditions may result in declines in the value of collateral securing a number of loans to levels below the amounts of the outstanding principal and accrued interest on those loans. If collateral values decline, they may not be sufficient to cover irrevocable amounts on the Group's secured loans which may require the Group to reclassify the relevant loans, establish additional loan loss expenses and increase reserve requirements. A failure to recover the expected value of collateral may expose the Group to losses, which may materially adversely affect the Group's financial condition and results of operations.

The Bank's 2008 financial statements are not comparable to its 2009 and 2010 financial statements.

In January 2008, the CBN introduced a requirement that Nigerian banks change their financial year end to 31 December, no later than their 2009 year end. This policy was intended to bring Nigerian banks' financial reporting in line with international standards, assist rating agencies in their assessment and ranking of Nigerian banks and create a uniform basis for the comparison of Nigerian banks. All Nigerian banks had a common financial year end of 31 December for the first time in 2009.

The Group changed its financial year end from 28 February to 31 December in 2008, resulting in a 10-month financial reporting period from 1 March 2008 to 31 December 2008. The Group's results for the 10-month period ended 31 December 2008 are not directly comparable to those for any financial year included herein and are not indicative of results that would have been achieved for a period of twelve months ended 31 December 2008.

Investors should be aware of this in making any assessment of the Bank's or the Group's financial performance, liquidity, results of operations or financial condition, or for purposes of a comparison of any financial measures or economic trends applicable to the 2008 accounting period in relation to prior and/or future financial years.

The CBN's Prudential Guidelines and capital adequacy requirements are assessed on the basis of Nigerian GAAP.

The CBN currently looks to the Bank's financial statements prepared in accordance with Nigerian GAAP to determine banks' compliance with the Prudential Guidelines and capital adequacy requirements and will continue to assess compliance with the Nigerian GAAP financial statements. There are significant differences between Nigerian GAAP and IFRS. Some of the key differences include: (i) interest income on impaired assets is not recognised under Nigerian GAAP while IFRS requires that such interest income be recognised in the income statement; (ii) provisions for loan loss is determined based on Prudential Guidelines under Nigerian GAAP, while an incurred loss model is used in determine the impairment loss under IFRS; and (iii) credit related fees are recognised in the profit and loss account at the time of occurrence under Nigerian GAAP while under IFRS, credit related fees are recognised as part of effective interest or over the period of the contract, depending on the nature of the contract. Therefore, the results of operations and financial condition of the Bank as reflected in its annual financial statements prepared in accordance with IFRS may not reflect the Bank's actual business, results of operations or financial condition for determining the Bank's performance under, and compliance with, CBN regulations. In addition, the Bank uses its financial statements prepared in accordance with Nigerian GAAP to determine whether, and to what extent, it can undertake certain activities, such as paying dividends to shareholders. Investors should understand that the CBN will look to the Bank's financial statements prepared in accordance with Nigerian GAAP, not IFRS, in determining the Bank's compliance with the CBN's capital requirements and the CBN's Prudential Guidelines. Investors will not be able to assess the Bank's compliance with the CBN's capital requirements and the CBN's Prudential Guidelines on the basis of the IFRS financial statements.

The Group's auditors have in the past, identified material differences between the Group's management accounts and the audited financial statements.

Particularly in relation to provisions on risk assets, the auditors of the Group have, in the past, identified to management material differences between the financial position and performance of the Group as shown in its management accounts, and the financial position and performance of the Group as of the same dates and for the same periods, as reported in its audited financial statements. The Group has taken and will continue to take steps to improve the accuracy of internal financial reporting procedures. However, if management fails to improve the Group's internal financial reporting systems, this could make it difficult for management to measure the financial performance of the Group, which could, in turn, result in matters of possible significance not being drawn to the attention of management until the end of relevant reporting periods. Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that either the Issuer or the Group will be unable to comply with its obligations as a company with securities admitted to the Official List.

If the Group fails to receive or maintain licences required to conduct its operations, or if any existing licences are revoked, its operations may be adversely affected.

Banking and other operations performed by Nigerian banks such as broker, dealer and depositary activities in Nigeria require licences from the CBN. The Group has obtained licences in connection with its banking operations, including banking operations involving foreign currencies, and its broker, dealer and depositary operations. The Group's key licences do not have a specified expiration or termination dates. Although the Group was successful in obtaining its CBN licences, there is no assurance that it will be able to obtain any additional required licences or maintain existing licences in the future. In the event that the Group loses a CBN licence or is required to apply for a new licence, the process could be burdensome and time-consuming. Under the 2010 CBN regulations which repealed the universal banking guidelines, Nigerian banks which held a universal banking licence had to apply for a new CBN licence. In January 2011, the Bank received a provisional approval of its application for a commercial banking licence under the new regulations. The CBN may, in its discretion, impose additional requirements or deny any request by the Group for licences, which could materially adversely affect its business, financial condition, results of operations and prospects. In particular, the loss of a general banking licence, a breach of the terms of a general banking licence by the Group or its failure to obtain such a licence in the future could result in the Group being unable to continue some or all of its banking activities, being unable to expand its business internationally and having penalties and fines imposed on it by the CBN. Any such failure could, in turn, have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group relies on short-term deposits as a primary source of funding, which may result in liquidity gaps.

Whilst the Bank has recently taken steps to diversify its funding sources, in common with other banks in Nigeria, the Group has historically relied heavily on depositors to meet its funding needs. As of 31 December 2010, 88.5 per cent. of the Group's interest-bearing liabilities (comprising deposits from banks and customers, debt securities and other borrowings) were due within three months and 31.4 per cent. of the Group's interest-earning assets (comprising cash and cash equivalents, trading securities, pledged assets, loans and advances to customers and banks and investment securities) had maturities in excess of three months.

Nigerian companies usually withdraw their deposits on a frequent basis and do not typically place significant funds within the banking sector on a long-term basis. While the Group's cost of funds has been relatively low recently in comparison to recent years, if a substantial portion of the Group's depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, the Group may need to seek other more expensive sources of funding to meet its funding requirements, and no assurance can be made that the Group will be able to obtain additional funding on commercially reasonable terms as and when required or at all. In addition, due to general low level of liquidity on the Nigerian market, there are limited opportunities for banks to sell or factor assets other than those that are highly liquid, such as Government securities. There can be no assurance that decreases in corporate deposits and/or unexpected withdrawals of retail deposits will not result in liquidity gaps that the Group may not be able to cover.

The Group could face difficulties meeting its liabilities as they fall due if it fails to attract further medium to long-term financing or if the Group were to experience a sudden increase in withdrawals of deposits. The Group continues to try to diversify its funding sources by entering into syndicated facilities and by issuing capital market instruments such as bonds and global depositary receipts, although the ability of the Group to attract such funds could be affected by a number of factors, including Nigerian economic and political conditions, the state of the Nigerian markets and general international economic conditions.

The Group believes that its liquidity risk management policy, which includes maintaining and monitoring its cash and liquid securities portfolio sufficiently to meet current demands, coupled with its ability to call and/or re-price most of its loans on an annual basis, allows and will continue to allow it to meet its liquidity needs. In addition, the Group has historically maintained a liquidity ratio well above the CBN's regulatory requirement, which in March 2011 was 30.0 per cent. of liquid assets (cash and cash equivalents, treasury bills, trading assets and government bonds) to total deposits. However, a deterioration of the Nigerian economy, an inability to access alternative sources of funds in the international capital, syndicated loan and interbank markets, significant withdrawals of corporate and retail deposits and/or continued mismatches between the Group's assets and liabilities could, together or separately, have a material adverse effect on the Group's business, results of operations or financial condition.

The Group's financial condition and operating results could be affected by market risks.

The Group's financial condition and operating results could be affected by market risks that are outside the Group's control, including, without limitation, volatility in interest rates and prices of securities. Further, the Group does not have advanced systems in place such as those used by banks in more developed banking systems to accurately monitor and manage market risks. The Group may be subject to market risks when the market value of its equity investments declines or when the value of equity securities used to collateralise any of the Group's loans declines.

Fluctuations in interest rates could adversely affect the Group's operations and financial condition in a number of different ways. An increase in interest rates generally may decrease the value of the Group's fixed rate loans and raise the Group's funding costs. Such an increase could also generally decrease the value of fixed rate debt securities in the Group's securities portfolio. In addition, an increase in interest rates may reduce overall demand for new loans and increase the risk of customer default, while general volatility in interest rates may result in a gap between the Group's interest rate sensitive assets and liabilities. Interest rates are sensitive to many factors beyond the Group's control, including the policies of central banks, such as the CBN, domestic and international economic conditions and political factors. There can be no assurance that the Group will be able to protect itself from the adverse effects of future interest rate fluctuations. Any fluctuations in market interest rates, and the Group's inability to monitor such fluctuations so as to respond in a timely and cost effective manner, could lead to a reduction in net interest income and adversely affect the Group's financial condition and results of operations.

The Group may not be successful in introducing new products and services.

In order to maintain its competitive advantage, the Group has expanded and intends to continue to expand the range of its banking products and services which exposes the Group to a number of risks and challenges, including the following:

- the introduction of new products and services will require capital expenditure and there is no guarantee that these new products and services will meet expectations for profitability;
- the Group will need to hire or retrain personnel to successfully implement such new products and services; and
- the Group must continually add to the capability of its risk management and information technology systems to support its activities.

If the Group is unable to achieve the intended results of such new products and services, its business, results of operations and financial condition may be materially adversely affected. In addition, if the Group fails to promptly identify and expand into new areas of business to meet the increasing demand for certain products and services, the Group may fail to maintain its market share or lose some of its existing customers to its competitors.

The Group may make acquisitions and/or significantly expand its branch network.

The Group may make acquisitions and/or significantly expand its branch network by opening new domestic branches and foreign branches and by establishing foreign subsidiaries. In addition to Nigeria, the Group has banking operations in the Republic of the Gambia ("**Gambia**"), the Republic of Sierra Leone ("**Sierra Leone**"), the Republic of Ghana ("**Ghana**"), the Republic of Liberia ("**Liberia**") and the United Kingdom, and intends to expand its network in other countries in West Africa. The Group also plans to expand its branch network within Nigeria, including by developing five "mega-branches" in Lagos State within the next three years. These branches will have over 30 teller service points each and will serve as hubs for customer service. Such activities will require a significant allocation of capital and management resources, further development of the Group's financial, internal controls and information technology systems, continued upgrading and streamlining of its risk management systems and additional training and recruitment of management and other key personnel. At the same time, the Group must maintain a consistent level of client services and current operations to avoid loss of business or damage to its reputation. There can be no assurance that the Group will be able to fully integrate its acquired or newly established subsidiaries in line with its strategy, or to cost-effectively develop its new branches and mega-branches. If the Group fails to manage its growth properly, the Group's business, financial condition, results of operations and prospects may be materially adversely affected.

The Group may not be able to fully comply with anti-money laundering and anti-corruption laws.

The Group is required to comply with applicable anti-money laundering, and anti-terrorism laws and other regulations in Nigeria and other jurisdictions where it has operations. External analysts have identified corruption and money laundering as significant problems in Nigeria. In 2004, Nigeria enacted the Money Laundering (Prohibition) Act of 2004, which replaced the Money

Laundering Act of 2003. The Money Laundering (Prohibition) Act of 2004 requires financial institutions to monitor certain financial transactions of their customers for evidence of money laundering more closely and it increases the reporting requirements of financial transactions by financial institutions. As a result of the enactment of this law, as well as amendments to other related anti-money laundering legislation, in June 2006, the Financial Action Task Force on Money Laundering ("**FATF**") removed Nigeria from a list of countries and territories that are considered non-cooperative in the fight against money laundering. Additionally, the United States withdrew its money-laundering warning on Nigeria in May 2007, citing significant reforms to Nigeria's counter-money laundering system and enforcement.

While the Group has adopted policies and procedures are aimed at detecting and preventing the use of its banking network for money laundering activities and by terrorists and terrorist-related organisations and individuals generally, such policies and procedures have in some cases only been recently adopted and may not completely eliminate instances where the Group may be used by other parties to engage in money laundering and other illegal or improper activities. To the extent the Group may fail to fully comply with applicable laws and regulations, the relevant government agencies to which the Group reports have the power and authority to impose fines and other penalties on the Group. No fines or penalties have been imposed on the Group as of the date of this Offering Circular, however, the Group's business and reputation could suffer if customers were to use the Group for money laundering or illegal or improper purposes.

In addition, the Group's employees or agents may take actions that would be prohibited by the U.S. Foreign Corrupt Practices Act or legislation promulgated pursuant to the 1997 Organisation for Economic Co-Operation and Development (the "**OECD**") Convention on Combating Bribery of Foreign Public Officials in International Business Transactions or other applicable anti-corruption regulations. These actions could result in monetary penalties against the Bank and its subsidiaries and could damage the Group's reputation and, therefore, its ability to do business.

The Group may be subject to operational risk and fraud.

The Group's business activities require accurate recording and processing of a very large number of transactions on a daily basis. The Group maintains a system of controls designed to keep operational risk at appropriate levels, however the Group's recording and processing of transactions are potentially subject to human and technological error or a breakdown in the Group's internal processes or controls relating to the authorisation of transactions, either centrally or within its branch network. Given the high volume of transactions, errors may be repeated or compounded before they are discovered and rectified. Any failure or delay in recording or processing of transactions, or other material breakdown in internal controls, could subject the Group to claims for losses and regulatory fines and penalties.

The Group's internal control policies and procedures may not protect it from fraud or other criminal acts committed by its employees. In 2007, there was incident of fraud at one of the Bank's branches amounting to losses of approximately ₦650 million (U.S.$5.6 million), involving various senior and other personnel members of the branch. More than ₦100.00 million of this amount has subsequently been recovered under the Bank's fidelity insurance cover. For the year ended 31 December 2010, the Bank identified 120 incidents of suspicious activity, which it dealt with in accordance with its anti-money laundering policies. Misconduct by employees could include binding the Group to transactions that exceed authorised limits or present unacceptable risks, or concealing unauthorised or unsuccessful activities, which in either case may result in unknown and unmanaged risks or losses. As such, the Group also manages its operational risk by obtaining outside insurance. However, the Group does not carry insurance coverage at levels comparable to those customary in other countries. Consequently, the inadequacy or a failure of the Group's internal processes or systems may result in unauthorised transactions and errors which may not be detected and the Group's insurance may not cover the Group's losses from such transactions or errors, which may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is subject to risks relating to its information technology systems and its ability to remain competitive depends on its ability to upgrade such systems.

The Group depends on its information technology ("**IT**") systems to process a large number of transactions on an accurate and timely basis, and to store and process substantially all of the Group's business and operating data. The proper functioning of the Group's financial control, risk management, credit analysis and reporting, accounting, customer service and other information technology systems (such as its electronic fraud monitoring and surveillance systems and customer insurance programmes), as well as the communication networks between its branches and main data processing centres, are critical to the Group's business and ability to compete effectively. Unlike banks in many other countries, the Group is unable to rely on state or utility providers of power and telecommunication services and has to make its own arrangements to secure these services. The Group's business activities would be materially disrupted if there is a partial or complete failure of any of the Group's material information technology systems or communications networks. Such failures can be caused by a variety of factors, including natural disasters, extended power outages and computer viruses. In addition, limited national fibre optic coverage makes reliance on technology used to transmit narrowband data ("**VSAT**") mandatory in certain remote areas, which may also be affected by similar interferences. The proper functioning of the Group's information technology systems also depends on accurate and reliable data and other system inputs, which are subject to human errors. Any failure or delay in recording or processing the Group's transaction data could subject it to claims for losses and regulatory fines and penalties.

In particular, the secure transmission of confidential information is a critical element of the Group's operations. The Group's networks and systems may be vulnerable to unauthorised access and other security problems. No assurance can be given that the Group's existing security measures will prevent security breaches, including break-ins and viruses, or other disruptions such as those caused by defects in hardware or software and errors or misconduct of operators. Persons who circumvent the Group's security measures could use the Group's or the Group's clients' confidential information wrongfully. Whilst the Group has not experienced any material disruptions or security breaches in the past, any material security breach or other disruptions could expose the Group to risk of loss and regulatory actions and harm its reputation.

The Group's ability to remain competitive will, to a certain extent, depend on its ability to upgrade its information technology systems on a timely and cost-effective basis. In addition, the information available to and received by the Group through its existing information technology systems may not be timely or sufficient for the Group to manage risks and plan for, and respond to, market changes and other developments in the current operating environment. Any substantial failure to improve or upgrade the Group's information technology systems effectively or on a timely basis or failure to implement more efficient process automation could have a materially adverse effect on the Group's competitiveness, business, results of operations, financial condition and prospects.

The Group is dependent upon the performance and reliability of its banking software.

The Group's financial performance, its ability to meet its strategic objectives and its ability to manage risks arising out of the current market environment and to manage future growth depends and will continue to depend, to a significant extent, upon the functionality of its banking software. The Group uses a banking application called Banking Automation System for Integrated Services ("**BASIS**"). Each branch of the Group maintains a local area network, which are linked in a wide area network with other branches of the Group. The Group also uses BASIS for its e-banking applications, ATMs, automated batch payments, Internet banking, PC banking, telephone banking and mobile banking. BASIS is a less widely used banking application, relative to other banking applications. Personnel need to be trained specifically to work with BASIS, and the Group is generally not able to hire employees who have experience with BASIS. There is also a risk that any IT problems that arise can not be as efficiently solved by the Group as they would if it used another, more widely used banking application. There can be no assurance that a disruption to the functionality of the Group's IT systems, or delays or other problems in improving the performance and functionality and/or increasing the capacity of the BASIS, or increased costs associated with BASIS, will not have an adverse effect on the Group's business, financial condition, results of operations or prospects.

Insurance coverage may not adequately cover the Group's assets or assets pledged to it by borrowers.

Although the Group maintains insurance on its material assets and additionally requires that certain collateral posted by its borrowers be insured, not all of the Group's assets and liabilities are covered by such insurance. The Group may become subject to uninsured losses on its assets and to claims not covered or inadequately covered by insurance or by uninsured losses on assets posted as collateral. Any such uninsured losses or claims could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

The Group has significant off-balance sheet credit-related commitments.

As part of its business, the Group conducts business involving contingent liabilities and commitments, including acceptances, endorsements, guarantees and letters of credit. The majority of these facilities are offset by corresponding obligations of third parties. All such credit-related commitments are classified as off-balance sheet items in the Group's consolidated financial statements. As of 31 December 2010, the Group had contingent liabilities amounting to ₦425.0 billion (U.S.$2.8 billion), compared to ₦332.8 billion as of 31 December 2009 and ₦423.8 billion as of 31 December 2008.

Although the Group has established allowances for its off-balance sheet contingent liabilities and commitments as it does for its on-balance sheet credits, there can be no assurance that these allowances will be sufficient to protect the Group from the actual losses that the Group may potentially incur on its credit-related commitments. The Group does not create provisions for off-balance sheet liabilities so long as they are performing. However, in the event that an off-balance sheet liability becomes non-performing, the Group will take it on balance sheet and create a provision. See "*Management's Discussion and Analysis of Results of Operations and Financial Condition – Off-Balance Sheet Arrangements*". Any significant deterioration in the Group's off-balance sheet contingent liabilities and credit-related commitments may have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

The Group is affected by changes in the value of the Naira against other currencies.

In late 2008 and early 2009, in conjunction with fluctuating oil prices, the value of the Naira declined significantly against the U.S. dollar, moving from a high of ₦116.64 per U.S. dollar in 2008 to a low of ₦151.37 per U.S. dollar in 2009. In the last quarter of 2008, the CBN took measures to address the instability, including drawing from Nigeria's external reserves and intervening in the currency markets. The value of the Naira against the U.S. dollar stabilised during the second half of 2009, and remained steady during 2010.

The Group's presentation currency and its functional currency is the Naira. Monetary assets and liabilities originally denominated in other currencies are translated into Naira at the relevant balance sheet date. Gains and losses arising from such translations are reflected in the Group's income statement as foreign translation gains less losses. As of 31 December 2010, 69.8 per cent. of the Group's assets were denominated in Naira, 17.8 per cent. of the Group's total assets were denominated in U.S. dollars, and the remainder were in other currencies as of 31 December 2010. Having a large net foreign currency balance sheet position tends to result in foreign exchange translation gains at the balance sheet date at the end of a period when the Naira depreciates against such foreign currencies in nominal terms and in foreign exchange translation losses at the balance sheet date at the end of a period when the Naira appreciates against such foreign currencies in nominal terms. As of 31 December 2010, the gap between the Group's foreign currency assets and liabilities, calculated in Naira, was ₦7.6 million (U.S.$50.4 million) for U.S. dollars, ₦10,282 million (U.S.$68.5 million) for Euros, ₦9,001 million (U.S.$59.2 million) for GBP and ₦70,578 million (U.S.$470.3 million) for other currencies.

In addition, the Group's customers may be subject to substantial foreign exchange risk, which indirectly affect the Groups' credit risk profile. Fluctuations in the value of the Naira may impact the Group's deposits. Any significant decline in the value of the Naira may result in its borrowers being unable to repay foreign–currency denominated loans, particularly where a borrower's revenues are denominated in Naira.

As the Group's revenues are predominantly earned in Naira, a significant decline in the value of the Naira may mean the Group would experience difficulty in repaying any Notes issued in a currency other than Naira.

Fluctuations in the value of the Naira against foreign currencies may have a material adverse effect on the Group's business, results of operations and financial condition.

Risks related to Nigeria and other regions in which the Group operates

Most of the Group's operations are conducted, and substantially all of its customers are located, in Nigeria. Accordingly, the Group's business, financial position, results of operations and ability to recover on its loans are substantially dependent on the economic and political conditions prevailing in Nigeria.

There are risks relating to countries in which the Group operates.

The Group currently operates primarily in Nigeria and has subsidiaries in Gambia, Sierra Leone, Ghana, Liberia and the United Kingdom and intends to expand its presence in other countries in West Africa. Country and regional risks associated with the countries in which the Group currently operates and in which the Group intends to expand, which may have a material impact on its business, results of operations, cash flows and financial condition include:

- political and economic instability;
- civil strife, acts of war, guerrilla activities and insurrection;
- competition from existing market participants that may have a longer history in or greater familiarity with the foreign markets;
- government interventions and protectionism;
- potential adverse changes in laws and regulatory practices, including import and export licence requirements, tariffs, legal structures and tax laws;
- cancellation of contractual rights;
- trade barriers;
- difficulties in staffing and managing operations;
- import and export restrictions;
- adverse tax consequences;
- lack of well-developed legal and judicial systems which could make it difficult for the Group to enforce its intellectual property and contractual rights;
- security and safety of employees;
- restrictions on the right to convert or repatriate currency or export assets;

- greater risk of uncollectible accounts and longer collection cycles;
- currency fluctuations;
- indigenisation and empowerment programmes;
- logistical and communications challenges; and
- changes in labour conditions.

Many of these countries and regions are in various stages of developing institutions and legal and regulatory systems that are characteristic of well established democracies and institutions in some countries and regions may not yet be as firmly established as they are in more advanced and developed economies. Many of these countries and regions are also in the process of transitioning to a market economy and, as a result, are experiencing changes in their economies and their government policies that can affect the Group's investments in these countries and regions. Moreover, the procedural safeguards of the new legal and regulatory regimes in these countries and regions are still being developed and to a large extent are still untested and, therefore, existing laws and regulations may be applied inconsistently. In some circumstances, it may not be possible to obtain the legal remedies provided under those laws and regulations in a timely manner.

As the political, economic and legal environments remain subject to continuous development, investors in these countries face uncertainty as to the security of their investments. Any unexpected changes in the political or economic conditions in these or neighbouring countries may have a material adverse effect on the international investments that the Group has made or may make in the future, which could in turn have a material adverse effect on its business, operating results, cash flows and financial condition.

Emerging markets such as Nigeria are subject to greater risks than more developed markets.

Investing in securities of issuers in emerging markets, such as Nigeria, generally involves a higher degree of risk than investments in securities of corporate or sovereign issuers from more developed countries and carries risks that are not typically associated with investing in more developed markets. These risks include, but are not limited to, higher volatility and more limited liquidity in respect of the Notes, greater political risk, a narrow export base, budget deficits, lack of adequate infrastructure necessary to accelerate economic growth and changes in the political and economic environment. Emerging markets can also experience more instances of corruption by government officials and misuse of public funds than do more mature markets.

Investors should also note that emerging markets such as Nigeria are subject to rapid change and that the information set forth in this Offering Circular may become outdated relatively quickly. Moreover, financial turmoil in any emerging market country tends to adversely affect prices in equity and debt markets of all emerging market issuer countries as investors move their money to more stable, developed markets' issuers. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Nigeria and adversely affect the Nigerian economy. In addition, during such times, companies that operate in emerging markets can face severe liquidity constraints as foreign funding sources are withdrawn. Thus, even if the Nigerian economy remains relatively stable, financial turmoil in any emerging market country could adversely affect the Group's business, and/or result in a decrease in the price of the Notes.

The disruptions in the international capital markets associated with the global financial crisis have also led to reduced liquidity and increased credit risk premiums for certain market participants and have resulted in financing being unavailable for certain entities. Companies located in countries in emerging markets may be particularly susceptible to disruptions in the capital markets and the reduced availability of credit or the increased cost of debt, which could result in them experiencing financial difficulty. In addition, the availability of credit to entities operating within emerging markets is significantly influenced by levels of investor confidence in such markets as a whole and so any factors that impact market confidence (for example, a decrease in credit ratings or state or central bank intervention) could affect the price or availability of funding for entities within any of these markets.

Investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in securities of issuers in emerging markets, such as Nigeria, is only suitable for sophisticated investors who fully appreciate the significance of the risks involved and investors are urged to consult their own legal and financial advisers before making an investment in the Notes.

There are risks related to political instability, religious differences, ethnicity and regionalism in Nigeria.

Nigeria obtained political independence from the United Kingdom on 1 October 1960 and became the Federal Republic of Nigeria in 1963. From July 1966, with the first military coup d'etat, Nigeria experienced a long period of military rule and political instability. With the adoption of the new presidential constitution in May 1999, Nigeria has undergone its longest period of civilian rule since independence. In 2007, Alhaji Umaru Musa Yar'Adua, the People's Democratic Party's ("**PDP**") presidential candidate, was elected as president, securing 70 per cent. of the votes cast. The result of the election was, however, widely disputed, not only by the opposition candidates, but also by international election observers. Following the death of former President Umaru Musa Yar'Adua in May 2010, Goodluck Ebele Jonathan was sworn in as President.

Elections in Nigeria were held in April 2011. In the lead up to and over the course of the April 2011 elections, Nigeria experienced instances of sectarian violence, including bomb explosions in Abuja, Jos, Yenagoa and Maiduguri, which have killed a number of people.

The Nigerian National Assembly, presidential, gubernatorial and State Houses of Assembly elections were originally scheduled to be held on 2 April 2011, 9 April 2011 and 16 April 2011, respectively. Due to the late arrival of result sheets in some senatorial districts and federal constituencies, the National Assembly elections were postponed and rescheduled for 9 April 2011. The postponement of the National Assembly elections necessitated an adjustment to the elections timetable, and the presidential and gubernatorial and State Houses of Assembly elections were rescheduled for 16 April 2011 and 26 April 2011, respectively. See "*Nigeria – Overview of the Federal Republic – General*".

The Presidential elections were held on 16 April 2011 and although the elections were reportedly conducted peacefully and credibly, prior to the final announcement of the results, post election violence and riots occurred in certain cities of some of the northern states of Nigeria (Kaduna, Gombe, Bauchi, Kano, Adamawa, Zaria and some parts of the Federal Capital Territory). The violence was reportedly as a result of the dissatisfaction with election results by supporters of the opposition party, the Congress of Progressive Change (the "**CPC**"), who believed that the results declared in those states did not reflect the perceived widespread support for the CPC.

Regardless, the Nigerian Independent National Electoral Commission (the "**INEC**") and international observers upheld the elections as being well-conducted and INEC formally announced the incumbent President Goodluck Ebele Jonathan as the winner, with over 58.89 per cent. of the total votes cast. President Goodluck secured more than 25 per cent. of the votes cast in over two-thirds of the states in Nigeria and avoided the need for a run-off with the opposition CPC candidate.

Nonetheless, the new administration may pursue different policies and priorities than the former administration, alter or reverse certain reforms, or take actions that make domestic and foreign investment in Nigeria less attractive. Any allegations of fraud or other irregularities in connection with the 2011 elections may undermine the legitimacy of the new administration or lead to protests, violence or other unrest. Any significant changes in the political climate in Nigeria, including changes affecting the stability of the Government or involving a rejection, reversal or significant modification of policies or favouring the privatisation of state-owned enterprises, reforms in the power, banking and oil and gas sectors or other reforms, may have negative effects on the economy, government revenues or foreign reserves, and no assurance can be given that the current reforms and policies will continue.

Apart from the PDP, many of Nigeria's political parties continue to be largely based upon ethnic allegiance. At the same time, these divisions are reinforced by religious differences, particularly between the mainly Muslim north and broadly Christian south. Certain northern states have adopted Shari'ah law since the return to civilian rule in 1999, which has resulted in further alienating the Christian minorities within those states. In early 2010, hundreds of lives were lost around the central city of Jos, due to conflicts relating to issues of land ownership. In December 2010, a series of bomb attacks were carried out in Jos, in which about 80 people died and an Islamist group has claimed responsibility for the bomb attacks. Additionally, there is resentment in the oil rich Niger Delta towards the expenditure of oil revenue in the other parts of the country and the allocation of oil revenue expenditure has provoked political debates, with the oil producing areas claiming that they deserve to achieve some additional benefit in the form of jobs and compensation for environmental degradation. In 2000, the Government increased the amount of government oil revenue returned to the oil-producing states from 3 per cent. to 13 per cent. Opposition from some other states to this revenue-sharing formula resulted in the restriction of the application of the formula with regard to offshore resources, to the littoral boundaries of the coastal states that comprise the prolific Niger Delta region, from 200 nautical miles down to 24 nautical miles. In an attempt to resolve this conflict, the Government enacted the Allocation of Revenue Act (Abolition of Dichotomy in the Application of the Principle of Derivation Act) in 2004. However, Niger Delta states still frequently question the existing policies. These conflicts may adversely affect Nigeria's political stability, which could adversely affect the Group's financial position and operations.

Nigeria is subject to risks to its economic stability.

Despite many efforts to move it forward, the Nigerian economy still faces significant challenges. Throughout the years of military rule, national infrastructure and services were neglected. The agricultural sector, which had been thriving at independence, was allowed to fall into a deep malaise. Nigeria went from being a net food exporter to a food importer as military heads of state neglected all but the lucrative oil sector. Manufacturing and industry, both burgeoning in the 1960s, received no government support. Despite being a major oil producer, Nigeria frequently suffers from fuel shortages and, currently, only about 40 per cent. of Nigeria's total population has access to public electricity supply due to inadequate transmission and distribution networks. The current installed generation capacity of the country is only 7,000 MW of which only 50 per cent. is functional. As such, manufacturers, businesses and retail consumers that need to maintain a reliable power supply are forced to equip themselves with costly generators that are expensive to operate and even then, the possibility of fuel shortages can result in generators not being able to operate.

In July 2010, the Government launched Vision 20:2020, a long-term strategic plan for Nigeria to become one of the 20 largest economies in the world by 2020. In May 2010, the Government adopted the First National Implementation Plan (the "**First NIP**") for the years 2010-2013, a medium-term plan for implementing Vision 20:2020 and the first of three expected national implementation plans. Continued pursuit of long-term objectives such as those set forth in Vision 20:2020 and the First NIP will depend on a number of factors including continued political support at many levels of Nigerian society and across multiple government administrations, adequate funding, and significant coordination. The quantum of funding required for these plans may prove difficult or impossible to meet, and the funding requirements for these initiatives may lead to an increase in Nigeria's outstanding debt. If fiscal resources prove inadequate, it may not be possible to adequately pursue all of the public capital projects set forth in the Vision 20:2020 and the First NIP.

Moreover, some planned reforms may disadvantage certain existing stakeholders, who may seek to curtail such reforms. For example, planned privatisations of state-owned enterprises have in some cases been met with strikes or threats of strikes in anticipation of job losses and increased prices. If the Government is not able to fund or implement the medium-term objectives contained in the First NIP, or if there is a delay in such funding or implementation, then the Government may not be able to meet the long-term strategic objectives set forth in Vision 20:2020 by 2020, which could result in an adverse effect on the economy of Nigeria, and consequently on the financial position and operations of the Group.

Impact of the global economic crisis on the Nigerian economy.

The global recession and financial crisis in 2008 and 2009 impacted Nigeria particularly through the resulting fluctuations in oil prices and increased investor aversion to risk which resulted in a withdrawal of portfolio capital and reduced access of private sector borrowers to external credit lines. The impact of the global recession has been felt mainly through a reduction in external reserves, the weakening of the Naira towards the end of 2008, the collapse of the Nigerian equity markets, falling oil prices, reduced net capital inflows and the increased bad debt exposure of Nigerian banks. According to the NBS, the real GDP growth of the country rose to 6.96 per cent. in 2009, from 5.98 per cent. in 2008, with overall GDP growth estimated at 7.85 per cent. for 2010 as the global economy began to improve. Nonetheless, if the global economy further weakens, this may have an adverse effect on the Nigerian economy and on the Group's financial position and operations.

The Nigerian economy is highly dependent on oil production in Nigeria and global prices of oil.

As of the end of the first half of 2010, the oil sector accounted for an estimated 17.0 per cent. of real GDP, 96.3 per cent. of export earnings and 75.1 per cent. of total gross federally collectible revenue. Reductions in oil revenues could have an adverse effect on the Nigerian economy and affect the operations of the Group. Nigeria's oil revenues are a function of the level of oil production in the country and prevailing world oil prices. Oil prices are subject to wide fluctuations in response to relatively minor changes in the supply of, and demand for, oil, market uncertainty and a variety of additional factors. These factors include, but are not limited to, political conditions in the Middle East and other regions, internal and political decisions of OPEC and other oil-producing nations as to whether to decrease or increase production of crude oil, domestic and foreign supplies of oil, consumer demand, weather conditions, domestic and foreign government regulations, transport costs, the price and availability of alternative fuels and overall economic conditions. These factors have led to significant fluctuations in world oil prices in recent years. For example, the average price of crude oil (spot rate for Bonny Light crude according to the United States Energy Information Administration) was U.S.$67.03 per barrel in 2006, U.S.$74.68 per barrel in 2007, U.S.$101.78 per barrel in 2008, U.S.$63.02 in 2009 and U.S.$81.25 per barrel in 2010 and U.S.$106.56 per barrel for the three month period ended 31 March 2011.

Oil production in Nigeria has also fluctuated significantly in recent years, primarily as a result of violence in the Niger Delta region. Militant activity in the Niger Delta has led to significant disruptions in the production of oil, and although such activity has decreased and oil production has increased in the wake of the amnesty programme and other government initiatives to address the needs of the Niger Delta region, militant activity may increase from current levels and violence in the Niger Delta region may lead to significant disruptions in oil production in future periods. See "*– Militant activities in the Niger Delta could destabilise Nigeria*".

The level of oil production by Nigeria may also be adversely affected by other factors, including changes in oil production quotas by OPEC or the response of international oil companies ("**IOCs**") to changes in the regulatory framework for oil production in Nigeria. See "– *The regulatory environment in the oil and gas sector in Nigeria is subject to significant ongoing change*". There may also be loss of revenue arising from the interruption of production operations and theft of crude oil from pipelines and tank farms or militant activity in the Niger Delta region. There may also be a high incidence of abandoned projects by oil companies in communities where activities are disrupted by militants, which may lead to slower growth in oil and gas production.

Many developed economies are actively seeking to develop alternative sources of energy and reduce their dependence on oil as a source of energy. Any long-term shift away from fossil fuels could adversely affect oil prices and demand and the resulting oil revenue of Nigeria. If oil prices continue to fluctuate, there may be an adverse impact on the revenues earned by Nigeria and a material adverse effect on the Nigerian economy. This may have an adverse effect on the Group's business, financial condition and results of operations.

The continuing depletion of the Excess Crude Account could have adverse impacts on the Nigerian economy.

The Nigerian Government has established is an account to assist in stabilising the Government's finances to address volatility in crude oil prices and production (the "**Excess Crude Account**"). The Excess Crude Account is funded with the positive difference, if any, between the revenue generated by the price of oil per barrel included in the budget for the year and the actual revenue received in that year. Since inception, funds from the Excess Crude Account have primarily been used to fund budget deficits. In 2009 and 2010, such funding increased in response to the global economic crisis and the resulting higher deficits at the federal, state and local levels. The Excess Crude Account has also historically funded Government subsidies of refined oil products as well as other purposes, including disbursements of approximately U.S.$8 billion to fund the Nigeria Integrated Power Project and U.S.$1 billion as seed capital for the proposed National Sovereign Wealth Fund (funds which have been ring fenced and are not included in the balance of the Excess Crude Account). The funds of the Excess Crude Account was U.S.$19.1 billion as of 31 December 2008, U.S.$6.9 billion at 31 December 2009 and U.S.$2.6 billion at 31 December 2010. The funds in the Excess Crude Account is shared between the Government, state governments and local governments according to a specified formula. Depletion of the Excess Crude Account in 2010 has been cited with concern by rating agencies and other third parties that view it as an important factor in ensuring the stability of the Nigerian economy. No assurance can be given that the Excess Crude Account will not continue to be depleted at a rate greater than that necessary for the Government to stabilise its finances from the impact of volatility in oil prices and production, or that the actual price of oil will exceed the price of oil included in the budget in future periods by amounts sufficient to ensure significant funding for the Excess Crude Account in the future. The absence of such funding for the Excess Crude Account may constrain the Government's ability to finance budget deficits in the future.

The National Economic Council (which includes the 36 State Governors) and the Federal Executive Council, recently approved the establishment of the National Sovereign Wealth Fund and the submission of a bill for its establishment to the National Assembly for consideration. The bill was submitted to the National Assembly in December 2010, and was publicly considered by the National Assembly in March 2011. One of the purposes of the Sovereign Wealth Fund will be to support and/or replace the Excess Crude Account as a secondary stabilisation account in the event of changes in oil prices and production. However, it is also proposed that the Sovereign Wealth Fund will fund intergenerational savings and infrastructure development. There can be no assurance regarding when or whether the Sovereign Wealth Fund will be established or, if established, how it will be funded, what its relationship will be to the Excess Crude Account, or whether it will have the necessary safeguards in place to shield it from the election cycle and political pressures, will continue to have sufficient funding, or will make profitable investments or achieve its strategic objectives or how it will be perceived by ratings agencies or other parties.

The regulatory environment in the oil and gas sector in Nigeria is subject to significant ongoing change.

Nigeria is pursuing a number of new policy directions with the aim of restructuring its upstream and deregulating its downstream oil and gas sectors, but the final form that these measures will take is subject to significant uncertainty and subject to political and economic influences. The National Assembly of Nigeria is currently in the process of enacting the PIB, which would make a number of significant changes in the way that the oil and gas industry is structured and regulated in Nigeria and if the bill is adopted, it will have a significant impact on Nigeria's oil and gas business and the Nigerian economy.

Risks associated with the PIB and related efforts to reform the Nigerian oil and gas industry may include:

- that the PIB has not yet been adopted, and no assurance can be given that it will be adopted on any particular timetable or at all, or that the final form of any bill ultimately adopted will not differ significantly from the current proposal;
- that the uncertainty created by the PIB and the necessary implementing regulations may lead IOCs to defer further major investment in Nigeria until the new regulations have been adopted and the new legal framework for the industry has been more clearly defined, or may decide to reduce their investments in Nigeria and/or decline to pursue certain investments as a result of the new framework;
- that the proposed changes in the tax structure for oil and gas companies operating in Nigeria may lead certain companies to curtail their operations or future investment;
- that the proposed deregulation of the petroleum products market may adversely affect the segments of the economy most affected by the resulting increase in prices and could lead to protests from the public who currently benefit from subsidised prices. The new framework may generate less new capacity than anticipated and any new capacity may take longer than anticipated to begin operations;
- that the initiatives designed to promote gas production may prove ineffective;
- that the PIB may fail to adequately address the concerns of communities in the Niger Delta region or create new grounds for further conflict; and
- that the proposed national oil company, which is part of the oil and gas sector reforms, may not be successful.

Similarly, the Nigerian Content Act, which was enacted in April 2010, introduced reforms in the Nigerian oil and gas industry, which include providing for preferential treatment to Nigerian companies and promoting the awarding of contracts to Nigerian companies for services provided and goods manufactured in Nigeria. Prior to the enactment of the Nigerian Content Act, local content promotion and development in the Nigerian oil and gas industry was loosely regulated. The Nigerian Content Act is widely expected to provide business and growth opportunities for Nigerian businesses. However, if the Nigerian Content Act and the other abovementioned reforms are not implemented appropriately, the Nigerian economy and Nigerian banking sector, which includes the Bank, will not achieve the growth prospects that have been linked to it.

Certain proposed legal and regulatory reforms in the power and shipping sectors in Nigeria may not be successfully implemented

Several Government reforms are underway to improve Nigeria's electricity generation, transmission and distribution infrastructure. In August 2010, the Government launched the "Roadmap for Power Sector Reform" which seeks to remove obstacles to private sector investment in the power sector, permit the privatisation of generation and distribution companies, facilitate the construction of new transmission networks and reform the fuel-to-power sector.

Government reforms in the sea transportation sector aim to shorten the turn around time of cargo ships in Nigerian ports, reduce administrative charges, create competition, improve safety and security and dredge the Lagos and Bonny harbours to accommodate large ocean liners. The Government is also encouraging the establishment of indigenous shipping lines through the enactment of the Cabotage Act to restrict the use of foreign vessels in domestic coastal trade in Nigeria and promote domestic shipping companies. The Cabotage Act also provides for the establishment of the Cabotage Vessel Financing Fund to promote the development of ship acquisition capacity by providing financial assistance to Nigerian operators.

There are certain provisions in each of the abovementioned regulations which, if effectively implemented, are expected to result in the growth and development of the Nigerian banking industry and also in increased levels of business and returns for the Bank. For example, the PIB (if enacted) contains provisions which will seek to prioritise the use of Nigerian goods and services in sectors such as insurance, finance and professional services as a first resort. The Nigerian Content Act provides that all operators, contractors and other entities engaged in any operation, business or transaction in the Nigerian oil and gas industry requiring financial services shall retain only the services of Nigerian financial institutions or organisations, except where this is impracticable. The Nigerian Content Act also requires all operators, contractors and sub-contractors to maintain a minimum of 10 per cent. of the total revenue accruing from their Nigerian operations in bank accounts domiciled in Nigeria. The Cabotage Act contains local content provisions in connection with domestic coastal carriage of cargo and passengers, which are expected to also increase Nigerian entities' requirements for finance and financial services from Nigerian banks, including the Bank.

There is however the risk that the Nigerian Content Act, the "Roadmap for Power Sector Reform", and the Cabotage Act may not be implemented appropriately. If the reforms are not implemented as intended, the Nigerian economy and Nigerian banking sector will not achieve the growth prospects that have been linked to the several ongoing government reforms, and the Group could have a material adverse effect on the Group's business, financial condition and results of operations.

Nigeria relies heavily on imported refined oil and is therefore vulnerable to oil price increases and supply constraints.

Nigeria currently has four oil refineries that consistently operate significantly below their production capacities. Although a plan to build three new refineries recently has been announced, those projects are years away from completion and the level of future private investment in the sector is significantly dependent on whether, how and when the currently proposed deregulation of the pricing of petroleum products is implemented. Due to the limited production capacity of its oil refineries, Nigeria relies heavily on imported refined petroleum products to meet its energy and transport requirements. Accordingly, a rise in the international price of oil significantly affects Nigeria's economy because, among other things, higher oil prices increase the country's costs of imported refined petroleum products and exerts upward pressure on prices. To alleviate the impact on consumers, the Government currently regulates the prices of certain refined oil products and supports the retailers of such products with subsidies. The cost of these subsidies is substantial and increases as world oil prices increase. Significant increases in world oil prices may increase the amount required to fund subsidies of refined petroleum products in Nigeria.

If the currently proposed reforms are adopted as currently envisaged, the petroleum products market will be deregulated and subsidies and price controls on refined oil will be reduced and gradually eliminated. Although this change would reduce the amounts paid for subsidies and proponents of the change believe it would result in greater investment in refinery capacity, no assurance can be given that the reforms will be adopted as proposed, that they will be successful in promoting a significant expansion of the country's refinery capacity, or that the reduction or removal of subsidies will not lead to protests or other unrest or have an adverse effect on the segments of the economy required to bear the resulting higher prices, which may also adversely affect the Group's customers, and consequently the Group's business, results of operation and financial condition.

High inflation could have a material adverse effect on Nigeria's economy.

Nigeria is exposed to the risk of high inflation. Inflation increased significantly in 2008, reaching a peak of 15.1 per cent. but declined in 2009 to 12.0 per cent. and in 2010 to 9.8 per cent. In late 2010 and in March 2011, the CBN raised the MPR, noting increasing inflation as a concern. Although tighter monetary policies may help to curb inflation, the impact of inflation on food, fuel and other import prices is beyond the Government's control, particularly since most of these products are imported. Changes in monetary and/or fiscal policy may also result in higher rates of inflation. There can be no assurance that the inflation rate will not rise in the future. Significant inflation could have a material adverse effect on Nigeria's economy, the Nigerian banking sector and the Group's business, results of operation and financial condition.

Failure to adequately address actual and perceived risks of corruption may adversely affect Nigeria's economy.

Although the Government has implemented and is pursuing major initiatives to prevent and fight corruption and unlawful enrichment, corruption remains a significant issue in Nigeria. Nigeria was ranked 134 out of 178 countries in Transparency International's 2010 Corruption Perceptions Index (which measures the perceived levels of public sector corruption in 178 countries) and placed 137 out of 183 in the World Bank's "Doing Business 2011" report, which covers the period from June 2009 to June 2010. Since 2000, Nigeria has implemented various measures to prevent and fight corruption and unlawful enrichment. In particular, Nigeria created the Independent Corrupt Practices Commission in 2000 to receive complaints, investigate and prosecute offenders. In 2003, Nigeria also created the Economic and Financial Crimes Commission. Former President Obasanjo's campaign against corruption, which included the arrest of officials accused of misdeeds and recovery of stolen funds, resulted in the Government, with the assistance of the World Bank, recovering funds that had been illicitly deposited in Swiss banks by the late military dictator Sani Abacha, who ruled Nigeria from 1993 to 1998. Additionally, in 2003, Nigeria was among one of the first countries to adopt the Extractive Industries Transparency Initiative to help improve governance of the oil and gas sector. An independent audit of the oil and gas sector from 1999 to 2004 was commissioned. Despite the various reform efforts, corruption continues to be a serious problem impacting Nigeria. There have been a number of high profile convictions for corruption, including that of a former Inspector General of the Police, a number of ministers and judges have been dismissed and a number of ex-state governors are facing corruption charges. Failure to address these issues, continued corruption in the public sector and any future allegations of or perceived risk of corruption in Nigeria could have an adverse effect on the Nigerian economy and may have a negative effect on foreign investment in Nigeria, which have a material effect on the Group's business, results of operation and financial condition.

The statistical information published by Nigeria may differ from that produced by other sources and may be unreliable.

The NBS and CBN, as well as a range of Government ministries, including the Ministry of Finance, Ministry of Petroleum, Ministry of Commerce and Industry and Ministry of Environment produce statistics relating to Nigeria and its economy. However, there can be no assurance that these statistics are as accurate or as reliable as those published by more developed countries. Figures relating to Nigeria's GDP, its balance of payments and other aggregate figures cited in this Offering Circular may be subject to some degree of uncertainty and that the information set forth in this Offering Circular may become outdated relatively quickly. Although there have been significant efforts to improve the compilation of Nigeria's balance of payments data in recent years, including through technical assistance provided by the IMF, errors and omissions in the balance of payments data persist and may complicate the assessment of such data and such figures may be revised in future periods, as occurred in 2010 following the IMF Article IV consultation with Nigeria. Moreover, recent changes to the basket used for inflation statistics may make certain prior data difficult to compare.

A significant portion of the Nigerian economy is not recorded.

A significant portion of the Nigerian economy, which the Government recently estimated to be anywhere between 40 per cent. and 75 per cent., is comprised of the informal, or shadow, economy. The informal economy is not recorded and is only partially taxed, resulting in not only lost revenue for the Government but also ineffective regulation, unreliability of statistical information (including the understatement of GDP and the contribution to GDP of various sectors) and inability to monitor or otherwise regulate a large portion of the economy. Lack of effective regulation and enforcement in this sector also gives rise to other issues including health and safety issues. Although the Government is attempting to address the informal economy by streamlining certain regulations, particularly tax laws, there can be no assurances that such reforms will adequately address the issues and bring the informal economy into the formal sector.

A significant decline in the level of external reserves as a result of the CBN's intervention in the currency markets could materially impair Nigeria's ability to service its external debt.

The CBN has historically favoured maintaining the Naira within a narrow band with periodic adjustments. In late 2008 and early 2009, in conjunction with fluctuating oil prices, the value of the Naira declined significantly against the U.S. dollar, moving from a high of ₦116.64 per U.S. dollar in 2008 to a low of ₦151.37 per U.S. dollar in 2009. In the last quarter of 2008, the CBN took measures to address the instability, including drawing from Nigeria's external reserves and intervening in the currency markets. During the period, the external reserves were reduced from U.S.$53 billion in 2008 to U.S.$42.4 billion as of 31 December 2009 and further reduced to U.S.$32.3 billion as of 31 December 2010 and U.S.$35.2 billion as of 16 March 2011. The Naira has been relatively stable in 2010 and the first three months of 2011, averaging ₦150.30 per U.S. dollar in 2010 and ₦150.01 in the first three months of 2011. The external reserves stood at U.S.$33.2 billion as of 31 March 2011.

Given the fluctuations in Nigeria's external reserves, its high dependence on oil exports and the fact that Nigeria pays for its key imports, such as refined oil, in U.S. dollars, the Naira will remain vulnerable to external shocks which could lead to a sharp decline in its value, as occurred in 2008 and this may prompt the CBN to again intervene in the currency markets in an attempt to stabilise the Naira.

Although the CBN is expected to maintain an exchange rate policy focussed on price stability, no assurance can be given that the exchange rate will remain stable, the CBN will not draw on the external reserves to stabilise the exchange rate and/or the CBN may change or amend its exchange rate policy.

Failure to grow the non-oil and gas sectors of its economy may constrain Nigeria's economic growth.

Over the last 10 years, Nigeria has attempted to develop the non-oil sectors of its economy by encouraging agriculture, trade, construction, telecommunications, financial services, mining and manufacturing activities. The non-oil sector grew by an average of 9.0 per cent. per year between 2005 and 2009, as compared to about 7.0 per cent. per year between 1997 and 2004. In the first half of 2010, the non-oil sectors of the economy grew by 8.3 per cent. However, the lack of infrastructure including inadequate power supply and transportation systems, reduced credit availability and consumer demand, local shortages of skilled managers and workers and inconsistent government policies may constrain development in these sectors and the current rate of growth may decline in future periods. A failure to continue to grow the non-oil sectors of its economy may constrain Nigeria's economic growth.

Militant activities in the Niger Delta could destabilise Nigeria.

Over the past few years, there has been an increase in violence and civil disturbance in the Niger Delta, Nigeria's southern oil producing region, mainly from militant groups who oppose, among other things, the activities of the oil companies in the area. This violence has mainly focused on oil interests in the region and oil production has slowed as a result of several kidnappings and bombings of oil installations and facilities. The outcome of such actions may have a continued significant impact on Nigeria's political and economic stability.

Since early 2006, more than 250 foreign oil workers and members of their families have been kidnapped in the Niger Delta. Over the past three years, militant attacks have continued on numerous oil facilities and platforms, often focused on cutting oil production by sabotaging pipelines and forcing oil companies to halt production. Militants have also staged attacks on pipelines in the region, which have adversely affected the output of oil from the region. In January 2010, Chevron announced it had been forced to shut down 20,000 barrels per day of crude oil production in Nigeria, after security sources said gunmen had attacked its Makaraba-Utonana pipeline in Delta State. At least one IOC present in Nigeria has raised the possibility that it might cease operations in Nigeria if conditions continue to worsen.

In 2009, the Government offered amnesty and the opportunity to participate in a retraining programme to militants who surrendered their weapons by October 2009. Over 20,000 militants accepted the amnesty offer and were pardoned. The amnesty programme has significantly reduced, but not eliminated, tensions in the region. In January 2010, during late President Umaru Musa Yar'Adua's absence from office, militants in the Niger Delta regions announced that they would end the indefinite ceasefire they had offered in 2009, threatening further hostility in the region. Following the installation of Goodluck Ebele Jonathan as President of Nigeria in May 2010, militants in the Niger Delta region resumed their talks with the Government and other amnesty committees. However, in October 2010, during Nigeria's celebration of the 50th anniversary of its independence, two bomb blasts were carried out in the capital city of Abuja. Niger Delta militants claimed responsibility for the attacks, and nine arrests were subsequently made. Furthermore, in December 2010, two bombs exploded during a political rally in Yenagoa, Bayelsa State, causing injury to several people. Further attacks on oil pipelines and kidnappings took place in November 2010.

Militant acts in the Niger Delta continue to be directed at oil industry participants and in relation to the presence of foreign oil interests in the region and there is no assurance that militant acts will not occur in the future. Continued unrest in the Niger Delta region may lead to lower oil production, deter foreign direct investment, lead IOCs to curtail their operations in Nigeria or lead to increased political instability and unrest and could have a material adverse effect on the investment and confidence in, and the performance of, the Nigerian economy and in turn the Group's business, results of operations and financial condition.

Significant increases in levels of government debt could have a material adverse effect on Nigeria's economy and its ability to service its debt.

According to information published by the DMO, as of 31 December 2010, Nigeria's external debt was U.S.$4.8 billion, of which U.S.$2.8 billion was owed by the Government and U.S.$1.9 billion was owed by state governments and guaranteed by the Government (all figures provisional). Further, the Government had ₦4.5 trillion (provisional), or U.S.$29.8 billion, in domestic debt outstanding as of 31 December 2010. In January 2011, the Government issued a U.S.$500 million Eurobond. Any significant future borrowings, including the issuance of debt to fund fiscal deficits, infrastructure spending and other requirements could negatively impact Nigeria's sovereign credit rating or may impair Nigeria's ability to service its external indebtedness. Additionally, the Government has issued a number of guarantees relating to potential contingent liabilities, including guarantees of interbank placements and over foreign creditors' lines of credit put in place in connection with the 2009 banking crisis. In December 2010, the Government guaranteed approximately ₦1 trillion in debt securities issued by AMCON as consideration for the purchase of certain non-performing loans from Nigeria's banks, and expects to issue a guarantee over an additional ₦1.5 trillion in the near future bringing the total amount guaranteed to ₦2.5 trillion (U.S.$16.6 billion). Although AMCON expects to be able to fund its debt service requirements under the underlying obligations through recoveries made on the bad assets required and by using a sinking fund that is established by a levy on Nigeria's banks, the total amount of debt guaranteed by Nigeria in connection with this programme will be substantial.

Nigeria may face a lack of continued access to foreign trade and investment.

Foreign direct investment, which comprises equity capital, re-invested earnings and other capital inflows, increased from ₦654.2 billion in 2005 to ₦861.6 billion in 2009, and increased by approximately 0.4 per cent. from the third quarter of 2009 to the third quarter of 2010. Notwithstanding these improvements, foreign direct investment remains low for a country the size of Nigeria. The perceived risks associated with investing in Nigeria, including those described herein, may hinder foreign direct investment, which could adversely affect the Nigerian economy and limit sources of funding for infrastructure and other projects requiring significant investment by the private sector. Any deterioration in the climate for foreign direct investment in Nigeria could have an adverse effect on the economy and thus on the Group's business.

Failure to adequately address Nigeria's significant infrastructure deficiencies could adversely affect Nigeria's economy and growth prospects.

Decades of underinvestment have resulted in significant deterioration of Nigeria's public infrastructure, and the continuous absence of basic infrastructure to support and sustain growth and economic development. Persistent problems with power generation, transmission and distribution, a deteriorating road network, congested ports and obsolete rail infrastructure have severely constrained socio-economic development in Nigeria. Although significant advances have been made in the area of telecommunications and internet facilities in recent years, the state of development in those sectors also cannot be considered at par with that in more developed economies. The Government has identified Nigeria's decaying infrastructure as a major impediment to economic growth and the First NIP includes ambitious targets for infrastructure improvements and investments as part of the first phase of implementing the Vision 20:2020 strategy. Failure to significantly improve Nigeria's infrastructure could adversely affect Nigeria's economy and growth prospects, and could also impact negatively on the Group's business, financial condition and results of operations.

There are inefficiencies in the judicial system in Nigeria which could materially adversely affect the Group's business.

Nigeria is a common law country and the legal system largely mirrors the English legal system. However, the Nigerian judicial system faces a number of challenges, including delays in the judicial process, as most cases take a considerable period of time to be concluded. The enforcement of security interests in Nigeria is affected by the inefficiencies in the judicial system and can result in uncertainty. However, recent years have witnessed considerable reform of the judiciary, especially in Lagos State (the commercial centre of Nigeria) with the setting up of commercial courts and the introduction of new procedural rules to cut down on delays in the judicial process. The slow judicial process, however, may sometimes affect the enforceability of judgements obtained, which may have an adverse impact on the Group's operations and ability to rely on a predictable judicial system in its business operations. See " *–Risks related to the Bank and the Group – Difficulty in* *obtaining and enforcing adequate security as collateral for the Group's loans may adversely affect its loan portfolio*".

The taxation and customs systems in Nigeria may be subject to changes and inconsistencies.

Due to the fact that Nigeria is an emerging market economy, Government policies and regulations on taxation, customs and excise duties may change from time to time as considered necessary for the development of the economy. In addition, the Government has indicated that taxes, customs and excise duties may be the next major sources of revenue in view of the fluctuation in revenue derived from oil. In addition, the Nigerian Federal Inland Revenue Services' ("**FIRS**") interpretation of, or decision with respect to, certain sections of tax laws may differ on a case by case basis. Changes in Government policies on taxation, customs and excise duties, as well as inconsistencies in interpretation of and decisions relating to tax laws, may have an adverse effect on the Group's business, results of operations and financial condition, and on the tax liability of noteholders.

There are health risks related to operating in Nigeria that could adversely affect the Group's business, results of operations and financial condition.

HIV/AIDS, tuberculosis (which is exacerbated in the presence of HIV/AIDS), malaria and typhoid are major healthcare challenges in Nigeria and other West African countries. According to research published in November 2009 by UNAIDS (The Joint United Nations Programme on HIV/AIDS) and the World Health Organization, as of 2007, Nigeria had an HIV prevalence of approximately 3.6 per cent. among its population of adults aged between 15 years and 49 years. Due to the high prevalence of HIV/AIDS, malaria and typhoid in Nigeria, the Group may incur costs relating to the loss of personnel and the related loss of productivity as well as costs relating to recruiting and training of new personnel. The Group is not able to quantify these costs accurately and no assurance can be given that the costs it may incur in connection with these health challenges will not have a material adverse effect on its business, financial condition and results of operations.

In addition, some or all of the Group's operations could be affected if the threat of a pandemic materialised with sufficient intensity such that employees critical to the continuation of those operations would be affected. The Group seeks to mitigate this risk with contingency plans. However, there can be no assurance that these contingency plans would be effective, and the Group's business, financial condition and results of operations could be adversely affected.

Risks related to the Notes

The Notes may not be a suitable investment for all investors.

Investors must determine the suitability of an investment in the Notes in light of their own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Circular or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's home currency;

- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes may be complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The Notes may be redeemed prior to maturity following a change in tax laws in Nigeria or the Netherlands

In the event that (i) the Issuer is obliged to pay additional amounts on account of any Netherlands taxes in respect of payments under any Notes; or (ii) the Guarantor is obliged to increase to a rate in excess of 10 per cent. additional amounts payable by it on account of any Nigerian taxes in respect of the Guarantee; or (iii) the Guarantor is obliged, on account of any Nigerian taxes, to increase to a rate in excess of 7.5 per cent. additional amounts payable by it to the Issuer to enable the Issuer to make payments under the Notes, in each case as a result of any change in or amendment to the laws or regulations of Nigeria or the Netherlands, as applicable, coming into effect after the date of the relevant Notes issue, the Issuer may redeem all outstanding Notes of the relevant Series in accordance with the Conditions. See "Terms and Conditions of the Notes – Condition 8 (*Redemption and Purchase*)" and "*Terms and Conditions of the Notes*" — Condition 9 "(*Taxation*)" and "*Taxation*".

Risks related to the structure of a particular issue of Notes.

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common of such features:

Notes subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the Notes' market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index Linked Notes and Dual Currency Notes

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "**Relevant Factor**"). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- they may receive no interest;
- payment of principal or interest may occur at a different time or in a different currency than expected;
- they may lose all or a substantial portion of their principal;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one, or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely would be magnified; and
- the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Notes. Accordingly, each potential investor should consult its own financial, tax and legal advisers about the risks entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of its particular circumstances.

Partly paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

Variable Rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as the London Interbank Offered Rate ("**LIBOR**"). The market values of these Notes are typically more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the

Fixed/Floating Rate Notes may be less favourable than prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then-prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest bearing securities with comparable maturities.

The Issuer's obligations under Subordinated Notes are unsecured and subordinated

The Issuer's obligations under Subordinated Notes will be unsecured and subordinated. In the event of a Winding-up (as defined under "*Terms and Conditions of the Notes*") of the Issuer, the claims of the Trustee, the Noteholders and the Couponholders against the Issuer in respect of the Subordinated Notes and the relative Coupons (if any) will be subordinated to the Senior Indebtedness (as defined in the Trust Deed). Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a real risk that an investor in Subordinated Notes will lose all or some of its investment should the Issuer become insolvent.

Risks related to the Notes generally.

Set out below is a brief description of certain risks relating to the Notes generally:

Modification, waivers and substitution

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to: (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes; (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such; (iii) the substitution of the Guarantor or any of its other Subsidiaries as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 16.

EU Savings Directive

Under the EU Council Directive on taxation of savings income (the "**EU Savings Directive**"), EU Member States are required to provide to the tax authorities of other Member States, details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in the other EU Member States. However, for a transitional period, Luxembourg and Austria may instead (unless during that period they elect otherwise) apply a withholding system in relation to such payments (the end of such transitional period being dependent upon the conclusion of certain agreements relating to information exchange within other countries). A number of other countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

If a payment were to be made or collected through an EU Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor the Bank, nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is only required to maintain a Paying Agent in an EU Member State that is not obliged to withhold or deduct tax pursuant to the EU Savings Directive.

The European Commission has proposed certain amendments to the EU Savings Directive which may, if implemented, amend or broaden the scope of the requirements described above.

Change of law

The conditions of the Notes are based on English law (except Condition 3(c) which shall be governed by, and construed in accordance with, Dutch law and Condition 3(d) which shall be governed by, and construed in accordance with, Nigerian law), in effect as of the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law, Dutch law, Nigerian law or administrative practice after the date of this Offering Circular.

Bearer Notes where denominations involve integral multiples: definitive Bearer Notes

In relation to any issue of Bearer Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in its account with the relevant clearing system at the relevant time may not receive a definitive Bearer Note in respect of such holding (should definitive Bearer Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Risks related to the market generally.

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

Notes issued under the Programme may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes and the Guarantor will make any payments under the Guarantee in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to depreciation or devaluation of the Specified Currency or, conversely, appreciation or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. In addition, such risks generally depend on economic and political events over which the Issuer and the Guarantor have no control. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate as well as the availability of a specified foreign currency at the time of any payment of principal or interest on a Note. As a result, investors may receive less interest or principal than expected, or no interest or principal. Even if there are no actual exchange controls, it is possible that the Specified Currency for any particular Note not denominated in U.S. dollars would not be available at such Note's maturity.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

Credit ratings may not reflect all risks

The Guarantor's credit ratings are an assessment by the relevant rating agencies of its ability to pay its debts when due. Consequently, real or anticipated changes in its credit ratings will generally affect the market value of the Notes. One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed in this Offering Circular, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

The market price of the Notes may be volatile

The market price of the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Guarantor's operating results and those of its competitors, adverse business developments, changes to the regulatory environment in which the Guarantor operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of Notes, as well as other factors, including the trading market for notes issued by or on behalf of Nigeria as a sovereign borrower. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations, which, if repeated in the future, could adversely affect the market price of the Notes without regard to the Guarantor's results of operations, prospects or financial condition. Factors including increased competition, fluctuations in the Group's operating results, the regulatory environment, availability of reserves, general market conditions, natural disasters and war may have an adverse effect on the market price of the Notes.

Financial turmoil in emerging markets may lead to unstable pricing of the Notes

The market price of the Notes is influenced by economic and market conditions in Nigeria and, to a varying degree, economic and market conditions in other African and emerging markets generally. Financial turmoil in other emerging markets in the past has adversely affected market prices in the world's securities markets for companies that operate in those developing economies. Even if the Nigerian economy remains relatively stable, financial turmoil in other emerging markets could materially adversely affect the market price of the Notes.

It may be difficult to effect service of legal process and enforce judgments obtained in Nigeria against the Group and its management

The Guarantor is a company incorporated under the laws of Nigeria and substantially all of its businesses, assets and operations are located in Nigeria. In addition, a substantial majority of its directors, and executive officers reside in Nigeria and substantially all of their assets are located in Nigeria. As a result, it may not be possible to effect service of process in the United States or elsewhere outside Nigeria upon the Bank or such directors, supervisors or executive officers, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. Moreover, Nigeria does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States and many other countries. As a result, recognition and enforcement in Nigeria of judgments of a court in the United States or in any of such other countries in relation to any matter may be difficult. See "*Service of Process and Enforcement of Civil Liabilities*".

Investors are relying solely on the creditworthiness of the Guarantor

Senior Notes issued under the Programme will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 4(a), unsecured obligations of the Issuer and will rank *pari passu* among themselves (save for certain obligations required to be preferred by law) and equally with all other unsecured obligations of the Issuer (other than subordinated obligations or obligations preferred by mandatory provisions of law, if any). The Senior Notes will be unconditionally and irrevocably guaranteed by the Guarantor. If a prospective investor purchases Notes, it is relying on the creditworthiness of the Guarantor and no other person. In addition, an investment in the Notes involves the risk that subsequent changes in the actual or perceived creditworthiness of the Guarantor may adversely affect the market value of the Notes.

Return on an investment in Notes will be affected by charges incurred by investors

An investor's total return on an investment in any Notes will be affected by the level of fees charged by an Agent, nominee service provider and/or clearing system used by the investor. Such a person or institution may charge fees for the opening and operation of an investment account, transfers of Notes, custody services and on payments of interest and principal. Potential investors are, therefore, advised to investigate the basis on which any such fees will be charged on the relevant Notes.

Tax consequences of holding the Notes

Potential investors should consider the tax consequences of investing in the Notes and consult their tax advisors about their own tax situation.

Nigerian bankruptcy laws

Although Nigerian bankruptcy laws generally apply to individuals and not corporate entities, the CAMA makes provision for these laws to apply in the winding-up of an insolvent company with regards to the rights of secured and unsecured creditors.

The Nigerian bankruptcy laws are otherwise 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 it being wound up for reasons other than insolvency, there is little precedent to predict how claims against the Issuer and the Guarantor under the agreements entered into for the purposes of the Programme would be resolved in the event of insolvency. For instance there are no detailed rules or guidelines on the concept of subordination in Nigerian law.

Enforcement of the Guarantee and the other obligations of the Guarantor under the Trust Deed may be subject to the payment of Nigerian stamp duty

The Programme Agreement, the Trust Deed, the Agency Agreement and the documents for the issue of any series of Notes are intended to be executed and held outside of Nigeria and are therefore not required to be stamped in Nigeria. However, if it becomes necessary to bring any such documentation into Nigeria for the purpose of enforcement, admission in evidence before a

Nigerian court and enforcement by such courts, the documents will be required to be stamped and will be subject to the payment of the relevant rate of stamp duty, assessed by the Nigerian Commissioner for Stamp Duties, as prescribed by the Stamp Duties Act Cap S8 LFN 2004. Arrangements will need to be made for the payment of stamp duty within 30 days from when the documents are brought into Nigeria. See "*Taxation – Nigeria – Stamp Duties*".

Stamp duty is payable in Nigeria either on a flat rate or an *ad valorem* basis. Each of the documents, other than the Trust Deed, would be subject to a nominal amount of stamp duty assessed on a flat rate. Based on the schedule to the Stamp Duties Act, the maximum rate of stamp duty payable in Nigeria in respect of security documents (including guarantees) securing payment or repayment of money (where the security is not a marketable security transferable by delivery), is 0.375 per cent. levied on an *ad valorem* basis on the value of the underlying transaction. Based on current practice in Nigeria, it is unclear whether stamp duty will be assessed on the Trust Deed, which includes a guarantee, at a flat rate or on an *ad valorem* basis.

Under Condition 11 (*Events of Default and Enforcement*), the Trustee is not bound to take any proceedings for the enforcement of the Trust Deed, the Notes, the Receipts or the Coupons unless, among other things, it shall have been indemnified and/or secured to its satisfaction, which may include the prior payment of such stamp duty to the Trustee, which if levied on an *ad valorem* basis, could be a substantial amount.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk based capital or similar rules.

SUPPLEMENTS

Following the publication of this Offering Circular a supplement may be prepared by the Issuer and approved by the U.K. Listing Authority in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Offering Circular. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular.

The Issuer and the Guarantor will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Offering Circular which is capable of affecting the assessment of any Notes, prepare a supplement to this Offering Circular or publish a new Offering Circular for use in connection with any subsequent issue of Notes.

FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes will be issued outside the United States in reliance on Regulation S under the Securities Act ("**Regulation S**") and Registered Notes will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A or Regulation D under the Securities Act.

Bearer Notes

Each Tranche of Bearer Notes will be initially issued in the form of a temporary global note (a "**Temporary Bearer Global Note**") or, if so specified in the applicable Final Terms, a permanent global note (a "**Permanent Bearer Global Note**") which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depositary (the "**Common Depositary**") for, Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**").

Bearer Notes will only be delivered outside the United States and its possessions.

Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will only be made (against presentation of the Temporary Bearer Global Note) outside the United States and its possessions and only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury Regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the "**Exchange Date**") which is 40 days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) for definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given. Notes in Bearer Form will only be delivered outside the United States. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made only outside the United States and its possessions through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Bearer Global Note) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon either (a) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein or (b) only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that (i) an Event of Default (as defined in Condition 11) has occurred and is continuing or (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Trustee is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form and a certificate to that effect signed by two Directors of the Issuer is given to the Trustee. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) or the Trustee may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Bearer Notes which have an original maturity of more than 365 days (including unilateral roll-overs and extensions) and on all receipts, interest coupons or Talons relating to such Notes:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE".

The sections of the Code referred to in the legend above provide that U.S. Holders (as defined in "*Taxation – United States*"), with certain limited exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Registered Notes

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to non U.S. persons outside the United States, will initially be represented by a global note in registered form (a "**Regulation S Global Note**"). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.

The Registered Notes of each Tranche may only be offered and sold in the United States or to U.S. persons in private transactions (i) to QIBs or (ii) to Institutional Accredited Investors who agree to purchase the Notes for their own account and not with a view to the distribution thereof. The Registered Notes of each Tranche sold to QIBs will be represented by a global note in registered form (a "**Rule 144A Global Note**" and, together with a Regulation S Global Note, the "**Registered Global Notes**").

Registered Global Notes will either (i) be deposited with a custodian for, and registered in the name of a nominee of, DTC for the accounts of Euroclear and Clearstream, Luxembourg or (ii) be deposited with a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg, as specified in the applicable Final Terms. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

The Registered Notes of each Tranche sold to Institutional Accredited Investors will be in definitive form, registered in the name of the holder thereof ("**Definitive IAI Registered Notes**"). Unless otherwise set forth in the applicable Final Terms, Definitive IAI Registered Notes will be issued only in minimum denominations of U.S.$500,000 and integral multiples of U.S.$1,000 in excess thereof (or the approximate equivalents in the applicable Specified Currency). Definitive IAI Registered Notes will be subject to the restrictions on transfer set forth therein and will bear the restrictive legend described under "*Subscription and Sale and Transfer and Selling Restrictions*". Institutional Accredited Investors that hold Definitive IAI Registered Notes may elect to hold such Notes through DTC, but transferees acquiring the Notes in transactions exempt from Securities Act registration pursuant to Regulation S or Rule 144 under the Securities Act (if available) may do so upon satisfaction of the requirements applicable to such transfer as described under "*Subscription and Sale and Transfer and Selling Restrictions*". The Rule 144A Global Note and the Definitive IAI Registered Notes will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 7(d)) as the registered holder of the Registered Global Notes. None of the Issuer, the Guarantor, any Paying Agent, the Trustee or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 7(d)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that (i) an Event of Default has occurred and is continuing, (ii) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system satisfactory to the Trustee is available or DTC has ceased to constitute a clearing agency registered under the Securities Exchange Act of 1934 (as amended) ("**Exchange Act**"), (iii) in the case of Notes registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system satisfactory to the Trustee is available or (iv) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form and a certificate to that effect signed by two Directors of the Issuer is given to the Trustee. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note) or the Trustee may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iv) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

Transfer of interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note or in the form of a Definitive IAI Registered Note and Definitive IAI Registered Notes may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such Notes in the form of an interest in a Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable. **Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see** "***Subscription and Sale and Transfer and Selling Restrictions***".

General

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CUSIP and CINS number which are different from the common code, ISIN, CUSIP and CINS assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Agent and the Trustee.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantor unless the Trustee having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

APPLICABLE FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.

[*Date*]

GTB FINANCE B.V.

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
Guaranteed by GUARANTY TRUST BANK PLC
under the U.S.$2,000,000,000
Global Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 4 May 2011 which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular. Full information on the Issuer and the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. The Offering Circular is available for viewing at the market news section of the London Stock Exchange Website (*http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html).*

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.*]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated [original date] which have been incorporated by reference in the Offering Circular dated [*current date*] [and the supplemental Offering Circular dated [date]]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") and must be read in conjunction with the Offering Circular dated [*current date*], which constitutes a base prospectus for the purposes of the Prospectus Directive. Full information on the Issuer and the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular dated [*current date*]. The Offering Circular is available for viewing at the market news section of the London Stock Exchange Website (*http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html).*]

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.*]

[*When adding any other final terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.*]

[*If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.*]

1.	(a)	Issuer:	GTB Finance B.V.
	(b)	Guarantor:	Guaranty Trust Bank plc
2.	(a)	Series Number:	[●]
	(b)	Tranche Number:	[●]

			(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)
3.	Specified Currency or Currencies:		[●]
4.	Aggregate Nominal Amount:		
	(a)	Series:	[●]
	(b)	Tranche:	[●]
5.	(a)	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
6.	(a)	Specified Denominations:	[●]
		(*in the case of Registered Notes, this means the minimum integral amount in which transfers can be made*)	[●] (*N.B. Where Bearer Notes with multiple denominations above [€100,000] or equivalent are being used the following language should be used:* *"[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000]"*
	(b)	Calculation Amount:	[●]
		(*Applicable to Notes in definitive form.*)	(*If there is only one Specified Denomination, insert that Specified Denomination. If there is more than one Specified Denomination, insert the highest common factor. N.B. there must be a common factor in the case of two or more Specified Denominations*)
7.	(a)	Issue Date:	[●]
	(b)		[*specify*/Issue Date/Not Applicable] (*N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.*)
8.	Maturity Date:		[*Fixed rate specify date*/Floating rate Interest Payment Date falling in or nearest to [*specify month*]]
9.	Interest Basis:		[[●] per cent. Fixed Rate] [[LIBOR/EURIBOR] +/ [●] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Dual Currency Interest] [*specify other*] (further particulars specified below)

10.	Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency Redemption] [Partly Paid] [Instalment] [*specify other*] (*N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.*)
11.	Change of Interest Basis or Redemption/Payment Basis:	[*Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis*]
12.	Put/Call Options:	[Investor Put] [Change of Control Put Not Applicable] [Issuer Call] [(further particulars specified below)]
13.	(a) Status of the Notes:	[Senior/Subordinated]
	(b) [Status of the Guarantee:	[Senior/Subordinated]]
	(c) [Date Board approval for issuance of Notes and Guarantee obtained:	[●] [and [●], respectively]] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee*)
14.	Method of distribution:	[Syndicated/Non syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	Fixed Rate Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Rate(s) of Interest:	[●] per cent. per annum [payable [annually/semi annually/quarterly/other (*specify*)] in arrear] (*If payable other than annually, consider amending Condition 6*)
	(b) Interest Payment Date(s):	[[●] in each year up to and including the Maturity Date]/[*specify other*] (*N.B. This will need to be amended in the case of long or short coupons*)
	(c) Fixed Coupon Amount(s): (*Applicable to Notes in definitive form.*)	[●] per Calculation Amount

(d)	Broken Amount(s): (*Applicable to Notes in definitive form.*)	[●] per Calculation Amount payable on the Interest Payment Date falling in/on [●].
(e)	Day Count Fraction:	[30/360 or Actual/Actual (ICMA) or [*specify other*]]
(f)	Determination Date(s):	[●] in each year [*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon* *N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration* *N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA)*]
(g)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[None/Give details]
16.	Floating Rate Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a)	Specified Period(s)/ Specified Interest Payment Dates:	[●]
(b)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[*specify other*]]
(c)	Additional Business Centre(s):	[●]
	Interest and Interest Amount is to be *determined*:	Determination/*specify other*]
(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[●]
(f)	Screen Rate Determination:	
•	Reference Rate:	[●] (*Either LIBOR, EURIBOR or other, although additional information is required if other including fallback provisions in the Agency Agreement*)
•	Interest Determination Date(s):	[●] (*Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest*

		Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)
	• Relevant Screen Page:	[●] (*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
(g)	ISDA Determination:	
	• Floating Rate Option:	[●]
	• Designated Maturity:	[●]
	• Reset Date:	[●]
(h)	Margin(s):	[+/] [●] per cent. per annum
(i)	Minimum Rate of Interest:	[●] per cent. per annum
(j)	Maximum Rate of Interest:	[●] per cent. per annum
(k)	Day Count Fraction:	[Actual/Actual (ISDA) Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360 30E/360 (ISDA) *Other*] (*See Condition 6 for alternatives*)
(l)	Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]

17.	Zero Coupon Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Accrual Yield:	[●] per cent. per annum
	(b) Reference Price:	[●]
	(c) Any other formula/basis of determining amount payable:	[●]
	(d) Day Count Fraction in relation to Early Redemption Amounts and late payment:	[Conditions 8(f) and 8(j)apply/specify other] (*Consider applicable day count fraction if not U.S. dollar denominated*)

18.	Index Linked Interest Note Provisions:	[Applicable/Not Applicable]
		(*If not applicable, delete the remaining subparagraphs of this paragraph.*)
		(*N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.*)
	(a) Index/Formula:	[*give or annex details*]
	(b) Calculation Agent:	[●]
	(c) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent):	[●]
	(d) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(e) Specified Period(s)/Specified Interest Payment Dates:	[●]
	(f) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day convention/ *specify other*]
	(g) Additional Business Centre(s):	[●]
	(h) Minimum Rate of Interest:	[●] per cent. per annum
	(i) Maximum Rate of Interest:	[●] per cent. per annum
	(j) Day Count Fraction:	[●]
19.	Dual Currency Interest Note Provisions:	[Applicable/Not Applicable]
		(*If not applicable, delete the remaining subparagraphs of this paragraph.*)
		(*N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.*)
	(a) Rate of Exchange/method of calculating Rate of Exchange:	[*give or annex details*]

	(b)	Party, if any, responsible for calculating the Principal and/or interest due (if not the Agent):	[●]
	(c)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(d)	Person at whose option Specified Currency(ies) is/are payable:	[●]

PROVISIONS RELATING TO REDEMPTION

20.	Issuer Call:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Optional Redemption Date(s):	[●]
	(b)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[●] per Calculation Amount/*specify other*/see Appendix]
	(c)	If redeemable in part:	
		(i) Minimum Redemption Amount:	[●]
		(ii) Maximum Redemption Amount:	[●]
	(d)	Notice period (if other than as set out in the Conditions):	[●] (*N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent [or Trustee]*)
21.	Investor Put:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Optional Redemption Date(s):	[●]
	(b)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[●] per Calculation Amount/specify other/see Appendix]
	(c)	Notice period (if other than as set out in the Conditions):	[●] (*N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is*

		advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)
22.	Final Redemption Amount:	[[●] per Calculation Amount/*specify other*/see Appendix] [*need to include a description of market disruption of market disruption or settlement disruption events and adjustment provisions.*] (*N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.*)
23.	Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 8(f)):	[[●] per Calculation Amount/*specify other*/see Appendix]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24.	Form of Notes:	[Bearer Notes: [Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Bearer Notes [on 60 days' notice given at any time/only upon an Exchange Event]] [Temporary Bearer Global Note exchangeable for Definitive Bearer Notes on and after the Exchange Date] [Permanent Bearer Global Note exchangeable for Definitive Bearer Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]]] (*N.B. The exchange upon notice/at any time should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect:* *"[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000]".* *Furthermore, such Specified Denomination construction is not permitted in relation to any*

		issue of Notes which is to be represented on issue by Temporary Global Note exchangeable for Definitive Notes.) [Registered Notes: [Regulation S Global Note (U.S.$[●] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg]] [Rule 144A Global Note (U.S.$[●] nominal amount) registered in the name of a nominee for [DTC] [Definitive IAI Registered Notes (*specify nominal amounts*)]]
25.	Additional Financial Centre(s) or other special provisions relating to Payment Days:	[Not Applicable/*give details*] (*Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub paragraphs 16(d) and 18(f) relate*)
26.	Talons for future Coupons or receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. If yes, give details]
27.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details. N.B. a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues*]
28.	Details relating to Instalment Notes:	
	(a) Instalment Amount(s):	[Not Applicable/*give details*]
	(b) Instalment Date(s):	[Not Applicable/*give details*]
29.	Redenomination applicable:	Redenomination [not] applicable (*If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates)*)
30.	Other final terms:	[Not Applicable/*give details*] (*When adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.*)

DISTRIBUTION

31.	(a) If syndicated, names and addresses of Managers and underwriting commitments:	[Not Applicable/*give names addresses and underwriting commitments*] (*Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.*)
	(b) Date of Subscription Agreement:	[●]
	(c) Stabilising Manager(s) (if any):	[Not Applicable/*give name*]
32.	If non syndicated, name and address of relevant Dealer:	[Not Applicable/*give name and address*]
33.	Total commission and concession:	[●] per cent. of the Aggregate Nominal Amount
34.	Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable:	[TEFRA D/TEFRA C/TEFRA not applicable]
35.	Additional selling restrictions:	[Not Applicable/*give details*]
36.	Additional U.S. federal income tax considerations:	[Not Applicable/*give details*]

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and admission to trading on the London Stock Exchange's regulated market and listing on the Official List of the U.K. Listing Authority of the Notes described herein pursuant to the U.S.$2,000,000,000 Global Medium Term Note Programme of GTB Finance B.V.

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in these Final Terms. [[*Relevant third party information, for example in compliance with Annex XII to the Prospectus Directive Regulation in relation to an index or its components*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading].

Signed on behalf of GTB Finance B.V.:	Signed on behalf of Guaranty Trust Bank plc:
By:	By: ....
Duly authorised	*Duly authorised*

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(i)	Listing and Admission to trading: its behalf) for the Notes	[Application has been made by the Issuer (or on to be admitted to trading on the London Stock Exchange's regulated market and listing on the Official List of the U.K. Listing Authority with effect from [●].] [Not Applicable.]
(ii)	Estimate of total expenses related to admission to trading:	[●]

2. RATINGS

Ratings:

The Notes to be issued have been rated:

[S & P: [●]]
[Moody's: [●]]
[Fitch: [●]]
[[Other]: [●]]

[The rating of the Notes has been endorsed by [name]:]

(*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating*)

[[*Insert credit rating agency*] is established in the European Union and is registered under Regulation (EU) No 1060/2009 (the "CRA Regulation").]

[[*Insert credit rating agency*] is not established in the European Union and has not applied for registration under Regulation (EU) No 1060/2009 (the "CRA Regulation").]

[[*Insert credit rating agency*] is established in the European Union and has applied for registration under Regulation (EU) No 1060/2009 (the "CRA Regulation"), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.]

[[*Insert credit rating agency*] is not established in the European Union and has not applied for registration under Regulation (EU) No 1060/2009 (the "CRA Regulation") but the rating issued by it is endorsed by [insert endorsing credit rating agency] which is established in the European Union and [is registered under the CRA Regulation] [has applied for registration under the CRA Regulation, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority].]

[[*Insert credit rating agency*] is not established in the European Union and has not applied for registration under Regulation (EU) No 1060/2009 (the "CRA Regulation") but is certified in accordance with the CRA Regulation.]

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. *Amend as appropriate if there are other interests*]

[(When adding any other description consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.)]

4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

(i)	Reasons for the offer:	[●]
[(ii)]	Estimated net proceeds:	[●]
[(iii)]	Estimated total expenses:	[●]

(*N.B.: Delete unless the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, in which case (i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks and, where such reasons are inserted in (i), disclosure of net proceeds and total expenses at (ii) and (iii) above are also required.*)]

5. YIELD *(Fixed Rate Notes only)*

Indication of yield: [●]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

6. PERFORMANCE OF INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING *(Index linked Notes only)*

[*Need to include details of where past and future performance and volatility of the index/formula can be obtained.*]

[*Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information.*]

[*Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.*]

[(*When completing the above paragraphs, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.*)]

The Issuer [intends to provide post issuance information [*specify what information will be reported and where it can be obtained*]] [does not intend to provide post issuance information.]

(*N.B. This paragraph 6 only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.*)

7. PERFORMANCE OF RATE[S] OF EXCHANGE *(Dual Currency Notes only)*

[*Need to include details of where past and future performance and volatility of the relevant rates can be obtained.*]

[(*When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.*)]

(*N.B. This paragraph 7 only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.*)

8. OPERATIONAL INFORMATION

(i)	ISIN Code:	[●]
(ii)	Common Code:	[●]
(iii)	CUSIP:	[●]
(iv)	CINS:	[●]
(v)	Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme/The Depository Trust Company and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
(vi)	Delivery:	Delivery [against/free of] payment
(vii)	Names and addresses of additional Paying Agent(s) (if any):	[●]
(viii)	Name and address of Registrar	[[Deutsche Bank Luxembourg S.A.]*/[Deutsche Bank Trust Company Americas]**]

** Select if issue relates to Registered Notes (other than Restricted Notes).*

*** Select if issue relates to Restricted Notes.*

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of the Notes" for a description of the content of the Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by GTB Finance B.V. (the "**Issuer**") constituted by an amended and restated Trust Deed (such amended and restated Trust Deed as modified and/or supplemented and/or restated from time to time, the "**Trust Deed**") dated 4 May 2011 made between the Issuer, Guaranty Trust Bank plc as guarantor (the "**Guarantor**") and Deutsche Trustee Company Limited as trustee (the "**Trustee**", which expression shall include any successor trustee).

References herein to the "**Notes**" shall be references to the Notes of this Series and shall mean:

(i) in relation to any Notes represented by a global Note (a "**Global Note**"), units of the lowest Specified Denomination in the Specified Currency;

(ii) any Global Note;

(iii) any definitive Notes in bearer form ("**Bearer Notes**") issued in exchange for a Global Note in bearer form; and

(iv) any definitive Notes in registered form ("**Registered Notes**") (whether or not issued in exchange for a Global Note in registered form).

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an amended and restated Agency Agreement (such amended and restated Agency Agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated 4 May 2011 and made between the Issuer, the Guarantor, the Trustee, Deutsche Bank A.G., London Branch as issuing and principal paying agent and agent bank (the "**Principal Paying Agent**", which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents), Deutsche Bank Trust Companies Americas as exchange agent (the "**Exchange Agent**", which expression shall include any successor exchange agent) and Deutsche Bank Luxembourg S.A. or Deutsche Bank Trust Company Americas as registrar, as specified in the Final Terms (each, the "**Registrar**"), as the context may require, and which expression shall include any successor registrar, and a transfer agent, together with the other transfer agents named therein and together with the Registrar, the "**Transfer Agents**", which expression shall include any additional or successor transfer agents).

Interest bearing definitive Bearer Notes have interest coupons ("**Coupons**") and, if indicated in the applicable Final Terms, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes repayable in instalments have receipts ("**Receipts**") for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Final Terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Terms and Conditions (the "**Conditions**") and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References to the "**applicable Final Terms**" are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

The Trustee acts for the benefit of the Noteholders (which expression shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the several persons whose names are entered in the register of holders of the Registered Notes as the holders thereof and shall, in relation to any Notes represented by a Global Note, be construed as provided in Condition 1), the holders of the Receipts (the "**Receiptholders**") and the holders of the Coupons (the "**Couponholders**", which expression shall, unless the context otherwise requires, include the holders of the Talons), in accordance with the provisions of the Trust Deed.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The payment of all amounts in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Trust Deed have been guaranteed by the Guarantor in the Trust Deed (the Guarantee).

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the specified office of each of the Principal Paying Agent, the Registrar and the other Paying Agents and Transfer Agents (such Agents and the Registrar being together referred to as the "**Agents**"). Copies of the applicable Final Terms are available for viewing at the registered office of the Issuer and of the Principal Paying Agent and copies may be obtained from those offices save that, if this Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer, the Trustee and the relevant Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed, the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and *provided that*, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form or in registered form as specified in the applicable Final Terms and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Final Terms.

This Note may also be a Senior Note or a Subordinated Note, as indicated in the applicable Final Terms.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Guarantor, the Trustee and any Agent will (except as otherwise required by law and the Trust Deed) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the immediately succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V. ("**Euroclear**") and/or Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor, the Trustee and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Guarantor, the Trustee and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly.

For so long as the Depository Trust Company ("**DTC**") or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Trust Deed and the Agency Agreement and the Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

Notes which are represented by a Registered Global Note will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear and Clearstream, Luxembourg, as the case may be. References to DTC, Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Principal Paying Agent and the Trustee.

2. TRANSFERS OF REGISTERED NOTES

(a) *Transfers of interests in Registered Global Notes*

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Registered Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Trust Deed and the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

(b) *Transfers of Registered Notes in definitive form*

Subject as provided in paragraphs (e), (f) and (g) below, upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer (i) the holder or holders must (A) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or its or their attorney or attorneys duly authorised in writing and (B) complete and deposit such other certifications as may be required by the relevant Transfer Agent and (ii) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer, the Trustee and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 5 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

(c) *Registration of transfer upon partial redemption*

In the event of a partial redemption of Notes under Condition 8, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

(d) *Costs of registration*

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

(e) *Transfers of interests in Regulation S Global Notes*

Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Regulation S Global Note to a transferee in the United States or who is a U.S. person will only be made:

(i) upon receipt by the Registrar of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate (a "**Transfer Certificate**"), copies of which are available from the specified office of any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made:

(A) to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or

(B) to a person who is an Institutional Accredited Investor,

together with, in the case of (B), a duly executed investment letter from the relevant transferee substantially in the form set out in the Agency Agreement (an "**IAI Investment Letter**"); or

(ii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

In the case of (A) above, such transferee may take delivery through a Legended Note in global or definitive form and, in the case of (B) above, such transferee may take delivery only through a Legended Note in definitive form. After expiry of the applicable Distribution Compliance Period (i) beneficial interests in Regulation S Global Notes registered in the name of a nominee for DTC may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC and (ii) such certification requirements will no longer apply to such transfers.

(f) *Transfers of interests in Legended Notes*

Transfers of Legended Notes or beneficial interests therein may be made:

(i) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that in the case of a Regulation S Global Note registered in the name of a nominee for DTC, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg; or

(ii) to a transferee who takes delivery of such interest through a Legended Note:

(A) where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or

(B) where the transferee is an Institutional Accredited Investor, subject to delivery to the Registrar of a Transfer Certificate from the transferor to the effect that such transfer is being made to an Institutional Accredited Investor, together with a duly executed IAI Investment Letter from the relevant transferee; or

(iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Notes transferred by Institutional Accredited Investors to QIBs pursuant to Rule 144A or outside the United States pursuant to Regulation S will be eligible to be held by such QIBs or non U.S. investors through DTC, Euroclear or Clearstream, Luxembourg, as appropriate, and the Registrar will arrange for any Notes which are the subject of such a transfer to be represented by the appropriate Registered Global Note, where applicable.

Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of the Legend, the Registrar shall deliver only Legended Notes or refuse to remove the Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

(g) *Exchanges and transfers of Registered Notes generally*

Holders of Registered Notes in definitive form, other than Institutional Accredited Investors, may exchange such Notes for interests in a Registered Global Note of the same type at any time.

(h) *Definitions*

In this Condition, the following expressions shall have the following meanings:

"**Distribution Compliance Period**" means the period that ends 40 days after the completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer (in the case of a non syndicated issue) or the relevant Lead Manager(s) (in the case of a syndicated issue);

"**Institutional Accredited Investor**" means 'accredited investors' (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that are institutions;

"**Legended Note**" means Registered Notes in definitive form that are issued to Institutional Accredited Investors and Registered Notes (whether in definitive form or represented by a Registered Global Note) sold in private transactions to QIBs in accordance with the requirements of Rule 144A;

"**QIB**" means a qualified institutional buyer within the meaning of Rule 144A;

"**Regulation S**" means Regulation S under the Securities Act;

"**Regulation S Global Note**" means a Registered Global Note representing Notes sold outside the United States in reliance on Regulation S;

"**Rule 144A**" means Rule 144A under the Securities Act;

"**Rule 144A Global Note**" means a Registered Global Note representing Notes sold in the United States or to QIBs; and

"**Securities Act**" means the U.S. Securities Act of 1933, as amended.

3. STATUS OF THE SENIOR NOTES AND THE GUARANTEE AND SUBORDINATION

(a) *Status of the Senior Notes*

The Senior Notes and any relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4(a)) unsecured obligations of the Issuer and (subject as stated above) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

(b) *Status of the Guarantee in respect of the Senior Notes*

The obligations of the Guarantor under the Guarantee in respect of the Senior Notes are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4(a)) unsecured obligations of the Guarantor and (subject as stated above) rank and will rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

(c) *Status of the Subordinated Notes*

The Subordinated Notes and any relative Coupons are direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves and at least *pari passu* with the claims of all holders of Subordinated Indebtedness.

In the event of the Winding-up of the Issuer the claims of the Trustee and the holders of Subordinated Notes and any relative Receipts and Coupons against the Issuer to payment of principal and interest in respect of the Subordinated Notes and the relative Coupons and Receipts will be subordinated to the Senior Indebtedness in the manner provided in the Trust Deed.

The provisions of this Condition 3(c) apply only to the principal and interest in respect of the Subordinated Notes and nothing in this Condition 3(c) or in Condition 11 shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof.

For the purposes of this Condition 3(c) only:

"**Senior Claims**" means the claims of all creditors of the Issuer (including, without limiting the generality of the foregoing, all contingent and prospective claims, all claims in respect of deposits with or loans to the Issuer and all claims to interest thereon or in respect thereof) excluding all claims in respect of Subordinated Indebtedness;

"**Senior Indebtedness**" means the aggregate of all Senior Claims; and

"**Subordinated Indebtedness**" means the aggregate of (i) indebtedness of the Issuer under the Subordinated Notes and any relative Coupons; and (ii) all other indebtedness of the Issuer which is subordinated in the event of the Winding-up of the Issuer to the claims of unsubordinated creditors.

(d) *Status of the Guarantee in respect of the Subordinated Notes*

The obligations of the Guarantor under the Guarantee in respect of the Subordinated Notes and any relative Coupons are direct, unsecured and subordinated obligations of the Guarantor and rank *pari passu* and without any preference among themselves and at least *pari passu* with the claims of all holders of Subordinated Indebtedness.

In the event of the Winding-up of the Guarantor, the claims of the Trustee and the holders of Subordinated Notes and any relative Coupons against the Guarantor to payment of principal and interest in respect of the Subordinated Notes and the relative Coupons will be subordinated to the Senior Indebtedness in the manner provided in the Trust Deed.

The provisions of this Condition 3(d) apply only to the principal and interest in respect of the Subordinated Notes and nothing in this Condition 3(d) or in Condition 11 shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof.

For the purpose of this Condition 3(d) only:

"**Senior Claims**" means the claims of all creditors of the Guarantor (including, without limiting the generality of the foregoing, all contingent and prospective claims, all claims in respect of deposits with or loans to the Guarantor and all claims to interest thereon or in respect thereof) which are admitted to proof in the Winding-up of the Guarantor but excluding all claims in respect of Subordinated Indebtedness;

"**Senior Indebtedness**" means the aggregate of all Senior Claims; and

"**Subordinated Indebtedness**" means the aggregate of (i) indebtedness of the Guarantor under the Guarantee in respect of the Subordinated Notes and any relative Coupons; and (ii) all other indebtedness of the Guarantor which is subordinated in the event of the Winding-up of the Guarantor to the claims of unsubordinated creditors.

(e) *Other definitions*

"**Winding-up**" means:

(i) in the case of the Issuer:

(A) the bankruptcy in the Netherlands (*faillissement*) of the Issuer; or

(B) the Issuer being granted (provisional) suspension of payments in the Netherlands ((*voorlopige) surseance van betaling*); and

(ii) in the case of the Guarantor, the liquidation of the Guarantor by virtue of an order of court pursuant to Section 408 of the Companies and Allied Matters Act ("**CAMA**"), a special resolution of the company for winding-up of the company pursuant to Sections 457 and 472 of CAMA and by supervision of the court pursuant to Section 486 of CAMA.

4. COVENANTS

This Condition 4 applies only to Senior Notes.

For so long as any of the Senior Notes remains outstanding (as defined in the Trust Deed), the Issuer, as applicable, and the Guarantor undertake to comply with each of the following covenants.

(a) *Negative Pledge*

Neither the Issuer nor the Guarantor will, and the Guarantor will not permit any of its Material Subsidiaries to, directly or indirectly create or have outstanding any mortgage, charge, lien, pledge, encumbrance or other security interest (each a "**Security Interest**"), other than Permitted Security Interests (as defined below), upon, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Indebtedness (as defined below), unless, at the same time or prior thereto, the Issuer's or, as the case may be, the Guarantor's obligations under the Senior Notes (in the case of the Issuer), the Guarantee (in the case of the Guarantor) and the Trust Deed (in both cases) (a) are secured by the Security Interest equally and rateably with the Indebtedness to the satisfaction of the Trustee or (b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided either (i) as the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Noteholders or (ii) as is approved by an Extraordinary Resolution (which is defined in the Trust Deed as a resolution duly passed by a majority of not less than three fourths of the votes cast thereon) of the Noteholders.

(b) *Restricted Payments*

The Guarantor shall not, and shall ensure that each of its Material Subsidiaries shall not, directly or indirectly:

(i) declare or pay any dividend, in cash or otherwise, or make any other distribution (whether by way of redemption, acquisition or otherwise) in respect of its share capital (other than a dividend or other distribution payable to the Guarantor or a Subsidiary of the Guarantor); or

(ii) voluntarily purchase, redeem or otherwise retire for value any debt (including any form of capital instrument) of the Guarantor subordinated by its terms to the obligations of the Guarantor under the Guarantee,

(any such action, a "**Restricted Payment**") if such Restricted Payments when aggregated with all other Restricted Payments previously made in respect of the relevant financial year of the Guarantor exceed 80.0 per cent. of the Group's consolidated profit after tax and extraordinary activities for such financial year, determined by reference to the Group's audited consolidated financial statements prepared under IFRS for such financial year.

(c) *Capital Adequacy*

The Guarantor shall:

(i) not permit its total capital adequacy ratio to fall below the minimum total capital adequacy ratio required by the Central Bank of Nigeria ("**CBN**") and the ratio of its Capital to its Risk Weighted Assets to fall below 10.0 per cent., as calculated in accordance with BIS Guidelines; and

(ii) at all times comply with all rules, regulations and prudential supervision ratios of the CBN applicable to banks in Nigeria except where failure to so comply would not have a Material Adverse Effect.

(d) *No Consolidation or Merger*

The Guarantor shall not without the prior written consent of the Trustee (which consent may only be given by the Trustee if it is of the opinion that to do so will not be materially prejudicial to the interests of the Noteholders) consolidate with or merge into any other Person (or enter into any transaction whose effect would be similar to that of a merger) or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its property and assets to any Person by one or more transactions or series of transactions (whether related or not) (any such consolidation or merger (or transaction whose effect would be similar to that of a merger) and any such transaction or series of transactions, a "**consolidation**" or "**merger**") if such consolidation or merger would have a Material Adverse Effect, unless:

(i) the Guarantor shall be the continuing Person or the successor Person (as a result of such consolidation or merger) shall be a corporation organised and validly existing under the laws of Nigeria, and shall expressly assume by a supplemental trust deed to the Trust Deed in form and substance satisfactory to the Trustee, all of the obligations of the Guarantor under the Guarantee and the Trust Deed;

(ii) immediately before and after giving effect to such consolidation or merger, no Potential Event of Default (as defined in the Trust Deed) or Event of Default shall have occurred and be continuing; and

(iii) the Guarantor or such successor Person, as the case may be, shall have delivered to the Trustee (A) an opinion of independent legal advisers of recognised standing stating the consolidation or merger complies with the provisions of subparagraph (i) above and (B) a certificate signed by two of its directors stating the consolidation or merger complies with the provisions of subparagraphs (i) and (ii) above.

(e) *Disposals*

(i) Without prejudice to the provisions of Conditions 4(d) or 4(f), the Guarantor shall not, and shall ensure that none of its Material Subsidiaries will, (in each case disregarding any sale, lease, transfer or disposal made in the ordinary course of Banking Business of the Guarantor or the relevant Material Subsidiary, as the case may be) sell, lease, transfer or otherwise dispose of, to a Person other than the Guarantor or a Subsidiary of the Guarantor, as the case may be, by one or more transactions or series of transactions (whether related or not), the whole or any Material Part of any of its revenues or its assets, unless such transaction(s) is/are (A) for Fair Market Value and (B) has/have been approved by a resolution of the appropriate decision making body of the Guarantor or the relevant Material Subsidiary, as the case may be, resolving that the transaction complies with the requirements of this Condition 4(e).

For the purpose of determining whether or not one or more disposals is of a Material Part, reference shall be had (i) to the most recent published audited consolidated or, as the case may be, non-consolidated IFRS financial statements of the Guarantor or the Material Subsidiary, as the case may be, at the time the disposal is completed to determine the book value of the revenues or assets being disposed of and (ii) to the most recent published audited consolidated IFRS financial statements of the Guarantor at the time the determination is made to determine the book value of the total revenues or total assets of the Group.

(ii) For the avoidance of doubt, this Condition 4(e) shall not apply to any revenues or assets (or any part thereof) the subject of any Securitisation Transaction (as defined below), *provided that* the aggregate value of the assets or revenues which are the subject of all such Securitisation Transactions, when added to the aggregate value of the revenues or assets subject to any Security Interest described under subparagraph (i) in the definition of "**Permitted Security Interests**" in Condition 4(g) below and permitted under these Conditions, does not at any time exceed 20.0 per cent. of the total loans and advances of the Group (less provisions for bad and doubtful loans), as determined at any such time by reference to the most recent IFRS audited consolidated annual financial statements of the Group.

(f) *Transactions with Affiliates*

The Guarantor shall not, and shall ensure that each of its Material Subsidiaries shall not, directly or indirectly, conduct any business, enter into or permit to exist any transaction or series of related transactions (including the purchase, sale, transfer, assignment, lease, conveyance or exchange of any property or the rendering of any service) with, or for the benefit of, any Affiliate (an "**Affiliate Transaction**"), including, without limitation, inter company loans, unless the terms of such Affiliate Transaction are no less favourable to the Guarantor or such Material Subsidiary, as the case may be, than those that could be obtained in a comparable arm's length transaction for Fair Market Value with a Person that is not an Affiliate of the Guarantor or such Material Subsidiary.

This Condition does not apply to (i) compensation or employee benefit arrangements with any officer or director of the Guarantor or any of its Subsidiaries arising as a result of the employment contract of such officer or director, or (ii) any Affiliate Transaction between the Guarantor and any of its Subsidiaries or between any Material Subsidiaries of the Guarantor.

(g) *Interpretation*

In these Conditions:

(i) "**Affiliate**" of any specified Person means (A) any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person or who has as a director a Person who is also a director of such specified Person; or (B) any other Person who is a director or officer of such specified Person, of any Subsidiary of such specified Person or of any Person described in (B) above;

(ii) "**Agency**" means any agency, authority, central bank, department, committee, government, legislature, minister, ministry, official or public or statutory person (whether autonomous or not) of, or of any national, regional or local government of, any state or, as applicable, of any supra national body;

(iii) "**Banking Business**" means, in relation to the Guarantor or any of its Subsidiaries, any type of banking business (including, without limitation, any short term inter bank operations with maturities of one year or less, factoring, consumer credit, mortgages, issuance of banking guarantees and letters of credit (and related cash cover provision), bills of exchange, promissory notes and certificates of deposit and payments under such guarantees, letters of credit, trading of securities, fund management and professional securities market participation business) or other financial services which it conducts or may conduct pursuant to any licence issued by the appropriate authorities for that purpose and any applicable law;

(iv) "**BIS Guidelines**" means the framework for measuring the capital adequacy of international banks contained in the July 1988 text of the Basle Capital Accord, published by the Basle Committee on Banking Supervision (as amended, updated or supplemented from time to time), without any amendment or other modification by any other Agency;

(v) "**Capital**" means the Guarantor's capital as such term is defined in the BIS Guidelines;

(vi) "**Fair Market Value**" means the value that would be obtained in an arm's length commercial transaction between an informed and willing seller or equivalent participant in such transaction (under no undue pressure or compulsion to sell or otherwise participate in the transaction) and an informed and willing buyer or equivalent participant in such transaction (under no undue pressure or compulsion to buy or otherwise participate in the transaction). A report of an Independent Appraiser on the Fair Market Value of a transaction may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee shall be conclusive and binding on all parties;

(vii) "**Group**" means the Guarantor and its Subsidiaries, from time to time, taken as a whole;

(viii) "**Indebtedness**" means, with respect to any Person at any date of determination (without duplication), any present or future indebtedness of such Person for, or in respect of, money borrowed or any amount raised including, without limitation, (a) any amount raised by way of acceptance under any acceptance credit facility, (b) any amount raised pursuant to any note purchase facility or the issue of notes, bonds, debentures, debenture stock, loan stock or any other security or similar instrument, (c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with generally accepted accounting standards in the jurisdiction of incorporation of the lessee, be treated as finance or capital leases (each a "**Finance Lease**"), (d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred primarily as a means of raising finance or financing the acquisition of the relevant asset or service and (e) any amount raised under any other transaction (including, without limitation, any forward sale or purchase agreement and the sale of receivables or other assets on a "with recourse" basis) having the economic or commercial effect of a borrowing (but excluding trade accounts payable and other accrued liabilities arising in the ordinary course of business), and the amount of any liability in respect of any guarantee or indemnity for any of the above;

(ix) "**Independent Appraiser**" means any affiliate entities of PricewaterhouseCoopers LLC, KPMG LLC, Deloitte & Touche LLP, Ernst & Young LLP or such other reputable financial institution, accountancy or appraisal firm of international standing appointed at its expense by the competent management body of the Guarantor, provided it is not an Affiliate of the Guarantor or any Subsidiary of the Guarantor, and if a report of an Independent Appraiser is provided to the Trustee, the Guarantor shall also provide the Trustee with a certificate signed by two of its directors confirming that the entity which has prepared the report meets the requirements in this definition of Independent Appraiser;

(x) "**Material Adverse Effect**" means a material adverse effect on (A) the business, financial condition or results of operations of the Guarantor or the Group, or (B) the Issuer's ability to perform its obligations under the Senior Notes and/or the Trust Deed or the Guarantor's ability to perform its obligations under the Guarantee and/or the Trust Deed;

(xi) "**Material Part**" means in respect of any one or more transactions or series of transactions (whether related or not) completed in any 12 month period, *provided that* no such period shall commence earlier than the issue date of the first issue of Notes under the Programme, revenues or assets the book value of which is 5.0 per cent. or more of the book value of the total revenues or total assets, as the case may be, of the Group as determined at any such time by reference to the most recent audited consolidated annual financial statements of the Group;

(xii) "**Material Subsidiary**" means at any time a Subsidiary of the Guarantor which:

(A) has gross revenues representing 10.0 per cent. or more of the consolidated gross revenues of the Group; or

(B) has total assets representing 7.5 per cent. or more of the consolidated total assets of the Group,

in each case calculated on a consolidated basis in accordance with the then most recent audited consolidated financial statements of the Guarantor, as more particularly defined in the Trust Deed.

For the purpose of this definition, a report by two Directors of the Guarantor whether or not addressed to the Trustee that in their opinion a Subsidiary of the Guarantor is or is not or was or was not at any particular time or throughout any specified period a Material Subsidiary may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties.

(xiii) "**Permitted Security Interests**" means:

(A) Security Interests in existence on 4 May 2011;

(B) Security Interests arising in the ordinary course of Banking Business (including netting or set off arrangements for the purposes of netting debit and credit balances);

(C) Security Interests granted in favour of the Guarantor by any of its Subsidiaries;

(D) Security Interests on assets or property acquired (or deemed to be acquired) under a Finance Lease, or claims arising from the use or loss of or damage to such assets or property, *provided that* any such Security Interest secures only Indebtedness under such Finance Lease, including, without limitation to the generality of the foregoing, any Security Interest created pursuant to any Repo transaction;

(E) Security Interests arising pursuant to any agreement (or other applicable terms and conditions) which is standard or customary in the relevant market and in the ordinary course of business (and not for the purposes of raising credit or funds for the operation of the Guarantor and/or any Material Subsidiary of the Guarantor, as the case may be, other than on a short term basis as part of the Guarantor's or such Material Subsidiary's liquidity management activities), in connection with (i) contracts entered into substantially simultaneously for sales and purchases at market prices of foreign exchange or securities (including, but not limited to, Repos and "**Lombard**" credits extended by the CBN), (ii) insurance deposits placed by the Guarantor or such Material Subsidiary as security for guarantees issued in respect of the export import operations of the Guarantor's or such Material Subsidiary's customers, (iii) the establishment of margin deposits and similar collateral in connection with any trading transaction, (iv) proprietary trading activities generally or (v) any derivative transaction entered into by the Guarantor or such Material Subsidiary in connection with taking protection against or benefiting from a fluctuation in any rate or price;

(F) Security Interests on the assets or property of a Person existing at the time that such Person is acquired as a Material Subsidiary by the Guarantor, *provided that* such Security Interests: (i) were not created in contemplation of such acquisition; and (ii) do not extend to any other assets or property of the Guarantor or any Material Subsidiary of the Guarantor (other than those of the Person acquired and its Material Subsidiaries (if any));

(G) Security Interests already existing on assets or property acquired or to be acquired by the Guarantor or a Material Subsidiary of the Guarantor, *provided that* such Security Interests were not created in contemplation of such acquisition and do not extend to any other assets or property (other than the proceeds of such acquired assets or property);

(H) Security Interests on any assets or property acquired by any member of the Group after the date of this Offering Circular to secure the purchase price of such assets or property or to secure Indebtedness incurred solely for the purpose of financing the acquisition of such assets or property and transactional expenses related to such acquisition or expenses related to the repair or refurbishment of such assets or property, *provided that* the maximum amount of Indebtedness secured by such Security Interest does not exceed the purchase price of such assets or property (including transactional expenses) or the Indebtedness incurred solely for the purpose of financing the acquisition, repair or refurbishment of such assets or property;

(I) any Security Interests on, or with respect to, any present or future revenues or assets of the Guarantor or any of its Subsidiaries or any part of such assets or revenues that is created pursuant to any Securitisation Transaction, provided the aggregate value of the revenues or assets subject to such Security Interests when added to the aggregate value of the revenues or assets the subject of any Securitisation Transaction permitted pursuant to Condition 4(e), does not at any time exceed 20.0 per cent. of the total loans and advances of the Group (less provisions for bad and doubtful loans), as determined at any such time by reference to the most recent audited consolidated annual financial statements of the Group;

(J) any Security Interests arising by operation of law;

(K) Security Interests arising in connection with any court proceedings which do not constitute an Event of Default;

(L) any Security Interests not otherwise permitted by the preceding subparagraphs (A) to (K) (inclusive), *provided that* the aggregate principal amount of the Indebtedness secured by such Security Interests does not at any time exceed 20.0 per cent. in aggregate of the total assets of the Group shown on the most recent audited consolidated annual financial statements or, as the case may be, audited consolidated interim financial statements of the Guarantor;

(M) any Security Interest arising out of the refinancing, extension, renewal or refunding of any Indebtedness secured by a Security Interest permitted by any of the above exceptions, *provided that* the Indebtedness secured by such Security Interest does not exceed the amount of the original Indebtedness and such Security Interest is not extended to cover any assets or property not previously subject to such Security Interest; and

(N) any Security Interests granted in favour of any Noteholders, or any trustee acting for them, by the Issuer over any, and solely limited to, the proceeds of any Indebtedness incurred by the Issuer and on-lent by it to the Guarantor, to secure any Indebtedness owed by the Issuer to such Noteholders or such trustee;

(xiv) "**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, trust, institution, organisation, agency or other entity, whether or not having separate legal personality;

(xv) "**Programme**" means the U.S.$2,000,000,000 Global Medium Term Note Programme of the Issuer, unconditionally and irrevocably guaranteed by the Guarantor;

(xvi) "**Repo**" means a securities repurchase or resale agreement or reverse repurchase or resale agreement, a securities borrowing agreement or any agreement relating to securities which is similar in effect to any of the foregoing, and, for purposes of this definition, the term securities means any capital stock, share, debenture or other debt or equity instrument, or any derivative thereof, whether issued by any private or public company, any government or agency or instrumentality thereof or any supranational, international or multilateral organisation;

(xvii) "**Risk Weighted Assets**" means the aggregate of the Group's consolidated balance sheet assets and off balance sheet engagements, weighted for credit and market risk in accordance with the BIS Guidelines;

(xviii) "**Securitisation Transaction**" means any securitisation of receivables, asset backed financing, or comparable secured loan financing or similar arrangement by which an entity acquires or provides finance against the security of certain assets or revenues and that entity funds such acquisition or financing from external funding sources (including, but not limited to, debt securities or banking facilities) on terms that such funding will be repaid primarily from such assets or revenues; and

(xviii) "**Subsidiary**" means, in relation to any Person, any company (A) in which such Person holds a majority of the voting rights or (B) of which such Person is a member and has the right to appoint or remove a majority of the board of directors or (c) of which such Person is a member and controls a majority of the voting rights, and includes any company which is a Subsidiary of a Subsidiary of such Person.

(h) *Determination of Material Adverse Effect*

To the extent that the Trustee is instructed to take any action pursuant to (i) a request in writing by the holders of at least one fifth in principal amount of the Senior Notes then outstanding or (ii) an Extraordinary Resolution of Noteholders, and any such action requires the determination of whether an event or occurrence has had a Material Adverse Effect, the Trustee shall have no duty to enquire or satisfy itself as to the existence of an event or occurrence having a Material Adverse Effect and shall be entitled to rely conclusively upon such request in writing by, or Extraordinary Resolution of, the Noteholders regarding the same, and shall bear no liability of any nature whatsoever to the Issuer or the Guarantor for acting upon such request in writing or Extraordinary Resolution of the Noteholders.

(i) *Trustee Not Obliged to Monitor Compliance*

The Trust Deed does not oblige the Trustee to monitor compliance by the Issuer or the Guarantor, as the case may be, with the Conditions (including Conditions 4(a), 4(b), 4(c), 4(d), 4(e) and 4(f)) but it does oblige the Issuer and the Guarantor to furnish the Trustee, annually, with a certificate, on which the Trustee may rely, as to such compliance.

5. REDENOMINATION

(a) *Redenomination*

Where redenomination is specified in the applicable Final Terms as being applicable, the Issuer may, without the consent of the Noteholders, the Receiptholders and the Couponholders but after prior consultation with the Trustee, on giving prior notice to the Principal Paying Agent, Euroclear and Clearstream, Luxembourg and at least 30 days' prior notice to the Noteholders in accordance with Condition 15, elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro.

The election will have effect as follows:

(i) the Notes and the Receipts shall be deemed to be redenominated into euro in the denomination of €0.01 with a nominal amount for each Note and Receipt equal to the nominal amount of that Note or Receipt in the Specified Currency, converted into euro at the Established Rate, *provided that*, if the Issuer determines, with the agreement of the Principal Paying Agent and the Trustee, that the then market practice in respect of the redenomination into euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes may be listed and the Agents of such deemed amendments;

(ii) save to the extent that an Exchange Notice has been given in accordance with subparagraph (iv) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate nominal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest €0.01;

(iii) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer in the denomination of €100,000 and/or such higher amounts as the Principal Paying Agent may determine and notify to the Noteholders and any remaining amounts less than €100,000 shall be redeemed by the Issuer and paid to the Noteholders in euro in accordance with Condition 7;

(iv) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the "**Exchange Notice**") that replacement euro denominated Notes, Receipts and Coupons are available for exchange (*provided that* such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New euro denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;

(v) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque;

(vi) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated:

(a) in the case of the Notes represented by a Global Note, by applying the Rate of Interest to the aggregate outstanding nominal amount of the Notes; and

(b) in the case of definitive Notes, by applying the Rate of Interest to the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub unit of the relevant Specified Currency, half of any such sub unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding; and

(vii) if the Notes are Floating Rate Notes, the applicable Final Terms will specify any relevant changes to the provisions relating to interest.

(b) *Definitions*

In these Conditions, the following expressions have the following meanings:

"**Established Rate**" means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Community regulations) into euro established by the Council of the European Union pursuant to Article 123 of the treaty establishing the European Community, as amended;

"**euro**" or "**€**" refers to the currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to Article 123 of the treaty establishing the European Community, as amended;

"**Redenomination Date**" means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the Issuer in the notice given to the Noteholders pursuant to paragraph (a) above and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union.

6. INTEREST

(a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in the Conditions, "**Fixed Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where a Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub unit of the relevant Specified Currency, half of any such sub unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest, in accordance with this Condition 6(a):

(i) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:

(a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(ii) if "**30/360**" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with twelve 30-day months) divided by 360.

In these Terms and Conditions:

"**Determination Period**" means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

"**sub unit**" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

(b) *Interest on Floating Rate Notes and Index Linked Interest Notes*

(i) *Interest Payment Dates*

Each Floating Rate Note and Index Linked Interest Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

(B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an "**Interest Payment Date**") which falls within the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day on the calendar month in which an Interest.

Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(1) in any case where Specified Periods are specified in accordance with Condition 6(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Terms and Conditions, "**Business Day**" means a day which is both:

(A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the applicable Final Terms; and

(B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the Trans European Automated Real Time Gross Settlement Express Transfer (TARGET2) System (the "**TARGET2 System**") which was launched on 19 November 2007 or any successor thereto is open.

(ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Final Terms.

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (A), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as of the Issue Date of the first Tranche of the Notes (the "**ISDA Definitions**") and under which:

(1) the Floating Rate Option is as specified in the applicable Final Terms;

(2) the Designated Maturity is a period specified in the applicable Final Terms; and

(3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London interbank offered rate ("**LIBOR**") or on the Euro zone interbank offered rate ("**EURIBOR**"), the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

For the purposes of this subparagraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(B) *Screen Rate Determination for Floating Rate Notes*

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as of 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as of the time specified in the preceding subparagraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(iii) *Minimum Rate of Interest and/or Maximum Rate of Interest*

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of subparagraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of subparagraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) *Determination of Rate of Interest and calculation of Interest Amounts*

The Principal Paying Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Principal Paying Agent will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

(A) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub unit of the relevant Specified Currency, half of any such sub unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 6(b):

(i) if "**Actual/Actual (ISDA)**" or "**Actual/Actual**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if "**Actual/365 (Fixed)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(iii) if "**Actual/365 (Sterling)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "**Actual/360**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)]+[30x(M_2 - M_1)]+(D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(vi) if "**30E/360**" or "**Eurobond Basis**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)]+[30x(M_2 - M_1)]+(D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30;

(vii) if "**30E/360 (ISDA)**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)]+[30x(M_2 - M_1)]+(D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

(v) *Notification of Rate of Interest and Interest Amounts*

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 15 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 15. For the purposes of this subparagraph, the expression "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(vi) *Determination or Calculation by Trustee*

If for any reason at any relevant time the Principal Paying Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Principal Paying Agent defaults in its obligation to calculate any Interest Amount in accordance with subparagraph (ii)(A) or subparagraph (ii)(B) above or as otherwise specified in the applicable Final Terms, as the case may be, and in each case in accordance with subparagraph (iv) above, the Trustee (or its agent) shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee (or its agent) shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Principal Paying Agent or the Calculation Agent, as applicable.

(vii) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6(b), whether by the Principal Paying Agent or, if applicable, the Calculation Agent or the Trustee, shall (in the absence of wilful default, bad faith and manifest error) be binding on the Issuer, the Guarantor, the Principal Paying Agent, the Calculation Agent (if applicable), the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence of wilful default and bad faith) no liability to the Issuer, the Guarantor, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or, if applicable, the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Interest on Dual Currency Interest Notes*

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Final Terms.

(d) *Interest on Partly Paid Notes*

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

(e) *Accrual of interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(A) the date on which all amounts due in respect of such Note have been paid; and

(B) as provided in the Trust Deed.

7. PAYMENTS

(a) *Method of payment*

Subject as provided below:

(i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and

(ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9.

(b) *Presentation of definitive Bearer Notes, Receipts and Coupons*

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case only at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of instalments of principal (if any) in respect of definitive Bearer Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 9) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 10) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "**Long Maturity Note**" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon *provided that* such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

(c) *Payments in respect of Bearer Global Notes*

Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note only at the specified office of any Paying Agent outside the United States or its possessions. A record of each payment made against presentation or surrender of any Global Note in bearer form, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made.

(d) *Payments in respect of Registered Notes*

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the "**Register**") at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than U.S.$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, "**Designated Account**" means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the "**Record Date**") at its address shown in the Register on the Record Date and at its risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement.

None of the Issuer, the Guarantor, the Trustee or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(e) *General provisions applicable to payments*

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer or, as the case may be, the Guarantor will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC, as the case may be, for its share of each payment so made by the

Issuer or, as the case may be, the Guarantor to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;

(ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(iii) the Issuer delivers to the Trustee a legal opinion (in a form satisfactory to the Trustee) to the effect that such payment is then permitted under United States law and will not result in adverse tax consequences to the Issuer, the Guarantor or holders of such Notes (such opinion the Trustee will be able to rely upon absolutely).

For the avoidance of doubt, Deutsche Bank Trust Company Americas, as initial Paying Agent, will not process and/or make any payment of U.S. dollars on Bearer Notes.

(f) *Payment Day*

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 10) is:

(i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

(A) in the case of Notes in definitive form only, the relevant place of presentation;

(B) each Additional Financial Centre specified in the applicable Final Terms;

(ii) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open; and

(iii) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Note) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

(g) *Interpretation of principal and interest*

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(i) any additional amounts which may be payable with respect to principal under Condition 9 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;

(ii) the Final Redemption Amount of the Notes;

(iii) the Early Redemption Amount of the Notes;

(iv) the Optional Redemption Amount(s) (if any) of the Notes;

(v) in relation to Notes redeemable in instalments, the Instalment Amounts;

(vi) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 8(f)); and

(vii) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 9 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

8. REDEMPTION AND PURCHASE

(a) *Redemption at maturity*

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

(b) *Redemption for tax reasons*

If the Issuer satisfies the Trustee immediately before the giving of the notice referred to below that:

(i) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 9), or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which (i) in the case of the Issuer or Guarantor, such change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes or (ii) in the case of a successor to the Issuer or Guarantor, such change or amendment becomes effective after such successor becomes subject to the terms of the Notes:

(A) on the next Interest Payment Date the Issuer would be required to pay additional amounts as provided or referred to in Condition 9; or

(B) on the next Interest Payment Date the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts (subject, where the Relevant Jurisdiction in respect of payment by the Guarantor is Nigeria or any political subdivision or any authority thereof or therein having power to tax, to the Taxes that required the Guarantor to pay such additional amounts being at a rate in excess of 10.0 per cent. (calculated without giving effect to any reduction of such rate under any tax treaty to which Nigeria is a party)); or

(C) with respect to any payment by the Guarantor to the Issuer to enable the Issuer to make any payment of principal or interest on the Notes on the next Interest Payment Date, the Guarantor would be required to make any withholding or deduction for, or on account of, any Taxes imposed or levied by or on behalf of Nigeria or any political subdivision or any authority thereof or therein having power to tax at a rate in excess of 7.5 per cent. (calculated after giving effect to any reduction of such rate under any tax treaty between the Netherlands and Nigeria); and

(ii) the requirement cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it;

the Issuer may (subject in the case of Subordinated Notes to obtaining any consent required by the CBN (or other Nigerian governmental authority responsible for the capital adequacy of banks)) at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 15 (which notice shall be irrevocable), redeem all the Notes, but not some only, at any time at their Early Redemption Amount together with interest accrued to but excluding the date of redemption, *provided that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts, were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by two directors of the Issuer or, as the case may be, the Guarantor stating that the requirement referred to in (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it, and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders.

(c) *Redemption at the option of the Issuer (Issuer Call)*

If the Issuer Call is specified in the applicable Final Terms, the Issuer may (subject in the case of Subordinated Notes to obtaining any consent required by the CBN (or other Nigerian governmental authority responsible for the capital adequacy of banks)), having given:

(i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 15; and

(ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Trustee and the Principal Paying Agent and, in the case of a redemption of Registered Notes, the Registrar;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg and/or DTC, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection**

Date"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 15 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 15 at least five days prior to the Selection Date.

(d) *Redemption at the option of the Noteholders (Investor Put)*

If the Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer, in accordance with Condition 15, not less than 15 nor more than 30 days' notice, the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Registered Notes may be redeemed under this Condition 8(d) in any multiple of their lowest Specified Denomination. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms.

To exercise the right to require redemption of a particular Note, the holder of such Note must, if the Note is in definitive form and held outside Euroclear, Clearstream, Luxembourg and DTC, deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes), at any time during normal business hours of such Paying Agent, or as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent, or as the case may be, the Registrar (a "**Put Notice**") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition and, in the case of a partial redemption of Registered Notes, the nominal amount thereof to be redeemed and an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2(b). If the relevant Note is in definitive bearer form the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear, Clearstream, Luxembourg or DTC, to exercise the right to require redemption of this Note, the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and DTC (which may include notice being given on his instruction by Euroclear, Clearstream, Luxembourg, DTC or any common depositary, as the case may be, for any of them to the Agent by electronic means) in a form acceptable to Euroclear, Clearstream, Luxembourg and DTC from time to time and, if the relevant Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Agent for notation accordingly.

Any Put Notice or other notice in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and DTC given by a holder of any Note pursuant to this Condition 8(d) shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Trustee has declared the Notes to be due and payable pursuant to Condition 11, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 8(d) and instead to declare such Note forthwith due and payable pursuant to Condition 11.

(e) *Redemption or Purchase at the option of the Noteholders on a Put Event (Change of Control Put)*

This Condition 8(e) only applies to Senior Notes.

If the Change of Control Put is not disapplied in the applicable Final Terms, and if at any time while any Note remains outstanding:

(i) a Change of Control occurs; and

(ii) within the Change of Control Period (A) if the Notes are rated, a Rating Downgrade in respect of that Change of Control occurs, or (B) if the Notes are not rated, a Negative Rating Event in respect of that Change of Control occurs (in either case, a "**Put Event**"),

each holder of the Notes shall have the option (unless, before the giving of the Put Event Notice (as defined below), the Issuer shall have given notice under Condition 8(b) to redeem the Notes) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) any of its Notes at their principal amount together with (or, where purchased, together with an amount equal to) interest accrued to but excluding the Put Date (as defined below). Registered Notes may be redeemed under this Condition 8(e) in any multiple of their lowest Specified Denomination. Such option (the "**Put Option**") shall operate as set out below.

If a Put Event occurs then, within 14 days of the occurrence of the Put Event, the Issuer shall, and upon the Trustee becoming so aware (the Issuer having failed to do so) the Trustee may, and, if so requested by the holders of at least one fifth in principal amount of the Notes then outstanding, shall, give notice (a "**Put Event Notice**") to the Noteholders in accordance with Condition 15 specifying the nature of the Put Event and the procedure for exercising the Put Option.

To exercise the Put Option, a holder of a Note must, if the Note is in definitive form and held outside Euroclear, Clearstream Luxembourg and DTC, deliver at the specified office of any Paying Agent (in the case of a Bearer Note) or the Registrar (in the case of a Registered Note) on any Business Day (as defined in Condition 6) falling within the period commencing on the occurrence of a Put Event and ending 90 days after such occurrence or, if later, 90 days after the date on which the Put Event Notice is given to Noteholders as required by this Condition 8(e) (the "**Put Period**"), a Put Notice in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition 8(e) and, in the case of a partial redemption of a Registered Note, the nominal amount thereof to be redeemed and an address to which a new Registered Note in respect of the balance of such Registered Note is to be sent subject to and in accordance with the provisions of Condition 2(b). If the Note is in definitive bearer form, the Put Notice must be accompanied by the certificate for such Notes or evidence satisfactory to the Paying Agent concerned that the certificate for such Notes will, following the delivery of the Put Notice, be held to its order or under its control. If the Note is represented by a Global Note or is in definitive form and held through Euroclear, Clearstream Luxembourg or DTC, to exercise the right to require redemption of the Note the holder of the Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear, Clearstream Luxembourg and DTC (which may include notice being given on his instruction by Euroclear, Clearstream, Luxembourg, DTC or any depositary or common depositary, as the case may be, for any of them to the Agent by electronic means) in a form acceptable to Euroclear, Clearstream, Luxembourg and DTC from time to time and, if the Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Agent for notation accordingly.

The Issuer shall at its option redeem or purchase (or procure the purchase of) the Notes the subject of each Put Notice given under this Condition 8(e) on the date (the "**Put Date**") seven days after the expiration of the Put Period unless previously redeemed or purchased and cancelled. A Put Notice given by a holder of any Note pursuant to this Condition 8(e) shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the Put Option Notice pursuant to this Condition 8(e).

The Trustee shall not be required to take any steps to ascertain whether a Put Event or any event which could lead to the occurrence of a Put Event has occurred and will not be responsible or liable to Noteholders for any loss arising from any failure by it to do so.

For the purposes of this Condition 8(e):

"**Change of Control**" shall be deemed to have occurred if any person or any persons acting in concert, or any person or persons acting on behalf of any such persons, (the "**Relevant Person**") at any time directly or indirectly owns or acquires (i) more than 50.0 per cent. of the issued or allotted ordinary share capital of the Guarantor or (ii) shares in the capital of the Guarantor carrying more than 50.0 per cent. of the voting rights normally exercisable at a general meeting of the Guarantor, *provided that* a Change of Control shall be deemed not to have occurred if all or substantially all of the shareholders of the Relevant Person are, or immediately prior to the event which would otherwise have constituted a Change of Control were, the shareholders of the Guarantor with the same (or substantially the same) *pro rata* interests in the share capital of the Relevant Person as such shareholders have, or as the case may be, had, in the share capital of the Guarantor.

"**Change of Control Period**" means the period commencing on the earlier of (i) the date of the relevant Change of Control and (ii) the date of the earliest Relevant Potential Change of Control Announcement (if any) and ending 180 days after the public announcement of the Change of Control having occurred.

"**Investment Grade Rating**" means a rating of at least BBB- (or equivalent thereof) in the case of S&P and Fitch (as defined below) or a rating of at least Baa3 (or equivalent thereof) in the case of Moody's (as defined below) or the equivalent rating in the case of any other Rating Agency.

"**Negative Rating Event**" shall be deemed to have occurred if (i) the Issuer does not within the Change of Control Period seek, and thereafter use all reasonable endeavours, to obtain from a Rating Agency, a rating or (ii) it does so seek a rating and use such endeavours and it has not at the expiry of the Change of Control Period and as a result of such Change of Control obtained a rating, *provided that* the Rating Agency publicly announces or publicly confirms in writing that its declining to assign a rating was the result of the applicable Change of Control.

"**Rating Agency**" means Standard & Poor's Credit Market Services Europe Limited ("**S&P**"), Moody's Investors Services Limited ("**Moody's**") and Fitch Ratings Ltd. ("**Fitch**") or any of their affiliates or respective successors or any other rating agency of equivalent international standing specified from time to time by the Guarantor.

"**Rating Downgrade**" shall be deemed to have occurred in respect of a Change of Control if within the Change of Control Period the rating previously assigned to the Notes by any Rating Agency is (i) withdrawn and not subsequently reinstated within the Change of Control Period or (ii) lowered one full rating category (for example, from BB+ to BB by S&P or such similar lower or equivalent rating) and not subsequently upgraded within the Change of Control Period or (iii) (if the rating assigned to the Notes by any Rating Agency shall be an Investment Grade Rating) changed from an Investment Grade Rating to a non-Investment Grade Rating (for example, from BBB- to BB+ by S&P, or its equivalent for the time being, or worse) and not subsequently upgraded to an Investment Grade Rating within the Change of Control Period, *provided that* a Rating Downgrade otherwise arising by virtue of a particular change in rating shall be deemed not to have occurred in respect of a particular Change of Control if the Rating Agency making the change in rating to which this definition would otherwise apply does not publicly announce or publicly confirm that the withdrawal or reduction was the result of the applicable Change of Control.

"**Relevant Potential Change of Control Announcement**" means any public announcement or statement by or on behalf of the Guarantor, or any actual or potential bidder or any advisor thereto relating to any potential Change of Control where, within 180 days of the date of such announcement or statement, a Change of Control occurs.

(f) *Early Redemption Amounts*

For the purpose of paragraph (b) above and Condition 11, each Note will be redeemed at its Early Redemption Amount calculated as follows:

(i) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(ii) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or

(iii) in the case of a Zero Coupon Note, at an amount (the "**Amortised Face Amount**") calculated in accordance with the following formula:

Early Redemption Amount = RP x $(1 + AY)^y$

where:

RP means the Reference Price; and

AY means the Accrual Yield expressed as a decimal; and

y is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360 day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Final Terms.

(g) *Instalments*

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (e) above.

(h) *Partly Paid Notes*

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Final Terms.

(i) *Purchases*

The Issuer, the Guarantor or any Subsidiary of the Guarantor may at any time (subject in the case of Subordinated Notes to obtaining any consent required by the CBN (or other Nigerian governmental authority responsible for the capital adequacy of banks)) purchase Notes (*provided that*, in the case of definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer or the Guarantor, surrendered to any Paying Agent and/or the Registrar for cancellation.

(j) *Cancellation*

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to paragraph (h) above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

(k) *Late payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 11 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in subparagraph (e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent or the Registrar or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 15.

9. TAXATION

All payments in respect of the Notes, Receipts and Coupons by or on behalf of the Issuer or the Guarantor shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of any of the Relevant Jurisdictions, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as may be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect to any Note, Receipt or Coupon:

(a) presented for payment (where presentation is required) in the Netherlands or Nigeria; or

(b) to a holder who is liable to the Taxes in respect of the Note, Receipt or Coupon by reason of its having some connection with any Relevant Jurisdiction other than the mere holding of the Note, Receipt or Coupon; or

(c) presented for payment (where presentation is required) more than 30 days after the Relevant Date (as defined below) except to the extent that the holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming (whether or not such is in fact the case) that day to have been a Business Day (as defined in Condition 6); or

(d) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(e) to a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used herein:

(i) "**Relevant Date**" means the date on which the payment first becomes due, but if the full amount of the money payable has not been received by the Trustee or the Principal Paying Agent or the Registrar, as the case may be, on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 15; and

(ii) "**Relevant Jurisdiction**" means (in the case of payments by the Issuer) the Netherlands or any political subdivision or any authority thereof or therein having power to tax or (in the case of payments by the Guarantor) Nigeria or any political subdivision or any authority thereof or therein having power to tax or in either case any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer or the Guarantor, as the case may be, becomes subject in respect of payments made by it of principal and interest on the Notes, Receipts or Coupons.

10. PRESCRIPTION

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 9) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 7(b) or any Talon which would be void pursuant to Condition 7(b).

11. EVENTS OF DEFAULT AND ENFORCEMENT

(a) *Events of Default relating to Senior Notes*

The Trustee at its discretion may, and if so requested in writing by the holders of at least one fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), (but, in the case of the happening of any of the events described in paragraphs (ii) to (v) (other than the winding-up or dissolution of the Issuer or the Guarantor) and, (vi) to (viii) inclusive and (xii) and (xiii) below, only if the Trustee shall have certified in writing to the Issuer and the Guarantor that such event is, in its opinion, materially prejudicial to the interests of the Noteholders) give notice to the Issuer and the Guarantor that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their principal amount, together with accrued interest as provided in the Trust Deed, if any of the following events shall occur and be continuing ("**Events of Default**"):

(i) if default is made in the payment of any principal or interest due in respect of the Notes or any of them and, in the case of any default in the payment of interest, the default continues for a period of 5 business days; or

(ii) if the Issuer or the Guarantor fails to perform or observe any of its other obligations under these Conditions or the Trust Deed and (except in any case where the Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days (or such longer period as the Trustee may permit) following the service by the Trustee on the Issuer or the Guarantor (as the case may be) of notice requiring the same to be remedied; or

(iii) if (a) any Indebtedness of the Issuer, the Guarantor or any Material Subsidiary becomes due and repayable prematurely by reason of an event of default (however described); (b) the Issuer, the Guarantor or any Material Subsidiary fails to make any payment in respect of any Indebtedness on the due date for payment as extended by any originally applicable grace period; (c) any security given by the Issuer, the Guarantor or any Material Subsidiary for any Indebtedness becomes enforceable and steps are taken to enforce the same; or (d) default is made by the Issuer, the Guarantor or any Material Subsidiary in making any payment due under any Indebtedness consisting of any guarantee and/or indemnity given by it in relation to any Indebtedness of any other person, unless the aggregate amount of indebtedness relating to all the above events is less than U.S.$10,000,000 (or its equivalent in any other currency); or

(iv) if the aggregate amount of final non-appealable unsatisfied judgments, orders or arbitration awards against the Issuer, the Guarantor and the Material Subsidiaries exceeds U.S.$10,000,000 (or its equivalent in any other currency) and such judgments, orders and/or arbitration awards are not discharged, satisfied and/or stayed within 30 days or, if later, the date therein specified for payment; or

(v) if any order is made by any competent court or resolution is passed for the winding-up or dissolution of the Issuer, the Guarantor or any Material Subsidiary, save for the purposes of reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders and save where the Trustee is satisfied that the Issuer, Guarantor or Material Subsidiary, as the case may be, is contesting such order or resolution in good faith; or

(vi) if the Issuer, the Guarantor or any Material Subsidiary ceases or threatens to cease to carry on the whole or a substantial part of its business, save, in the case of the Guarantor, for a consolidation or merger (as defined in Condition 4(d)) consented to by the Trustee pursuant to, or permitted under, Condition 4(d) or, in any case, for the purposes of reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders, or the Issuer, the Guarantor or any of the Guarantor's Material Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

(vii) if (A) proceedings are initiated against the Issuer, the Guarantor or any Material Subsidiary under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer, the Guarantor or any Material Subsidiary or, as the case may be, in relation to the whole or any part of the undertaking or assets of any of them or an encumbrancer takes possession of the whole or any part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of any of them, and (B) in any such case (other than the appointment of an administrator) unless initiated by the relevant company, is not discharged within 30 days, save where the Trustee is satisfied that the Issuer, Guarantor or Material Subsidiary, as the case may be, is contesting such proceedings, application, appointment, taking of possession or process in good faith; or

(viii) if the Issuer, the Guarantor or any Material Subsidiary (or their respective directors) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or

(ix) (A) if the banking licence of the Guarantor issued by the CBN is terminated, revoked or suspended and is not replaced or (B) any licence from any governmental authority which the Guarantor holds and which is necessary for the Guarantor to carry on its business, is terminated, revoked or suspended and in any such case is not replaced; or

(x) (A) if all or a substantial part of the undertaking, assets and/or revenues of the Guarantor or any Material Subsidiary is condemned, seized, nationalised or otherwise appropriated by any Person acting under the authority of any national, regional or local government or (B) the Guarantor or any Material Subsidiary is prevented by any such Person from exercising normal control over all or any substantial part of its undertaking, assets and/or revenues (including where any government, Agency or court takes any action to the effect that the management of the Guarantor or any Material Subsidiary is wholly or partially displaced or the authority of any member of the Group in the conduct of its business is wholly or partially curtailed); or

(xi) if the Guarantee ceases to be, or is claimed by the Guarantor not to be, in full force and effect; or

(xii) if the Issuer ceases to be a subsidiary wholly owned and controlled, directly or indirectly, by the Guarantor; or

(xiii) if any event occurs which, under the laws of any Relevant Jurisdiction, has or may have, in the Trustee's opinion, an analogous effect to any of the events referred to in paragraphs (iv) to (ix) above.

(b) *Events of Default relating to Subordinated Notes*

This Condition 11(b) only applies to Subordinated Notes. The Trustee at its discretion may, and if so requested in writing by the holders of at least one fifth in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give notice in writing to the Issuer that each Note is, and each Note shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed if any of the following events (each an "**Event of Default**") shall occur:

(i) default is made in the payment of any principal or interest due in respect of the Subordinated Notes or any of them and, in the case of any default in the payment of interest, the default continues for a period of 5 business days; or

(ii) the winding-up or dissolution of the Issuer or the Guarantor is commenced.

If the Notes become immediately due and repayable, the Trustee may, at its discretion and without further notice, institute proceedings for the winding-up of the Issuer and/or the Guarantor and prove in such winding-up, *provided that* no repayment of principal in respect of the Notes may be made by the Issuer and/or the Guarantor pursuant to this Condition and/or the Guarantee, nor will the Trustee accept the same, otherwise than during or after a winding-up or dissolution of the Issuer and/or Guarantor, as the case may be.

(c) *Enforcement*

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the provisions of the Trust Deed, the Notes, the Receipts and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes, the Receipts or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one fifth in nominal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantor to enforce the provisions of the Trust Deed unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing, in which case the Noteholder, Receiptholder or Couponholder shall have only such rights against the Issuer and/or the Guarantor as those which the Trustee is entitled to exercise. No holder of Subordinated Notes or any relative Receiptholder or Couponholder shall be entitled to institute proceedings for the winding-up of the Issuer and/or the Guarantor, or to prove in any winding-up of the Issuer and/or the Guarantor, unless the Trustee, having become bound to proceed against the Issuer and/or the Guarantor as aforesaid, fails to do so within a reasonable period of time or, being able to prove in any winding-up of the Issuer and/or the Guarantor, fails to do so within a reasonable period of time, in which event any such holder may, on giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise), himself institute proceedings for the winding-up of the Issuer and/or the Guarantor and/or prove in any winding-up of the Issuer and/or Guarantor to the same extent (but not further or otherwise) that the Trustee would have been entitled so to do in respect of the Subordinated Notes, Receipts and Coupons held by him. No remedy against the Issuer and/or the Guarantor, other than the institution of proceedings for the winding-up of the Issuer and/or the Guarantor or the proving or claiming in the winding-up of the Issuer and/or the Guarantor, shall be available to the Trustee or the Noteholders, Receiptholders, or Couponholders for the recovery of amounts owing in respect of the Subordinated Notes, Receipts or Coupons or under the Trust Deed.

12. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (in the case of Bearer Notes, Receipts or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer, Registrar and/or Principal Paying Agent may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13. AGENTS

The names of the initial Agents and their initial specified offices are set out below.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, *provided that*:

(a) there will at all times be a Principal Paying Agent and a Registrar;

(b) so long as the Notes are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;

(c) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in New York City;

(d) there will at all times be a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and

(e) there will at all times be a Paying Agent in a jurisdiction within continental Europe, other than the jurisdiction in which the Issuer or the Guarantor is incorporated.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 7(e). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 15.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and the Guarantor and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

14. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 10.

15. NOTICES

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that any such publication in a newspaper will be made in the *Financial Times* in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or DTC for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or DTC.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, may approve for this purpose.

16. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee or Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which, in the opinion of the Trustee, is proven. Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 15 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, the Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 9 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 9 pursuant to the Trust Deed.

The Trustee may, without the consent of the Noteholders, agree with the Issuer and the Guarantor to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, the Receipts, the Coupons and the Trust Deed of the Guarantor or any of its other Subsidiaries subject to (a) except in the case of the substitution of the Guarantor, the Notes being unconditionally and irrevocably guaranteed by the Guarantor, (b) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution and (c) certain other conditions set out in the Trust Deed being complied with.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

17. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER AND THE GUARANTOR

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer, the Guarantor and/or any of the Guarantor's Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, the Guarantor and/or any of the Guarantor's Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, Receiptholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

18. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes; *provided that*, in the case of Bearer Notes initially represented by interests in a Temporary Bearer Global Note exchangeable for interests in a Permanent Bearer Global Note or definitive Bearer Notes such consolidation can only occur upon certification of non-U.S. beneficial ownership.

Noteholders should be aware that further notes that are treated for non-tax purposes as a single series with the original Notes may be treated as a separate series for U.S. federal income tax purposes. In such case, for U.S. federal income tax purposes, the further notes may be considered to have been issued with original issue discount ("OID") even if the original Notes had no OID, or the further notes may have a greater amount of OID than the original Notes, which may affect the market value of the original Notes since such further notes may not be distinguishable from the original Notes.

19. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

20. GOVERNING LAW AND SUBMISSION TO JURISDICTION

(a) *Governing law*

The Trust Deed (including the Guarantee), the Agency Agreement, the Notes (except for Condition 3(c) which shall be governed by, and construed in accordance with Dutch law and Condition 3(d) which shall be governed by, and construed in accordance with Nigerian law) and the Receipts and the Coupons, and any non-contractual obligations arising out of or in connection with any of them, are governed by, and shall be construed in accordance with, English law.

(b) *Submission to jurisdiction*

The Issuer has irrevocably agreed, for the benefit of the Trustee, the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons or any non-contractual obligation arising out of or in connection with them and accordingly submits to the exclusive jurisdiction of the English courts.

The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Trustee, the Noteholders, the Receiptholders and the Couponholders may take any suit, action or proceedings (together referred to as "**Proceedings**") arising out of or in connection with the Trust Deed, the Notes, the Receipts and the Coupons against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

(c) *Appointment of process agent*

Each of the Issuer and Guarantor appoints Guaranty Trust Bank (UK) Limited, 60-62 Margaret Street, London W1W 8TF, UK as its agent for service of process, and undertakes that, in the event of such agent ceasing so to act, it will appoint another person approved by the Trustee as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

(d) *Other documents and the Guarantor*

The Issuer and, where applicable, the Guarantor have in the Trust Deed and the Agency Agreement submitted to the jurisdiction of the English courts and appointed an agent for service of process in terms substantially similar to those set out above.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer for on-lending to the Bank, which will use those net proceeds for its general corporate purposes. If, in respect of any particular issue of Notes which are derivative securities for the purposes of Article 15 of the Commission Regulation No 809/2004 implementing the Prospectus Directive, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

CAPITALISATION AND INDEBTEDNESS

The following table sets out the consolidated capitalisation and indebtedness of the Group as of 31 December 2010.

	As of 31 December 2010	
	(U.S.$ millions)	*(₦ millions)*
Liabilities:		
Deposits from banks	171.2	26,026.9
Deposits from customers	4,952.4	753,088.2
Debt securities issued	439.9	66,886.8
Current tax liabilities	66.3	10,082.3
Deferred tax liabilities	32.1	4,884.5
Other liabilities	400.3	60,869.6
Liabilities on insurance contracts	19.2	2,926.3
Other borrowed funds	151.5	23,033.9
Total liabilities	**6,232.9**	**947,798.5**
Equity:		
Share capital and share premium	859.7	130,735.2
Retained earnings	109.6	16,660.3
Other components of equity	439.5	66,828.0
Total equity attributable to owners of the Bank	**1,408.8**	**214,223.5**
Non controlling interest	39.7	6,030.7
Total equity	**1,448.5**	**220,254.2**
Total liabilities and equity	**7,681.4**	**1,168,052.7**

Except as described in "*Description of the Group — Recent Developments*", there has been no material change in the Group's consolidated capitalisation and indebtedness since 31 December 2010.

DESCRIPTION OF THE GROUP

Overview

The Group offers a wide range of financial services and products throughout Nigeria and in Anglophone West Africa. The Bank's business is primarily focused on large and medium-size corporate clients. Since 2005 the Bank has increased its retail business, primarily targeting high end retail customers who are employed by large, reputable companies. In recent years, the Group has re-branded itself to establish a more recognisable brand and to create awareness of its evolution as a regional West African bank with a nationwide network in Nigeria and focus on the provision of banking services to nearly all segments of the Nigerian economy.

The Group's front office operations involve the following four divisions:

- *Institutional Banking Division*, which services multi-nationals and large corporate organisations with annual gross revenue of ₦5.0 billion (U.S.$33.3 million) and above. In addition to servicing corporate customers, the Institutional Banking Division manages the Treasury Group and the Corporate Finance Group. Within the Institutional Banking Division, the Bank has specialised groups focused on general corporate banking and on the energy and telecommunications industries.

- *Commercial Banking Division*, which is structured to meet the banking needs of middle market entities such as manufacturers, importers, distributors, traders and other medium-sized corporate organisations with annual gross revenues between ₦250 million and ₦5.0 billion (U.S.$1.7 million and U.S.$33.3 million).

- *Retail Banking Division*, which provides banking services, primarily deposit accounts, to individuals and small businesses with annual gross revenues less than ₦250 million (U.S.$1.7 million).

- *Public Sector Division*, which services the needs of governments and government agencies at the federal, state and local government levels as well as contractors to Nigerian state and government agencies.

The Group's core business areas are supported by corporate centres, including the Operations Division, which is responsible for providing technical support and infrastructure for the rest of the Group's divisions and activities. Also included under corporate centres are the Corporate Services Division, which provides risk management services, and the Internal Services Division, which provides administrative, legal and security support to the Group.

The Bank has four banking subsidiaries in Anglophone West Africa: GTB Gambia, GTB Sierra Leone, GTB Ghana and GTB Liberia. The Group also has a wholly owned United Kingdom subsidiary, GTB U.K. GTB U.K. was primarily established to provide banking services to the Bank's customers who regularly travel between London and West Africa. It also offers international trade and settlement services to West African businesses and financial institutions. The Bank also currently has four non-banking subsidiaries, all of which, by May 2012, will be either divested or integrated into the Bank under the new CBN banking licence guidelines. In addition the Bank has a special purpose finance vehicle GTB Finance, which is the Issuer under the Programme. See "– *Subsidiary companies – Non-banking subsidiaries*".

As of 31 March 2011, the Group had 187 branches and 519 ATMs in Nigeria as well as 47 subsidiary branches throughout Anglophone West Africa (all figures as of 31 March 2011).

The Bank had 356,830 shareholders of its ordinary shares as of 31 December 2010. With the exception of Citibank Nigeria Limited, which held 13.04 per cent. of the Bank's ordinary shares in its capacity as custodian for the underlying shares in relation to the Bank's GDRs and Stanbic Nominees Nigeria Limited, which held 11.49 per cent. of the Bank's ordinary shares in trading accounts on behalf of various investors, no shareholder held more than 5.0 per cent. of the Bank's ordinary shares as of 31 December 2010. The Bank is not aware of any shareholder which holds a beneficial interest in 5.0 per cent. or more of the ordinary shares. See "*Share Capital and Share Ownership*". The Bank's 14-member Board of Directors controlled, in the aggregate, 2.02 per cent. of the Bank's ordinary shares as of 31 December 2010.

As of 31 December 2010, the Bank was the fourth largest bank in Nigeria by total assets and for the year ended 31 December 2010 the Bank was the most profitable Nigerian bank, as measured by return on equity and by profit (according to the audited financial statements of Nigerian banks in accordance with Nigerian GAAP).

As of 31 December 2010, the Group had total assets of ₦1,168.1 billion (U.S.$7.8 billion) and total equity attributable to equity holders of the Bank of ₦214.2 billion (U.S.$1.4 billion) and, for the year ended 31 December 2010, it generated ₦39.2 billion (U.S.$258.0 million) in net profit.

The Bank was incorporated in Nigeria in July 1990, under registration certificate number 152321, as a private limited liability company under the CAMA, and in the same year the CBN issued it a licence to operate as a commercial bank. The Bank carries on business as a bank under the BOFIA. In 1996, the Bank was converted into a public limited liability company and listed on the NSE. In 2001, the CBN issued the Bank a universal banking licence, which is the licence it currently holds. In 2010 the CBN issued regulations which repealed the universal banking guidelines and, in January 2011, the Bank received a provisional approval of its application for a commercial banking licence under the new regulations.

The Bank's registered office is located at Plot 1669, Oyin Jolayemi Street, Victoria Island, in Lagos, Nigeria and its telephone number is +234 1 262 2650-64.

History

The Bank commenced operations in Nigeria as a privately-held bank in 1991. In 1996, the Bank's ordinary shares were listed on the NSE. In 2001, the Bank completed an initial public offering of its ordinary shares through which it raised ₦2.6 billion (U.S.$20.2 million). The Bank raised over ₦21.0 billion (U.S.$166.0 million) in a further public offering in June 2004, to allow the Bank to comply with the revised minimum capital requirements of ₦25.0 billion (U.S.$197.6 million) implemented by the CBN as part of its recapitalisation and consolidation plan for the Nigerian banking industry in 2004.

The Bank has been the recipient of several on-lending facilities from international developmental financial institutions, including five credit lines totalling U.S.$260 million from the International Finance Corporation ("**IFC**") between March 2001 and July 2010. The Bank has also received financing (on-lending facilities) from the Netherlands Development Finance Company ("**FMO**"), European Investment Bank ("**EIB**"), African Development Bank ("**ADB**") and Société de Promotion et de Participation pour La Cooperation Economique S.A. ("**Proparco**").

In 2001, the CBN issued the Bank a universal banking licence, allowing it to provide a broad range of financial services. In 2002, the Bank acquired a controlling interest in Guaranty Trust Assurance Plc ("**GT Assurance**"), an insurance company. The Bank has since established GTB Registrars Limited ("**GTB Registrars**"), a securities registrar, and GT Asset Management Limited ("**GT Asset Management**"), which provides securities and asset and investment management services in Nigeria, and acquired GT Homes Limited ("**GT Homes**"), which provides mortgage banking services and also conducts business as a real estate developer in Nigeria. In October 2010, the CBN issued a new regulation on the scope of banking activities, which will take effect from May 2012, and repeals the universal banking guidelines. By May 2012, the Bank is required to divest its interests in GT Assurance, GT Registrars and GT Asset Management and will integrate the business activities of GT Homes into the Bank. See "*– Subsidiary companies – Non-banking subsidiaries*".

In 2002, the Bank commenced its international expansion in Anglophone West Africa, establishing subsidiaries in Gambia and Sierra Leone. The Bank has also established subsidiaries in Ghana in 2004 and in Liberia in 2007.

In December 2003, the Bank was appointed by the CBN as one of the seven designated settlement banks that can receive and clear cheques in Nigeria.

In 2006, the Bank began actively pursuing retail banking and undertook a rebranding exercise, including the Bank's "Orange Rules" campaign, which saw the Bank emerge with new service offerings, an expansion strategy and its orange logo.

In September 2006, the Bank was appointed as a primary dealer for the Nigerian domestic bond market. Additionally, in June 2006 the CBN appointed certain banks, including the Bank, to manage a portion of the CBN's foreign exchange reserves, under partnership agreements with international financial institutions. In July 2006, the Bank entered into such an arrangement with Morgan Stanley Investment Management Limited, although the CBN has not yet disbursed any funds under the arrangement.

In January 2007, the Bank accessed the international capital markets and became the first Nigerian company to issue Eurobonds with an issue of U.S.$350 million notes due 2012, through GTB Finance B.V. This transaction was named "*Nigerian Deal of the Year 2007*" by The Banker Magazine.

In July 2007, the Bank raised U.S.$824 million through an issue of GDRs in the domestic and international capital markets. The GDRs are listed on the main market of the London Stock Exchange. This transaction was awarded "*Nigerian Deal of the Year 2008*" by The Banker Magazine.

The Bank established GTB U.K. as a subsidiary in the United Kingdom in 2006, primarily to provide services to the Bank's customers that frequently travel between West Africa and London. GTB U.K. was licenced and commenced operations as a commercial bank in 2008.

In December 2009, the Bank established a ₦200 billion domestic debt issuance programme and issued a debut domestic ₦13.2 billion (U.S.$88.0 million) 5-year senior unsecured fixed rate bond. This was the first domestic bond issuance under an SEC regulated book building process in Nigeria.

In 2009 and 2010, the Bank was awarded "*Best Bank in Nigeria*" by Euromoney and Lagos State Enterprises.

Key strengths

Management believes that the following strengths differentiate the Group from other Nigerian banks:

Well recognised and trusted brand that is built on the Bank's values.

Management believes that "GT Bank" is a well-recognised and trusted brand in Nigeria, built on the Bank's values of customer service, professionalism, ethics and innovation. In addition, the Group has become the fourth largest bank in Nigeria by total assets (according to the audited financial statements of Nigerian banks as of 31 December 2010, in accordance with Nigerian GAAP) through organic growth rather than by mergers, maintaining a strong, consistent culture focused on customer service. Management believes that the strength of the Group's image was further enhanced through its re-branding with the "Orange Rules" campaign which began in June 2006, and continues to highlight its customer service culture.

Experienced management team with a strategic vision for the growth of the Group.

The Group's senior management team has extensive experience within the financial services sector. The senior management team has a proven record of implementing innovative and industry-leading initiatives, particularly guiding the Group to focus on best business practices and customer service. Management's strategic vision for the Group is to become the most profitable bank in Nigeria by 2012, (measured by profit before tax), with a significant footprint in West Africa, whilst maintaining its efficiency ratios. The Group believes the experience of its senior management team, together with its strategic vision, will be a key strength in succeeding in an increasingly competitive industry.

Strong internal controls and risk management policies that allow the Bank to identify and respond to relevant risks.

Sound risk management over liquidity, interest rate, foreign exchange, credit and operations risks has been a cornerstone of the Bank's philosophy and strategy since it commenced operations in 1991. Management believes that the Bank's strong risk management policies and their coherent application have contributed to the Bank's growth during the recent economic crisis while other banks in Nigeria have had to be rescued. Management further believes the Bank's low levels of non-performing loans relative to the Nigerian banking industry as a whole is largely due to its robust risk management policies and conservative lending approach. As of 31 December 2010, the Bank had one of the lowest non-performing loan ratio among its peers in the banking industry according to the audited financial statements of Nigerian banks. In addition, the Bank's internal audit functions follow international standards such as ISO 9001:2000 and Control Objectives for Information and Related Technology ("**COBIT**").

The Bank believes its internal controls and information technology will support the Group as it continues to grow, while promoting the strong risk management that has contributed to the Bank's 6.15 per cent. ratio of non-performing loans to total loans and advances as of 31 December 2010.

One of the leading Nigerian banks in terms of efficiency.

According to the Agusto & Co. 2009 Banking Industry Report (dated July 2010), the Bank has one of the lowest cost-to-income ratios among the top four banks in Nigeria, and has consistently delivered cost-to-income ratios below the industry average over the last five years. Management closely monitors the Bank's operating expenses and has incentivised staff to identify and implement cost savings in their business units. The Bank has been able to use its information technology platform to automate certain tasks and reduce certain costs despite its rapid expansion.

Focus on human capital with employee training programmes.

The Group has a young, dynamic work force which management believes is instrumental in maintaining the culture of customer service throughout the Group, particularly as approximately 81.1 per cent. of the Group's employees are in client–facing roles. The Group introduced an employee training programme in 1990, which management believe has enhanced its ability to continue to provide a high level of customer service as the Group grows. Management believes the Group's commitment to employing trained and skilled employees is a key strength that allows it to be more competitive in the industry. Additionally, the Group was the first bank in Nigeria to outsource its non-core functions, creating greater efficiencies and allowing core employees to focus on more value-added tasks.

Functional and scalable information technology systems and products that provide a platform to support growth.

The Bank believes that it has one of the most efficient information technology platforms among Nigerian banks. For instance, its information systems are all synchronised, which ensures consistent and coordinated customer information, regardless of whether the information is being accessed (through an ATM, internet banking application, or through BASIS. The Bank's branches are real-time linked, ensuring speed and efficiency in respect of all customer transactions. The Bank has also been a leader in Nigeria in introducing innovative products and alternative distribution channels, such as internet banking, telephone and SMS banking. The Bank intends to continue to strengthen its information technology systems to provide for greater efficiency and to continue to service customer demands for new and innovative products, such as Internet and mobile banking.

Significant footprint in Anglophone West Africa.

In addition to Nigeria, the Group has banking operations in Gambia, Sierra Leone, Ghana and Liberia. This network represents one of the largest regional networks of a Nigerian bank and allows the Group to service its customer base throughout the region. Because of its existing operations in Anglophone West Africa, the Group is well-positioned to expand its network in other countries in West Africa.

Strategy

The Group's strategies are as follows:

Focus on key areas of growth within Nigeria and West Africa

Management intends to focus on key areas of economic growth within Nigeria and West Africa. With respect to traditional banking services, the Group believes there are many opportunities for growth and expansion in the oil and gas, telecommunications, power and manufacturing industries, as well as in project finance, infrastructure projects and the growing retail sector. The Group also sees opportunities for growth in West Africa. In particular, the Group intends to:

- *Capitalise on Nigerian economic reforms to strengthen its position as a leader in the Nigerian institutional banking sector*. Recent and ongoing macroeconomic reform in Nigeria has resulted in privatisation and deregulation of key commercial sectors of the economy including oil and gas, power and shipping. In addition, government reforms, including the proposed PIB, the Nigerian Content Act and the Cabotage Act, are intended to encourage economic participation by Nigerian companies, resulting in new opportunities and the strengthening of certain sectors of the Nigerian economy that historically have experienced lower growth. This reform is expected to result in an increased demand by the country's businesses for loans denominated in both U.S. dollars and Naira, providing opportunities to strengthen the Group's relationship with companies in sectors such as the oil and gas, real estate, construction, telecommunications, manufacturing, power and services sectors. Management believes that the Group's existing relationships with its corporate clients, continuous marketing efforts to attract new clients and general strategy to bank the value chain of its existing clients, place it in a strong position to capitalise on the aforementioned growth opportunities.

- *Further expand in the Nigerian retail banking sector*. Management believes there is an emerging under-banked middle class in Nigeria, which it expects will grow significantly on the back of the successful implementation of economic reforms. The Group intends to capture this growth, facilitated by the improvement of the Nigerian credit bureau and the leveraging of the Group's strong brand name. Additionally, the Group has invested significantly, and continues to invest, in branch expansion nationwide to facilitate access into key market areas, and in alternative delivery channels, such as the GTConnect Call Centre, ATMs, Bank on Wheels and telephone, internet and mobile banking, enabling it to access remote communities.

- *Bank the* "*value chain*". The Group intends to continue to leverage its corporate relationships to bank the "value chain", by providing banking services to suppliers, distributors, customers and employees of its clients. For instance, the Group has installed an ATM in Guinness

Nigeria's headquarters and provides retail banking services such as MaxAdvance loans to Guinness Nigeria's employees. Another example is the establishment of a branch in Obajana, the location of Dangote Industries Limited's cement facility, to offer banking services to Dangote's distributors and employees.

Maintain the Group's operational efficiency

Management believes the Group has the management capabilities and expertise to achieve its desired growth without materially deteriorating its existing operational efficiency. Specifically, the Group intends to:

- *Control the Group's cost base.* The Group has one of the lowest cost-to-income ratios in the Nigerian banking sector and attributes this to its focus on cost control. For example, in 1994 the Group decided to outsource its non-core functions, which continues to reduce employee costs. In recent years, management introduced a scheme to incentivise staff to identify and supplement cost saving opportunities, which management believes resulted in continued improvement of the cost-to-income ratio in the financial year ended 31 December 2010. In addition, the Group monitors, reviews and adjusts its budget on a monthly basis. The Group intends to maintain its cost-to-income ratio within a limited band of its current position of 58 per cent., (for the year ended 31 December 2010) even while it grows its retail business.

- *Continue to invest in and enhance the Group's IT systems*. Management believes that a key factor in cost reduction and bank security is an efficient and reliable IT system. Although management believes that the Group currently has one of the leading technology platforms among banks in Nigeria, management intends to continue to invest in robust IT and support systems to effectively realise the Group's strategic objectives. In the financial year ended 31 December 2010, the Group's IT related capital expenditures amounted to approximately ₦2.3 billion (U.S.$14.7 million), and it has budgeted approximately ₦3.8 billion (U.S.$23.5 million) for information technology capital expenditure in the current financial year.

- *Efficient distribution channels*. Management believes a key element in increasing profitability while maintaining operational efficiency is to develop efficient distribution channels. For instance, the Group places ATMs in profitable business centres and avoids areas that may already have a high concentration of ATMs, resulting in a more efficient ATM network. Although the CBN has introduced restrictions on the placement of ATMs in offsite locations, the Group does not anticipate that this will adversely affect the development of its ATM network. It will continue to place ATMs in its own branch network, and on the premises of its corporate customers. In addition, the Group has focused on technology and innovative ideas to provide low cost banking services to its customers, such as call centres and the Bank on Wheels, which provides banking services to remote communities.

Continue business and West African expansion.

- *Continue business expansion*. The Bank intends to continue to expand its business, through opening new branches and "mega-branches", developing new products and alternative delivery channels, electronic banking and by leveraging its technology and efficient service delivery.

- *Expand the Group's presence in West Africa*. West Africa is experiencing significant economic growth. Management believes that the Group is in a position to leverage its reputation and that of its existing West African banking subsidiaries to continue to expand through the sub-region.

Market position and competition

In July 2004, the CBN embarked on a recapitalisation and consolidation plan for the Nigerian banking sector, increasing the minimum capital requirement from ₦2.0 billion (U.S.$15.8 million) to ₦25.0 billion (U.S.$198.0 million). Banks that failed to meet the capitalisation requirements by 31 December 2005 had their licences revoked. This led to numerous capital raisings and mergers and acquisitions, which reduced the number of banks operating in Nigeria from 89 to 25. The number of Nigerian banks was subsequently reduced to 24 following the merger of Stanbic Bank Limited and IBTC Chartered Bank Plc in September 2007. In March 2011, Access Bank and Intercontinental Bank announced a proposed merger. There is no timeline for completion of the merger and it is subject to regulatory approval. Other recent proposed strategic transactions include a merger of First Bank of Nigeria and Oceanic Bank (although the parties have since determined not to proceed) and investments in Union Bank of Nigeria by the African Capital Alliance Consortium and in Afribank by Vine Capital. FirstRand Limited of South Africa has also had preliminary discussions regarding an investment in Sterling Bank.

In 2009, eight of the nine Intervened Banks had their management removed following the Special Examinations by the CBN. The management of these banks has been replaced and the CBN has injected approximately ₦620 billion into these banks.

As of 31 December 2010, the Bank was the fourth largest bank in Nigeria by total assets and for the year ended 31 December 2010 the Bank was the most profitable Nigerian bank, as measured by return on equity and by profit (according to the audited financial statements of Nigerian banks in accordance with Nigerian GAAP). As of 31 December 2010, the Bank had the highest provision buffer (calculated as profit before tax plus provision expense, all divided by loan loss expenses) and third highest capital adequacy ratio among Nigerian banks (according to the audited financial statements of Nigerian banks in accordance with Nigerian GAAP).

The Group considers three local banks (First Bank of Nigeria, United Bank for Africa and Zenith Bank) to be its key competitors for the provision of a full range of banking services in Nigeria, and three international banks Citibank Nigeria, Stanbic IBTC Bank Plc and Standard Chartered Bank Nigeria Limited) to be competitive to its institutional banking business. The other top ten banks in the Nigerian banking sector compete with the Group on a selective basis in certain niche markets and customer segments. First Bank of Nigeria and Zenith Bank are the largest banks in Nigeria by asset size, with ₦2.4 trillion and ₦1.9 trillion in total assets, respectively, as of 31 December 2010, followed by United Bank for Africa and the Bank with ₦1.62 trillion and ₦1.15 trillion in total assets respectively, as of 31 December 2010 according to Nigerian GAAP. The primary area of competition with the larger banks is competition for lending to corporate customers and deposits from retail customers. The Group believes that its commitment to customer service and innovative product and service offering will allow the Group to maintain and grow its corporate client base.

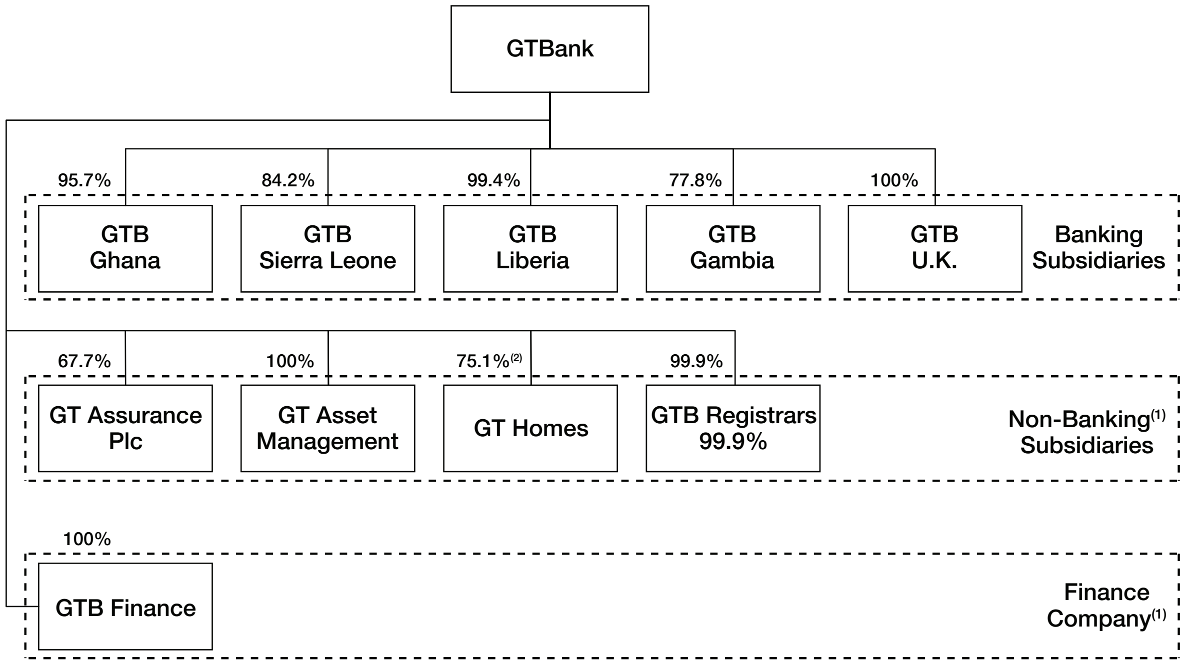
Additionally, international banks are increasing their presence in Nigeria, and compete with the Group for its high net worth and corporate clients. These banks include Standard Chartered Bank Nigeria Limited, a wholly owned subsidiary of Standard Chartered Bank U.K., Citibank Nigeria, a subsidiary of Citigroup and Stanbic IBTC Bank Plc. In particular, the Group competes with these institutions for the provision of foreign currency services to Nigerian companies and other companies operating in Nigeria.

With four international subsidiaries operating in Ghana, Gambia, Sierra Leone and Liberia, the Group has a significant footprint in Anglophone West Africa. See "– *Distribution Channels – Branches*" below.

Historically the Group's access to foreign currency funds has been limited. Since 2007, the Group has been able to increase its access to foreign currency funds through a combination of issuing Eurobonds and increased on lending agreements with international finance institutions. The Group aims to become more competitive in this area by reducing its cost of funding. The Bank intends to continue to access a variety of funding sources, including the capital markets through its debt issuance programme.

Corporate Structure

The following chart shows the corporate structure of the Group and the percentage ownership of each subsidiary as of the date of this Offering Circular:



Note:

(1) GT Assurance, GT Asset Management and GTB Registrars will be divested by May 2012 and GT Homes will be integrated into the Bank by May 2012. See "– Non–banking subsidiaries"

(2) The Bank owns 75.1 per cent. of GT Homes directly and GTB Registrars holds one share in accordance with the minimum shareholder requirements of the CAMA, such that the Bank effectively holds almost 100.0 per cent. of GT Homes.

General

The Group's operations are conducted through five major divisions, including: the Institutional Banking Division, the Commercial Banking Division, the Public Sector Division, the Retail Division and the Operations Division. Although organised under separate lines, the Group's divisions work together to provide services to its customers. For example, where a large corporate client uses the services offered by the Institutional Banking Division, the Group will work to ensure that the employees of such customer are aware of the services offered by the Bank's Retail Division.

The products and services offered by the Group's various divisions are described below.

Investors should note that the Group's segment financial information in its IFRS financial statements does not correspond directly to the business divisions described below. For example, the Public Sector Division is relatively small and is reported as part of the Group's retail banking segment in its IFRS financial statements.

Institutional Banking Division

The Group's Institutional Banking Division services multi nationals and large corporate organisations with an annual gross revenue of ₦5.0 billion (U.S.$33.3 million) and above. As of 31 March 2011, the Group had over 400 Institutional Banking customers. As of 31 December 2010, the Group's corporate banking segment accounted for 57.5 per cent. of the Group's assets and for the year ended 31 December 2010 it accounted for 70.6 per cent. of the Group's profit before income tax. Since 2007, the Group's capital and funding base has been significantly enhanced (including as a result of the Group's GDR offering), enabling it to invest in its loan portfolio, particularly in respect of its Institutional Banking Division customers.

The Institutional Banking Division operates through three sub groups that provide tailored industry–based service; the Energy Sub Group, the Telecommunications Sub-Group and the general Corporate Banking Sub-Group. While the Corporate Banking Sub-Group covers most industry segments, the Group created separate Energy and Telecommunications Sub groups to ensure adequate focus on and attention to these important industry sectors. The Group's Treasury Sub-Group and Corporate Finance Sub Group are also included under the Institutional Banking Division. In order to best serve the needs of its corporate customers, the Bank also places secondees with certain of its corporate customers.

Lending

To meet the needs of the Institutional Banking Division's clients, the Group offers a wide range of lending products, including overdrafts, term loans, agricultural loans, structured and project finance facilities, import finance facilities, export credit finance lines and U.S. dollar denominated credits. More recently the Bank has seen an increasing need for use of e-products for online payments, collections and local transfer of funds. Within the Institutional Banking Division, the Group's loans are spread across the various industries and geographic regions covered by each Sub Group. As of 31 December 2010, ₦618.459 million of the Group's loans to customers, representing 97.2 per cent. of the Group's total loans to customers, were loans to corporate entities and other organisations (the majority of which were to institutional banking customers), compared with 97.2 per cent. as of 31 December 2009 and 89.6 per cent. as of 31 December 2008.

All of the Group's loans in Naira pay interest at a floating rate linked to its Prime Lending Rate ("**PLR**") or the Nigerian Interbank Offered Rate ("**NIBOR**"). All of the Group's loans in U.S. dollars pay interest at a floating rate linked to LIBOR for loans in U.S. dollars. The Group typically applies PLR as the reference rate for bilateral loans in Naira and NIBOR as the reference rate for syndicated loans in Naira. On loans to Institutional Banking customers, the Institutional Banking Division generally charges a margin of 200-300 basis points over the applicable NIBOR or zero basis points over the PLR for Naira loans, and a margin of 500-700 basis points over the applicable LIBOR for U.S. dollar loans. In addition, the Institutional Banking Division generally charges a facility fee of approximately 1.0 per cent. and a management fee of approximately 1.0 per cent. on each loan.

Deposits and Other Funding Sources

The deposit products offered to customers in the Institutional Banking Division consist of on demand, term and savings deposits. In addition to deposit accounts, some of the products and services offered to customers of the Institutional Banking Division include the issuance of local drafts, local transfers between accounts, cash in transit and draft in transit services, batch payments, bill payments, third party transfers, safe custody services, duty payments and government remittances. As of 31 December 2010, 51.0 per cent., or ₦384.292 million, of the Group's total deposits were from corporate customers (the majority of which were from Institutional Banking Division customers), compared to 57.5 per cent. as of 31 December 2009 and 56.5 per cent. as of 31 December 2008. As of 31 December 2010, 14.7 per cent. of the Group's deposits from customers were denominated in U.S. dollars, the majority of which were from Institutional Banking Division customers.

Corporate Banking Sub-Group

The Corporate Banking Sub Group is focused on corporate customers and is organised according to 13 industries (Cement, Beverages and Tobacco, Commodities and Conglomerates, Food, Flour, Automobile and Autocare, Real Estate, Construction and Power, Financial Institutions, Airlines and Embassies, Shipping, Metals, Personal Care and Packaging).

The Corporate Banking Sub Group aims to enhance its understanding of the entire value chain of its institutional clients, including their respective suppliers, distributors, customers and employees.

The Corporate Banking Sub-Group offers a wide range of specialised products including business advisory services, cash management products, loans, electronic banking products, flexible liability products, international trade services and value chain financial services. In addition, Management believes that the Corporate Banking Sub-Group's knowledge of its clients' businesses is a competitive advantage and provides the Group with a strong platform to establish further relationships with partners and subsidiaries of its clients, enter into partnerships with various international institutions and expand into West Africa.

Energy Sub-Group

The Energy Sub-Group provides specialised banking services to upstream, mid stream and downstream oil and gas companies comprising multinationals and leading domestic oil companies. The Energy Sub Group is structured along nine business units organised along both geographic and industrial business units.

Certain business units within the Energy Sub-Group are focused on the marketing and management of relationships with IOCs, including Shell, Total, Agip and Chevron. Other business units focus on relationships with lower tier oil exploration and production companies, specifically marginal field operators that produce less than 10,000 barrels per day, as well as gas companies, downstream traders, independents and downstream marketers.

The Energy Sub-Group provides banking products including current accounts, overdrafts, term loans, foreign exchange transfers, import finance facilities, cash management, project financing, and invoice discounting.

Telecommunications Sub-Group

The Telecommunications Sub Group provides banking services to a wide range of operators and service providers within the Nigerian telecommunications industry, including GSM operators, equipment vendors, service companies, distributors and support companies. Certain business units within the Telecommunications Sub Group focus on the four dominant players in the Nigerian GSM mobile telephone industry. The Telecommunications Sub-Group also provides dedicated services to code-division multiple access operators, distributors and value added service companies, as well as telephone company vendors and support companies.

The Telecommunications Sub-Group provides a wide range of products and services including cash management, loan syndications, equipment and vendor financing, import finance and funds transfer services, and other electronic banking products.

Treasury Sub-Group

The Treasury Sub Group is responsible for buying and selling securities for the Group's investment portfolio. As of 31 December 2010, the investment portfolio (comprising non-pledged trading assets, pledged assets and investment securities) accounted for 18.1 per cent. of the Group's total assets. The Treasury Sub Group consists of two units: the Asset and Liability Management (the "**ALM**") unit and the Trading unit.

The ALM unit has primary responsibility for managing market and liquidity risk, analysing loans to deposit ratios, cost of funds and the Group's overall balance sheet structure and ensuring the Bank complies with regulatory capital requirements. See "*Asset, Liability and Risk Management*".

The Trading unit has five desks: the foreign exchange desk, the money market desk, the bond trading desk, the foreign currency balance sheet desk and the treasury bills trading desk. The Trading unit, through the foreign exchange and foreign currency balance sheet desks, is responsible for the Group's currency trading. The Group's currency trading involves primarily straight buying and selling of U.S. dollars and Naira, as well as limited trading in swaps and forward sales contracts. In addition, since the further liberalisation of foreign exchange trading by the CBN in February 2006, the Group can buy and sell foreign currency directly in interbank transactions, rather than trading only with the CBN.

The bond and treasury bills trading desks are responsible for purchases and sales of Government bonds and treasury bills. Since July 2006, the Bank has been one of ten permanent dealers of the Nigerian bond market and has been an active participant in the market, trading Government bonds with three , five and seven year maturities. The Bank's trading securities consist primarily of Government bonds with maturities of three to five years.

The Group does not trade securities on behalf of its clients. However, in its capacity as a dealer of Government securities, it provides securities purchase services to institutional customers for a fee. The underlying securities are issued in the name of the customer, and are transferred to the customer's nominated securities account at the Nigerian Central Securities Clearing System, or held by the CBN.

Following the CBN's repeal of the universal banking licence regime, the Bank received a provisional approval for its compliance plan to obtain a commercial banking licence, which will take effect from May 2012. With the new commercial banking licence, the Bank will still be licenced to provide treasury management services, including but not limited to the provision of money market, fixed income and foreign exchange investment on behalf of clients.

For the year ended 31 December 2010, income from the Group's investment portfolio accounted for approximately 15.7 per cent. of its interest income, compared to 12.0 per cent. for the financial year ended 31 December 2009 and 10.4 per cent. for the 10 month period ended 31 December 2008.

Corporate Finance Sub-Group

The Corporate Finance Sub-Group specialises in the provision of investment banking activities covering financial advisory, capital raising, project finance and structured finance advisory services. The Corporate Finance Sub-Group is also actively involved in various strategic initiatives concerning the Group, including the execution of the Bank's own international and domestic capital markets transactions.

Through the Corporate Finance Sub-Group, the Bank participated in a consortium with nine other Nigerian banks to provide a U.S.$205 million financing facility to the United Cement Company of Nigeria, finalised in October 2010. The Bank has also acted as lead arranger or co lead arranger on a number of high profile Nigerian financing transactions, including a U.S.$1.3 billion syndicated note issuance by the Dangote Group in May 2008, facilitated by the Bank in consortium with nine other banks, for which the Bank acted as lead manager. In addition, the Bank acted as joint mandated lead arranger in respect of a €225 million medium term multicurrency syndicated notes issuance facility for the Lakatabu expansion project by Lafarge Cement WAPCO Nigeria in May 2009.

The Corporate Finance Sub-Group has also been very active in attracting international financing to Nigeria, offering a range of expertise in sourcing funding from international sources for and on behalf of Nigerian companies. In addition, the Corporate Finance Sub-Group manages the Bank's relationships with international development banks, such as the IFC, FMO, EIB, African Export Import Bank ("**Afrexim**"), ADB and Proparco, whilst exploring other potential access to international funding facilities.

Following the CBN's repeal of the universal banking guidelines, under the new commercial banking licence the Bank has applied for, the Bank will no longer conduct activities that relate to issuing house services, capital market underwriting services and financial advisory services that require regulatory filings with SEC. However, the Bank will continue to undertake debt syndications, project finance advisory work, balance sheet restructurings, sourcing for medium-long term foreign currency on-lending lines, agent bank mandates, mergers and acquisitions financial advisory services, corporate restructuring services and receiving bank mandates.

Commercial Banking Division

The Group's Commercial Banking Division is structured to suit the banking needs of middle market entities such as manufacturers, oil and gas service providers, importers, distributors, traders and other medium-sized corporate organisations with annual gross revenues between ₦250.0 million and ₦5.0 billion (U.S$1.7 million and U.S$33.3 million). As of 31 March 2011, the Group had over 200,000 Commercial Banking customers. These customers are usually owner managed and are usually less structured than the Bank's institutional banking customers. The Commercial Banking Division currently has over 200,000 customers and is organised by geographic regions within Nigeria. As of and for the year ended 31 December 2010, the Group's commercial banking segment accounted for 24.5 per cent. of the Group's assets and 17.5 per cent. of the Group's profit before income tax.

Lending

The Group offers a range of lending products, including overdrafts and term loans to its commercial banking customers and also offers its customers commercial paper and bankers acceptances. Within the Commercial Banking Division, the Group's loans are spread among industries and geographies, with loans to customers in the oil and gas services, telecommunications, mining, real estate, manufacturing and general commerce sectors, and with customers spread throughout the country. Loans to commercial customers are primarily secured by real estate.

Deposits

The deposit products offered to customers in the Commercial Banking Division consist of on demand, term and savings deposits.

Retail Division

The Group's Retail Division is structured to develop and promote the retail business generally through traditional branches, as well as e business channels and the provision of services to individual account holders. Although historically the Group has focused its retail marketing on the upper segment of the market, including employees of its Institutional Banking Division customers, it has recently re branded and changed its focus to target a broader segment of the Nigerian retail market. The Group's retail clients include individuals and small business that generate annual gross revenues of less than ₦250 million (U.S.$1.7 million). The Retail Division is organised by geographic regions within Nigeria. As of and for the year ended 31 December 2010, the Retail Division accounted for approximately 15.8 per cent. of the Group's total assets, and 8.1 per cent. of the Group's profit before income tax. As of 31 March 2011, the Group had over 2.9 million retail customers.

Lending

Currently, retail lending in Nigeria is constrained by the lack of a comprehensive credit bureau, a legal framework that makes it difficult to register and pledge land as collateral and the lack of a national identity card system. See "*Risk Factors – Risks related to the Nigerian banking sector – The lack of a well developed central credit bureau in Nigeria and the availability of good quality statistical, corporate and financial information, along with a relatively high credit risk environment make lending difficult.*" Loans to individuals are generally only made when the trustworthiness of the individual can be established and the loan is fully collateralised. See "*Asset, Liability and Risk Management – Collateral*" for a description of the nature of the collateral.

As of 31 December 2010, only 2.8 per cent. of the Group's total loans, or ₦17,840 billion (U.S.$117,318 million), were loans to individuals the majority of which were to retail banking customers), compared with 2.8 per cent. as of 31 December 2009 and 10.4 per cent. as of 31 December 2008. The decline in 2009 resulted from a reduction in the gross amount of loans and an increase in impairment. Loans to individuals consist primarily of MaxAdvance loans, temporary overdrafts, overdrafts and term loans. Interest rates payable on loans to individuals are based on the MPR, which was 7.5 per cent. as of 31 March 2011 plus a spread.

The range of loan products offered to retail customers include the following:

- MaxAdvance loans – MaxAdvance loans are loans targeted at the staff of the Group's corporate customers. MaxAdvance loans are generally for amounts of no more than ₦45.0 million (U.S.$0.385 million), and are secured by the direct deposit of the individual's salary and termination benefits with the Group. Interest on MaxAdvance loans is set at the prevailing market rate, which as of 31 December 2010 ranged between 16.0 and 21.0 per cent. per annum.

- Overdrafts – The Group offers temporary and permanent overdrafts for its customers in need of short term funding. Temporary overdrafts are secured with incoming cheques that are in the process of clearing and permanent overdrafts are secured with some form of acceptable security such as cash, stocks or land. Interest on both forms of overdraft is set at the prevailing overdraft default rate, which as of 31 December 2010 ranged between 17.0 and 21.0 per cent. per annum.

- Term loans – The term loans offered by the Group are non-revolving facilities normally given to finance specific transactions or projects. The repayment of term loans is tied to the cash generated by the transaction or project, and are generally secured by real estate or listed stock. Interest on term loans is set at the prevailing overdraft default rate, which as of 31 December 2010 ranged between 17.0 and 21.0 per cent. per annum.

- Salary Advance – Salary Advance is a salary based overdraft facility which enables staff of private companies and Government agencies access 50 per cent. of their net monthly salary in advance.

- GT Auto – This product offers credit facilities (term loans) to partially finance the purchase of new vehicles for personal use by staff of select organization, whose salaries or business proceeds are domiciled with the Bank with the option of spreading payment over a period of time.

- GT Mortgage – GTMortgage product offers credit facilities to customers whose salaries or business proceeds are domiciled with the Bank to partially finance the acquisition of residential properties in selected cities within the country.

In addition to its conventional lending facilities, the Bank also offers special lending facilities under various schemes aimed at providing credit (usually for a 24-month period) to members of cooperatives, federal tertiary institutions and primary and secondary school teachers. The Group arranges an aggregate borrowing limit for the relevant cooperative and the cooperative administers the individual borrowing limits for each of its members. The typical term of the loan is two to three years. Repayments of these facilities are however made and secured through salary payments, accounts, and gratuity schemes.

Historically, the Bank offered a margin lending facility for the purposes of investing and/or trading in the stock market, in shares of companies approved by the Bank. Since 2009, the Bank has no longer offered new margin lending facilities, however certain facilities are still outstanding.

Deposits

As of 31 December 2010, ₦368,796 million of the Group's deposits from customers, representing 47.3 per cent., of the Group's total deposits were from retail customers, compared to 40.6 per cent. as of 31 December 2009 and 38.3 per cent. as of 31 December 2008. The Group conducts its retail banking operations primarily through the Group's network of 187 branches in Nigeria and 47 branches elsewhere in West Africa (as of 31 March 2011) and other distribution channels such as ATMs and the Internet. See "– *Distribution Channels*".

The deposit products offered to retail customers include the following:

- Current Account – The Group's current account allows a customer to carry out routine banking transactions with access to money from any of the Group's branches. The current account features a zero minimum balance and cheque withdrawal books. A fee of ₦5.0 (U.S.$0.03 cents) is charged on every ₦1,000.0 (U.S.$6.58) withdrawal.
- GTMax Account – The GTMax account is an interest bearing current account designed to meet the needs of customers who wish to minimise their transaction charges and earn interest on their funds. This account is targeted at middle and upper income groups in the retail market including individuals, sole proprietorships, small businesses, clubs, associations, partnerships, co operative societies, schools and limited liability companies.
- Savings Account – The Group's savings account has a zero minimum balance and pays interest at the prevailing savings account rate, which as of 31 December 2010 was 1.25 per cent. per annum.
- Smart Kids Save Account – This account is a product unique to the Group that was designed to introduce children under the age of 18 to the world of money and banking.
- Call Account – The Group's call account is designed for customers who need to manage large sums of money effectively on a daily basis. The call account pays interest at the prevailing market call rate, which varies with amount and tenor. In addition, the call account allows customers to withdraw funds with only two days' notice.
- Fixed/Tenured Deposit Account – A fixed/tenured deposit account is a product for customers that want to earn a specified rate of interest for a specified period of time. The interest rates earned on these accounts vary with the term, amount and prevailing market rates.
- Domiciliary Account – The Group's domiciliary account allows customers to maintain accounts in foreign currencies. There is no minimum balance for this product and the interest rate is negotiable.
- Slip Free Banking – The Slip Free Banking allows customers to engage in transactions without the use of deposit or withdrawal slips.
- MaxAdvance – MaxAdvance is designed to facilitate personal loans to staff of select corporate and Government organizations whose staff salary accounts reside with the Bank.

The Bank also provides Nigerians living abroad with access to a wide range of the Bank's products and services; some of which include savings and current accounts, investment in money market instruments, eBanking services and card products as well as access to the GTConnect modern contact centre.

Public Sector Division

The Group's Public Sector Division deals directly with governments and governmental agencies at the federal, state and local levels as well as with government contractors, providing traditional banking services and financial advisory services, automated payment systems, cash management systems and other tailor made products. The Group's Public Sector Division is relatively small and is reported as part of the Group's retail banking segment in its IFRS financial statements.

Lending

Loans to customers in the Public Sector Division primarily consist of loans to large federal, state and local government contractors. These loans are partly secured by fixed and floating liens on the borrower's assets, and in certain circumstances are unsecured. However, the majority of such facilities are backed by irrevocable payment instructions in favour of the Group from the various federal, state or local agencies awarding such contracts.

The Group's loans to customers in the Public Sector Division include loans to governments and governmental agencies and various contractors working on infrastructure projects for government agencies. The Group avoids lending directly to state governments due to the stringent lending provisions imposed on such transactions by the CBN. The Group has a conservative lending policy to public sector agencies. Lending is usually backed by irrevocable payment orders on the income streams and cash flows of such agencies, essentially on a short term basis. Most facilities are overdrafts, with an average term of 30 days.

Deposits and other services

The deposit products offered to customers in the Public Sector Division consist of on-demand, term and savings deposits. In addition to deposit accounts, some of the products and services offered to customers of the Public Sector Division include revenue collection, treasury services, contractor payment solutions, public private partnership project financing, cash management services and automated payment systems.

Other Services

The Group provides a system of cross marketing to its customers that allows the Group to offer its products and services including investment advisory services to individuals. The Group provides mortgage banking products and services to its retail clients, including the provision of building loans, real estate financing, consultancy services for estate development and property trading, and also assists its retail clients with processing applications for home loans made to the National Housing Fund (which is administrated by the Federal Mortgage Bank of Nigeria), at present through the Bank's wholly owned subsidiary, GT Homes. These mortgage banking products and services will be integrated into the Bank by May 2012 through the integration of GT Homes into the Bank, under the new CBN bank licensing regulations. The Bank recently launched a private banking group that serves affluent, high net worth individuals and provides investment and wealth structuring advice and banking services, offshore banking, asset management and financial planning services. Other affiliated products and services offered by the Group include Western Union money transfers.

Corporate Centres

Operations Division

The Group's Operations Division is primarily responsible for providing technological support and infrastructure to the rest of the Group's divisions. Included in the Group's Operations Division are the Transaction Services Group, the Technology Group, the Settlement Group and the E-Business and Card Services Group. The Transaction Services Group is responsible for opening and maintaining accounts, monitoring cash withdrawals and deposits and posting term deposits, travel allowance sales, currency exchange services, funds transfers, payments to contractors and salary disbursements.

- The Technology Group provides application support for all customer interfacing technology products of the Group, supports technology operations for routine technology functions of the

Group, ensures the stability of the Group's databases, installs the Group's hardware and network systems and is responsible for the use of the Group's BASIS technology.

- The Settlement Group is responsible for clearing, domestic operations, foreign operations, treasury operations and Western Union transactions. Clearing transactions are performed through Nigeria's electronic funds transfer system.
- The E-Business and Card Services Group is responsible for electronic products and services, primarily GTBank Cashplus Card, the GTBank MasterCard, the V-Pay Card, point of sale terminals, GAPS (GTBank Automated Payment System), GTPaydirect, GENS (an e-mail and SMS transaction notification system) AutoPay, GTPay (a multi bank e-payment solution), ATMs, WebPay, "Book Easy – Pay Easy – Fly Easy" (an online booking and payment facility for flights), Internet banking, mobile banking and telephone banking.

The Operations Division also provides services for customers engaged in international transactions. The Group's foreign exchange services include the issuance of foreign drafts, sale of business and personal travel allowances, offshore clearing, letters of credit, the issuance of Capital Importation Certificates (a certificate evidencing the importation of capital (equity or loans), equipment or raw material to Nigeria), and the collection of bills of exchange, warrants, promissory notes and standby instructions and remittances.

Corporate Services and Internal Services Divisions

The Group's Corporate Services Division is responsible for the Group's risk management, systems control, financial control and strategy. The Internal Services Division is responsible for administration, legal, corporate affairs and Group security. See "*Asset, Liability and Risk Management*".

Distribution channels

Branches

As of 31 December 2010, The Group had 173 branches in Nigeria and 46 branches elsewhere in West Africa. As of 31 March 2011, the Group had expanded its network to 187 branches in Nigeria and 47 branches elsewhere in West Africa. The operations of each branch are subject to internal regulations and to oversight by the Group's head office in Lagos, Nigeria. Each branch provides a broad range of banking products and services, such as deposit-taking, lending, foreign exchange operations and remittances, while certain services, such as corporate finance, are offered out of the head office only. Each branch is linked in real time to the head office via either VSAT or cable, and each branch has its own power generation system to supplement the main power network. According to the most recently published financial statements of Nigerian banks, the Group has one of the most efficient branch networks in Nigeria measured by deposits per branch.

The Group has one of the most widespread regional networks of banking branches in Anglophone West Africa. As of 31 March 2011, GTB Ghana had 21 branches, GTB Sierra Leone had seven branches, GTB Gambia has 15 branches and GTB Liberia has four branches. The Group plans to open 15 more branches every year for the next five years across Nigeria and the rest of West Africa.

The Group also plans to open five "mega-branches," within the next three years, which will serve as hubs for customer service in the Lagos area. The mega-branches will have over 30 teller service points, and full time senior management staff. Although the cost of establishing a mega-branch will vary depending on the location, the cost will be greater than for a conventional branch in the same location.

ATM network

As of 31 December 2010, the Bank owned and operated 506 ATMs and grew its network to 519 ATMs as of 31 March 2011. The Group intends to increase the number of owned and operated ATMs to enhance its operations. In addition, in common with many other retail banks in Nigeria, customers of the Group can use the ATM networks of other Nigerian banks for a nominal fee per withdrawal.

Other distribution channels

In addition to being able to use the network of third party ATMs available throughout Nigeria, under arrangements between the Bank and third party vendors, the Group's customers are currently entitled to use the Bank's card products to pay for goods or services at trade service outlets throughout Nigeria. Other distribution channels include electronic fund transfers at points of sale, telephone banking, Internet banking, mobile banking, the Group's call centre, GTConnect and use of new media platforms. The Bank also operate innovative distribution channels including Bank on Wheels, a mobile banking centre designed as a cost efficient way to bring the Bank to the customer and its "drive through" facility, which provides customers with easy, drive through access to ATM facilities.

Since 2003, the Bank has made substantial investments in its IT systems, in part to provide greater services to its customers by Internet banking. The Group's Internet or e banking products allow customers to engage in real time banking, including checking account balances, opening new accounts, checking the details of transactions on accounts, ordering new cheque books, confirming cheques, stopping payment on cheques and paying utility bills. These products and services include:

- CashPlus (debit card) – allows the Group's customers to pay for goods and services, and obtain cash from ATMs through the use of a convenience electronic card.
- ValuCard – allows customers to store money on an electronic purse card and use the card for various services and products throughout Nigeria.
- MasterCard – the Bank issues MasterCards to its domiciliary account holders subject to the funding of at least 100 per cent. of the required credit limit.
- Online Point of Sale ("**POS**") terminals – InterSwitch online POS terminals allow debit card holders to pay for their purchases with online vendors by electronic funds transfer via the SuperSwitch infrastructure, thus facilitating real time electronic payments.
- AutoPay – allows online, real time processing of salaries as listed on a payment schedule from a company's account to those of its different employees and contractors in a reliable and secure manner.
- Web2SMS – web based text messaging service that provides an efficient and cost effective means of sending important information to GSM phones worldwide through the Bank's website.
- GTConnect – a fully interactive, self service telephone banking centre including an interactive voice response system.
- V-Pay – a multi purpose debit card that allows customers to withdraw cash from any V Pay enabled ATM nationwide and pay for goods and services on any V Pay enabled POS terminals at merchant outlets.
- GAPS – the GTBank Automated Payment System provides a web based service that facilitates the processing of vendor (and other) payments in batch via a dial up or secured Internet connection.

- GTPay – a secure Internet payment gateway that facilitates payments to merchants on the Internet for the purchase of goods and services on the Internet.
- Electronic Notification Systems – including "GeNS" which provides customers with email and SMS notifications of transactions.
- Book Easy, Pay Easy, Fly Easy – an online and telephonic flight reservation facility for customers.
- GT Pay Direct Solution – an online transaction processing, electronic payment solution from Interswitch designed to facilitate payments, collections and the effective monitoring of such payments.

Subsidiary companies

The Bank has five international banking subsidiaries, four non-banking subsidiaries and a special purpose finance vehicle, as described below:

Banking subsidiaries

Guaranty Trust Bank (Gambia) Ltd. is a commercial bank established in Gambia in 2002. As of 31 December 2010, the Bank owned 77.8 per cent. of GTB Gambia, and the remaining shares were owned by an individual. As of 31 March 2011, GTB Gambia operated 15 branches in Gambia. As of and for the year ended 31 December 2010, it had total assets of ₦10.3 billion and profits before tax of ₦419 million (converted at a rate of 1 Gambian Dalasi: ₦5.28). The Group's banking operations in Gambia comprise a wide range of financial services and products for individuals, corporations, international institutions and public sector organisations.

Guaranty Trust Bank (Sierra Leone) Ltd. is a commercial bank established in Sierra Leone in 2001 as the 'First Merchant Bank of Sierra Leone'. In 2002, following the Bank's acquisition of a majority interest in the bank, it changed its name to Guaranty Trust Bank (Sierra Leone) Ltd. As of 31 December 2010, the Bank owned 84.2 per cent. of GTB Sierra Leone, and the remaining shares were owned by a Sierra Leonean company. As of and for the year ended 31 December 2010, it had total assets of ₦9.0 billion and profits before tax of ₦386.6 million (converted at a rate of 1 Sierra Leonean Leone: ₦0.038). As of 31 March 2011, GTB Sierra Leone operated seven branches and provides a wide range of financial services and products for corporate and retail customers.

Guaranty Trust Bank (Ghana) Limited is a commercial bank established in Ghana in 2004 and licenced in 2006. As of 31 December 2010, the Bank owned 95.7 per cent. of GTB Ghana, and the other shares were owned by the FMO and by an individual. As of 31 March 2011, GTB Ghana operated 21 branches in Ghana. As of and for the year ended 31 December 2010, it had total assets of ₦40.9 billion (converted at a rate of 1 Ghanaian Cedi: ₦98.54) and profit before tax of ₦1.8 billion (converted at a rate of 1 Ghanaian Cedi: ₦104.98). The Group's banking operations in Ghana consist of general financial services to corporate and retail customers. Pursuant to an increase in the minimum capital requirement of banks operating in Ghana by the Central Bank of Ghana in February 2008, GTB Ghana's capital was increased to U.S.$62.8 million in compliance with the minimum capital requirements.

GTB Liberia Limited was established by the Bank in 2007 to further expand the Group's business interests into West Africa, providing financial services and products to corporate and retail customers. As of 31 December 2010, the Bank owned 99.4 per cent. of GTB Liberia. It commenced operations in March 2009 in Monrovia. As of and for the year ended 31 December 2010, it had total assets of U.S.$25.1 million and a net operating loss of U.S.$0.9 million. GTB Liberia had four branches as of 31 March 2011.

GTB U.K. Limited was established in 2006 to extend the Group's business into the United Kingdom, with its head office in London. As of 31 December 2010, the Bank owned 100.0 per cent.

of GTB U.K. The establishment of a banking subsidiary in the United Kingdom is in line with the Bank's strategy in offering financial services to its West African clientele (and their businesses) that frequently travel between West Africa and London. GTB U.K. commenced operations as a commercial bank in May 2008 providing a wide range of financial services and products to individuals and corporate clients, including deposit taking, loans and advances, fund transfers and letters of credit. As of and for the year ended 31 December 2010, it had total assets of GBP155.7 million and loss on ordinary activities before tax of GBP1.3 million.

Non-banking subsidiaries

The Bank currently has four non-banking subsidiaries: GT Assurance (an insurance services provider in Nigeria); GTB Registrars (a securities registrar); GT Homes (a mortgage banking services provider and a real estate developer in Nigeria); and GT Asset Management (a securities and asset and investment management services provider in Nigeria). In October 2010, the CBN issued a new regulation on the scope of banking activities, which will take effect from May 2012. The former universal banking guidelines were repealed and banking activities were segregated into commercial banking, merchant banking and specialised banking (including non-interest banks, microfinance banks, development banks and mortgage banks). To comply with the new regulation, the Bank intends to divest its shareholding in GT Assurance, GT Asset Management and GTB Registrars by May 2012 and to integrate the permitted business activities of GT Homes into the Bank. The merger of GT Homes and the Bank will occur under a scheme of arrangement in accordance with Nigerian law. In March 2011, the SEC issued a provisional approval for the merger. The Bank expects the merger process to be completed by May 2012. Based on its restructuring plan, the Bank has received a provisional approval for a commercial banking licence (with an international scope) from the CBN in January 2011. Following the divesture of the GT Assurance, GT Asset Management and GTB Registrars, some residual liabilities of these companies may remain with the Group, related to litigation and tax issues of the three subsidiaries.

As of and for the year ended 31 December 2010, the four non-banking subsidiaries had total assets of ₦31.1 billion, total non-current liabilities of ₦13 billion, and profits before tax of ₦1.5 billion.

The non-banking subsidiaries are described below.

Guaranty Trust Assurance Plc is a non-banking subsidiary established in June 1989 (formerly known as "**Heritage Assurance Company Limited**") to provide insurance products to its customers. The Bank purchased a controlling interest in the company in 2002. As of 31 December 2010, the Bank owned 67.7 per cent. of GT Assurance. The remaining shares were held by a Tunisian company and other Nigerian citizens and associations. As of and for the year ended 31 December 2010, it had total assets of ₦19.5 billion and profits before tax of ₦954 million. GT Assurance offers a large range of insurance products to corporate and retail customers, including marine, oil and gas, accident and home insurance.

GTB Registrars Limited is a securities registrar established in February 2006 for the purpose of acting as registrar for the Bank's securities and those of other Nigerian companies. As of 31 December 2010, the Bank effectively owned 100.0 per cent. of GTB Registrars. GT Assurance held one share in accordance with the minimum shareholder requirements of the CAMA, which requires that public companies have at least two shareholders. For the year ended 31 December 2010, it had total assets of ₦77.7 million and profits before tax of ₦7.114 million.

GTB Asset Management Limited is a securities and asset and investment management company established in 2008. As of 31 December 2010, the Bank effectively owned 100.0 per cent. of GT Asset Management. Another shareholder held one share in accordance with the minimum shareholder requirements of the CAMA, which requires that companies have at least two shareholders. For the year ended 31 December 2010, it had total assets of ₦461.9 million and profit on ordinary activities before tax of ₦59 million.

GT Homes Limited was initially established in 1991 as New Patriot Building Society Limited. In October 2007, it was acquired by the Bank to expand the Group's business interests into the growing Nigerian mortgage banking sub sector and to take advantage of possible synergies with the Bank's retail banking segment. Its name was subsequently changed to GT Homes Limited. As of 31 December 2010, the Bank owned 75.1 per cent. of GT Homes directly and GTB Registrars held one share in accordance with the minimum shareholder requirements of the CAMA, such that the Bank effectively held almost 100.0 per cent. of GT Homes. GT Homes provides mortgage banking services to its corporate and retail customers and also conducts business as a real estate developer in Nigeria. Some of the mortgage banking products and services offered by GT Homes include savings and deposit collection, the provision of building loans, real estate financing, consultancy services for estate development and property trading, and assisting retail customers with processing their applications for home loans to the National Housing Fund as administered by the Federal Mortgage Bank of Nigeria. The head office of GT Homes is situated in Lagos. As of and for the year ended 31 December 2010, it had total assets of ₦8.4 billion and profits before tax of ₦445 million. The merger of the permitted business activities of GT Homes into the Bank will occur under a scheme of arrangement in accordance with Nigerian law. In March 2011, the SEC issued a provisional approval for the merger. The Bank expects the merger process to be completed by May 2012.

Finance company

GTB Finance B.V. is a finance subsidiary located in the Netherlands established by the Bank in December 2006 to raise funds for the Group on the international capital markets. GTB Finance is the Issuer under the Programme. In January 2007, GTB Finance issued U.S.$350 million notes maturing in 2012, the proceeds of which were on lent to the Bank. The Bank owns 100.0 per cent. of GTB Finance.

Equity interests

As of the date of this Offering Circular, the Bank had the following associate companies:

African Export Import is a discount house established in February 1995 for the purposes of providing local trading services of Government securities in the financial markets. As of 31 December 2010, the Bank owned 0.08 per cent. of the entity.

Africa Finance Corporation is a discount house established in February 1995 for the purposes of providing local trading services of Government securities in the financial markets. As of 31 December 2010, the Bank owned 0.5 per cent. of the Company.

Kakawa Discount House Limited is a discount house established in February 1995 for the purposes of providing local trading services of Government securities in the financial markets. As of 31 December 2010, the Bank owned 8.53 per cent. of Kakawa Discount House Limited, and the remaining shares are owned by other Nigerian banks.

ValuCard Nigeria Plc is a card services company incorporated in August 1997 to provide card payment solutions to individuals, corporate bodies and merchants. As of 31 December 2010, the Bank owned 4.17 per cent. of ValuCard Nigeria Plc, and the remaining 95.83 per cent. is owned by Visa International Service Association and other Nigerian banks.

Nigerian Inter-Bank Settlement System Plc was incorporated in 1993 and commenced operations in June 1994. It provides the infrastructure for automated processing and settlement of fund transfer instructions between banks, discount houses and card companies in Nigeria. As of 31 December 2010, the Bank owned 3.62 per cent. of Nigerian Inter Bank Settlement Plc and the remaining shares were owned by other licenced banks and discount houses in Nigeria, including the CBN.

Anti-money laundering

The Bank has implemented an Anti Money Laundering Framework ("**AMLF**") that is maintained and continually reviewed to ensure compliance with the provisions of the Money Laundering (Prohibition) Act of 2004, the CBN's "Know Your Customer" Manual of 2003 and the Wolfsberg Principles (anti money laundering principles for private banking drafted by a group of international global banks published in May 2002). The Bank's AMLF is designed to ensure that there are appropriate systems in place to prevent, promptly detect and report money laundering activities within the Bank.

The objectives of the Bank's AMLF is to engender a compliance culture; mitigate the impact of certain operational, reputational and legal risks; protect the safety and soundness of the Bank; and protect employees from risks that may be occasioned from carrying out their duties and obligations in compliance with the AMLF.

The Bank's AMLF requires the Bank to properly identify each new customer and to accurately verify all of the information and documents provided by such customer. Each customer is assigned a relationship manager who is responsible for monitoring activities on the account, and reporting any suspicious activities. The Bank also has an internal audit team that conducts an internal audit at least once a quarter to ensure adherence to the AMLF. The audit report generated is circulated to the Managing Director and the Deputy Managing Director, as well as the heads of each relevant department. For the financial year ended 31 December 2010, the Bank identified 120 incidents of suspicious activity and dealt with these in accordance with the AMLF. Similar anti money laundering measures, as appropriate, have been implemented by other members of the Group.

Information services

The Group has made substantial investments in technology with the aim of improving customer service, increasing its operating efficiencies and enhancing its overall competitive position. In the year ended 31 December 2010, the Group's IT related capital expenditures amounted to approximately ₦2.3 billion (U.S.$14.7 million), and it has budgeted approximately ₦3.8 billion (U.S.$23.5 million) for IT capital expenditure in the current financial year.

All of the Bank's Nigerian branches are connected in real time to the Group's data centre at its headquarters in Lagos. With the exception of GTB U.K., which is a separately functioning entity, the Group uses the Unix Operating System and operates a real time online banking system called the Banking Automation Systems for Integrated Services. BASIS is used for the Group's general ledger accounting and is updated on a real time basis with all of the Group's transactions. BASIS interfaces with the Group's e delivery channels, Internet, telephone and mobile banking, ATMs and other systems that handle the Group's payroll, fixed asset register and clearing systems. The Group also maintains customer relationship management software that manages the Group's customer interactions. Management believes that its technology is scalable and will support future growth.

The Group maintains continuous and secure communication with its branches through various connections, including Local Area Networks ("**LANs**"), Metropolitan Area Networks ("**MANs**") and Wide Area Networks ("**WANs**"). Every branch has a LAN with network points and switches to facilitate interconnectivity within the branch. Each branch is then connected with a main and backup link to the other branches, either through MANs, WANs or satellite connections, with the hub of communication serviced out of a building in Lagos.

The Group ensures the security of its network through the employment of various encryption and firewall technologies. In addition, the Group has a disaster recovery procedure in place for business critical technology. The Group's applications are deployed on Oracle real time application clusters whereby three servers work in parallel to provide real time redundancy of data. The servers work on a switch system of active/active/passive. If one active system fails, it immediately switches to the second active system, and the passive system is then activated to act as a support whilst the initially failing system is corrected.

Whilst power interruption is not uncommon in Nigeria, the combination of the Group's active/active/passive system and its independent power generation units means that the Group can provide an uninterrupted service and the Group has not witnessed any major interruptions in the last three years.

Insurance

The Group has in place self insurance arrangements for certain of its car, cash and fidelity guaranty insurance policies (insurance that protects against fraudulent acts or omissions of the Group's employees). In addition, the Group maintains insurance policies through third party brokers, with insurance companies (including its subsidiary, GT Assurance), for cash and comprehensive motor vehicles insurance, third party motor vehicle, fidelity guaranty and computer electronics insurance, fire, collective householders, burglary and plant all risk insurance (insurance on machinery and equipment).

Marketing

In June 2006, as part of its initiative to capitalise on its past achievements whilst taking advantage of the opportunities presented in the retail banking segment, the Group launched a marketing campaign called "Orange Rules". With this campaign, the Group aims to promote strong brand recognition, reinforce the principles on which the Group was established and stimulate the interest of the Nigerian socio economic environment in the savings and investment culture. The "Orange Rules" principles are as follows:

- Simplicity
- Professionalism
- Service
- Friendliness
- Excellence
- Trustworthiness
- Social Responsibility
- Innovation

Management believes that this campaign has brought the Group increased marketing presence and brand image recognition. The orange colour and box are associated with the Group in Nigeria and West Africa.

Awards

The Bank has received numerous awards. The Bank's debut U.S.$350 million Eurobond issue was named "*Nigerian Deal of the Year 2007*" by The Banker Magazine, and its U.S.$824.2 million issue of GDRs as the "*Nigerian Deal of the Year 2008*" by The Banker Magazine and was awarded "*Transaction of the Year 2008*" by This Day Newspapers.

The Bank has also received the following awards:

- In 2008, the Bank was awarded "*Most Customer Friendly Bank*", "*Good Corporate Governance*" and "*Bank of the Year*" by Vanguard Newspapers. Titans of the Tech also awarded the Bank "*Technology Driven Bank of the Year, 2008*".

- In 2009, the Bank was awarded "*Best Bank in Nigeria*" by Euromoney and Lagos State Enterprises, Social Enterprise Reports also named the Bank "*Most Socially Responsible Bank*" and second "*Most Socially Responsible Company in Nigeria*". The Bank was also named "*Best Run Bank of the Year*" by City People Awards for Excellence.
- In 2010, the Bank was again named "*Best Bank in Nigeria*" by Euromoney, The Banker Awards and Lagos State Enterprises and was awarded "*Icon of Corporate Excellence in Nigeria*" by This Day Newspapers.

Bank culture and commitment to community

Bank culture

In addition to the above, the Group places great emphasis on being a company that maintains a culture of excellence, and believes that it goes to great lengths to ensure that its customers are satisfied at all times. The Group maintains an informal but competitive environment where employees call each other by first names from entry level through to the Managing Director. This informal culture is not common practice in Nigeria, but the Group believes that the non-regimented and open environment maximises productive output in its employees. The Group also maintains an "open door policy". This reinforces the informal atmosphere and, management believes, creates a feeling of equality. All the Group's employees are accessible, working in open plan offices alongside their fellow colleagues.

The Bank has identified its brand essence as "precision" and believes this best describes its products and services and approach and commitment to doing business.

Commitment to community

The Group believes strongly in maintaining a good relationship with its community, educational institutions, charities and non-governmental organisations throughout Nigeria. Each year, a share of the Group's profits goes towards supporting these institutions and other causes. One cause the Group supports is the Massey Street Children's Hospital, a paediatric hospital located in one of the high density areas of Lagos. The Group invested in rehabilitating the hospital after years of Government neglect, and the hospital is now providing a much needed service to the people of Lagos Island. In addition, since 1996, the Group has contributed significantly to improving the quality of financial journalism in Nigeria by sponsoring an average of 40 financial journalists each year to attend the Group's course for financial reporters. The Group also adopted the St. Georges Girls and Boys Primary School Falomo, a non-fee paying school in Ikoyi, Lagos. The Group has assisted in the reconstruction and rehabilitation of the school, with the goal of improving the quality of education for children in the Eti Osa local government area. In 2008, the Bank launched its "Brightest and Best" programme, which comprises a variety of activities for primary and secondary schools, tertiary institutions and Nigerian National Youth Service Corps Orientation camps and is aimed at contributing to a more balanced and value-added educational system in the Bank's host communities.

Employees

For the year ended 31 December 2010, the Group had an average of 2,618 employees and 5,429 contractors working within the Group, of whom over 92.0 per cent. were employed in branches of the Group, compared to an average of 2,554 employees and 5,075 contractors for the year ended 31 December 2009 and an average of 2,149 employees and 4,505 contractors for the year ended 31 December 2008. In connection with its planned growth in retail, the Group expects to hire an additional 384 employees and 492 contractors in 2011. As a means to improve efficiencies, the Group conducts employee training sessions, and outsources its non-core positions with low skill requirements by hiring independent contractors to fill low skill positions such as bank tellers.

Property

As of 31 December 2010, the total net book value of the Group's property and equipment was ₦45.4 billion (U.S.$298.6 million). The Group leases approximately 39 per cent. of its branches from third parties pursuant to long term renewable leases and owns the remaining branches. In the financial year ended 31 December 2010, the Group paid a total amount of approximately ₦1,107 million (U.S.$7.3 million) under its leases.

The Bank is currently developing a new head office building on Victoria Island, Lagos, that is expected to be ready for occupation in 2011. Management believes that the new building will allow it to improve service delivery, employee productivity and its competitive position.

Legal proceedings

From time to time and in the ordinary course of business, the Group is subject to legal actions and complaints. As of 31 December 2010, the Group was involved in 233 cases as a defendant in which claimants claimed a total of ₦184.2 billion in Naira denominated claims and U.S.$124.9 million in U.S. dollar denominated claims. One claim against the Bank was brought in July 2010 for an aggregate amount of ₦56 billion. The claim is in relation to a loan made by the Bank and the Bank's enforcement of security for that loan. The case is currently being adjudicated.

The Group had recorded provisions in respect of legal proceedings of ₦32.0 million as of 31 December 2010. The Bank believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition and the results of future operations of the Group. In addition, the Bank is not aware of any pending or threatened governmental, legal or arbitration proceedings during the previous 12 months which may have, or have had, significant effects on the Group's financial position or profitability.

Related party transactions

From time to time, the Group grants various credit facilities to related parties of the Group at rates and terms comparable to other facilities in the Group's portfolio. As of 31 December 2010, an aggregate of ₦13.0 billion (U.S.$85.6 million) was outstanding under such facilities compared to ₦10.0 billion as of 31 December 2009 and ₦11.5 billion as of 31 December 2008.

There are no other outstanding loans or guarantees granted by the Bank to any member of the Board of Directors or of the senior management team or to any parties related to them. All loans to members of the Board of Directors and the senior management team set out above have been approved by the Board of Directors as related party transactions and bear interest at rates from 16.0 to 19.0 per cent. per annum.

As of 31 December 2010, the Group had deposits from related parties of ₦1,526.2 million, as compared with ₦645.9 million as of 31 December 2009 and ₦1,350.7 million as of 31 December 2008.

Recent developments

The following discussion of business trends is based on management information, which is not prepared in accordance with IFRS and has not been audited or reviewed by the Group's external auditors. There can be no assurance that the trends described below are consistent with the trends that would be demonstrated if a similar discussion were prepared on the basis of IFRS for the same period. The trends reflected below should not be viewed as indicative of the performance or condition of the Bank or Group for any future periods or as may be reflected in future financial statements produced by the Bank or Group under IFRS.

In the first quarter of 2011, the Group has experienced a declining trend in its average interest rates on loans to customers, as well as its cost of funds. Overall, the Group expects that this decrease in its cost of funding will more than offset the decline in average rates on its loans to customers, which should result in an increase in the Group's net interest margins.

The Group experienced an increase in net fee and commission income in the first quarter of 2011 as a result of increases in service related commissions, credit related fees and foreign currency related fees. Foreign exchange income is also experiencing a positive trend.

The Group's operating expenses have also increased in the first quarter of 2011, mainly as a result of growth in regulatory related expenses as a result of the Bank's initial annual contribution of 0.3 per cent. of total assets which Nigerian banks are required to make to AMCON. In addition, due to its increased deposit base, the Bank has incurred higher deposit insurance premiums.

The Group's expenses for diminution in asset values declined in the first quarter of 2011. The charge for diminution in asset values is comprised of the Group's provisioning against non-performing loans and generally against other loans and advances. In accordance with the CBN Prudential Guidelines, in its accounts filed with the CBN, the Bank applies specific provisions for each non-performing loan and a one per cent. general allowance is made on all loans and advances which have not been specifically provided for, although in accordance with CBN requirements, the Bank was not required to include a one per cent. general allowance in 2010.

The Group's assets increased in the first quarter of 2011 as a result of the following trends:

- increasing customer deposits have resulted in the Group having greater cash balances and an increase in investments in treasury bills, as the Group invested some proceeds of deposits, rather than keep the funds in cash and equivalents; and

- loans and advances increased in line with the Group's intention to grow loans cautiously by targeting high quality customers.

The Group's deposit mix has improved in the first quarter of 2011 in favour of low-cost deposits, which reduces the Group's interest expense as a result of the level of penetration of branches, the branches' effectiveness at their locations and management's drive for low-cost funds.

The Group's contingent liabilities also increased in the first quarter of 2011, mainly by increase in letters of credit opened for customers to finance import transactions and increase in commitments.

In the first quarter of 2011, the Group disposed of its holdings in a Small and Medium Enterprises Equity Investment Scheme investment.

ASSET, LIABILITY AND RISK MANAGEMENT

General

Following is a summary of the Group's asset, liability and risk management policies. Further details of the Group's financial risk management policies are contained in Note 5 of the Group's 2010 Financial Statements. The principal risks inherent in the Group's business are credit risk, liquidity risk, market risk and operational risk.

The Group seeks to minimise the effect of these risks while, at the same time, maximising profitability by effectively monitoring and managing the mismatch between maturities of its assets and liabilities, the size and degree of its interest and foreign exchange rate exposure and its credit quality.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Group's policies are subject to review at least once a year. More frequent reviews may be conducted when changes in laws, market conditions or the Group's activities are material enough to impact on the continued adoption of existing policies. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

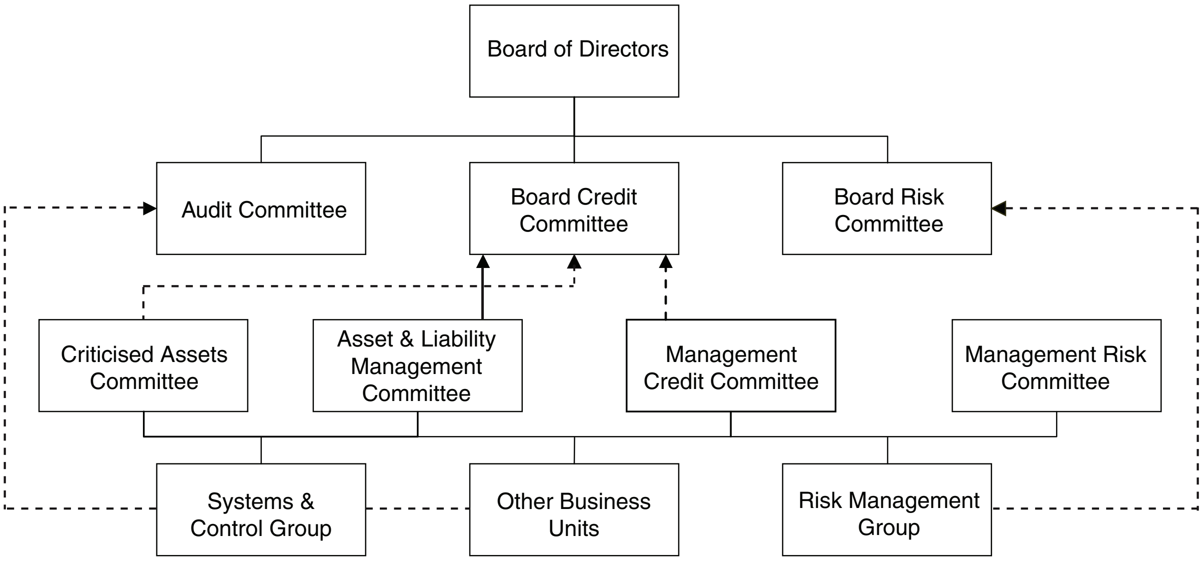
The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework through its committees: the Risk Committee, the Credit Committee, and the Audit Committee. These committees are responsible for developing and monitoring risk policies in their specified areas and report regularly to the Board of Directors on their activities. All Board committees have both executive and non-executive members.

The Board Committees are assisted by the various Management Committees in identifying and assessing risks arising from day to day activities of the Group. These committees include:

- Management Credit Committee;
- Criticised Assets Committee ("**CAC**");
- Asset and Liability Management Committee ("**ALMAC**");
- Management Risk Committee; and
- IT Steering Committee (which is part of the Technology Group).

These committees meet on a regular basis while others are set up on an ad hoc basis as dictated by circumstances. For a description of the committees, see "*Directors and Senior Management – Management Committees*".

The following chart illustrates the Group's risk management structure:



Credit risk

Lending and other financial activities form the core business of the Group. The Group recognises this and has placed strong emphasis on effective management of its exposure to credit risk. The Group defines credit risk as the risk of counterparty's failure to meet the terms of any lending contracts with the Group or otherwise to perform as agreed. Credit risk arises anytime the Group's funds are extended, committed, invested or otherwise exposed through actual or implied contractual agreements.

The Group's specific credit risk objectives, as contained in its policy called the Credit Risk Management Framework, are:

- maintenance of an efficient loan portfolio;
- institutionalisation of sound credit culture in the Bank;
- adoption of international best practices in credit risk management; and
- staffing of credit risk management professionals and specialists for every industry within which the Bank operates.

Each business unit is required to implement credit policies and procedures in line with the credit approval authorities granted by the Board of Directors. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolio, including those subject to the Management Credit Committee's approval.

The Group continues to focus attention on intrinsic and concentration risks inherent in its business to manage the Group's portfolio risk. It sets portfolio concentration limits that are measured under the following parameters: concentration limits per obligor, industry, sector, rating grade and geographic area. The sector limits reflect the risk appetite of the Group.

The Group's Credit Risk Management Framework uses the technology necessary to achieve global best practices such as the Basel Accord. In order to comply with the credit risk capital adequacy computation under Basel II, the Group is implementing IT systems to facilitate the use of the standardised approach for credit risk measurement.

Credit risk management

The Board of Directors has delegated responsibility for the management of credit risk to its Board Credit Committee. A separate Management Credit Committee reporting to the Board Credit Committee is responsible for oversight of the Group's credit risk. Each business unit is required to implement the Group's credit policies and procedures, with credit approval authorities authorised by the Board Credit Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval. Regular audits of business units and credit quality reviews are undertaken by the Internal Audit and Credit Administration units respectively.

Credit risk mitigation policies

The Bank applies limits to control credit risk concentration and ensure proper diversification of its risk assets portfolio. The Bank maintains limits for individual borrowers and groups of related borrowers, as well as industries. Obligor limits are set by the CBN and under the Prudential Guidelines single obligor limit (i.e. total outstanding exposure by a bank to any single person or group of related borrowers) shall not at any time exceed 20 per cent. of a bank's shareholder funds unimpaired by losses. The obligor limit covers exposures to counterparties and related parties. The Bank imposes industry and economic sector limits to guide against concentration risk as a result of exposures to sets of counterparties operating in a particular industry. The limits are typically recommended by the Bank's Risk Management Group. The limits set for each industry or economic sector depend on the historical performance of the sector as well as intelligence reports on the outlook of the sector. Limits can be realigned at any point, including outright removal, reduction or increase, to meet the exigencies of prevailing macroeconomic events. The Bank also sets internal credit approval limits for various levels of officers in the credit process. Approval decisions are guided by the Bank's strategic focus as well as the stated risk appetite and the other limits established by the CBN, such as aggregate large exposure limits and single obligor limits, or the Board of Directors, such as geographical limits, and industry and sectoral limits. The lending authority in the Bank flows through the management hierarchy with the final authority residing with the Board of Directors as indicated below:

Board of Directors.................................	Up to the single obligor limit as advised by the regulatory authorities from time to time but currently put at 20.0 per cent. of shareholders' funds (total equity)
Management Credit Committee	Up to ₦500 million
Managing Director	Up to ₦200 million
Deputy Managing Director	Up to ₦150 million
Other Approving Officers	As delegated by the Managing Director but in any event for amount less than ₦150 million

The above limits are subject to the following overriding approvals:

- Except where a facility is cash collateralised, all new facilities below ₦10 million require the approval of the Credit Committee.
- The deposit required for all cash collateralised facilities (with the exception of bonds, guarantees and indemnities) must be 125 per cent. of the facility amount to provide a cushion for interest and other charges.
- Entirely new facilities require one up approval (approval at a level higher than that of the person that would ordinarily approve it).

According to CBN regulations, the Bank's exposure to one borrower (including all companies under common control with such borrower) cannot exceed in the aggregate 20.0 per cent. of the Bank's shareholders' funds. Aggregate exposure to large borrowers (CBN regulations define a large borrower as any credit equal to 10.0 per cent. or more of shareholders' funds) cannot exceed eight times shareholders' funds. As of 31 December 2010, the Bank's limit for permitted exposure to one borrower was ₦13.74 billion, and the total permitted large borrower exposure limit was ₦1.76 trillion. As of 31 December 2010, the largest actual exposure to one borrower was ₦34.8 billion.

In addition, borrowings or credit to any one director or shareholder of the Bank may not exceed 10.0 per cent. of the Bank's paid up capital, save with the prior approval of the CBN. It is, however, unclear whether the definition of "paid up capital" as set out in the CBN regulations, includes the share premium account. Management has decided to include the share premium account in the calculation of its paid up capital for these purposes until clarity has been obtained from the CBN. As of 31 December 2010, the Bank's maximum permitted exposure to one director or shareholder, as the case may be, was ₦13.74 billion, and the Bank's maximum actual exposure was ₦5.3 billion, which was equal to 4.07 per cent. of its paid up capital (including share premium).

Credit risk measurement

The Group undertakes lending activities after careful analysis of the borrowers' character, capacity to repay, cash flow, credit history, industry and other factors. The Group acknowledges that there are diverse intrinsic risks inherent in aspects of its business segments and, as a result, applies different parameters to adequately measure the risks in each business segment. The Bank's rating grades reflect the range of parameters developed to predict the default probabilities of each rating class. In line with international best practices and in compliance with Basel II requirements, the Bank standardised its rating grades in the last quarter of 2010 by increasing the number of rating grades from six to ten. Like the previous rating grades, the new rating grades deal with all credit risk counterparties and this covers the Bank's credit exposure to the corporate, commercial, retail and public sectors. However the new grades reflect more details in the breakdown of credit risk. The rating is handled by account officers and relationship managers with further oversight by the Risk Management Group.

The Rating Grid is as follows:

Rating Grade	Description
1	Exceptional capacity
2	Very strong capacity
3	Strong repayment capacity
4	Good credit quality & adequate repayment capacity
5	Possibility that credit risk may occur
6	Significant credit risk may occur but meet all obligations
7	Default is a real possibility
8	Default is probable
9	Default is imminent
10	Default/Lost

The first six ratings apply to active credits or newly proposed credits while the last four ratings apply to watch list and delinquent credits, which are due to be called in or already handed over to solicitors for collection.

Performing (Rating 1–6) – Facility has strong tendency of repayment within approved tenor; interest and principal are being repaid as and when due.

Watch list (Rating 7) – Facility demonstrates an early warning signal of delinquency and has tendency of default either in respect of the principal or accrued interest. The overdrawn business account has no significant movement for up to two months or the account that is permanently in excess of the approved facility.

Substandard & Doubtful (Rating 8 and 9) – This rating is applied where a strong doubt exists that full repayment of principal and interest will occur. The exact extent of the potential loss is not however certain at the time of classification. Interest and principal are past due for 90 days and up to 365 days.

Lost (Rating 10) – Facility is actually in default and principal and or interest overdue remain unpaid for more than 365 days. Legal process does not guarantee full recovery of outstanding debt and borrower might be under receivership or in the process of liquidation.

Credit Definitions

Impaired loans and securities

Impaired loans and securities are loans and securities for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/securities agreement(s). These are loans and securities specifically impaired and are graded 6 in the Group's internal credit risk grading system.

Past due but not impaired loans

Loans and securities where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Group.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

All loans and advances are categorised as either (i) neither past due nor impaired; (ii) past due but not impaired; or (iii) individually impaired. The table below shows the impairment allowances for the Group's financial assets as of and for the periods indicated:

	Loans and advances to customers			Loans and advances to banks			Investment securities		
	As of 31 December								
	2010	2009	2008	2010	2009	2008	2010	2009	2008
	(₦ millions)								
Carrying amount	603,907	574,587	421,773	186	146	34	33,526	19,159	110,199
Assets at amortised cost									
Individually impaired									
Grade 10: Impaired	39,031	19,753	3,196	90	90	90	1,870	1,870	–
Gross amount	39,031	19,753	3,196	90	90	90	1,870	1,870	–
Allowance for impairment	(29,969)	(19,497)	(3,196)	(36)	(90)	(90)	(1,330)	(1,330)	–
Carrying amount	9,062	256	–	54	–	–	540	540	–
Collectively impaired									
Grade 1-6: Low-fair risk	234,126	205,352	335,024	1	93	34	–	–	–
Grade 7-9: Watch list	95	1,124	2,158	–	–	–	–	–	–
Gross amount	234,221	206,476	337,182	1	93	34	–	–	–
Allowance for impairment	(2,423)	(2,730)	(1,019)	–	(0.4)	(0.118)	–	–	–
Carrying amount	231,798	203,746	336,163	1	93	34	–	–	–
Past due but not impaired									
Grade 1-6: Low-fair-risk	3,840	3,526	36	–	–	–	–	–	–
Carrying amount	3,840	3,526	36	–	–	–	–	–	–
Past due comprises:									
90 -180 days	3,840	3,526	36	–	–	–	–	–	–
Carrying amount	3,840	3,526	36	–	–	–			–
Neither past due nor impaired Grade 1-3:									
Low-fair risk	359,207	367,059	85,574	131	53	–	–	–	–
Carrying amount	359,207	367,059	85,574	131	53	–	–	–	–
Held to maturity assets (HTM) Grade 1–6:									
Low-fair risk	–	–	–	–	–	–	32,986	18,619	110,199
Total carrying amount	**603,907**	**574,587**	**421,773**	**187**	**146**	**34**	**33,526**	**19,159**	**110,199**

Allowances for impairment

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance, established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy

The Group writes off a loan/security balance (and any related allowances for impairment losses) when the Management Credit Committee determines that the loans/securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, write off decisions are generally based on a product specific past due.

Credit collateral

The Group considers collateral an essential means of credit risk minimisation. The Group accepts property, such as real estate and securities quoted on an exchange, belonging to the borrower or to third party guarantors as collateral. The Group also accepts rights to property, securities and secured guarantees issued by other banks as collateral. Collateral eligibility is determined by taking into account the form of ownership of the borrower, its credit history, financial performance, rating and the term of the loan being considered.

Loans to individuals or sole proprietors must be secured by tangible, marketable collateral that has a market value that is supported by a valuation report from a registered estate valuer acceptable to the Group. The collateral must also be easy to check and easy to dispose of. This collateral must be in the possession of, or pledged to, the Group. Client's account balances must be within the scope of cover provided by its collateral.

All collateral must be protected by insurance. Exceptions include cash collateral, securities in safe keeping, indemnity or guarantees, or where interest is general (for instance in a negative pledge). The insurance policy has to be issued by an insurer acceptable to the Bank. All cash collateralised facilities must have a 20 per cent. margin to provide cushion for interest and other charges (only 80 per cent. of the deposit or cash collateral may be available to an obligor).

Even in the event that a loan is fully collateralised, it may be difficult for the Group to recover the full value of the loan due to the difficulty of enforcing judgments for defaulted loans in Nigeria. See "*Risk Factors – Risks related to Nigeria and other regions in which the Group operates – There are inefficiencies in the judicial system in Nigeria which could materially adversely affect the Group's business*".

Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral is usually not held against investment securities, and no such collateral was held at 31 December 2010.

Liquidity risk

Liquidity risk management

Liquidity risk is the current and future risk to the Group's earnings and capital arising from its inability to meet its financial obligations and commitments as and when due and at a reasonable price.

The Bank's liquidity management processes include the following:

- maintenance of minimum levels of liquid and marketable assets above the regulatory requirement of 25 per cent. The Group's in house limit is set at 35 per cent.;
- monitoring of the Bank's cash flow and financial position trends. The Bank also makes forecasts of anticipated deposits and withdrawals to determine their potential effect on the Bank;
- regular measurement and monitoring of the Bank's liquidity position and ratios in line with regulatory requirements and in house limits;
- regular monitoring of non-earning assets;
- monitoring of deposit concentration;
- ensuring diversification of funding sources;
- monitoring the level of un drawn commitments; and
- maintaining a contingency funding plan.

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market, less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month. A similar calculation is used to measure the Group's compliance with the liquidity limit established by the CBN.

The following table shows the Group's ratio of net liquid assets to deposits from customers for the periods indicated:

	As of 31 December		
	2010	**2009**	**2008**
		(%)	
At end of period	56.11	51.94	63.92
Average for the period	50.42	42.61	45.90
Maximum for the period	56.11	51.94	63.92
Minimum for the period	48.08	37.25	40.11

In the event of a strain on the Group's liquidity position, the Group has established contingency measures to manage liquidity. These contingency measures would require the Group to slow the granting of loans, progressively sell off excess liquid and marketable securities, raise short term financing in the inter bank market (with borrowings from the CBN or other Nigerian banks with which the Group has an agreement for the provision of short term borrowings), identify the least profitable credits and take appropriate measures to recall such credits and raise fresh deposits from the Group's branches, emphasising term deposits.

Maturity analysis

The following tables summarise the Group's assets and liabilities by maturity as of the dates indicated and contain certain information regarding the liquidity risk facing the Group:

	As of December 2010						
	Carrying amount	**Gross nominal inflow/ (outflow)**	**Less than[(1)] three months**	**Three to six months**	**Six to twelve months**	**One to five years**	**More than five years**
	(₦ millions)						
Cash and cash equivalents	273,075	273,445	272,344	–	1,101	–	–
Trading securities	148,872	151,734	151,734	–	–	–	–
Pledged assets	29,482	32,041	14,569	1,619	691	15,162	–
Loans and advances to banks	186	235	155,279	32	48	–	–
Loans and advances to customers	603,907	758,445	295,980	106,541	92,348	227,790	35,786
Investment securities	33,526	36,273	762	403	1,069	25,239	8,800
	1,089,048	1,252,173	735,545	108,595	95,256	268,190	44,586
Non derivative liabilities							
Deposits from banks	26,027	26,141	26,140	–	–	–	–
Deposits from customers	753,088	792,473	782,812	7,637	2,004	20	–
Debt securities issued	66,887	77,132	–	3,151	56,373	17,608	–
Other borrowed funds	23,034	23,879	598	1,333	1,902	20,046	–
	869,036	919,624	809,550	12,120	60,279	37,674	–
Gap (asset liabilities)			(74,005)	96,476	34,977	230,516	44,586
Cumulative liquidity gap			(74,005)	22,470	57,447	287,963	332,549

Note:

(1) Includes balances with no specific contractual maturities

	As of December 2009						
	Carrying amount	Gross nominal inflow/ (outflow)	Less than[(1)] three months	Three to six months	Six to twelve months	One to five years	More than five years
	(₦ millions)						
Cash and cash equivalents	255,945	256,596,055	254,336	2,260	–	–	–
Trading securities	134,927	136,256,974	115,881	19,364	1,012	–	–
Pledged assets	22,113	22,278,502	22,279	–	–	–	–
Loans and advances to banks	146	148,922	149	–	–	–	–
Loans and advances to customers	574,587	690,894,682	306,276	23,264	35,386	298,008	27,960
Investment securities	19,159	19,159,408	–	–	11,931	–	7,228
	1,006,877	1,125,334,543	698,920	44,888	48,330	298,008	35,188
Non derivatives liabilities							
Deposits from banks	31,187	31,254,174	19,962	11,292	–	–	–
Deposits from customers	666,922	673,566,465	665,894	2,374	4,110	1,188	–
Debt securities issued	67,373	78,505,666	1,888	–	–	76,618	–
Other borrowed funds	12,390	13,376,893	58	–	–	13,319	–
	777,872	796,703,198	687,801	13,666	4,110	91,125	–
Gap (asset liabilities)			11,119	31,222	44,220	216,883	25,188
Cumulative liquidity gap			11,119	42,341	86,561	303,444	328,631

Note:

(1) Includes balances with no specific contractual maturities

	As of December 2008						
	Carrying amount	Gross nominal inflow/ (outflow)	Less than(1) three months	Three to six months	Six to twelve months	One to five years	More than five years
	(₦ millions)						
Cash and cash equivalents ..	274,634	274,896	274,896	–	–	–	–
Trading securities	20,231	20,231	20,231	–	–	–	–
Pledged assets......................	55,738	57,196	39,132	3,514	14,550	–	–
Derivative assets held for risk management	4,618	4,618	518	958		3,141	–
Loans and advances to banks	34	36	10	21	3	2	–
Loans and advances to customers..........................	421,773	542,580	106,306	70,631	85,831	215,409	64,402
Investment securities	110,199	141,391	57,117	2,575	25,316	51,621	4,763
	887,227	1,040,948	498,209	77,700	125,700	270,173	69,166
Non derivatives liabilities							
Deposits from banks	62,989	63,619	63,619	–	–	–	–
Deposits from customers	469,250	471,287	466,144	1,926	2,375	843	–
Debt securities issued	50,103	64,420	1,799	–	–	60,621	–
Other borrowed funds	14,221	18,331	164	–	220	8,882	9,066
	596,563	615,658	531,726	1,926	2,595	70,346	9,066
Gap (asset liabilities)			(33,516)	75,774	123,105	199,827	60,100
Cumulative liquidity gap			(33,516)	42,258	165,373	365,191	425,291

Note:

(1) Includes balances with no specific contractual maturities

Although, as of 31 December 2010, the Group had a negative liquidity gap for assets and liabilities with a maturity of less than three months, management believes its access to funds will continue to allow it to meet its liquidity needs. Management believes that the maturity gap analysis does not reflect the historical stability of on demand and term deposits with the Group, the withdrawal of which has historically taken place over a longer period than that indicated in the tables above. However, there can be no assurance as to the Group's ability to lengthen the maturity of customer accounts.

In addition, while investments are shown as due in less than three months, the ability to liquidate investment assets upon demand is dependent upon financial market conditions. Significant security positions may not be liquidated in a short period of time without adverse price effects.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. Interest rate sensitivity is the relationship between market interest rates and net interest income resulting from the re pricing characteristics of assets and liabilities. The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre approved limits for re pricing bands. The ALMAC is the monitoring body for compliance with these limits and is assisted by Risk Management in its day to day monitoring activities. A summary of the Group's interest rate gap position on trading and non-trading portfolio is as follows:

	As of 31 December 2010					
	Carrying amount	**Less than three months**	**Three to six months**	**Six to twelve months**	**One to five years**	**More than five years**
			(₦ millions)			
Cash and cash equivalents	273,075	272,010	–	1,064	–	–
Trading securities	148,872	148,872	–	–	–	–
Pledged assets.............	29,482	14,071	1,411	–	14,000	–
Derivative assets held for risk management	–	–	–	–	–	–
Loans and advances to banks	186	186	–	–	–	–
Loans and advances to customers.................	603,907	603,907	–	–	–	–
Investment securities	33,526	608	171		22,117	10,630
Total	**1,089,048**	**1,039,655**	**1,582**	**1,064**	**36,117**	**10,630**
Deposits from banks	26,027	26,027	–	–	–	–
Deposits from customers	753,088	743,477	7,587	2,004	20	–
Debt securities issued ..	66,887		2,041		64,846	–
Other borrowed funds....	23,034		98		22,936	–
Total	**869,036**	**769,504**	**9,726**	**2,004**	**87,802**	–
Difference	**220,012**	**270,150**	**(8,144)**	**(939)**	**(51,685)**	**10,630**

In thousands of Nigerian Naira	As of 31 December 2009					
	Carrying amount	Less than three months	Three to six months	Six to twelve months	One to five years	More than five years
	(₦ millions)					
Cash and cash equivalents	255,945	253,701	2,244	–	–	–
Trading securities	134,927	115,018	18,938	971	–	–
Pledged assets.............	22,113	22,113	–	–	–	–
Derivative assets held for risk management	–	–	–	–	–	–
Loans and advances to banks	146	146	–	–	–	–
Loans and advances to customers.................	574,587	488,656	–	750	64,928	20,252
Investment securities	19,159	816	–	11,931	–	6,412
Total	**1,006,877**	**880,451**	**21,181**	**13,653**	**64,928**	**26,664**
Deposits from banks	31,187	19,937	11,250	–		–
Deposits from customers	666,922	659,710	2,309	3,903	1,000	–
Debt securities issued ..	67,373	1,888	–	–	65,485	–
Other borrowed funds....	12,390	58	–	–	12,333	–
Total	**777,872**	**681,592**	**13,559**	**3,903**	**78,818**	**–**
Difference	**229,004**	**198,859**	**7,622**	**9,750**	**(13,890)**	**26,664**

	As of 31 December 2008					
	Carrying amount	Less than three months	Three to six months	Six to twelve months	One to five years	More than five years
	(₦ millions)					
Cash and cash equivalents	274,634	274,634	–	–	–	–
Trading securities	20,231	20,231	–	–	–	–
Pledged assets..............	55,738	38,697	3,412	13,630	–	–
Derivative assets held for risk management	4,618	–	4,618	–	–	–
Loans and advances to banks	34	34	–	–	–	
Loans and advances to customers.................	421,773	417,266	249	12	3,456	789
Investment securities	110,199	39,685	2,492	23,550	41,296	3,175
Total	**887,227**	**790,547**	**10,771**	**37,191**	**44,753**	**3,965**
Deposits from banks	62,989	62,989			–	–
Deposits from customers	469,250	464,553	1,864	2,209	624	–
Debt securities issued ..	50,103	–	–	–	50,103	–
Other borrowed funds....	14,221	163		209	7,134	6,715
Total	**596,563**	**527,705**	**1,864**	**2,418**	**57,861**	**6,715**
Difference	**290,664**	**262,842**	**8,908**	**34,773**	**(13,108)**	**(2,750)**

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various scenarios. Credit spread risk (not relating to changes in the obligor/issuer's credit standing) on debt securities held by the Group and equity price risk is subject to regular monitoring by Group Management Risk Committee, but is not currently significant in relation to the overall results and financial position of the Group.

At 31 December 2010, if interest rates on floating rate assets and liabilities held at amortised cost and assets and liabilities accounted at fair value through profit or loss had increased or decreased by 200 basis points with all other variables held constant, the impact on profit or loss would have been as set out in the table below:

	As of 31 December					
	2010		2009		2008	
	Pre tax	Post tax	Pre tax	Post tax	Pre tax	Post tax
	(₦ millions)					
Decrease	(4,400)	(3,637)	(4,580)	(3,742)	(5,721)	(4,547)
Increase	4,400	3,637	4,580	3,742	5,721	4,547

Foreign currency risk

Foreign exchange risk represents exposures to changes in the values of current holdings and future cash flows denominated in other currencies. The types of instruments exposed to this risk include investments in foreign subsidiaries, foreign currency denominated loans and securities, future cash flows in foreign currencies arising from foreign exchange transactions, foreign currency denominated debt and various foreign exchange derivative instruments whose values fluctuate with changes in the level or volatility of currency exchange rates or foreign interest rates. The Group deploys foreign currency debts to foreign currency loans and advances to eliminate exchange exposures on such borrowings. The following table shows the net foreign currency assets and liabilities gap, as of the dates indicated:

	As of 31 December		
	2010	2009	2008
		(%)	
Net position (₦)	119,595	126,203	103,495
Net position (U.S.$)	7,556	79,199	156,132
Net position (€)	10,282	15,021	26,363
Net position (£)	9,000	(834)	3,897
Net position (other currencies)	70,577	8,784	778
Total	220,012	229,004	290,664

Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trade. Settlement risk is the risk of loss due to the failure of a company to honour its obligations to deliver cash, securities or other assets as contractually agreed. For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval/limit monitoring process described earlier. Acceptance of settlement risk on free settlement trade requires transaction specific or counterparty specific approvals from the Risk Management group.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations and are faced by all business entities. The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

Internal audit

Within the Group, the purpose of the internal audit function is to give reasonable assurance that existing policies, procedures and controls are being adhered to by the Group's various divisions. This is with a view to ensuring, as far as practicable, the orderly and efficient conduct of business, monitoring of systems and investigation of deviations from established policies and procedures. In order to achieve these objectives, Syscon has unfettered access to all operations, records, property and personnel of the Group. In order to efficiently perform the internal audit function, Syscon is divided into three main units - audit and investigations, quality management and technology audit.

- Audit and investigations unit - the unit is responsible for ensuring the accuracy and integrity of transactions processed, investigation of abnormal and fraudulent transactions and auditing the head office and branch activities. The branch audit function is outsourced to Akintola Williams Deloitte and Touche. The unit also carries out a follow up review of the external auditor's reports.
- Quality management unit - the unit is responsible for the documentation, dissemination and review of the Group's standard operating procedures ("**SOP**"). The unit also quantitatively measures operational performance of all operational units of the Group.
- Technology audit unit - the unit is responsible for continuous auditing of the Group's information systems. The unit also handles the Group's Public Key Infrastructure ("**PKI**") and Logical Access Management of Mission Critical Systems ("**LAMMCS**"). PKIs are keys and access control details exchanged with other counterparties in the financial services sector, and are used to authenticate transactions with these counterparties. LAMMCS are software/systems/banking applications that interface directly with customers and are critical to the effective operations of the Group.

Audit process

The internal audit is conducted in line with regulatory requirements, ISO 9001:2000, COBIT (a set of best practices created by the Information Systems Audit and Control Association) and the Group's SOP. The internal audit plans are drawn up at the beginning of each financial year by the Syscon group; the plans cover the audit of all head office units, branches and subsidiaries.

The need to derive benefits accruing from having experts handle internal audit of the Group informed the decision of management to outsource the branch audit function. The Group's branches are visited and audited at least twice a year, and in some cases quarterly. The Group's head office units and subsidiaries within and outside Nigeria are visited and audited by members of the Syscon Group. The head office audit is carried out twice a year while the audit of the subsidiaries is carried out yearly.

A typical audit of each unit lasts between one to two weeks, depending on the size of the unit and the volume of transactions processed. The internal audit process involves a random sampling of all processed transactions within the review period, a review of staff performance and a general compliance review of the requirements of each unit. Audit findings are benchmarked with best practice.

Following the conclusion of each audit, the report is forwarded by Syscon to each branch/unit to review and correct the exceptions noted. It is the responsibility of the head of the unit audited to respond in writing to all audit findings within two weeks of the conclusion of the audit. The response will indicate what actions will be taken with regard to the specific audit findings and recommendations.

Syscon collates the unit head responses to the audit findings and sets timelines for resolutions and the follow up audit. A copy of the audit report is sent to the Managing Director and members of the board audit committee.

Enterprise risk

The Bank operates an ERM division, headed by the Chief Risk Officer who reports directly to the Chief Executive Officer of the Bank. This risk integration system aligns various components, including strategy, people, knowledge and technology, to effectively evaluate and manage risks, uncertainties and threats relevant to the Group. The objective of the ERM is to bring the Bank's practices in line with global best practice and specifically, the CBN's "Risk Based Supervision Framework" and (Basel II), through the implementation of a robust and updated risk management process which addresses numerous risks including credit risk, operational risk, market risk, legal risk, liquidity risk and trading risk.

The Bank engaged the services of a leading risk management consultancy firm in Nigeria, who worked with the Bank's Enterprise Risk Management Implementation Committee (the "**ERMIC**"), in developing this system. The ERMIC comprised members of the Board of Directors, management, risk management group and other business lines within the Bank.

Systems risk management

Information technology and the impact of potential systems failures have become increasingly significant with the growth in the volume of transactions involving computers and telecommunications networks and the importance of on line management information systems. Accordingly, the Group has devoted substantial resources to ensure the development and reliability of its computer and related systems.

The Group has established a combination of hardware and software devices for the protection of its information assets. These information assets comprise data and the information technology hardware and software devices used to process, transmit and store data. The Group's information technology security can be divided into four sections – internet and emails, LAN, WAN and physical access.

Internet and emails

Several security devices have been installed to ensure that the Group's network is well protected from intruders, malicious data and viruses. These include:

- Perimeter Security Devices – these devices are installed at the boundary between the Group and the outside world. Internet links are terminated at two perimeter routers. One router is dedicated to e commerce traffic while the other router is dedicated to general traffic. Both routers are Cisco – IOS devices. This constitutes the first line of defence.

- Cisco Fix Firewall - this controls access to the Group's network permitting only authorised access. There are two installed. One is active while the other is in "Fail Over Mode" thereby providing redundancy in the event of a failure of the first firewall.

- Intrusion Prevention System (the "**IPS**") - the IPS monitors network traffic and escalates any intrusions or attempted intrusions. In the event of an intrusion or attempted intrusion, it sends an alert based on pre defined rules and policies, so that appropriate action can be taken to block such intrusions or attempted intrusions.

- WebShield - the webshield filters internet traffic, blocking out illegitimate pages based on pre defined policies and rules. The webshield also comes with AntiSpam software which detects and prevents spurious mails from coming into the network. In addition, it scans attachments sent with e mails for harmful and unauthorised data. A second level of scanning is carried out by the proxy server to detect unauthorised attachments such as .exe and .zip.

LAN security

The focus of LAN security is primarily on the links between hardware such as workstations and servers. Within the LAN there are high end Cisco catalyst 6509 switches which have the following modules of security:

- Intrusion Detection System Module - firewall security module which allows only authorised traffic into the servers.

- Network Analysis Module - this is a proactive means of monitoring the servers to know which servers are over/under utilised.

- Antivirus - the latest available version of McAfee Antivirus is installed on all workstations and servers and it is managed from a central point.

- Active Directory - this is used to manage and control user access to the network.

- Logical Access and Authorisation - access to banking applications in use is by a user name and password which is administered from a central location.

WAN security

To secure the WAN, two high end Cisco routers, 7200 series which are VPN enabled (IPSec) are installed at the head office. These are responsible for encryption of Data across the WAN.

Physical security

Access to server rooms is controlled by using a key card system. The server room floors are elevated to safeguard hardware in the event of flood. For prevention of theft of hardware such as workstations, a process is in place which controls movement and monitoring of hardware. CCTV cameras and fire alarms are also in place Bank wide.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following discussion and analysis is intended to assist in the understanding and assessment of the trends and significant changes in the Group's results of operations and financial condition. Historical results may not indicate future performance. The forward-looking statements contained in this review are subject to a variety of factors that could cause actual results to differ materially from those contemplated by such statements, including but not limited to, those discussed in "Forward Looking Statements" and "Risk Factors". This discussion is based on the Financial Statements of the Group and should be read in conjunction with the Financial Statements and the accompanying notes appearing elsewhere in this Offering Circular. Unless otherwise indicated, all of the financial data and discussions thereof are based upon financial statements prepared in accordance with IFRS.

The Bank prepared its financial statements at and for the financial periods ended 31 December 2010, 31 December 2009 and 31 December 2008 on a consolidated basis. However, certain monthly average financial information and data were prepared using the historical financial information of the Bank only. Accordingly, in the discussion of the results of operations of the Group there are certain references to average balance sheet data of the Bank. In each of the past three financial years, operating income from the Bank accounted for over 90.0 per cent. of the Group's total operating income and assets of the Bank at the end of each such financial year accounted for approximately 95.0 per cent. of the Group's total assets.

Historically, the Bank was only required to prepare unconsolidated financial information relating to the Bank in accordance with Nigerian GAAP. Copies of the Group's audited financial statements prepared in accordance with Nigerian GAAP for 2010 and 2009 are available for inspection, but are expressly not incorporated by reference into this Offering Circular. See "–General information – Documents available". Since 2007, the Group has prepared (i) annual financial statements for the Group on a consolidated basis in accordance with IFRS and (ii) condensed consolidated interim semi annual financial statements for the Group in accordance with IFRS.

The NASB and the CBN have established 1 January 2012 as the effective date by which all Nigerian banks will be required to begin publishing annual and semi annual financial statements in accordance with IFRS. Nigerian banks will also be required to produce Nigerian GAAP financial statements and the CBN will continue to assess compliance with the CBN's capital requirements and the CBN Prudential Guidelines. Accordingly, unless otherwise stated, information in this Offering Circular relating to the Bank's compliance with the CBN Prudential Guidelines and capital requirements has been prepared in accordance with Nigerian GAAP. There are significant differences between Nigerian GAAP and IFRS. See "Risk Factors – Risks related to the Bank and the Group – The CBN's Prudential Guidelines and capital adequacy requirements are assessed on the basis of Nigerian GAAP".

In January 2008, the CBN introduced a requirement that Nigerian banks change their financial year end to 31 December, with effect no later than their 2009 year end. This policy was intended to bring Nigerian banks' financial reporting in line with international standards, assist rating agencies in their assessment and ranking of Nigerian banks and create a uniform basis for the comparison of Nigerian banks. All Nigerian banks had a common financial year end of 31 December for the first time on 31 December 2009. The Bank changed its financial year end from 28 February to 31 December in 2008, resulting in a 10 month financial reporting period from 1 March 2008 to 31 December 2008. The Bank's results for the 10 month period ended 31 December 2008 are not directly comparable to those for any financial year included herein and are not indicative of results that would have been achieved for a period of twelve months ended 31 December 2008. For a

discussion of the risks involved in the change of the Bank's financial year end see "Risk Factors – Risks related to the Bank and the Group – The Bank's 2008 financial statements are not comparable to its 2009 and 2010 financial statements".

Investors should note that the Group's segment financial information in its IFRS financial statements does not correspond directly to the business divisions described below. For example, the Public Sector Division is relatively small and is reported as part of the Group's retail banking segment in its IFRS financial statements.

As set out in Note 44 to the Group's 2010 Financial Statements, certain of the Group's 2009 balances were reclassified in line with the presentation in the 2010 Financial Statements due to the following reasons:

- ***Finance lease expense was reclassified from operating lease expense to other operating expense to properly state operating lease expense.***
- ***Other fees and commission expense was reclassified from general administrative expense to fees and commission expense in order to properly categorise it based on its nature.***
- ***Corporate banking fees and commission were reclassified from other fees and commission expenses to reflect the judgement that commercial banking customers be best categorised as corporate customers.***
- ***Recognised asset/liability for defined benefit obligation was reclassified from other liabilities where it was shown as a negative balance to other assets.***
- ***Disclosure on the fair value of collateral and other security enhancements held against loans and advances to customers and banks was changed because the Bank standardised its rating grades in the last quarter of 2010, by increasing the rating buckets from 6 to 10, as described in Note 5 of the 2010 Financial Statements.***

In this Offering Circular, the prior period balances for 2009 are presented as reclassified in the 2010 Financial Statements and the balances for 2008 are presented on a consistent basis.

In October 2010, the CBN issued regulations on the scope of banking activities, which will take effect from May 2012. The former universal banking guidelines were repealed and banking activities were segregated into commercial banking, merchant banking and specialised banking (including non-interest banks, microfinance banks, development banks and mortgage banks). The Bank intends to divest its shareholding in its non-banking businesses comprising Guaranty Trust Assurance Plc, GTB Asset Management Limited and GTB Registrars Limited and to integrate GTHomes Limited into the Bank. Based on Nigerian GAAP figures, the non-banking subsidiaries contributed 1.35 per cent. of the Group profit before tax and 0.48 per cent. of the Group balance sheet as of December 2010.

Introduction

The Group operates a leading Nigerian bank offering a wide range of financial services and products throughout Nigeria and in Anglophone West Africa. Historically, the Group has focused its business on corporate clients. Initially, the Group targeted only retail customers who were employed by large, reputable companies. However, the economic reforms that followed Nigeria's return to democracy in 1999, as well as the banking reforms in 2004, led to an increase in liquidity of retail customers and a corresponding increase in demand by such customers for banking services. The 2009 crisis in the Nigerian banking sector resulted in increased competition among banks to attract credit-worthy corporate customers, which have historically been the Group's focus. As the economic crisis has started to ease, the Group has begun to regard retail as a growing sector of the market. The Group is establishing a recognisable brand in the retail sector, emphasising its evolution as a bank with a nationwide network, and focusing on the provision of banking services to nearly all segments of the Nigerian economy. The Group's initial growth in the retail sector has focused on attracting deposits as a source of funding.

The Group has grown significantly since 2004, primarily through organic expansion within Nigeria and Anglophone West Africa. In 2008 the Group extended its business operations to the U.K. by establishing GTB U.K., a commercial bank. As of 31 December 2010, the Group had total assets of ₦1,168.0 billion (U.S.$7.8 billion) and total equity attributable to equity holders of the Bank of ₦214.2 billion (U.S.$1.4 million) and, for the year ended 31 December 2010, it generated ₦39.3 billion (U.S.$258.5 million) in net profit.

Factors affecting results of operations

The Group's performance and results of operations have been and continue to be affected by a number of external factors. There are also various specific factors the Group believes have affected the Group's results of operations in the past and that the Group expects will continue to affect its results in the future. In this section, the Group sets out those material factors that have had, or may have had, an effect on its results.

Nigeria's economic condition and political stability

The majority of the Group's assets and customers are located in, or have businesses related to, Nigeria. As a result, the Group is substantially affected by Nigerian economic conditions, as reflected in GDP, international oil prices, exchange rates and inflation. The fluctuations in the value of the NSE have also affected the Bank's results. In addition, the Group is substantially affected by political stability in Nigeria.

Gross domestic product

The most significant contributors to Nigerian GDP are oil and gas and agriculture, but the economy is becoming increasingly diversified. However, oil and gas accounts for the most significant portion of Nigeria's exports and government revenue, contributing over 95 per cent. of Nigeria's exports in each year from 2005 to 2009 and 69.4 per cent. of Nigeria's federally collectable government revenue in 2009. The CBN estimates that crude oil accounted for 96.3 per cent. of Nigerian exports in the first half of 2010.

The following table sets forth certain information on Nigeria's GDP for the periods indicated:

	For the nine months ended 30 September	For the years ended 31 December			
	2010[(1)]	2009	2008	2007	2006
	(₦ *billions, unless otherwise indicated)*				
Nominal GDP (Naira billions)	21,070.9	24,794.2	24,296.3	20,657.3	18,564.8
Real GDP (Naira billions)	547.3	718.9	672.2	634.3	595.8
Real GDP (growth rate) (%)	7.89	6.96	5.98	6.45	6.03
Oil GDP *(% change)*	5.08	0.45	(6.19)	(4.54)	(4.51)
Non-Oil GDP *(% change)*	8.38	8.32	8.95	9.52	9.41
Nominal GDP per capita *(U.S.$)*	1,191	1,089	1,401	1,153	1,039

Note:

(1) Estimated Data

Source: NBS

International oil prices

According to the Office of the Accountant General of the Federation, oil exports accounted for over 95 per cent. of Nigeria's exports in each year from 2005 to 2009, and oil revenue accounted for 69.4 per cent. of the Nigeria's federally collectable government revenue in 2009. International crude oil prices have been volatile in recent years, rising dramatically through July 2008 and then falling sharply over the second half of 2008. Crude oil prices began to stabilise in early 2009 and have generally increased since then. Recent events in the Middle East which have resulted in political instability and the overthrow of regimes have resulted in increases in oil prices in 2011. The average price of crude oil (spot rate for Bonny Light crude according to the United States Energy Information Administration) was U.S.$106.56 per barrel for the three month period ended 31 March 2011.

The following table shows the average price of crude oil (spot rate for Bonny Light crude according to the United States Energy Information Administration) for the periods indicated:

	For the three months to 31 March	For the years ended 31 December				
	2011	**2010**	**2009**	**2008**	**2007**	**2006**
			(U.S.$)			
Average spot price of crude oil (Bonny Light) per barrel	106.56	81.25	63.02	101.78	74.68	67.03

Source: United States Energy Information Administration

The significant decline in international oil prices from over U.S.$145 per barrel in July 2008 to below U.S.$40.00 per barrel in January 2009 had a significant impact on the oil import contracts, which were largely unhedged, of companies in the downstream oil and gas sector and on the banks, including the Bank, that had extended credit to them. This contributed to the increase in the Bank's provisions for impairment in 2009. In addition, as the Group must rely on generators to supply electricity, increases in oil prices impact the Group's expenses.

Exchange rates

In late 2008 and early 2009, in conjunction with fluctuating oil prices, the value of the Naira declined significantly against the U.S. dollar, moving from a high of ₦116.64 per U.S. dollar in 2008 to a low of ₦151.37 per U.S. dollar in 2009. In the last quarter of 2008, the CBN took measures to address the instability, including drawing from Nigeria's external reserves and intervening in the currency markets. The Official Exchange Rate stood at ₦151.02 at 31 March 2011.

The following table sets forth information on the Official Exchange Rate between the Naira and the U.S. dollar for each of the periods specified.

	Average	**Low**	**High**	**Period End**
		(U.S.$1.00)		
2005	131.10	132.38	128.40	128.50
2006	128.14	129.79	127.77	127.78
2007	125.07	127.14	117.64	117.64
2008	117.78	129.16	116.64	129.16
2009	147.27	151.37	149.19	149.19
2010	150.30	151.55	149.08	150.66
Three months ended 31 March 2011	150.01	151.02	148.5	151.02

Sources: CBN 2009 Statistical Bulletin and the CBN Financial Markets Department

The decline in the value of the Naira in the last half of 2008 and the first quarter of 2009, in conjunction with the decline in international oil prices, also had a significant negative impact on importers generally and on the banks (including the Bank) that had extended credit to these importers. Import contracts are typically denominated in foreign currency and a rapid decline in the value of the Naira caused an increase in the Naira amount required to settle such contracts.

Inflation

Inflation increased significantly in 2008, reaching a peak of 15.1 per cent. but declined to 12.0 in 2009 and to 9.8 in 2010. In late 2010 and in 2011, the CBN raised the MPR, noting increasing inflation as a concern.

The following table sets forth information on the average Naira inflation rate for each of the years between 2006 to 2010.

	2010	2009	2008	2007	2006
			(%)		
Inflation (all items, year on year change, as of December in each year)	9.8	12.0	15.1	6.6	8.5

Source: CBN

Inflation impacts the Group's operating expenses, notably related to the maintenance and expansion of the Group's branch network as well as employee costs.

Value of the Nigerian Stock Exchange

In March 2008, at least in part due to significant levels of margin lending by Nigerian banks, the All Share Index reached an all time high of 66,731.20. From March 2008 to March 2009, the All Share Index declined significantly, reaching a low of 19,803.60, which represents a decline of 70.3 per cent. from its peak. Although the All Share Index recovered somewhat in the second quarter of 2009, it has since retreated and as of 31 December 2010 was at 20,827.17, which is only 5.2 per cent. above the 2009 low. In 2008, the Bank had a significant amount of margin loans outstanding and the decline in the value of shares underlying these loans contributed significantly to the increase in the Bank's provisions for impairment in 2009.

Political stability

The Group is substantially affected by political stability in Nigeria both as it affects economic growth generally and because the Group is directly affected by regulatory developments in the banking sector. The implementation of regulatory initiatives which affect the banking sector, for example in relation to energy sector reform, may not be continued by successive governments, which may affect the Group's future results.

Interest rate environment and funding

Changes in interest rates affect the Group's operations. Over the periods under review, movements in short and long-term interest rates have affected both the Group's interest income and interest expense, as well as the Group's level of gains and losses on its investment and trading portfolio.

Since 2008, interest rates in Nigeria have been substantially affected by the financial crisis. In September 2008, the CBN began to gradually decrease the MPR, initially from 10.25 per cent. to 9.75 per cent. Further decreases in April and July 2009 brought the rate to 6.0 per cent. Beginning in September 2010 the CBN began to increase the MPR and through a series of increases, raised it to 7.5 per cent. as of 31 March 2011. Notwithstanding the trend in the MPR, lending rates in Nigeria increased in 2008 and remained high in 2009 and 2010 as a result of the financial crisis, although interbank lending rates declined significantly in 2009 when the CBN announced that it would guarantee interbank lending. In 2008 and 2009, in advance of the CBN's Special Examinations, interest rates on deposits were relatively high, as banks sought to attract funding. Interest rates on deposits declined in early 2010 as concerns over liquidity in the banking sector eased.

The Group has historically and currently holds significant amounts of assets comprising investment securities, however, in recent years as rates on such securities have declined, the Group has focused on increasing its lending volumes. The Group generates the majority of its interest income from loans and advances to banks and customers. The average interest rate on the Bank's loans and advances to customers and banks was 14.4 per cent. in the 10-month period ended 31 December 2008, 18.5 per cent. in the year ended 31 December 2009, and 15.2 per cent. in the year ended 31 December 2010.

The Group's cost of funding increased from 2008 to 2009, both as a result of an increase in interest rates on deposits and due to the issuance of relatively more expensive (although longer term) domestic bonds in 2009. The Group has recently sought to emphasize relatively inexpensive retail deposits as a funding source and has benefited from a "flight to quality" in 2010 as depositors moved funds to more secure institutions following the CBN's Special Examinations. The average interest rate on the Group's interest bearing liabilities was 3.92 per cent. in the 10-month period ended 31 December 2008, 6.0 per cent. in the year ended 31 December 2009 and 3.4 per cent. in the year ended 31 December 2010.

Regulatory and legal measures

In 2009, the CBN undertook a number of measures designed to stimulate growth and improve liquidity within the Nigerian banking sector, including removing interest rate caps, reducing the MPR, reducing mandatory reserve levels from two per cent. to one per cent., and providing a guarantee of all interbank lending. The increased liquidity levels from these measures have resulted in increased competition in lending, and a decline in the yield on the Group's loans and advances to customers.

Additionally, AMCON was established in July 2010. Among its functions, AMCON is mandated to provide liquidity to banks by buying their non-performing loans. In 2010, AMCON acquired ₦6.4 billion (U.S.$42.2 million) of the Bank's non-performing loans. The Bank may sell an additional ₦17 billion (U.S.$112 million) of its non-performing loans to AMCON in 2011. The Bank is required to contribute to a sinking fund to cover any net deficits incurred by AMCON. On this basis, each Nigerian bank will contribute an amount equal to 0.30 per cent. of total assets as of 31 December each year for the immediately preceding financial year to the sinking fund beginning this year, on the basis of its 31 December 2010 financial statements.

In late 2009 and early 2010, the CBN introduced an aggregate of ₦500 billion of stimulus measures administered through the Bank of Industry to stimulate the economy. Of the total amount, ₦300 billion is intended for power projects and ₦200 billion is intended for the refinancing/restructuring of banks' existing loan portfolios to the small and medium-sized enterprises ("**SME**") and manufacturing sectors. The CBN has also established a ₦200 billion Small and Medium Enterprises Credit Guarantee Scheme for promoting access to credit by SMEs in Nigeria. Other sector-specific measures were also introduced, including in agriculture. As of 31 December 2010, the Bank had borrowed ₦6,600.0 million for a period of 15 years under an on-lending loan in relation to power projects and ₦4,250.0 million for a period of seven years under an on-lending facility aimed at commercial agriculture enterprises. The margin on the lending the Bank provides pursuant to these sector-specific initiatives is lower than on its loans and advances to customers generally, which contributed to the decrease in net interest margin from 2009 and 2010, and may continue to do so in the near future.

In 2009, the CBN gave full guarantees on all interbank lending and foreign creditors and correspondent banks' credit lines until the end of March 2010 (subsequently extended a number of times, now to September 2011) in the Nigerian banking sector. This has resulted in an increase in liquidity in the banking sector due to increased interbank lending activity.

Change of financial year end in 2008

The Bank changed its financial year end from 28 February to 31 December in 2008, resulting in a 10 month financial reporting period from 1 March 2008 to 31 December 2008. The Bank's results for the 10-month period ended 31 December 2008 are not directly comparable to those for any other financial years and are not indicative of results that would have been achieved for a period of twelve months ended 31 December 2008. For a discussion of the risks involved in a change of the Bank's financial year-end, see "*Risk Factors – Risks related to the Bank and the Group – The Bank's 2008 financial statements are not comparable to its 2009 and 2010 financial statements*".

Critical accounting policies

The Group's results of operations and financial condition presented in the Financial Statements, notes to the Financial Statements and selected statistical and other information appearing elsewhere within this Offering Circular are, to a large degree, dependent upon the Group's accounting policies.

The Group's accounting policies for the year ended 31 December 2010 are described in Note 4 of the 2010 Financial Statements. The Group has identified the following accounting policies that it believes are the most critical to an understanding of the results of operations and financial condition of the Group. These critical accounting policies require management's subjective and complex judgments about matters that are inherently uncertain.

Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in the Group's accounting policy in Note 4(k)(viii) of the 2010 Financial Statements.

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances and held to maturity investment securities with similar economic characteristics when there is objective evidence to suggest that they contain impaired loans and advances and held to maturity investment securities, but the individual impaired items cannot yet be identified. A component of collectively assessed allowances is for country risks. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances are estimated.

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in the Group's accounting policy in Note 4(k)(vii) of the 2010 Financial Statements. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Financial asset and liability classification

The Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

- In classifying financial assets or liabilities as "trading", the Group has determined that it meets the description of trading assets and liabilities set out in the Group's accounting policy in Note 4(m) of the 2010 Financial Statements.
- In designating financial assets or liabilities as available for sale, the Group has determined that it has met one of the criteria for this designation set out in the Group's accounting policy in Note 4(k) of the 2010 Financial Statements.
- In classifying financial assets as held-to-maturity, the Group has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by the Group's accounting policy in Note 4(o)(i) of the 2010 Financial Statements.

Details of the Group's classification of financial assets and liabilities are provided in Note 8 of the 2010 Financial Statements.

Depreciation and carrying value of property and equipment

The estimation of the useful lives of assets is based on management's judgment. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items. The Groups accounting policy regarding depreciation is set out in Note 4(r)(iii) to the 2010 Financial Statements.

Determination of impairment of property and equipment, and intangible assets excluding goodwill

Management is required to make judgments concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. The Group applies the impairment assessment to its separate cash generating units. This requires management to make significant judgments and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgment is also required when assessing whether a previously recognised impairment loss should be reversed.

Valuation of financial instruments

The Group's accounting policy on fair value measurements is discussed under Note 4(k)(vii) of the 2010 Financial Statements.

The Group measures fair values using the following hierarchy of methods:

- Level 1: Quoted market price in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- Level 3: This includes financial instruments, the valuation of which incorporate significant inputs for the asset or liability that is not based on observable market date (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally determined based on inputs of a similar nature, historic observations on the level of the input or analytical techniques. This category includes loans and advances to banks and customers, investment securities, deposits from banks and customers, debt securities and other borrowed funds.

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1	Level 2	Level 3	Total
		(₦ millions)		
Non pledged trading assets	148,872.2	–	–	148,872.3
Pledged assets	29,481.8	–	–	29,481.8
Investment securities	–	–	10,564.2	10,564.2
	178,354.1	–	10,564.2	188,918.3

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free interest rates, credit spreads and other premia used in estimating discount rates, bonds and equity prices. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with the determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Results of operations for the year ended 31 December 2010, the year ended 31 December 2009 and the 10-month period ended 31 December 2008.

As noted in "– *Factors affecting results of operations – Change of financial year in 2008*", the comparability of the Group's results of operations for the 10-month period ended 31 December 2008 is affected by the shorter reporting period. The effect of this factor is not discussed separately throughout this section.

Net interest income

The following table sets out certain information relating to the Group's net interest income for the periods indicated.

	Financial year ended 31 December		For the 10-month period ended 31 December	Variation	
	2010	2009	2008	2010/2009	2009/2008
		(₦ million)		(%)	
Interest income	114,005	128,605	71,734	(11.4)	79.3
Interest expense	(30,152)	(44,227)	(22,358)	(31.8)	97.8
Net interest income	**83,853**	**84,378**	**49,376**	**(0.6)**	**70.9**

Net interest income decreased to ₦83,853 million for the year ended 31 December 2010, from ₦84,378 million for the year ended 31 December 2009. Net interest income was ₦49,376 million for the 10-month period ended 31 December 2008. The decrease in net interest income from 2009 to 2010 reflected the decline in average interest rates on loans and advances to customers and the Bank's investment portfolio (investment securities and trading assets), although this was offset by the continued growth in the volume of the Group's average balances of loans and advances as well increases in the average balance of the investment portfolio. Aside from the shorter period in 2008, the increase from 2008 to 2009 was primarily attributable to increases in the average balance and interest rates on loans and advances.

Interest income

The following table sets out details of the Group's interest income for the periods indicated.

	For the year ended 31 December 2010	% of total	For the year ended 31 December 2009	% of total	For the 10-month period ended 31 December 2008	% of total	Variation 2010/2009	Variation 2009/2008
			(₦ millions, except %)				(%)	
Cash and cash equivalents	9,131	8.0	9,805	7.6	3,897	5.4	(6.9)	151.6
Loans and advances to banks	13	0.0	12	0.0	6	0.0	8.3	100.0
Loans and advances to customers	86,939	76.3	103,415	80.4	60,364	84.1	(15.9)	71.3
Trading assets	15,746	13.8	14,334	11.1	6,933	9.7	9.9	106.8
Investment securities	2,176	1.9	1,039	0.8	534	0.7	109.4	94.6
Total	**114,005**	**100.0**	**128,605**	**100.0**	**71,734**	**100.0**	**(11.4)**	**79.3**

Interest income from cash and cash equivalents decreased to ₦9,131 million for the year ended 31 December 2010, from ₦9,805 million for the year ended 31 December 2009, compared with ₦3,898 million for the 10-month period ended 31 December 2008. Interest income from loans and advances to customers decreased to ₦86,939 million for the year ended 31 December 2010, from ₦103,415 million for the year ended 31 December 2009, which in turn was an increase from ₦60,369 million for the 10-month period ended 31 December 2008. Interest income from investment securities increased to ₦2,176 million for the year ended 31 December 2010, as compared to ₦1,039 million for the year ended 31 December 2009, which in turn was an increase from ₦534 million for the 10-month period ended 31 December 2008. Interest income from trading assets increased to ₦15,746 million for the year ended 31 December 2010, as compared to

₦14,334 million for the year ended 31 December 2009, which in turn was an increase from ₦6,933 million for the 10-month period ended 31 December 2008.

Total interest income decreased to ₦114,005 million for the year ended 31 December 2010, from ₦128,605 million for the year ended 31 December 2009, compared to ₦71,734 million for the 10-month period ended 31 December 2008. The decrease in interest income between 2009 and 2010 reflects a decline in lending rates in Nigeria during that period, although this was offset by an increase in the average volume of all categories of the Bank's interest-earning assets. Aside from the shorter period in 2008, the increase from 2008 to 2009 was attributable to increases in both average interest rates as a result of the financial crisis and average volumes of the Bank's loans and advances to customers.

Interest expense

The following table sets out details of the Group's interest expense for the periods indicated.

	For the year ended 31 December 2010	% of total	For the year ended 31 December 2009	% of total	For the 10-month period ended 31 December 2008	% of total	Variation 2010/2009	Variation 2009/2008
			(₦ millions, except %)				*(%)*	
Deposits from banks	(381)	1.3	(1,426)	3.2	(1,378)	6.2	(73.3)	3.5
Deposits from customers	(22,119)	73.4	(36,888)	83.4	(16,427)	73.5	(40.0)	(124.6)
Securities trading	—	—	—	—	603	2.7	N/A	(100.0)
Other borrowed funds	(1,201)	4.0	(1,290)	2.9	(834)	3.7	(6.9)	(54.6)
Debt securities	(6,451)	21.4	(4,623)	10.5	(3,719)	13.9	39.5	(48.4)
Total interest expense	**(30,152)**	**100.0**	**(44,227)**	**100.0**	**(22,358)**	**100.0**	**(31.8)**	**(97.8)**

Total interest expense decreased to ₦30,152 million for the year ended 31 December 2010, from ₦44,227 million for the year ended 31 December 2009, as compared with ₦22,358 million for the 10-month period ended 31 December 2008. Interest expense from deposits from customers decreased to ₦22,119 million for the year ended 31 December 2010, from ₦36,888 million for the year ended 31 December 2009, as compared with ₦16,428 million for the 10-month period ended 31 December 2008.

Deposits are an important source of funding for the Bank, this is particularly true of retail deposits, which are less price sensitive than corporate deposits. In 2008 and 2009, in advance of the CBN's Special Examinations, interest rates on deposits were relatively high, as banks sought to attract funding. Interest rates on deposits declined in early 2010 as concerns over liquidity in the banking sector eased. The Bank has tried to increase low cost retail deposits (particularly current accounts) and decided not to compete for more expensive corporate deposits. Aside from the shorter period in 2008, the increase in interest expense on deposits from customers from 2008 to 2009 was due to increased interest rates on deposits. The Group benefited from a "flight to quality" in 2010, as depositors moved funds to more secure institutions following the CBN's Special Examinations, resulting in an increase in the average volume of deposits from customers from 2009 to 2010. However, interest expense on deposits from customers decreased as a result of the Bank's ability to decrease rates paid on deposits.

Interest expense from other borrowed funds decreased to ₦1,201 million for the year ended 31 December 2010, from ₦1,290 million for the year ended 31 December 2009 primarily as a result of a decrease in LIBOR, and because of the monthly low interest rates the Bank paid on its Nigerian government-sponsored on-lending facilities.

Interest expense on debt securities issued represents primarily interest on the Group's U.S.$350 million Eurobond issued in 2007 and on the Group's ₦13.2 billion domestic bond issue, which closed in December 2009. The increases in interest expense on debt securities issued reflect the issuance of the domestic bond in 2009 as well as the decline in the value of the Naira in 2008 and

2009, which increased the Naira amount of U.S. dollar interest on the outstanding U.S.$350 million eurobond.

Average balance sheet information of the Bank

The following table sets out the average balances of the Bank's assets and liabilities, the related interest income or expense and average rates for the periods indicated on a stand-alone basis.

	For the year ended 31 December						For the 10-month period ended 31 December		
	2010			2009			2008		
	Average Volume[1]	Interest	Average Rate[2]	Average Volume[1]	Interest	Average Rate[2]	Average Volume[1]	Interest	Average Rate[2]
	(₦ millions, except %)								
Assets:									
Interest-earning assets									
Cash and cash equivalents[3]	257,100	7,983	3.11%	256,013	7,743	3.02%	195,874	3,203	1.64%
Trading assets[4]	153,164	9,652	6.30%	111,402	12,982	11.65%	129,178	6,570	5.09%
Investment securities	26,569	2,176	8.19%	14,792	1,039	7.02%	7,724	534	6.91%
Loans and advances to banks	67	13	19.40%	46	12	26.09%	43	6	13.95%
Loans and advances to customers[5]	544,151	82,512	15.16%	483,257	89,135	18.44%	373,009	53,879	14.44%
Total interest-earning assets	**981,051**	**102,336**	**10.43%**	**865,510**	**110,911**	**12.81%**	**705,828**	**64,192**	**9.09%**
Non-interest earning assets									
Property, plant and equipment	42,625	–	0.00%	38,483	–	0.00%	34,099	–	0.00%
Other assets	10,398	–	0.00%	28,162	–	0.00%	19,153	–	0.00%
Equity investments	29,561	–	0.00%	29,775	–	0.00%	20,118	–	0.00%
Total non interest-earning assets	**82,584**	**–**	**0.00%**	**96,420**	**–**	**0.00%**	**73,370**	**–**	**0.00%**
Total assets	**1,063,635**	**102,336**	**9.62%**	**961,930**	**110,911**	**11.53%**	**779,198**	**64,192**	**8.24%**
Liabilities:									
Interest bearing liabilities									
Deposits from banks	6,199	147	2.37%	21,168	1,432	6.76%	25,292	1,655	6.54%
Deposits from customers	694,501	19,514	2.81%	531,443	30,435	5.73%	388,721	14,659	3.77%
Debt securities	66,069	6,452	9.77%	52,394	4,832	9.22%	41,817	1,282	3.07%
Other borrowings	16,223	404	2.49%	15,597	723	4.64%	14,901	834	5.60%
Total interest-bearing liabilities	**782,992**	**26,517**	**3.39%**	**620,602**	**37,422**	**6.03%**	**470,731**	**18,430**	**3.92%**
Non-interest bearing liabilities									
Other liabilities	85,128	–	0.00%	153,594	–	0.00%	133,989	–	0.00%
Total liabilities	**868,120**	**26,517**	**3.05%**	**774,196**	**37,422**	**4.83%**	**604,720**	**18,430**	**3.05%**
Shareholders' funds	195,515	–	0.00%	187,734	–	0.00%	174,478	–	0.00%
Total liabilities and equity	**1,063,635**	**26,517**	**2.49%**	**961,930**	**37,422**	**3.89%**	**779,198**	**18,430**	**2.37%**

Notes:

(1) Calculated based on average monthly balances of the Bank.

(2) Represents interest income or interest expense divided by the average balance of the respective item.

(3) Includes balances on correspondent accounts with other banks recorded under "Cash and short-term funds".

(4) Includes investment securities, trading assets and pledged assets, but excludes equity securities, as these securities are not interest earning.

(5) Prior to deducting allowance for loan impairment.

Non-interest income

The following table sets out the principal components of the Group's non-interest income for the periods indicated.

	For the year ended 31 December		For the 10-month period ended 31 December	Variation	
	2010	2009	2008	2010/2009	2009/2008
		(₦ millions)		*(%)*	
Net fee and commission income	30,943	26,270	20,655	14.4	33.3
Net trading income	7,945	7,444	6,892	6.7	8.0
Net income from other financial instruments at fair value through profit or loss	–	(141)	2,685	N/A	105.3
Other operating income	(2,261)	4,000	1,427	156.52	(6.1)
Net premiums from insurance contracts	2,940	3,163	2,453	(7.1)	28.9
Total non interest income	**39,567**	**40,736**	**34,112**	**(4.4)**	**23.1**

Non-interest income decreased to ₦39,567 million for the year ended 31 December 2010, from ₦40,736 million for the year ended 31 December 2009, compared with ₦34,112 million for the 10-month period ended 31 December 2008.

Fee and commission income

The following table shows the composition of fee and commission income for the periods indicated.

	For the year ended 31 December		For the 10-month period ended 31 December	Variation	
	2010	2009	2008	2010/2009	2009/2008
		(₦ millions)		*(%)*	
Retail banking customer fees and commissions	7,349	6,537	4,384	12.4	49.1
Corporate banking fees and commissions	21,506	14,608	5,212	47.2	180.3
Investment banking fees and commissioning	906	413	19	119.4	2,073.7
Brokerage	–	10	1	(100.0)	900.0
Income from financial guarantee contracts issued	3,322	4,059	2,065	(18.1)	96.5
Other fees and commissions	1,072	2,260	9,149	(52.6)	(75.3)
Total fee and commission income	**34,155**	**27,887**	**20,830**	**22.5**	**33.9**

Total fee and commission income increased to ₦34,155 million for the year ended 31 December 2010, from ₦27,887 million for the year ended 31 December 2009, compared with ₦20,830 million for the 10-month period ended 31 December 2008, primarily due to the Group's expanding customer base, which resulted in an increase in the volume of transactions and continued growth in the range of banking products offered by the Group. Corporate banking fees and commissions increased to ₦21,506 million for the year ended 31 December 2010, from ₦14,608 million for the year ended 31 December 2009. The variance is due to an increase in the volume of activities carried out for corporate customers.

Investment banking fees increased to ₦906.0 million for the year ended 31 December 2010, from ₦413.0 million for the year ended 31 December 2009, compared to ₦19.0 million for the 10-month period ended 31 December 2008. The increase in investment banking fees was primarily attributable to an increase in the volume and value of the Bank's advisory services.

Other fees and commissions comprise primarily fees and commissions charged on customer transactions, including guarantee fees, processing fee on overdraft and invoice discounting fees.

Fee and commission expense

The following table shows the composition of fee and commission expense for the periods indicated.

	For the year ended 31 December		For the 10-month period ended 31 December	Variation	
	2010	**2009**	**2008**	**2010/2009**	**2009/2008**
		(₦ millions)		*(%)*	
Credit card expenses	1,672	350	60	377.7	483.3
Other fees and commission expense	1,540	1,267	115	21.5	1001.7
Total fee and commission expense	**3,212**	**1,617**	**175**	**98.6**	**824.0**

Total fee and commission expense increased to ₦3,212 million for the year ended 31 December 2010 from ₦1,267 million for the year ended 31 December 2009, compared with ₦175 million for the 10-month period ended 31 December 2008. The variance between 2010 and 2009 was mainly due to the increase in the volume of e-channel products rolled out by the Bank.

Net trading income

Net trading income increased to ₦7,945 million for the year ended 31 December 2010, from ₦7,444 million for the year ended 31 December 2009, compared with ₦6,892 million for the 10-month period ended 31 December 2008. Net trading income comprises the Group's income from trading fixed income securities, treasury bills, equities and foreign exchange trading.

Net income from/(used in) other financial instruments carried at fair value

Net income from other financial instruments carried at fair value comprises the increase in fair value of an interest rate swap (floating for fixed), which the Group entered into in 2007, in conjunction with the Group's U.S.$350 million eurobond issuance. Net income from other financial instruments carried at fair value decreased to a loss of ₦140.8 million for the year ended 31 December 2009 and was ₦2,685 million for the 10-month period ended 31 December 2008. The Group closed out this swap transaction in 2009 at the request of the counterparty because the swap was out of the money for the Group.

Other operating income/(loss)

The Group had an other operating loss of ₦2,261 million for the year ended 31 December 2010, as compared with other operating income of ₦4,000 million for the year ended 31 December 2009 and other operating income of ₦4,112 million for the 10-month period ended 31 December 2008. The loss for the year ended 31 December 2010 largely resulted from a mark to market loss on trading investments of ₦3,137 million for the year ended 31 December 2010, as compared with a mark to market gain of ₦3,889 million for the year ended 31 December 2009 and a mark to market loss of ₦170 million for the 10-month period ended 31 December 2008.

Net premiums from insurance contracts

The Group had net premiums from insurance contracts of ₦2,940 million for the year ended 31 December 2010, as compared with ₦3,163 million for the year ended 31 December 2009 and ₦2,453 million for the 10-month period ended 31 December 2008. The mark-to-market gains and losses reflect fluctuations in the domestic bond market, including a significant decline in 2010, resulting from an increase in the MPR, recovery in the equity market and increased lending by the commercial banking division.

Net impairment loss on financial assets

The following table sets out certain information relating to the Group's net impairment loss for the periods indicated.

	Year ended 31 December		For the 10-month period ended 31 December
	2010	**2009**	**2008**
	(₦ millions, except %)		
Impairment allowance on loans and advances:			
Balance at 1 January (2010 and 2009) or 1 March (2008)	22,318	4,307	1,948
Impairment loss for the year:			
Charge for the year	10,368	31,967	5,036
Recoveries	0	(264)	(814)
Net impairment for the year	**10,368**	**31,703**	**4,222**
Effect of foreign currency movements	(62)	11	(5)
Write offs	(197)	(13,702)	(1,858)
Balance at 31 December	**32,427**	**22,318**	**4,307**
Total provisions for impairment losses/non performing loans	83%	112%	131%
Non performing loans/total loans and advances	6.15%	3.32%	0.77%
Impairment charges/average net loans and advances(1)	1.76%	6.36%	1.18%

Note:

(1) Averages based on opening and closing balances of the Group.

Impairment losses on loans and advances increased to ₦32,427 million for the year ended 31 December 2010, from ₦22,318 million for the year ended 31 December 2009 and ₦4,307 million for the 10-month period ended 31 December 2008. In 2010, the Bank sold non-performing margin and share backed loans to AMCON which had a gross value of ₦6,431 million with total provisions against those loans of ₦5,240 million in exchange for bonds issued by AMCON with a value of ₦2,323 million. The Bank recorded a gain of ₦536 million, representing the difference between the net amount (after provisions) of the loans sold to AMCON and the value of the AMCON bonds. This has been accounted for as part of loan impairment. A combination of general macroeconomic conditions and the effects of the crisis in the Nigerian banking sector resulted in significantly increased impairments in 2009, particularly in relation to margin loans and loans to the oil and gas industry, to which the Group has significant exposure. Under Nigerian GAAP, margin loans accounted for approximately 40 per cent. of total loan provisions in 2009, and 27 per cent. of total loan provisions in 2010. A substantial amount of the provisioning in the 10-month period ended 31 December 2008 was related to provisioning for an upstream oil and gas loan, which was written off in 2009, and to provisioning for margin loans. Under Nigerian GAAP, approximately one-third of the Group's total loan loss allowances made during 2009 and 2010 related to margin loans.

Operating expenses

The following table sets out the principal components of the Group's operating expenses for the periods indicated.

	For the year ended 31 December 2010	% of total	For the year ended 31 December 2009	% of total	For the 10-month period ended 31 December 2008	% of total	Variation 2010/2009	Variation 2009/2008
	(₦ millions, except per share data)						*(%)*	
Personnel expenses	(17,655)	27.1	(18,484)	32.5	(12,751)	31.0	4.5	(45.0)
Net claims and benefits incurred on insurance contract	(1,164)	1.8	(1,076)	1.9	(797)	1.9	(8.1)	(35.1)
Operating lease expenses	(594)	0.9	(583)	1.0	(661)	1.6	(1.9)	11.8
Depreciation and amortisation	(6,741)	10.3	(5,951)	10.5	(3,977)	9.7	(13.3)	(49.6)
Other expenses..................	(39,101)	59.9	(30,731)	54.1	(22,909)	55.7	27.2	34.1
Total	**(65,255)**	**100.0**	**(56,825)**	**100.0**	**(41,095)**	**100.0**	**14.8**	**38.3**

Operating expenses increased to ₦65,255 million for the year ended 31 December 2010, from ₦56,825 million for the year ended 31 December 2009, compared with ₦41,095 million for the 10-month period ended 31 December 2008. These increases were primarily attributable to inflation, and to increased costs related to infrastructure and personnel as a result of growth in business volumes. Additionally, in 2010, the NDIC increased the deposit insurance premiums paid by the Bank, due to a change in its risk-based assessment formula for premium payments, which also contributed to the increase in the Group's total operating expenses.

Personnel expenses

The following table sets out details of the Group's personnel expenses for the periods indicated.

	For the year ended 31 December 2010	% of total	For the year ended 31 December 2009	% of total	For the 10-month period ended 31 December 2008	% of total	Variation 2010/2009	Variation 2009/2008
	(₦ millions, except per share data)						*(%)*	
Wages and salaries	(16,926)	95.9	(16,644)	90.0	(11,852)	92.9	(1.7)	(40.4)
Contributions to defined contribution plans	(618)	3.5	(658)	3.6	(408)	3.2	6.1	(61.3)
Cash settled share based payments.......................	(25)	0.1	(42)	0.2	(350)	2.7	40.5	88.0
Decrease/(increase) in liability for defined benefit plans	779	(4.4)	177	(1.0)	(1,927)	15.1	340.1	109.2
Other staff costs	(864)	4.9	(1,317)	7.1	1,785	(14.0)	34.4	(173.8)
Total personal expenses	**(17,654)**	**100.0%**	**(18,484)**	**100.0**	**(12,752)**	**100.0**	**4.5**	**(44.9)**

Total personnel expenses decreased to ₦17,654 million for the year ended 31 December 2010, from ₦18,484.4 million for the year ended 31 December 2009 compared with ₦12,752 million for the 10-month period ended 31 December 2008. In particular, wages and salaries expenses increased to ₦16,926 million for the year ended 31 December 2010, from ₦16,644 million for the year ended 31 December 2009 and ₦11,852 million for the 10-month period ended 31 December 2008. The increases in wages and salaries from 2008 to 2010 were due to an increase in the number of employees, and internal promotions among existing employees which increased the average wage cost. Wage inflation had been an issue in the Nigerian banking sector until 2008, but is no longer a significant factor. The Group froze salaries in 2009 following the banking sector crisis, as did other Nigerian banks. The Group did not make any significant redundancies in response to the banking sector crisis. The Group's average number of staff employed was 3,514 in 2008, 3,711 in 2009 and 3,746 in 2010.

The Group operates a non-contributory, funded lump sum defined benefit gratuity scheme. Pursuant to this plan, employees are entitled benefits under the scheme after completing ten full years of service with the Group.

The following table sets out details with respect to the Group's contributions to this scheme for the periods indicated.

	For the year ended 31 December		For the 10-month period ended 31 December
	2010	2009	2008
		(₦ millions)	
Present value of unfunded obligations	0	0	0
Present value of funded obligations	(1,826)	1,953	(1,852)
Total present value of obligations	(1,826)	(1,953)	(1,852)
Fair value of plan assets	4,594	3,292	1,442
Present value of net obligations	2,768	1,339	(410)
Unrecognised actuarial gains and losses	0	0	0
Recognised asset/(liability) for defined benefit obligations	2,768	1,339	(410)

The Group grants share appreciation rights ("**SARs**") to senior management employees which entitle employees to a cash payment on resignation or retirement from the Group. The amount of the cash payment is determined on the market price of the shares of the Bank.

The following table sets out details with respect to the Group's cash settled share-based payments for the periods indicated.

	For the year ended 31 December		For the 10-month period ended 31 December
	2010	2009	2008
		(₦ millions)	
SARs granted to senior management (number of shares)	396	293	232
Effect of changes in the fair value of SARs	202	1,267	(2,012)
Expense from rights exercised during the year	25	42	350
Dividend payment to members of the scheme	662	203	227
Total expense recognised as personnel expenses	889	1,512	(1,436)
Total carrying amount of liabilities for cash-settlement arrangements	4,997	4,540	2,994

The total carrying amount of liabilities for cash settlement arrangements increased to ₦4,997 million for the year ended 31 December 2010, from ₦4,540 million for the year ended 31 December 2009 and ₦2,994 million for the 10-month period ended 31 December 2008. The increase in expenses for share-based payments is due to both the increase in shares granted and the appreciation of the Bank's share value.

Depreciation and amortisation

Depreciation and amortisation increased to ₦6,741 million for the year ended 31 December 2010, from ₦5,951 million for the year ended 31 December 2009 and ₦3,977 million for the 10-month period ended 31 December 2008. The increase is primarily due to the Group's investment in new branches and the increased costs associated with new branches. The Bank had 173 branches in Nigeria as of 31 December 2010, 170 as of 31 December 2009 and 163 as of 31 December 2008.

Other operating expenses

The following table sets out details with respect to the Group's other operating expenses for the periods indicated.

	For the year ended 31 December		For the 10-month period ended 31 December
	2010	2009	2008
		(₦ millions)	
Finance lease expenses	513	387	–
Other premises and equipment costs	7,221	5,425	1,624
Contract services	4,992	4,536	3,060
Insurance premium paid	4,546	2,401	1,957
Claims and benefits incurred on insurance	1,163	1,076	798
General administrative expenses	21,830	17,982	16,268
Total	**40,265**	**31,807**	**23,707**

The Group's other operating expenses increased to 40,265 million for the year ended 31 December 2010, from 31,807 million for the year ended 31 December 2009 and 23,707 million for the 10 month period ended 31 December 2008. General administrative expenses consist of various items, including advertisement and promotion expenses, stationery and postage, and business travel expenses. A substantial part of general administrative expenses also relates to general supplies, legal expenses and telephone bills. The following table shows a further breakdown of general administrative expenses.

	For the year ended 31 December		For the 10-month period ended 31 December
	2010	2009	2008
		(₦ millions)	
Advertisement and promotion expenses	7,185	4,857	3,744
Stationery and postage	2,072	1,793	1,164
Business travel expenses	1,299	1,033	640
Other staff related expenses	3,908	3,247	2,343
Other general administrative expenses	7,366	7,052	8,377
Total	**21,830**	**17,982**	**16,268**

Taxation

The statutory corporate tax rate in Nigeria is 30.0 per cent. and an additional 2.0 per cent. educational levy is charged on the assessable profit of Nigerian companies. Tax expense for the year ended 31 December 2010 increased to ₦8,248 million from ₦6,409 million as of 31 December 2009, compared with ₦7,721 million for the 10-month period ended 31 December 2008. The increase in the tax expense in 2010 resulted mainly from the increase in profit for the year. While in 2009, the profit before tax was ₦35.01 billion, it was ₦45.57 billion in 2010.

When a Nigerian company changes its year end, the FIRS calculates tax liability based on both old and new accounting year end and will select the basis producing a higher tax liability. In addition, the FIRS elected to use the new accounting date arising from the change in accounting year end from 28 February to 31 December that took place in 2008 for determination of the Group's tax liability.

The increase in tax expense led to an increase in the Group's effective tax rate by 0.97 percentage points from 18.3 per cent. in 2009 to 17.3 per cent. in 2010. The higher effective tax rate also resulted from tax deductions and allowances remaining relatively flat, compared to the increased taxable profits. The difference between the Group's effective tax rate and the statutory rate of 32 per cent., results from certain income that the Group earned which is not taxable under Nigerian tax law. These include income from all categories of bonds and treasury bills and interest earned from abroad and repatriated to Nigeria through approved channels.

Financial condition as of 31 December 2010, 31 December 2009 and 31 December 2008

Total assets

The following table presents data regarding the Group's assets as of the dates indicated.

	As of 31 December					
	2010	% of total	2009	% of total	2008	% of total
	(₦ millions, except %)					
Cash and cash equivalents	273,075	23.4	255,945	23.7	274,634	28.5
Trading assets	148,872	12.7	134,927	12.5	20,231	2.1
Pledged assets	29,482	2.5	22,113	2.1	55,739	5.8
Derivative assets held for risk management	0	0.0	–	0.0	4,618	0.5
Loans and advances to banks	187	0.0	146	0.0	34	0.0
Loans and advances to customers	603,907	51.7	574,587	53.3	421,773	43.8
Investment securities	33,526	2.9	19,159	1.8	110,199	11.4
Trading properties	7,350	0.6	5,071	0.5	15,086	1.6
Property and equipment	45,381	3.9	41,281	3.8	34,963	3.6
Intangible assets	1,956	0.2	2,338	0.2	2,233	0.2
Deferred tax assets	588	0.1	411	0.0	37	0.0
Other assets	23,729	2.0	23,539	2.1	23,572	2.4
Total assets	**1,168,053**	**100.0**	**1,079,517**	**100.0**	**963,119**	**100.0**

The Group's total assets increased to ₦1,168,053 million as of 31 December 2010 from ₦1,079,517.7 million as of 31 December 2009 and ₦963,119 million as of 31 December 2008. The increase in total assets was largely attributable to an increase in the volume of the Bank's loan and investment portfolios.

Cash and cash equivalents

The following table sets out details of the Group's cash and cash equivalents as of the dates indicated.

	As of 31 December						Variation	
	2010	% of total	2009	% of total	2008	% of total	2010/2009	2009/2008
			(₦ millions, except %)					(%)
Cash and balances with banks	87,203	31.9	123,311	48.2	168,183	61.2	(29.3)	(26.7)
Unrestricted balances with central banks	10,487	3.8	18,883	7.4	47,772	17.4	(44.5)	(60.5)
Money market placements	175,385	64.2	113,751	44.4	58,679	21.4	54	93.9
Total cash and cash equivalents	**273,075**	**100.0**	**255,945**	**100.0**	**274,634**	**100.0**	**6.7**	**(6.8)**

The Group's cash and cash equivalents, consisting of cash balances with banks, deposits with the CBN and money market placements increased to ₦273,075 million as of 31 December 2010 from ₦255,945 million as of 31 December 2009, as compared with ₦274,634 million as of 31 December 2008. In 2009, the CBN guaranteed interbank placements and foreign creditors and correspondent banks' credit lines, which resulted in the Bank increasing its interbank lending, which is reflected in the significant increases in the Group's money market placements as of 31 December 2009 and 2010. Cash and cash balances with banks as of 31 December 2009 in part comprised proceeds from the Group's ₦13.2 billion domestic bond issue, which closed in December 2009. Cash and balances with banks as of 31 December 2008 was relatively high as of 31 December 2008, as it was affected by cash security the Group held on deposit at foreign banks in relation to a ₦120 billion syndicated letter of credit facility to a foreign company for the development of cement factories. The Group's other liabilities as of 31 December 2008 were similarly affected.

Non-pledged trading assets

The following table sets out details of the Group's non-pledged trading assets as of the dates indicated.

	As of 31 December		
	2010	2009	2008
		(₦ millions)	
Trading bonds	3,215	103,867	15,990
Trading treasury bills	144,237	30,262	1,283
Equities	1,420	798	2,958
Total non-pledged trading assets	**148,872**	**134,927**	**20,231**

The Group's non-pledged trading assets consist primarily of Government bonds, treasury bills and equities that are acquired principally for the purpose of selling or repurchasing in the near term, or held as part of a portfolio that is managed together for short-term profit or position taking. Non-pledged trading assets increased to ₦148,872 million as of 31 December 2010, from ₦134,927 million as of 31 December 2009 and ₦20,231 million as of 31 December 2008. The Group increased its investments in treasury bills from 2009 to 2010 because of the decline in bond prices in the Nigerian bond market, and because the Group had excess liquidity from an increase in deposits.

Pledged assets

The following table sets out the details of the Group's pledged assets, or financial assets that may be repledged or resold by counterparties.

	As of 31 December		
	2010	**2009**	**2008**
		(₦ millions)	
Treasury bills	13,061	6,722	49,305
Government bonds	16,421	15,391	6,434
Total pledged assets	**29,482**	**22,113**	**55,739**

Pledged assets increased to ₦29,482 million as of 31 December 2010, from ₦22,113 million as of 31 December 2009 and decreased from ₦55,739 million as of 31 December 2008. The increase from 2009 to 2010 was partially attributable to the funds, amounting to ₦10.9 billion, received from the Government's intervened-lending facilities, under which the Bank is an on-lending institution to Nigerian SMEs in targeted sectors. The Bank pledged certain securities as a condition of receiving such Government funds.

Derivative assets held for risk management

Derivative assets held for risk management comprise the fair value of an interest rate swap (floating for fixed) which the Group entered into in 2007, in conjunction with the Group's U.S.$350 million Eurobond issuance. The Group closed out this swap transaction in 2009, at the request of the counterparty, because the swap was out of the money for the Group.

Loans and advances to banks

The following table sets out details of the Group's loans and advances to banks as of the dates indicated.

	As of 31 December		
	2010	**2009**	**2008**
		(₦ millions)	
Loans and advances to banks	223	236	124
Less specific allowances for impairment	(36)	(90)	(90)
Collective allowances for impairment	0	0	0
Total loans and advances to banks	**187**	**146**	**34**

In 2003, the Bank underwrote an issue of shares by Trust Bank Plc under its initial public offer. The offer was undersubscribed by approximately 224 million ordinary shares and because the offering was subject to a firm underwriting by the Bank, the Bank became liable to take up the unsubscribed shares. In line with CBN Prudential Guidelines, the Bank made a full provision for the value of the unsubscribed shares in its books of account, resulting in an impairment loss which was ₦90.0 million as of 31 December 2008 and 31 December 2009. Trust Bank Plc was subsequently acquired by Sterling Bank Plc, a company listed on the NSE, and the Bank's shares of Trust Bank Plc were exchanged for shares of Sterling Bank Plc. The shares were then liquid and realisable, and the Bank reversed the entire impairment provision in the fiscal year ending 31 December 2010.

Loans and advances to customers

The following table sets out details of the Group's loans and advances to customers as of the dates indicated. The division of loans into individual and corporate entities and other organisations does not reflect the Group's operational divisions (Institutional Banking, Commercial, Public Sector and Retail) due to classification differences. See "*Presentation of Financial and other information*".

	As of 31 December 2010			As of 31 December 2009			As of 31 December 2008		
	Gross Amount	Impairment Allowance	Net Amount	Gross Amount	Impairment Allowance	Net Amount	Gross Amount	Impairment Allowance	Net Amount
					(₦ millions)				
Individuals	17,840	1,899	15,941	16,900	(1,092)	15,808	44,148	(476)	43,672
Corporate entities and other organisations	618,459	30,493	587,966	579,914	(21,135)	558,779	381,840	(3,739)	378,101
Total	**636,299**	**(32,392)**	**603,907**	**596,814**	**(22,227)**	**574,587**	**425,988**	**(4,215)**	**421,773**

The main factor contributing to the increase in total assets was an increase in loans and advances to customers from the 10-month period ended 31 December 2008 through the year ended 31 December 2010. Loans and advances to customers increased to ₦603,907 million as of 31 December 2010 from ₦574,587 million as of 31 December 2009 and ₦421,773 million as of 31 December 2008. The increase in loans and advances to customers in 2009 and 2010 results primarily from growth of the Group's loans and advances to corporate entities and other organisations. Loans and advances to corporate entities and other organisations constituted 98.4 per cent. of the Group's loan portfolio as of 31 December 2010, as compared to 97.2 per cent. as of 31 December 2009 and 89.6 per cent. as of 31 December 2008. Loans and advances to corporate entities increased primarily because the Group was able to utilise the funds from growth in its deposits, as well as the proceeds of its domestic bond issuance to actively target corporate customers.

Investors should note that the classification of loans and advances to individuals in the Group's IFRS financial statements does not correspond directly to the classifications used by the Group in connection with its Retail Division, and therefore loan volumes attributable to "individuals" in the IFRS financial statements will be different than the loan volumes the Group attributes to its Retail Division. See "*Presentation of Financial and other information*".

Investment securities

The following table sets out details of the Group's investment securities as of the dates indicated.

	As of 31 December		
	2010	**2009**	**2008**
		(₦ millions)	
Treasury bills	0	0	43,142
Bonds	22,897	12,064	59,954
Equity securities	11,959	8,425	7,103
Less specific allowances for impairment	(1,330)	(1,330)	0
Total investment securities	**33,526**	**19,159**	**110,199**

Total investment securities increased to ₦33,526 million as of 31 December 2010 from ₦19,159 million as of 31 December 2009 and ₦110,199 million as of 31 December 2008. Included in the balance of the Group's bonds as of 31 December 2010 are the AMCON Bonds. In 2010, the Bank sold non-performing margin – and share-backed loans to AMCON, which had a gross value of ₦6,431 million, with total provisions against those loans of ₦5,240 million, in exchange for AMCON bonds with a value of ₦2,323 million. The Bank recorded a gain of ₦536 million, representing the difference between the net amounts (after provisions) of the loans sold to AMCON and the AMCON Bonds.

Trading properties

Trading properties increased to ₦7,350 million as of 31 December 2010 from ₦5,071 million as of 31 December 2009 and ₦15,086 million as of 31 December 2008. Trading properties comprise a property purchased to be refurbished and resold. This activity is carried on within the Group's GT Homes subsidiary. In 2009, the transaction under which GT Homes acquired the trading property was cancelled, and the property returned to the vendor, resulting in a nil balance as of 31 December 2009.

Total liabilities

The following table presents data regarding the Group's liabilities as of the dates indicated.

	As of 31 December					
	2010	**% of total**	**2009**	**% of total**	**2008**	**% of total**
	(₦ millions, except %)					
Liabilities:						
Deposits from banks	26,027	2.7	31,187	3.5	62,989	8.1
Deposits from customers	753,088	79.5	666,922	75.80	469,250	60.0
Debt securities issued	66,887	7.1	67,373	7.7	50,103	6.4
Other borrowed funds	23,034	2.4	12,390	1.4	14,221	1.8
Current tax liabilities	10,082	1.1	3,484	0.4	9,485	1.2
Deferred tax liabilities	4,884	0.5	6,558	0.7	3,646	0.5
Liabilities on insurance contracts	2,926	0.3	1,477	0.2	795	0.1
Other liabilities	60,870	6.4	91,860	10.3	171,591	21.9
Total liabilities	**947,798**	**100.0**	**881,251**	**100.0**	**782,080**	**100.0**

As of 31 December 2010, the Group's total liabilities increased to ₦947,798 million from ₦881,251 million as of 31 December 2009, compared with ₦782,080 million as of 31 December 2010. This increase was attributable in part to growth in the volume of deposits from customers and banks, and from the inflow of funds from the Nigerian government on-lending facilities.

Deposits from customers

Deposits from customers constituted 79.5 per cent. of total liabilities as of 31 December 2010, 75.7 per cent. as of 31 December 2009 and 60.0 per cent. as of 31 December 2008.

The following table sets out details of the Group's deposits from customers as of the dates indicated.

	As of 31 December					
	2010	**% of total**	**2009**	**% of total**	**2008**	**% of total**
	(₦ millions, except %)					
Retail customers:						
Term deposits	116,008	15.4	136,299	20.4	66,013	14.1
Current deposits	145,663	19.3	87,346	13.1	92,676	19.7
Savings deposits	107,125	14.2	60,053	9.0	45,212	9.6
Corporate customers:						0.0
Term deposits	129,327	17.2	181,866	27.3	87,586	18.7
Current deposits	254,965	33.9	201,358	30.2	177,760	37.9
Other deposits	0	0.0	0	0.0	3	0.0
Total deposits	**753,088**	**100.0**	**666,922**	**100.0**	**469,250**	**100.0**

Deposits from customers increased to ₦753,088 million as of 31 December 2010, from ₦666,922 million as of 31 December 2009, compared with to ₦469,250 million as of 31 December 2008. During the 10-month period ended 31 December 2008 and the year ended 31 December 2009 the Group's deposits from retail customers increased significantly, as a result of the growth of the Group's branch network, as well as the growth of the customer bases of newer branches opened by the Group. The Group experienced a significant increase in the number of new retail customers in 2010, with particular growth in current deposits, as a result of the Bank's reduction of interest rates on term deposits. The Bank's reduction of interest rates was also reflected in the similar shift from term deposits to current deposits amongst its corporate customers. In the year ended 31 December 2009, the Group also benefited from a "flight to quality", as customers shifted deposits from less stable banks, particularly the troubled banks identified in the CBN's Special Examinations in 2009.

Debt securities issued

Debt securities issued comprise the following:

- A U.S.$350 million Eurobond issued by the Bank through GTB Finance in January 2007. Interest on the notes is payable semi-annually at 8.5 per cent. per year. The notes mature and will become repayable in 2012.
- A ₦13.2 billion five year domestic bond issue completed in December 2009, as the first tranche under the Group's two year ₦200 billion bond issuance programme. Interest on the bonds is payable annually with a 13.5 per cent. coupon.

Debt securities issued decreased to ₦66,886 million as of 31 December 2010, from ₦67,373 million as of 31 December 2009, which was an increase from ₦50,103 million as of 31 December 2008. The increase from 2008 to 2009 was a result of the issue of the first tranche of the Group's ₦13.165 billion domestic bond. The decrease in debt securities issued from 2009 to 2010 relates to a slight appreciation in the value of the Naira against the U.S. dollar, reducing the Naira amount of the eurobond.

Other borrowed funds

The following table sets out details of the Group's other borrowed funds as of the dates indicated.

	As of 31 December		
	2010	**2009**	**2008**
		(₦ millions)	
Due to IFC	7,208	8,508	9,268
Due to FMO Netherlands	2,103	–	–
Due to EIB	–	–	210
Due to ADB	2,873	3,882	4,743
CACS on lending	4,250	–	–
Due to BOI-intervention fund	6,600	–	–
Total	**23,034**	**12,390**	**14,221**

The Group's borrowings from international financial institutions include borrowings from the IFC, FMO, EIB and ADB. In March 2001, the IFC granted the Group a U.S.$20.0 million facility for a period of seven years, with an additional U.S.$20.0 million granted in October 2004 for 10 years, an additional U.S.$20.0 million granted in July 2005 for seven years and an additional U.S.$15.0 million representing the first tranche of a U.S.$30.0 million facility granted in January 2007 for nine years. Interest is payable quarterly on the first two facilities at 4.8 per cent. and 3.5 per cent. above LIBOR, respectively, and interest on the third and fourth facilities is payable semi-annually at 3.0

per cent. and 2.8 per cent. above LIBOR, respectively. As of 31 December 2010, there was ₦7.2 billion (U.S.$47.4 million) outstanding under these facilities.

In May 2006, the ADB granted the Group a U.S.$40.0 million facility for seven years, with interest payable semi-annually at 2.5 per cent. above LIBOR. As of 31 December 2010, ₦2.102 billion (U.S.$13.8 million) of the loan remained outstanding.

The Bank has recently signed, but not yet drawn down on, the following credit agreements:

- €80 million credit line agreement with the EIB in February 2010;
- U.S.$200 million lending line with the IFC (U.S.$170 million for on-lending and a U.S.$30 million proposed equity investment, for which negotiations are ongoing) in July 2010;
- U.S.$50 million credit facility agreement with Proparco in December 2010;
- U.S.$100 million on-lending facility with ADB in April 2011;

The Bank has also recently signed the following credit agreements:

- ₦6,600 million facility agreement with the BOI in August 2010, which is fully drawn; and
- ₦4,250 million facility agreement with the DMO for on-lending through the Commercial Agriculture Credit Scheme ("**CACS**"), which is fully drawn.

The U.S. dollar-denominated credit lines discussed above are used to provide credit facilities to customers who earn foreign currency from their business operations in Nigeria. These customers operate in oil and gas, exports, hospitality and service sub-sectors of the economy. The Group's policy is only to make term loans in U.S. dollars from matching U.S. dollar funding sources to customers that generate predominantly U.S. dollars. In this way the Group limits the likelihood of exchange rate risk impacting negatively on its operations. All U.S. dollar loans granted to customers have been satisfactorily operated with interest and principal serviced on a timely basis since the commencement of foreign currency lending in 2001.

In late 2009 and early 2010, the CBN introduced sector-specific initiatives administered through the Bank of Industry to stimulate the economy by providing banks with low-cost liquidity to on-lend at fixed rates to select sectors such as agriculture, power and aviation. As of 31 December 2010, the Bank had borrowed ₦6,600.00 million for a period of 15 years under an on-lending loan in relation to power projects and ₦4,250.0 million for a period of seven years under an on-lending facility aimed at commercial agriculture enterprises.

Other liabilities

The following table sets out details of the Group's other liabilities as of the dates indicated.

	As of 31 December					
	2010	% of total	2009	% of total	2008	% of total
	(₦ millions, except %)					
Cash-settled share-based payment liability	4,997	7.8	4,540	4.9	2,994	1.7
Liability for defined contribution	37	–	116	–	–	–
Deferred income on financial guarantee	716	1.1	660	0.7	1,387	0.8
Creditors and accruals ..	–	–	605	0.7	22	0.01
Certified cheques	7,590	11.9	12,595	13.5	13,297	7.7
Lease obligation	1,848	3.0	2,211	2.4	2,125	1.24
Customers deposit for foreign trade	29,635	48.7	60,284	65.6	119,884	69.9
Other current liabilities[1] ..	14,224	23.4	9,735	10.4	31,296	18.2
Liabilities to customers under investment	1,823	3.0	1,115	1.2	586	0.3
Total	**60,870**	**100.0**	**91,860**	**100.0**	**171,591**	**100.0**

Note:

(1) Other current liabilities include cash margins letters of credit, withholding taxes, VAT and sundry creditors.

The Group's other liabilities decreased from ₦171,591 million as of 31 December 2008 to ₦91,860 million as of 31 December 2009 and further decreased to ₦60,870 million as of 31 December 2010. A portion of the other liabilities as of 31 December 2008 was due to a ₦870 billion syndicated letter of credit facility to a foreign company in relation to the development of cement factories.

Equity and capital ratios

The following table sets out information on the Group's capital and its consolidated capital adequacy ratios in compliance with the CBN Prudential Guidelines, at the dates indicated, all computed based upon the Group's financial statements in accordance with applicable regulations of the CBN. The information has not, therefore, been prepared in accordance with IFRS.

	CBN's minimum requirements	As of 31 December		
		2010	2009	2008
	Not less than:	*(₦ millions, except %)*		
Statutory minimum capital base[(1)]	₦25 billion	214,223,531	193,124,102	176,996,369
Capital adequacy ratios				
Cash reserve requirement[(2)]	1.00%	1%	1%	2%
Specified liquidity ratio[(3)]	25.00%	56.11%	51.94%	63.92%
Specified capital adequacy ratio[(4)]	10.00%	23.24%	23.52%	22.56%
Guaranteed BAS/CPS to shareholders' funds[(5)]	Not more than 150.00%	7%	1%	83%
Loans to deposits ratio[(6)]	Not more than 80.00%	78% C	82% C	79% C
Prudential guidelines[(7)]	Substandard (10.0%), doubtful (50.0%) and lost (100.0%)	Complied	Complied	Complied

Notes:

(1) The statutory minimum capital base for commercial banks was set at 50 billion following the CBN's repeal of the universal banking model.

(2) The cash reserve requirement refers to the ratio of a bank's total on demand and term deposit, and savings, accounts to its total cash reserves. The cash reserve requirement increased to 2% on 1 January 2011. As of March 2001, the cash reserve requirement is based on a simple average set by the CBN.

(3) The specified liquidity ratio refers to the ratio of a bank's liquid assets to its total deposit liabilities. The specified liquidity ratio is increased to 30.00 per cent. on 1 March 2011.

(4) The specified capital adequacy ratio refers to the ratio of a bank's qualifying capital to its risk weighted assets.

(5) The guaranteed BAS/CPS to shareholders' funds is a ratio of a bank's total exposure on bankers acceptances and guaranteed commercial paper to shareholders' funds.

(6) The loans to deposits ratio refers to the maximum allowable proportion of a bank's loans to its total deposit liabilities.

(7) The CBN Prudential Guidelines address requirements for asset classification and disclosure, provisioning, interest accruals and off-balance sheet engagements. Under these guidelines, banks are expected to conduct a review of their credit portfolio continuously (at least once a quarter) with a view to recognising any deterioration in credit quality.

Funding and liquidity

Management of the Bank believes that its management of assets and liabilities have allowed the Group to maintain prudent levels of liquidity. Additionally, the CBN Prudential Guidelines require the Group to maintain 30.0 per cent. of its deposits in liquid assets, which further boosts liquidity.

As of 31 December 2010, the Group's funding base consisted of demand, time and savings deposits (65.5 per cent), debt securities issued (5.8 per cent.), deposits from banks (2.3 per cent.), other borrowed funds (2.0 per cent.), other liabilities (5.3 per cent.) and equity (19.1 per cent.). Historically the Group's long-term funding sources consisted primarily of equity and medium - to long-term borrowings from international financial institutions and multilateral agencies.

The following table sets out certain liquidity ratios for the Group as of the dates indicated:

	As of 31 December		
	2010	2009	2008
		(%)	
Liquid assets/total assets	35.9	32.9	34.2
Liquid assets/total deposits	53.8	50.9	62.0
Liquid assets/liabilities up to one month	54.5	52.2	71.7
Loans to customers, net/total assets	51.7	53.2	43.8
Loans to customers, net/customer accounts	80.2	86.2	89.9
Loans to customers, net/total equity	274.3	289.8	233.0

Off-balance sheet arrangements

In the normal course of its activity, the Group enters into certain financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, which include guarantees and performance bonds, letters of credit, commercial paper and bankers acceptances, involve varying degrees of credit risk and are not reflected in the balance sheet of the Group. As of 31 December 2010, the Group had issued outstanding transaction related bonds and guarantees totalling ₦319.6 billion, had outstanding open letters of credit totalling ₦74.9 billion and had outstanding commercial paper and acceptances and guaranteed commercial paper totalling ₦151.1 billion.

The Group's maximum exposure to credit losses for off-balance sheet arrangements is reflected in the contractual amount of these transactions. In accordance with the CBN Prudential Guidelines, the maximum amount that can be included in off-balance sheet commercial paper and bankers acceptances is 150.0 per cent. of shareholders' funds, and was 7.0 per cent. for the Group as of 31 December 2010.

Contractual commitments

The following table sets out the commitments and contingent liabilities of the Group in Naira, by contractual maturity, as of 31 December 2010.

	Up to one month	One month to three months	Three months to one year	One year to five years	Over five years	Total
			(₦ millions)			
Guarantees	17,695	71,790	73,759	68,007	88,320	319,571
Letters of credit	9,300	42,819	22,760	39	–	74,918
Commercial paper and bankers acceptances	15,063	16	16	–	–	15,095
Contractual commitments	6,354	7,763	1,212	75	–	15,404
Total	**48,412**	**122,388**	**97,747**	**68,121**	**88,320**	**424,988**

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance sheet operations.

SELECTED STATISTICAL AND OTHER INFORMATION

The Bank prepared its financial statements at and for the financial years ended 31 December 2010, financial year ended 31 December 2009 and its financial year ended 31 December 2008 on a consolidated basis. However, certain monthly average financial information and data were prepared using the historical financial information of the Bank only. Accordingly, in the discussion of the results of operations of the Group there are certain references to average balance sheet data of the Bank. In each of the past three financial years, operating income from the Bank accounted for over 90.0 per cent. of the Group's total operating income and assets of the Bank at the end of each such financial year accounted for approximately 95.0 per cent. of the Group's total assets.

Historically, the Bank was only required to prepare unconsolidated financial information relating to the Bank in accordance with Nigerian GAAP. Copies of the Group's audited financial statements prepared in accordance with Nigerian GAAP for 2010 and 2009 are available for inspection, but are expressly not incorporated by reference into this Offering Circular. See "*General information – Documents available*". Since 2007, the Group has prepared (i) annual financial statements for the Group on a consolidated basis in accordance with IFRS and (ii) condensed consolidated interim semi annual financial statements for the Group in accordance with IFRS.

In January 2008, the CBN introduced a requirement that Nigerian banks change their financial year end to 31 December, with effect no later than their 2009 year end. This policy was intended to bring Nigerian banks' financial reporting in line with international standards, assist rating agencies in their assessment and ranking of Nigerian banks and create a uniform basis for the comparison of Nigerian banks. All Nigerian banks had a common financial year end of 31 December for the first time on 31 December 2009. The Bank changed its financial year end from 28 February to 31 December in 2008, resulting in a 10 month financial reporting period from 1 March 2008 to 31 December 2008. The Bank's results for the 10 month period ended 31 December 2008 are not directly comparable to those for any financial year included herein and are not indicative of results that would have been achieved for a period of twelve months ended 31 December 2008. For a discussion of the risks involved in the change of the Bank's financial year end see "*Risk Factors – Risks related to the Bank and the Group – The Bank's 2008 financial statements are not comparable to its 2009 and 2010 financial statements*".

Investors should note that the Group's segment financial information in its IFRS financial statements does not correspond directly to the business divisions described below. For example, the Public Sector Division is relatively small and is reported as part of the Group's retail banking segment in its IFRS financial statements.

In October 2010, the CBN issued regulations on the scope of banking activities, which will take effect from May 2012. The former universal banking guidelines were repealed and banking activities were segregated into commercial banking, merchant banking and specialised banking (including non-interest banks, microfinance banks, development banks and mortgage banks). The Bank intends to divest its shareholding in its non-banking businesses comprising Guaranty Trust Assurance Plc, GTB Asset Management Limited and GTB Registrars Limited and to integrate GTHomes Limited into the Bank. Based on Nigerian GAAP figures, the non-banking subsidiaries contributed 1.35 per cent. of the Group profit before tax and 0.48 per cent. of the Group balance sheet as of December 2010.

Some of the information included in this section of the Offering Circular is not extracted from the Bank's audited financial statements and is not audited. Such information is prepared by the Bank.

Average balances

The following tables set forth the average balances of assets and liabilities and related interest income/expense of the Bank for the financial years and periods indicated. For purposes of the following table, the average balances have been calculated on the basis of monthly averages.

	For the year ended 31 December						For the 10-month period ended 31 December		
	2010			2009			2008		
	Average Volume[1]	Interest	Average Rate[2]	Average Volume[1]	Interest	Average Rate[2]	Average Volume[1]	Interest	Average Rate[2]
				(₦ millions, except %)					
Assets:									
Interest-earning assets									
Cash and cash equivalents[3]	257,100	7,983	3.11%	256,013	7,743	3.02%	195,874	3,203	1.64%
Trading assets[4]	153,164	9,652	6.30%	111,402	12,982	11.65%	129,178	6,570	5.09%
Investment securities	26,569	2,176	8.19%	14,792	1,039	7.02%	7,724	534	6.91%
Loans and advances to banks	67	13	19.40%	46	12	26.09%	43	6	13.95%
Loans and advances to customers[5]	544,151	82,512	15.16%	483,257	89,135	18.44%	373,009	53,879	14.44%
Total interest-earning assets	**981,051**	**102,336**	**10.43%**	**865,510**	**110,911**	**12.81%**	**705,828**	**64,192**	**9.09%**
Non-interest earning assets									
Property, plant and equipment	42,625	–	0.00%	38,483	–	0.00%	34,099	–	0.00%
Other assets	10,398	–	0.00%	28,162	–	0.00%	19,153	–	0.00%
Equity investments	29,561	–	0.00%	29,775	–	0.00%	20,118	–	0.00%
Total non interest-earning assets	**82,584**	**–**	**0.00%**	**96,420**	**–**	**0.00%**	**73,370**	**–**	**0.00%**
Total assets	**1,063,635**	**102,336**	**9.62%**	**961,930**	**110,911**	**11.53%**	**779,198**	**64,192**	**8.24%**
Liabilities:									
Interest bearing liabilities									
Deposits from banks	6,199	147	2.37%	21,168	1,432	6.76%	25,292	1,655	6.54%
Deposits from customers	694,501	19,514	2.81%	531,443	30,435	5.73%	388,721	14,659	3.77%
Debt securities	66,069	6,452	9.77%	52,394	4,832	9.22%	41,817	1,282	3.07%
Other borrowings	16,223	404	2.49%	15,597	723	4.64%	14,901	834	5.60%
Total interest-bearing liabilities	**782,992**	**26,517**	**3.39%**	**620,602**	**37,422**	**6.03%**	**470,731**	**18,430**	**3.92%**
Non-interest bearing liabilities									
Other liabilities	85,128	–	0.00%	153,594	–	0.00%	133,989	–	0.00%
Total liabilities	**868,120**	**26,517**	**3.05%**	**774,196**	**37,422**	**4.83%**	**604,720**	**18,430**	**3.05%**
Shareholders' funds	195,515	–	0.00%	187,734	–	0.00%	174,478	–	0.00%
Total liabilities and equity	**1,063,635**	**26,517**	**2.49%**	**961,930**	**37,422**	**3.89%**	**779,198**	**18,430**	**2.37%**

Notes:

(1) Calculated based on average monthly balances of the Bank.

(2) Represents interest income or interest expense divided by the average balance of the respective item.

(3) Includes balances on correspondent accounts with other banks recorded under "Cash and short-term funds".

(4) Includes investment securities, trading assets and pledged assets, but excludes equity securities, as these securities are not interest earning.

(5) Prior to deducting allowance for loan impairment.

Analysis of changes in net interest income

The following table presents certain information regarding changes in interest income and interest expense of the Bank during the periods indicated. For each category of interest earning assets and interest bearing liabilities, information is provided on changes attributable to: (1) changes in volume (changes in average outstanding balances multiplied by the prior period's average interest rate) and (2) changes in interest rate (changes in average interest rate times the average outstanding balances for the prior period). Net changes attributable to changes in both volume and interest rate have been allocated proportionately to the changes in volume and the changes in interest rate.

	For the year ended 31 December				For the year ended 31 December				For the 10-month period ended 31 December			
	2010				2009				2008			
	Increase/(decrease) due to changes in				Increase/(decrease) due to changes in				Increase/(decrease) due to changes in			
	Volume	Rate	Volume/ Rate	Net change	Volume	Rate	Volume/ Rate	Net change	Volume	Rate	Volume/ Rate	Net change
	(₦ millions, except %)											
Interest-earning assets:												
Cash and cash equivalents	33	206	1	240	986	2,703	851	4,540	3,458	(689)	(857)	1,912
Investment securities	827	173	137	1,137	488	8	9	505	(1,951)	(1,631)	495	(3,087)
Trading and pledged assets	4,865	(5,960)	(2,235)	(3,330)	(905)	8,474	(1,157)	6,412	(1,656)	(3,063)	517	(4,202)
Loans and advances to banks	5	(3)	(1)	1	–	5	1	6	–	–	–	–
Loans and advances to customers	11,229	(15,851)	(2,001)	(6,623)	15,920	14,920	4,416	35,256	29,996	3,941	3,353	37,290
Total	**16,959**	**(21,435)**	**(4,099)**	**(8,575)**	**16,489**	**26,110**	**4,120**	**46,719**	**29,847**	**(1,442)**	**3,508**	**31,913**
Interest-bearing liabilities:												
Deposits from banks	(1,012)	(929)	656	(1,285)	(270)	56	(9)	(223)	(631)	116	(35)	(550)
Deposits from customers	9,343	(15,518)	(4,746)	(10,921)	5,381	7,619	2,776	15,776	5,616	2,297	881	8,794
Debt securities	1,261	288	71	1,620	325	2,572	653	3,550	(168)	149	(6)	(25)
Other borrowings	29	(335)	(13)	(319)	39	(143)	(7)	(111)	115	(281)	(28)	(194)
Total	**9,621**	**(16,494)**	**(4,032)**	**(10,905)**	**5,475**	**10,104**	**3,413**	**18,992**	**4,932**	**2,281**	**812**	**8,025**

Average interest earning assets, yields, margins and spreads

The following table shows the average interest earning assets and average yields, margins and spreads for the Bank for the financial years and periods indicated:

	For the year ended 31 December		For the 10-month period ended 31 December
	2010	2009	2008
	(₦ millions, except %)		
Average interest-earning assets:			
Naira	743,969	603,224	500,657
International	237,082	262,286	205,170
Total	**981,051**	**865,510**	**705,827**
Interest income:			
Naira	94,668	100,123	58,888
International	7,668	10,788	5,304
Total	**102,336**	**110,911**	**64,192**
Net interest income:			
Naira	73,750	69,400	37,933
International	2,069	4,089	7,829
Total	**75,819**	**73,489**	**45,762**
Yield(1):			
Naira	12.72	16.60	11.76
International	3.23	4.11	2.59
Total	**10.43**	**12.81**	**9.09**
Margin(2):			
Naira	9.91	11.50	7.58
International	0.87	1.56	3.82
Total	**7.73**	**8.49**	**6.48**
Spread(3):			
Naira	6.65	6.11	4.37
International	0.39	0.67	0.81
Total	**7.04**	**6.78**	**5.17**

Notes:

(1) Yield represents interest income as a percentage of average interest-earning assets.

(2) Margin represents net interest as a percentage of average interest-earning assets.

(3) Spread represents the difference between the average rate of interest earned on interest-earning assets and the average rate of interest accrued on interest-bearing liabilities.

Return on assets and equity

The following table shows the Bank's return on assets and equity for the financial years and periods indicated.

	For the year ended 31 December		For the 10-month period ended 31 December
	2010	2009	2008
	(₦ millions, except %)		
Profit for the period	36,512	23,848	28,073
Average total assets	1,063,634	961,931	779,197
Average shareholders' equity	195,515	187,735	174,478
Net income as a percentage of:			
Average total assets (%)	3.43	2.48	3.60
Average shareholders' equity (%)	18.7	12.7	16.1
Declared cash dividends	17,488	13,990	14,923
Dividend payout ratio (%)	47.90	58.66	53.16
Average shareholders' equity as a percentage of average total assets (%)	18.4	19.5	22.4

Interest earning deposits with other banks

The following table shows the Group's interest earning deposits with other banks as of the dates indicated:

	As of 31 December		
	2010	2009	2008
	(₦ millions)		
Naira	101,733	89,590	80,000
Foreign currency:			
U.S. Dollar	103,613	98,942	102,942
Euro	16,811	18,279	17,562
Pounds	18,415	8,638	9,285
Canadian Dollar	–	269	269
Cedis	3,918	7,081	3,711
Dalassi	2,359	2,140	2,683
Leone	3,331	392	3,369
Total foreign currency	148,447	135,741	122,810
Total	**250,180**	**225,331**	**342,631**

Total investment portfolio

The following table shows the Group's investment portfolio (including investment securities, trading assets and pledged assets) as of the dates indicated:

	As of 31 December		
	2010	2009	2008
		(₦ millions)	
Treasury bills	157,298	36,985	93,729
Bonds	42,533	131,321	82,378
Equity investments	12,049	7,893	10,061
Total investment portfolio	**211,880**	**176,199**	**186,168**

Investment concentration

The following table shows the concentration of the Group's investment portfolio (including investment securities, trading assets and pledged assets) as of the dates indicated:

	As of 31 December 2010	
	Amount of Investments	Percentage of Shareholders' Equity of the Bank (Group)
	(₦ millions)	(%)
Trading assets-trading treasury bills	144,237	67.3
Pledged assets-treasury bills	13,061	6.1
Trading assets-trading bonds	3,215	1.5
Pledged assets-bonds	16,420	7.7
Trading assets-subsidiary trading equities	1,420	0.7
AFS Investment securities-bonds	22,897	10.7
Equity investments in affiliates/SME	10,630	5.0
Total	**211,880**	**99.0**

	As of 31 December 2009	
	Amount of Investments	Percentage of Shareholders' Equity of the Bank (Group)
	(₦ millions)	(%)
Trading assets-trading treasury bills	30,262	15.7
Pledged assets-treasury bills	6,722	3.5
Trading assets-trading bond	103,867	53.8
Pledged assets-bonds	15,391	8.0
Trading assets-subsidiary trading equities	798	0.4
AFS Investment securities - treasury bills	–	0.0
AFS Investment securities-bonds	12,064	6.2
Equity investments in affiliates/SME	7,095	3.7
Total	**176,199**	**91.3**

	As of 31 December 2008	
	Amount of Investments	**Percentage of Shareholders' Equity of the Bank (Group)**
	(₦ millions)	*(%)*
Trading assets-trading treasury bills	1,283	0.7
Pledged assets-treasury bills	49,305	27.8
Trading assets-trading bonds	15,990	9.0
Pledged assets-bonds	6,434	3.6
Trading assets-subsidiary trading equities	2,958	1.7
AFS Investment securities - treasury bills	43,142	24.4
AFS Investment securities-bonds	59,954	33.9
Equity investments in affiliates/SME	7,103	4.0
Total	**186,169**	**105.1**

Maturities of securities portfolio

The following table shows the maturities of the Group's investment portfolio (including investment securities, trading assets and pledged assets) as of the dates indicated:

	As of 31 December 2010			
	One year or less	**One to five years**	**More than five years**	**Total**
		(₦ millions)		
Trading assets-trading treasury bills	144,237	–	–	144,237
Pledged assets-treasury bills	13,061	–	–	13,061
Trading assets-trading bonds	403	2,522	290	3,215
Pledged assets-bonds	16,420	–	–	16,420
Trading assets-subsidiary trading equities	1,420	–	–	1,420
AFS Investment securities - treasury bills	–	–	–	–
AFS Investment securities-bonds	–	22,897	–	22,897
Equity investments in affiliates/SME	–	–	10,630	10,630
Total	**175,541**	**25,419**	**10,920**	**211,880**

	As of 31 December 2009			
	One year or less	One to five years	More than five years	Total
	(₦ millions)			
Trading assets-trading treasury bills	30,262	–	–	30,262
Pledged assets-treasury bills	6,722	–	–	6,722
Trading assets-trading bonds	48,954	46,365	8,548	103,867
Pledged assets-bonds	15,391	–	–	15,391
Trading assets-subsidiary trading equities	798	–	–	798
AFS Investment securities - treasury bills	–	–	–	–
AFS Investment securities-bonds	–	12,064	–	12,064
Equity investments in affiliates/SME	–	–	7,095	7,095
Total	**102,127**	**58,429**	**15,643**	**176,199**

	As of 31 December 2009			
	One year or less	One to five years	More than five years	Total
	(₦ millions)			
Trading assets-trading treasury bills	1,283	–	–	1,283
Pledged assets-treasury bills	49,305	–	–	49,305
Trading assets-trading bonds	15,990	–	–	15,990
Pledged assets-bonds	2,059	4,375	–	6,434
Trading assets-subsidiary trading equities	2,958	–	–	2,958
AFS Investment securities - treasury bills	43,142	–	–	43,142
AFS Investment securities-bonds	59,954	–	–	59,954
Equity investments in affiliates/SME	–	1,236	5,867	7,103
Total	**174,691**	**5,611**	**5,867**	**186,169**

The Group's loan portfolio

The Group offers a variety of banking products including loans, trade financing, letters of credit and letters of guarantee.

The following table shows the composition of the Group's loans to customers by geographic area as of the dates indicated:

	As of 31 December					
	2010	**% of total**	**2009**	**% of total**	**2008**	**% of total**
	(₦ millions, except %)					
Geographic area:						
Lagos	427,152	67.1	419,931	70.3	285,884	67.1
South East	85,682	13.5	57,251	9.6	27,949	6.6
Abuja & North Central	33,683	5.3	33,084	5.5	30,475	7.2
South-West	33,413	5.2	36,918	6.2	36,774	8.6
Unallocated	27,304	4.3	22,757	3.8	10,094	2.3
North-West	18,791	3.0	9,519	1.6	9,592	2.3
North-East	10,496	1.6	17,591	2.9	25,345	5.9
Total	**636,521**	**100.0**	**597,051**	**100.0**	**426,113**	**100.0**

The following table shows the composition of the Group's contingent liabilities exposure by geographic area as of the dates indicated:

	As of 31 December					
	2010	**% of total**	**2009**	**% of total**	**2008**	**% of total**
	(₦ millions, except %)					
Geographic area:						
Abuja & North Central	164,354	38.7	106,649	32.0	63,135	15.2
Lagos	170,893	40.2	191,610	57.6	318,208	76.8
North-East	9,123	2.1	2,973	0.9	1,933	0.5
North-West	17,636	4.2	11,213	3.4	8,807	2.1
South-East	30,966	7.3	14,725	4.4	8,720	2.1
South-West	8,774	2.1	5,519	1.7	3,664	0.9
Unallocated	23,242	5.5	131	–	9,656	2.3
Total	**424,988**	**100.0**	**332,820**	**100**	**414,123**	**100.0**

Loans

The following table shows the composition of the Group's gross loans to customers by industry sector as of the dates indicated:

	As of 31 December		
	2010	2009	2008
	(₦ millions, except %)		
Category:			
Oil and gas	137,892	107,174	47,902
Manufacturing	116,913	114,888	74,700
General commerce	69,090	51,061	72,694
Information and communication	62,623	48,887	8,926
Construction	41,061	43,418	27,004
Real estate activities	38,547	34,547	29,807
General	38,389	48,841	56,822
Transportation and storage	27,801	23,514	17,987
Capital market	25,242	45,531	34,264
Education	23,780	20,968	15,984
Finance and insurance	21,753	16,054	15,056
Government	13,204	23,809	9,978
Human health and social work activities	6,794	5,964	3,576
Professional, scientific and technical activities	6,438	7,401	6,268
Agriculture, forestry and fishing	3,933	2,692	1,462
Administrative and support service activities	1,307	1,242	1,537
Mining and quarrying	1,234	277	1,118
Arts, entertainment and recreation	319	665	936
Water supply, sewerage, waste management and remediation activities	147	93	89
Activities of extraterritorial organizations and bodies	27	4	3
Power and energy	27	21	–
Total	**636,521**	**597,051**	**426,113**

The following table shows the composition of the Group's gross loans to customers in Naira by industry sector as of the dates indicated:

	As of 31 December		
	2010	2009	2008
	(₦ millions, except %)		
Category:			
Manufacturing	85,830	81,613	44,479
Oil and gas	80,712	69,350	17,469
General commerce	60,506	40,569	60,594
Information and communication	56,564	47,594	8,883
General	30,868	28,250	52,693
Construction	28,989	665	23,715
Real estate activities	28,791	25,334	21,037
Capital market	24,910	1,827	34,264
Education	22,737	45,415	15,984
Government	13,204	22,837	9,978
Transportation and storage	12,885	14,809	9,548
Finance and insurance	9,482	15,738	15,056
Human health and social work activities	6,794	5,964	3,576
Professional, scientific and technical activities	5,808	7,216	6,188
Agriculture, forestry and fishing	2,730	17,250	1,308
Administrative and support service activities	1,275	38,276	1,505
Mining and quarrying	361	277	1,113
Arts, entertainment and recreation	319	1,242	936
Water supply, sewerage, waste management and remediation activities	147	93	89
Activities of extraterritorial organizations and bodies	27	4	3
Power and energy	22	21	–
Total	**472,961**	**464,344**	**328,418**

The following table shows the composition of the Group's gross loans to customers in foreign currencies by industry sector as of the dates indicated:

	As of 31 December		
	2010	2009	2008
	(₦ millions, except %)		
Category:			
Oil and gas	57,180	37,824	30,433
Manufacturing	31,083	33,275	30,221
Transportation and storage	14,916	8,705	8,439
Finance and insurance	12,271	316	–
Construction	12,072	5,142	3,289
Real estate activities	9,756	9,213	8,770
General commerce	8,584	10,492	12,100
General	7,521	20,591	4,129
Information and communication	6,059	1,293	43
Agriculture, forestry and fishing	1,203	865	154
Education	1,043	3,718	–
Mining and quarrying	873	–	5
Professional, scientific and technical activities	630	185	80
Capital market	332	116	–
Administrative and support service activities	32	–	32
Power and energy	5	–	–
Activities of extraterritorial organizations and bodies	–	–	–
Arts, entertainment and recreation	–	–	–
Government	–	972	–
Human health and social work activities	–	–	–
Water supply, sewerage, waste management and remediation activities	–	–	–
Total	**163,560**	**132,707**	**97,695**

Contingent liabilities

The following table shows the composition of the Group's contingent liabilities and commitments (including acceptances and guaranteed commercial paper, transaction related bonds and guarantees, guaranteed facilities, short term foreign currency related transactions, clean line facilities for letters of credit and other commitments) in Naira and foreign currencies by industry sector as of the dates indicated:

	As of 31 December		
	2010	**2009**	**2008**
	(₦ millions, except %)		
Category:			
Construction	214,444	130,723	76,787
General commerce	58,613	67,051	77,223
Manufacturing	33,579	26,958	34,166
Oil and gas	24,247	29,447	47,937
Unallocated	22,903	16,439	24,579
General	16,111	6,551	19,961
Information and communication	12,799	15,787	23,463
Professional, scientific and technical activities	12,470	8,041	9,417
Government	11,082	3,306	9,048
Finance and insurance	7,396	15,049	77,830
Power and energy	7,226	6,756	550
Transportation and storage	1,284	3,377	6,827
Real estate activities	1,217	1,543	2,459
Education	404	200	–
Water supply, sewerage, waste management and remediation activities	329	8	28
Administrative and support service activities	278	675	586
Human health and social work activities	243	48	822
Agriculture, forestry and fishing	216	9	17
Activities of extraterritorial organizations and bodies	148	148	155
Arts, entertainment and recreation	–	682	2,098
Capital market	–	22	170
Total	**424,989**	**332,820**	**414,123**

The following table shows the composition of the Group's contingent liabilities and commitments (including acceptances and guaranteed commercial paper, transaction related bonds and guarantees, guaranteed facilities, short term foreign currency related transactions, clean line facilities for letters of credit and other commitments) in Naira by industry sector as of the dates indicated:

	As of 31 December		
	2010	**2009**	**2008**
	(₦ millions, except %)		
Category:			
Construction	202,530	123,576	71,848
General commerce	24,181	38,078	51,794
Oil and gas	11,723	18,800	24,810
Government	11,082	3,306	9,048
Professional, scientific and technical activities	8,619	5,526	8,895
Finance and insurance	5,157	5,537	76,985
Manufacturing	4,904	5,785	11,781
Information and communication	2,305	2,513	7,545
Power and energy	1,789	1,669	280
Real estate activities	1,072	1,543	2,321
Transportation and storage	1,011	1,257	6,126
General	1,006	2,588	19,203
Education	404	200	–
Water supply, sewerage, waste management and remediation activities	311	1	28
Human health and social work activities	243	48	513
Administrative and support service activities	234	616	585
Unallocated	199	142	32
Agriculture, forestry and fishing	150	2	17
Activities of extraterritorial organizations and bodies	148	148	155
Arts, entertainment and recreation	–	682	2,098
Capital market	–	–	142
Total	**277,068**	**212,017**	**294,206**

The following table shows the composition of the Group's contingent liabilities exposure in foreign currencies by industry sector as of the dates indicated:

	As of 31 December		
	2010	**2009**	**2008**
	(₦ millions, except %)		
Category:			
General commerce	34,432	28,973	25,429
Manufacturing	28,675	21,173	22,385
Unallocated	22,704	16,297	24,547
General	15,105	3,963	758
Oil and gas	12,524	10,647	23,127
Construction	11,914	7,147	4,939
Information and communication	10,494	13,274	15,918
Power and energy	5,437	5,087	270
Professional, scientific and technical activities	3,851	2,515	522
Finance and insurance	2,239	9,512	845
Transportation and storage	273	2,120	701
Real estate activities	145	–	138
Agriculture, forestry and fishing	66	7	–
Administrative and support service activities	44	59	1
Water supply, sewerage, waste management and remediation activities	18	7	–
Activities of extraterritorial organizations and bodies	–	–	–
Arts, entertainment and recreation	–	–	–
Capital market	–	22	28
Education	–	–	–
Government	–	–	–
Human health and social work activities	–	–	309
Total	**147,921**	**120,803**	**119,917**

Maturity profile of loan portfolio

The following tables show certain information as to the maturity of the Group's loan portfolio as of the dates indicated:

	As of 31 December 2010					
	One Month or Less	One to five months	Five to ten months	More than ten months	Unallocated	Total
			(₦ millions)			
Category:						
Oil and gas	38,959	13,022	59,413	26,498	–	137,892
Manufacturing	3,693	16,411	20,866	75,943	–	116,913
General commerce	22,147	15,635	13,920	17,388	–	69,090
Information and communication	4,422	1,979	2,108	54,114	–	62,623
Construction	11,535	8,142	10,031	11,353	–	41,061
Real estate activities	5,112	6,228	1,444	25,763	–	38,547
General	7,502	3,416	5,604	21,867	–	38,389
Transportation and storage	1,041	932	3,976	21,852	–	27,801
Capital market	21,107	1,777	981	1,377	–	25,242
Education	1,141	1,880	2,109	18,650	–	23,780
Finance and insurance	3,175	645	14,132	3,801	–	21,753
Government	5,115	2,005	278	5,806	–	13,204
Human health and social work activities	523	82	539	5,650	–	6,794
Professional, scientific and technical activities	1,151	1,447	1,086	2,754	–	6,438
Agriculture, forestry and fishing	708	522	97	2,606	–	3,933
Administrative and support service activities	147	140	467	553	–	1,307
Mining and quarrying	172	4	107	951	–	1,234
Arts, entertainment and recreation	29	–	76	214	–	319
Water supply, sewerage, waste management and remediation activities	22	13	61	51	–	147
Activities of extraterritorial organizations and bodies	–	–	2	25	–	27
Power and energy	20	7	–	–	–	27
Total	**127,721**	**74,287**	**137,297**	**297,216**	**–**	**636,521**

	As of 31 December 2009					
	One Month or Less	One to five months	Five to ten months	More than ten months	Unallocated	Total
			(₦ millions)			
Category:						
Manufacturing	10,356	67,517	11,104	25,911	–	114,888
Oil and gas	16,712	68,875	983	20,604	–	107,174
General commerce	11,824	13,902	14,144	11,191	–	51,061
Information and communication	1,525	2,409	2,274	42,679	–	48,887
General	4,869	20,742	2,546	20,684	–	48,841
Capital market	13,441	16,000	3,633	12,457	–	45,531
Construction	1,500	5,597	3,026	33,295	–	43,418
Real estate activities	2,446	20,875	1,847	9,379	–	34,547
Government	2,005	1,128	1,133	19,543	–	23,809
Transportation and storage	2,062	20,180	581	691	–	23,514
Education	969	4,027	1,606	14,366	–	20,968
Finance and insurance	3,196	3,950	289	8,619	–	16,054
Professional, scientific and technical activities	1,392	707	1,241	4,061	–	7,401
Human health and social work activities	151	89	304	5,420	–	5,964
Agriculture, forestry and fishing	686	300	808	898	–	2,692
Administrative and support service activities	393	272	39	538	–	1,242
Arts, entertainment and recreation	95	14	15	541	–	665
Mining and quarrying	112	4	11	150	–	277
Water supply, sewerage, waste management and remediation activities	10	16	65	2	–	93
Power and energy	–	–	–	21	–	21
Activities of extraterritorial organizations and bodies	–	–	–	4	–	4
Total	**73,744**	**246,604**	**45,649**	**231,054**	**–**	**597,051**

	As of 31 December 2008					
	One Month or Less	One to five months	Five to ten months	More than ten months	Unallocated	Total
			(₦ millions)			
Category:						
Manufacturing................	4,284	17,940	11,188	41,288	–	74,700
General commerce........	37,991	13,837	13,108	7,758	–	72,694
General.........................	6,703	13,008	4,418	32,693	–	56,822
Oil and gas	3,967	18,759	10,825	14,351	–	47,902
Capital market	6,972	10,178	8,421	8,693	–	34,264
Real estate activities	1,605	3,526	936	23,740	–	29,807
Construction	440	2,332	3,714	20,518	–	27,004
Transportation and storage	288	1,885	646	15,168	–	17,987
Education	333	117	238	15,296	–	15,984
Finance and insurance..	1,417	3,458	2,616	7,565	–	15,056
Government	169	4	75	9,730	–	9,978
Information and communication	2,013	387	834	5,692	–	8,926
Professional, scientific and technical activities	436	700	601	4,531	–	6,268
Human health and social work activities............	34	37	70	3,435	–	3,576
Administrative and support service activities........	285	371	247	634	–	1,537
Agriculture, forestry and fishing	325	341	54	742	–	1,462
Mining and quarrying	62	92	175	789	–	1,118
Arts, entertainment and recreation	21	–	17	898	–	936
Water supply, sewerage, waste management and remediation activities..	–	3	–	86	–	89
Activities of extraterritorial organizations and bodies.......................	3	–	–	–	–	3
Power and energy	–	–	–	–	–	–
Total	**67,348**	**86,975**	**58,183**	**213,607**	**–**	**426,113**

The following tables set forth contingent liability exposure information as to the maturity of the Group's contingent liabilities as of the dates indicated:

	As of 31 December 2010					
	Under one month	**One to Five months**	**Five to ten months**	**More than ten months**	**Unallocated**	**Total**
			(₦ millions)			
Category:						
Construction	25,363	49,949	13,462	125,670	–	214,444
General commerce	10,414	31,182	6,826	10,191	–	58,273
Manufacturing	4,828	19,699	3,869	5,183	–	33,579
Oil and gas	356	12,969	392	10,530	–	24,247
Unallocated	–	–	–	22,903	–	22,903
General	221	5,470	85	10,335	–	16,111
Information and communication	999	4,092	771	6,937	–	12,799
Professional, scientific and technical activities	546	3,400	3,551	4,973	–	12,470
Government	–	7,000	–	4,082	–	11,082
Finance and insurance	4,922	1,091	1,095	288	–	7,396
Power and energy	372	1,685	3,140	2,029	–	7,226
Transportation and storage	84	730	103	367	–	1,284
Real estate activities	–	122	92	1,003	–	1,217
Education	–	–	204	200	–	404
Water supply, sewerage, waste management and remediation activities	261	37	6	25	–	329
Administrative and support service activities	3	58	51	166	–	278
Human health and social work activities	44	3	196	–	–	243
Agriculture, forestry and fishing	–	48	168	–	–	216
Activities of extraterritorial organizations and bodies	–	–	–	148	–	148
Arts, entertainment and recreation	–	–	–	–	–	–
Capital market	–	–	–	–	–	–
Total	**48,413**	**137,535**	**34,011**	**205,030**	**–**	**424,988**

	As of 31 December 2009					
	Under one month	One to Five months	Five to ten months	More than ten months	Unallocated	Total
			(₦ millions)			
Category:						
Construction	4,307	9,000	12,069	105,347	–	130,723
General commerce	1,238	35,709	18,383	11,721	–	67,051
Oil and gas	385	26,491	880	1,691	–	29,447
Manufacturing	1,001	21,088	3,123	1,746	–	26,958
Unallocated	–	–	–	16,439	–	16,439
Information and communication	233	570	1,542	13,442	–	15,787
Finance and insurance	13,581	1,267	36	165	–	15,049
Professional, scientific and technical activities	220	2,371	2,075	3,375	–	8,041
Power and energy	40	712	3,927	2,077	–	6,756
General	819	1,013	156	4,563	–	6,551
Transportation and storage	208	700	209	2,260	–	3,377
Government	–	793	–	2,513	–	3,306
Real estate activities	–	4	–	1,539	–	1,543
Arts, entertainment and recreation	4	–	–	678	–	682
Administrative and support service activities	–	62	25	588	–	675
Education	–	–	–	200	–	200
Activities of extraterritorial organizations and bodies	–	–	–	148	–	148
Human health and social work activities	45	3	–	–	–	48
Capital market	–	22	–	–	–	22
Agriculture, forestry and fishing	–	7	–	2	–	9
Water supply, sewerage, waste management and remediation activities	1	7	–	–	–	8
Total	**22,082**	**99,819**	**42,425**	**168,494**	**–**	**332,820**

	As of 31 December 2008					
	Under one month	**One to Five months**	**Five to ten months**	**More than ten months**	**Unallocated**	**Total**
			(₦ millions)			
Category:						
Finance and insurance..	64,158	4,303	1,226	8,143	–	77,830
General commerce........	22,716	38,653	11,123	4,731	–	77,223
Construction	40,060	11,191	8,619	16,917	–	76,787
Oil and gas	7,558	23,771	318	16,290	–	47,937
Manufacturing................	5,065	26,075	2,023	1,003	–	34,166
Unallocated	–	–	–	24,579	–	24,579
Information and communication	5,464	2,929	606	14,464	–	23,463
General..........................	16,938	1,606	92	1,325	–	19,961
Professional, scientific and technical activities	1,683	4,800	2,482	452	–	9,417
Government	2,582	5,619	–	847	–	9,048
Transportation and storage	5,477	1,164	177	9	–	6,827
Real estate activities	716	199	854	690	–	2,459
Arts, entertainment and recreation	1,317	–	103	678	–	2,098
Human health and social work activities............	513	309	–	–	–	822
Administrative and support service activities........	382	151	26	27	–	586
Power and energy	–	30	27	493	–	550
Capital market	142	28	–	–	–	170
Activities of extraterritorial organizations and bodies........................	155	–	–	–	–	155
Water supply, sewerage, waste management and remediation activities	28	–	–	–	–	28
Agriculture, forestry and fishing........................	17	–	–	–	–	17
Education	–	–	–	–	–	–
Total	**174,971**	**120,828**	**27,676**	**90,648**	**–**	**414,123**

The following table shows certain information as to the size of the Group's loan portfolio as of the dates indicated. The Group does not have any fixed rate loans. However, if interest rates on floating rate assets and liabilities held at amortised cost and those accounted for at fair value through profit or loss is increased or decreased by 200 basis points with all other variables held constant, the impact on profit or loss would have been as set out in the table below:

	For the year ended 31 December				For the 10-month period ended 31 December	
	2010		2009		2008	
	Pre-tax	Post-tax	Pre-tax	Post-tax	Pre-tax	Post-tax
	(₦ millions)					
Decrease	(4,400)	(3,637)	(4,580)	(3,742)	(5,721)	(4,547)
Increase	4,400	3,637	4,580	3,742	5,721	4,547

The following table shows the composition of the Group's loans to customers by currency exposure as of the dates indicated:

	As of 31 December		
	2010	2009	2008
	(₦ millions)		
Loans:			
Naira	472,961	465,924	328,418
U.S. Dollar	89,885	111,911	93,625
Euro	7	–	–
Unallocated	70,804	18,313	2,946
Pound Sterling	2,864	903	1,124
Japanese Yen	–	–	–
Total	**636,521**	**597,051**	**426,113**

The following table shows the composition of the Group's contingent liability exposure by currency exposure as of the dates indicated:

	As of 31 December		
	2010	2009	2008
	(₦ millions)		
Contingent liabilities:			
Naira	277,068	211,875	294,171
U.S. Dollar	119,597	95,165	85,736
Euro	5,197	7,852	7,004
Pound Sterling	14,415	6,621	41
Other	8,711	11,308	27,171
Total	**424,989**	**332,820**	**414,123**

The following table shows the composition of the Group's loans to customers by size as of the dates indicated:

	As of 31 December		
	2010	**2009**	**2008**
		(₦ millions)	
Loans:			
Greater than ₦500 million	442,130	374,132	177,981
Greater than ₦100 million but less than ₦500 million	104,912	106,628	99,924
Greater than ₦50 million but less than ₦100 million	30,856	61,646	97,648
Greater than ₦15 million but less than ₦50 million	33,314	32,538	31,364
Greater than ₦5 million but less than ₦15 million	11,320	11,549	11,188
Less than ₦5 million	13,989	10,558	8,010
Unallocated	–	–	–
Total	**424,988**	**597,051**	**426,115**

The following table shows the composition of the Group's contingent liability exposure by size as of the dates indicated:

	As of 31 December		
	2010	**2009**	**2008**
		(₦ millions)	
Contingent liabilities:			
Greater than ₦500 million	296,387	216,242	229,466
Greater than ₦100 million but less than ₦500 million	83,385	74,686	113,920
Greater than ₦50 million but less than ₦100 million	17,991	20,765	29,125
Greater than ₦15 million but less than ₦50 million	21,162	14,496	30,291
Greater than ₦5 million but less than ₦15 million	5,612	5,633	9,252
Less than ₦5 million	112	999	2,069
Unallocated	–	–	–
Total	**424,649**	**332,821**	**414,123**

Outstanding foreign currency loans to borrowers outside Nigeria

The Bank did not have any outstanding foreign currency loans to borrowers outside Nigeria as of 31 December 2010.

Loan losses

The following table shows the movements in allowance for loan losses of the Group as of the dates indicated:

	As of 31 December		
	2010	2009	2008
	(₦ millions, except %)		
Balance at beginning of period:			
Administrative and support service activities	42	–	–
Agriculture, forestry and fishing	529	138	104
Arts, entertainment and recreation	13	–	47
Capital market	8,123	35	35
Construction	922	–	–
Education	111	77	16
Finance and insurance	768	64	24
General	2,733	70	70
General commerce	2,332	1,410	949
Government	53	27	1
Human health and social work activities	247	–	–
Information and communication	247	1,927	203
Manufacturing	1,347	271	292
Mining and quarrying	112	4	4
Oil and gas	1,147	74	74
Power and energy	–	–	–
Professional, scientific and technical activities	725	4	–
Real estate activities	1,202	180	105
Transportation and storage	1,664	26	24
Water supply, sewerage, waste management and remediation activities	1	–	–
Total	**22,318**	**4,307**	**1,948**
Charge for the year:			
Agriculture, forestry and fishing	352	403	34
Arts, entertainment and recreation	8	–	624
Capital market	(4,290)	6,154	–
Construction	8,768	272	–
Education	80	34	61
Finance and insurance	331	753	40
General	464	–	–
General commerce	2,728	7,785	466
Government	142	27	26
Human health and social work activities	–	–	–
Information and communication	1,380	594	1,794
Manufacturing	–	650	122
Mining and quarrying	572	11,121	–
Oil and gas	–	887	–
Power and energy	36	–	–
Professional, scientific and technical activities	–	14	4
Real estate activities	190	1,619	75
Transportation and storage	–	1,654	1,790
Total	**10,761**	**31,967**	**5,036**

	As of 31 December		
	2010	2009	2008
	(₦ millions, except %)		
Recoveries:			
Agriculture, forestry and fishing	–	11	–
Arts, entertainment and recreation	–	–	671
Finance and insurance	91	52	–
General	197	11	–
General commerce	104	60	–
Manufacturing	–	75	143
Mining and quarrying	–	3	–
Professional, scientific and technical activities	–	17	–
Real estate activities	–	17	–
Transportation and storage	–	18	–
Total	**392**	**264**	**814**
Charge for the year less recoveries	**10,369**	**31,703**	**4,222**
Write offs:			
Capital market	20	–	–
Finance and insurance	136	–	–
General	27	–	–
General commerce	14	231	–
Information and communication	–	2,121	1,821
Manufacturing	–	56	–
Mining and quarrying	–	11,295	–
Transportation and storage	–	–	37
Total	**197**	**13,703**	**1,858**
Effect of foreign exchange	(62)	11	(5)
Balance at the end of period	32,428	22,318	4,217
Gross loans	**636,521**	**597,051**	**426,114**
Average loans	**573,279**	**501,892**	**380,366**
Ratio of net charge-offs during the period to average loans outstanding during the period	**1.81**	**6.32**	**1.11**

The following table shows an analysis of allowance for loan losses of the Group by industry sector as of the dates indicated:

	As of 31 December 2010		
	2010	**2009**	**2008**
		(₦ millions)	
Charge for the year:			
Agriculture, forestry and fishing	352	403	34
Arts, entertainment and recreation	8	–	624
Capital market	–	6,154	–
Construction	4,478	272	–
Education	80	34	61
Finance and insurance	331	753	40
General	464	–	–
General commerce	2,728	7,785	466
Government	142	27	26
Human health and social work activities	–	–	–
Information and communication	1,380	594	1,794
Manufacturing	–	650	122
Mining and quarrying	572	11,121	–
Oil and gas	–	887	–
Power and energy	36	–	–
Professional, scientific and technical activities	–	14	4
Real estate activities	190	1,619	75
Transportation and storage	–	1,654	1,790
Total	**10,761**	**31,967**	**5,036**
Recoveries:			
Agriculture, forestry and fishing	–	11	–
Arts, entertainment and recreation	–	–	671
Finance and insurance	91	52	–
General	197	11	–
General commerce	104	60	–
Manufacturing	–	75	143
Mining and quarrying	–	3	–
Professional, scientific and technical activities	–	17	–
Real estate activities	–	17	–
Transportation and storage	–	18	–
Total	**392**	**264**	**814**

The following table sets forth an analysis of allowance for loan losses of the Group by amount and percentage as of the dates indicated:

	As of 31 December					
	2010		2009		2008	
	Amount	% of total	Amount	% of total	Amount	% of total
	(₦ millions, except %)					
Retail customers:						
Mortgage lending	11,182	34.5	6,843	30.7	190	4.4
Personal loans	1,213	3.7	254	1.1	161	3.7
Corporate customers:						
Finance leases	–	0.0	–	0.0	–	0.0
Other secured lending ..	20,033	61.8	15,221	68.2	3,956	91.9
Unallocated	–	0.0	–	0.0	–	0.0
Total loans....................	**32,428**	**100.0**	**22,318**	**100.0**	**4,307**	**100.0**

Loans by credit quality classification

The following table shows the Group's loans by credit quality classification as of the dates indicated:

	Loans and advances to customers			Loans and advances to banks			Investment securities		
	As of 31 December								
	2010	2009	2008	2010	2009	2008	2010	2009	2008
	(₦ millions)								
Carrying amount	603,907	574,587	421,773	186	146	34	33,526	19,159	110,199
Assets at amortised cost									
Individually impaired									
Grade 10: Impaired	39,031	19,753	3,196	90	90	90	1,870	1,870	–
Gross amount	39,031	19,753	3,196	90	90	90	1,870	1,870	–
Allowance for impairment	(29,969)	(19,497)	(3,196)	(36)	(90)	(90)	(1,330)	(1,330)	–
Carrying amount	9,062	256	–	54	–	–	540	540	–
Collectively impaired									
Grade 1-6: Low-fair risk	234,126	205,352	335,024	1	93	34	–	–	–
Grade 7-9: Watch list	95	1,124	2,158	–	–	–	–	–	–
Gross amount	234,221	206,476	337,182	1	93	34	–	–	–
Allowance for impairment	(2,423)	(2,730)	(1,019)	–	(0.4)	(0.118)	–	–	–
Carrying amount	231,798	203,746	336,163	1	93	34	–	–	–
Past due but not impaired									
Grade 1-6: Low-fair-risk	3,840	3,526	36	–	–	–	–	–	–
Carrying amount	3,840	3,526	36	–	–	–	–	–	–
Past due comprises:									
90 -180 days	3,840	3,526	36	–	–	–	–	–	–
Carrying amount	3,840	3,526	36	–	–	–			–
Neither past due nor impaired Grade 1-3: Low-fair risk	359,207	367,059	85,574	131	53	–	–	–	–
Carrying amount	359,207	367,059	85,574	131	53	–	–	–	–
Held to maturity assets (HTM) Grade 1–6: Low-fair risk	–	–	–	–	–	–	32,986	18,619	110,199
Total carrying amount	**603,907**	**574,587**	**421,773**	**187**	**146**	**34**	**33,526**	**19,159**	**110,199**

	As of 31 December					
	2010		2009		2008	
	Amount	% of total	Amount	% of total	Amount	% of total
	(₦ millions, except %)					
Individually impaired	39,121	6.1	19,843	3.3	3,286	0.8
Collectively impaired	234,222	36.8	206,569	34.6	337,217	79.1
Past due but not impaired	3,840	0.6	3,526	0.6	36	0.0
Neither past due nor impaired	359,338	56.5	367,112	61.5	85,574	20.1
Total non-performing loans	39,121	6.1	19,843	3.3	3,286	0.8
Total loans	**636,521**	**100.0**	**597,051**	**100.0**	**426,114**	**100.0**

The following table shows the non-performing loans held by the Group, by domicile and type of customer:

	As of 31 December		
	2010	2009	2008
	(₦ millions, except %)		
Domestic:			
Construction	12,144	551	–
General commerce	6,208	2,595	613
Capital market	4,597	7,844	–
Information and communication	3,420	194	1,805
General	2,718	2,612	607
Finance and insurance	3,404	680	15
Real estate activities	1,636	981	–
Oil and gas	903	802	–
Agriculture, forestry and fishing	1,210	521	132
Professional, scientific and technical activities	791	696	3
Education	476	27	15
Government	472	–	–
Manufacturing	584	396	9
Mining and quarrying	147	111	–
Human health and social work activities	120	218	–
Transportation and storage	272	1,570	52
Arts, entertainment and recreation	12	9	6
Power and energy	6	–	–
Administrative and support service activities	1	36	30
Total domestic	39,121	19,843	3,287
International	–	–	–
Total	**39,121**	**19,843**	**3,287**
Gross loans	**636,521**	**597,051**	**426,113**
Non-performing loans as a percentage of total loans	6.15	3.32	0.77

The following table shows the interest collected and included in income of the Group on non-accruing loans as of the dates indicated:

	As of 31 December		
	2010	2009	2008
		(₦ millions)	
Interest accrued in accordance with contractual terms in prior years	425	35	20
Interest accrued in accordance with contractual terms in current years	–	–	–

Deposits

The following table shows the composition of the Bank's average deposits by amount for the financial years and periods indicated:

	For the year ended 31 December		For the 10-month period ended 31 December
	2010	2009	2008
		(₦ millions)	
Domestic branches:			
Non-interest bearing demand deposit	384,170	262,340	229,941
Interest bearing demand deposit	11,502	16,355	21,154
Saving deposit	79,125	50,833	36,027
Time deposit	290,980	223,168	128,334
Total domestic deposits	**765,778**	**552,696**	**415,456**
Foreign branches	–	–	–
Total deposits	**765,778**	**552,696**	**415,456**

The following table shows the types of customer deposits and interest-bearing liabilities of the Group as of the dates indicated:

	As of 31 December											
	2010				2009				2008			
	Demand	Time	Total	%	Demand	Time	Total	%	Demand	Time	Total	%
					(₦ Millions, except percentages)							
Foreign currency deposits	106,834	18,140	124,974	16.0	66,920	5,042	71,962	10.3	67,049	–	67,049	12.6
Savings deposits	107,125	–	107,125	13.7	60,053	–	60,053	8.6	45,212	–	45,212	8.5
Demand deposits	293,794	–	293,794	37.7	221,784	–	221,784	31.8	203,403	–	203,403	38.2
Time deposits	–	227,195	229,843	29.2	–	313,123	313,123	44.9	–	153,599	153,586	28.9
Interbank deposits	26,027	–	26,027	3.3	31,187	–	31,187	4.5	62,989	–	62,989	11.8
Other	–	–	–	–	–	–	–	–	–	–	–	–
Total	**533,780**	**245,335**	**779,115**	**100**	**379,944**	**318,165**	**698,109**	**100.0**	**378,641**	**153,599**	**532,239**	**100.0**

Maturity of time deposits by amount

The following table shows the maturity of time deposits by amount of the Group as of the dates indicated:

	As of 31 December 2010	
	Issued by domestic offices	**Issued by foreign offices**
	(₦ millions)	
Three months or less	222,510	13,214
From over three months to six months	4,649	2,939
From over six months to 12 months	34	1,969
Over 12 months	2	18
Total	**227,195**	**18,140**

	As of 31 December 2009	
	Issued by domestic offices	**Issued by foreign offices**
	(₦ millions)	
Three months or less	306,911	4,042
From over three months to six months	2,309	–
From over six months to 12 months	3,903	–
Over 12 months	–	1,000
Total	**313,123**	**5,042**

	As of 31 December 2009	
	Issued by domestic offices	**Issued by foreign offices**
	(₦ millions)	
Three months or less	148,902	–
From over three months to six months	1,864	–
From over six months to 12 months	2,209	–
Over 12 months	624	–
Total	**153,599**	**–**

The following tables show the Group's balance sheet maturity profile as of the dates indicated:

	As of 31 December 2010		
	0 to three months	Three to 12 months	More than one year
		(₦ millions)	
Assets:			
Cash and cash equivalents	272,010	1,064	–
Banks and other financial institutions	–	–	–
Pledged assets	14,071	1,411	14,000
Marketable securities	148,872	–	–
Investment securities	608	171	32,747
Loans	191,443	136,317	276,333
Interest and other income accruals	–	–	–
Reserve requirements	–	–	–
	627,004	**138,963**	**323,080**
Liabilities:			
Deposits	743,477	9,591	20
Interbank money market	26,027	–	–
Borrowings	–	98	22,936
Debt securities issued	–	2,041	64,846
Interest and expense accruals	–	–	–
Tax and other duties payable	–	14,966	–
Total	**769,504**	**26,696**	**87,802**

	As of 31 December 2009		
	0 to three months	Three to 12 months	More than one year
		(₦ millions)	
Assets:			
Cash and cash equivalents	253,701	2,244	–
Banks and other financial institutions	–	–	–
Pledged assets	22,113	–	–
Marketable securities	115,018	19,909	–
Investment securities	–	11,931	7,228
Loans	299,683	53,178	221,872
Interest and other income accruals	–	–	–
	690,515	**87,262**	**229,100**
Liabilities:			
Deposits from customers	659,710	17,462	1,000
Deposit from banks	19,937	–	–
Borrowings	58	–	12,333
Debt securities issued	1,888	–	65,485
Total	**681,593**	**17,462**	**78,818**

	As of 31 December 2008		
	0 to three months	Three to 12 months	More than one year
Assets:			
Cash and cash equivalents	274,634	–	–
Banks and other financial institutions	–	–	–
Pledged assets	38,697	17,042	–
Marketable securities	20,231	–	–
Investment securities	39,685	26,042	44,472
Loans	417,300	4,261	4,245
	790,547	**47,963**	**48,717**
Liabilities:			
Deposits	464,553	4,073	624
Interbank money market	62,989	–	–
Borrowings	163	209	13,849
Debt securities issued	–	–	50,103
Total	**527,705**	**44,282**	**64,576**

Foreign currency position

The following table shows the Bank's net short (long) position in foreign currencies as of the dates indicated:

	As of 31 December		
	2010	2009	2008
	(₦ millions equivalent of foreign currencies, except %)		
Average net short/(long) position	783,321	624,442	4,361,322
As a percentage of average foreign currency liabilities (%)	0.30	0.17	2.01
As a percentage of average shareholder's equity (%)	0.40	0.34	2.56
As a percentage of average total assets (%)	0.07	0.06	0.53

Repricing analysis

The following tables indicate the periods in which the Group's financial assets and liabilities reprice as of the dates indicated:

	As of 31 December 2010					
	Carrying amount	Less than three months	Between three and six	Between six and twelve	Between one and five	More than 5 years
			(₦ thousands)			
Cash and cash equivalents	273,074,591	272,010,143	–	1,064,448	–	–
Trading securities	148,872,254	148,872,254	–	–	–	–
Pledged assets	29,481,804	14,071,142	1,410,662	–	14,000,000	–
Derivative assets held for risk management	–	–	–	–	–	–
Loans and advances to banks	186,480	186,480	–	–	–	–
Loans and advances to customers	603,906,669	603,906,669	–	–	–	–
Investment securities	33,526,342	608,071	171,452	–	22,117,251	10,629,568
Total	**1,089,048,140**	**1,039,654,759**	**1,582,115**	**1,064,448**	**36,117,251**	**10,629,568**
Deposits from banks	26,026,980	26,026,980	–	–	–	–
Deposits from customers	753,088,230	743,477,429	7,587,211	2,003,563	20,026	–
Debt securities issued	66,886,763	–	2,041,094	–	64,845,669	–
Other borrowed funds	23,033,947	–	97,680	–	22,936,267	–
Total	**869,035,919**	**769,504,409**	**9,725,985**	**2,003,563**	**87,801,961**	–
Difference	**220,012,221**	**270,150,349**	**(8,143,871)**	**(939,115)**	**(51,684,710)**	**10,629,568**

	As of 31 December 2009					
	Carrying amount	Less than three months	Between three and six	Between six and twelve	Between one and five	More than 5 years
			(₦ thousands)			
Cash and cash equivalents	255,944,975	253,701,375	2,243,600	–	–	–
Trading securities	134,926,969	115,018,299	18,937,544	971,126	–	–
Pledged assets	22,112,657	22,112,657	–	–	–	–
Derivative assets held for risk management	–	–	–	–	–	–
Loans and advances to banks	146,002	146,002	–	–	–	–
Loans and advances to customers	574,586,579	488,656,459	–	750,000	64,928,000	20,252,120
Investment securities	19,159,408	815,820	–	11,931,477	–	6,412,111
Total	**1,006,876,590**	**880,450,612**	**21,181,144**	**13,652,603**	**64,928,000**	**26,664,231**
Deposits from banks	31,187,065	19,936,793	11,250,272	–	–	–
Deposits from customers	666,921,855	659,709,685	2,309,041	3,902,857	1,000,272	–
Debt securities issued	67,373,122	1,887,572	–	–	65,485,550	–
Other borrowed funds	12,390,288	57,720	–	–	12,332,568	–
Total	**777,872,330**	**681,591,770**	**13,559,313**	**3,902,857**	**78,818,390**	–
Difference	**229,004,260**	**198,858,842**	**7,621,831**	**9,749,746**	**(13,890,390)**	**26,664,231**

	As of 31 December 2008					
	Carrying amount	Less than three months	Between three and six	Between six and twelve	Between one and five	More than 5 years
			(₦ thousands)			
Cash and cash equivalents	274,639	274,634	–	–	–	–
Trading securities	20,231	20,231	–	–	–	–
Pledged assets	55,738	38,697	3,417	13,630	–	–
Derivative assets held for risk management	4,618	–	4,618	–	–	–
Loans and advances to banks	34	34	–	–	–	–
Loans and advances to customers	421,773	417,266	249	12	3,456	789
Investment securities	110,199	39,685	2,492	23,550	41,296	3,175
Total	887,227	790,547	10,771	37,191	44,753	3,965
Deposits from banks	62,989	62,989	–	–	–	–
Deposits from customers	469,250	464,553	1,864	2,209	624	–
Debt securities issued	50,103	–	–	–	50,103	–
Other borrowed funds	14,221	163	–	209	7,134	6,715
Total	596,563	527,705	1,864	2,418	57,861	6,715
Difference	290,664	262,842	8,908	34,774	(13,108)	(2,750)

The following table shows the Bank's net short (long) position in foreign currencies as of the dates indicated:

	As of 31 December		
	2010	2009	2008
	(₦ millions equivalent of foreign currencies, except %)		
Average net short/(long) position	783,321	624,442	4,361,322
As a percentage of average foreign currency liabilities (%)	0.30	0.17	2.01
As a percentage of average shareholder's equity (%)	0.40	0.34	2.56
As a percentage of average total assets (%)	0.07	0.06	0.53

Capital adequacy

The following table sets forth the Group's capital adequacy as of the dates indicated, prepared in accordance with IFRS:

	As of 31 December		
	2010	2009	2008
	(₦ millions, except %)		
Tier 1:			
Share capital and premium	130,735	128,403	126,538
Other reserves	66,828	54,505	36,823
Retained earnings[(1)]	16,660	10,215	13,636
Minority interest	6,031	5,142	4,042
Less:			
Fair value reserves	2,231	(816)	(219)
Goodwill and intangible assets	(1,956)	(2,338)	(2,233)
Total Tier 1 capital	**216,067**	**195,112**	**178,587**
Tier 2:			
Fair value reserves	2,231	816	219
Collective allowance for impairment	2,423	2,731	1,020
Total qualifying capital	**220,721**	**198,659**	**179,825**
Risk weighted assets:			
20 percentage risk	38,545	30,265	16,041
50 percentage risk	204,777	165,503	133,745
100 percentage risk	706,550	647,645	647,169
Total risk weighted assets	**949,872**	**844,752**	**796,955**
Capital adequacy ratios:			
Total regulatory capital/total risk-weighted assets	23.24	23.52	22.56
Total tier 1 capital/total risk-weighted assets	22.11	23.10	22.41

Note:

(1) Retained earnings have been adjusted for allocation and distribution of net profits in accordance with the requirements of Nigeria banking laws.

DIRECTORS AND SENIOR MANAGEMENT

Overview of Nigerian company law

The CAMA regulates the affairs of companies in Nigeria, while the BOFIA regulates the conduct of banking businesses, and the operations of banks in Nigeria. Under Nigerian law, a company acts directly through its shareholders or its board of directors or indirectly through officers or agents appointed by, or under the authority derived from, the shareholders or the board of directors. Every company is required to register a copy of its Memorandum and Articles of Association with the Corporate Affairs Commission. Once registered, the Memorandum and Articles of Association have the effect of a contract under seal between the company and its shareholders and officers and between the shareholders and officers themselves. The Memorandum and Articles of Association, among other things, states the nature of the business of the company and any restrictions on its powers. The respective powers of the shareholders and the board of directors are also contained in the Memorandum and Articles of Association of the company. Except as otherwise contained in the Articles of Association, the business of a company is to be managed by the board of directors, who may in turn delegate its powers to board of directors committees and/or the Managing Director.

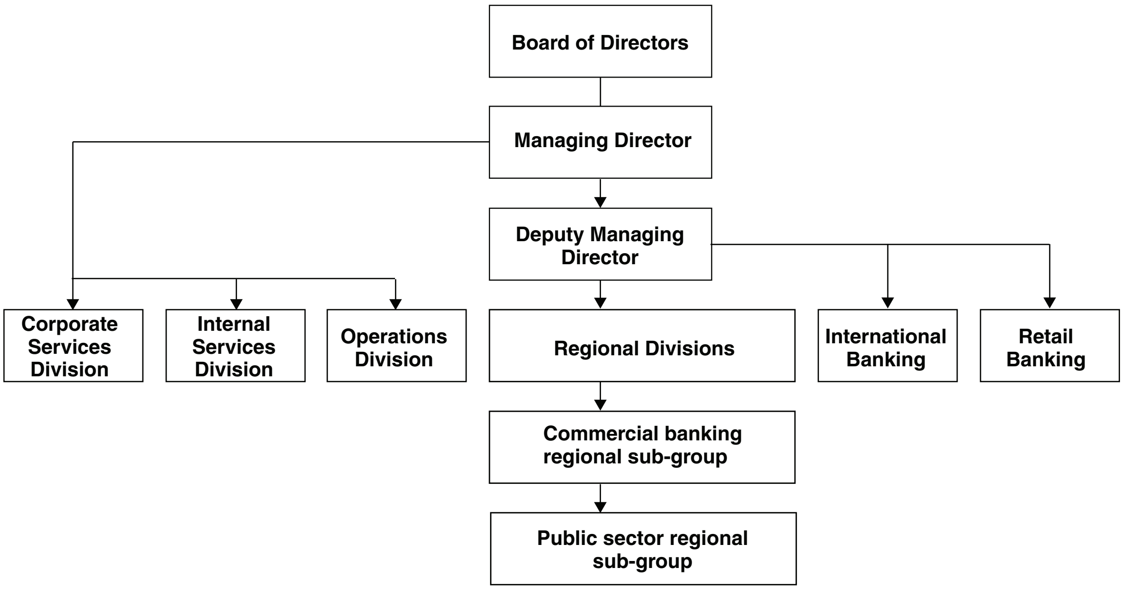
The Code of Corporate Governance was adopted by the SEC in October 2003 (the "**2003 SEC Code**"), setting out best practices for the boards of directors of public companies. The SEC Code was supplemented by a set of rules issued by the CBN in effect from April 2006, called the "Code of Corporate Governance for Banks in Nigeria Post Consolidation" (the "**CBN Code**"). Compliance with the CBN Code is mandatory for all banks in Nigeria.

In April 2011, the SEC adopted a new Code of Corporate Governance (the "**SEC Code**"), which contains stronger corporate governance, transparency and accountability standards and effectively overrides the 2003 SEC Code. The changes to the SEC Code include the removal of a maximum limit for the number of directors of a company, more robust provisions on risk management and audit requirements, the requirement to establish a whistle-blowing mechanism, and increased disclosure requirements. The SEC Code also prescribes that not more than two members of a family should serve on the same board, requires that every director attend at least two-thirds of board meetings, and prohibits directors and their immediate family members from dealing in the company's securities where doing so would amount to insider trading under Nigerian law. The SEC Code applies to all public companies and other companies seeking to raise funds from the capital markets or seeking listing on a stock exchange.

In 2008, the Bank adopted a Code of Professional Conduct which defines the Bank's mission within a corporate governance framework. The Bank's Corporate Code (the "**Corporate Code**"), which was approved by the Bank's Board of Directors in March 2008, contains guidance on compliance matters, confidentiality and client and employee relations. It also clarifies the distinctive roles of the various Board Committees and responsibilities of committee members.

The Bank complies with the provisions of the CBN Code, the SEC Code and its Corporate Code in all material aspects.

The Bank's management structure is as follows:



The ultimate responsibility for the governance of the Bank resides with the Board of Directors.

The size and composition of the Board of Directors may be revised from time to time to reflect the changing needs of the business. The maximum number of directors is 20, in line with the Bank's Memorandum and Articles of Association and the CBN Code. The Board of Directors comprises fourteen members, eight of whom are Non-Executive Directors (including the Chairman of the Board), while six are Executive Directors (including the Managing Director and Deputy Managing Director). Two of the Non-Executive Directors, are "Independent Directors", appointed based on criteria laid down by the CBN for the appointment of Independent Directors and in the Bank's Corporate Code. The Independent Directors do not have any significant shareholding interest or any special business relationship with the Bank.

The Prudential Guidelines of the CBN prescribe a maximum tenure of ten years for the Chief Executive Officer of every bank, which is the equivalent of the Managing Director at the Bank. Under the CBN Prudential Guidelines, the CEO shall not qualify for appointment in his former bank or subsidiaries in any capacity until after three years following the expiration of his tenure as CEO. Under the CBN Prudential Guidelines, the Bank's Managing Director must leave his position by August 2012, when he reaches his ten-year maximum tenure. In April 2011, the Bank announced that the Managing Director is on medical leave. In addition, non-executive directors are limited to a maximum of three terms of four years each.

The Bank has submitted a Management Succession Plan ("**MSP**") to the CBN for approval in accordance with the directives of the CBN Code, requiring all banks operating in Nigeria to adopt a succession plan for their top executives. The Bank's MSP, which is subject to review from time to time, currently provides for the Managing Director to be replaced by the Deputy Managing Director, who in turn will be replaced by the most senior Executive Director, at the time, or such other person as may be appointed by the Board of Directors, in the event of any vacancies arising in these positions. Vacancies in the office of any Executive Director will be filled by the most senior General Manager, at the time, or such other person as may be appointed by the Board of Directors.

Responsibilities of the Board of Directors

The Board of Directors determines overall strategic direction and is the decision-making body for the Bank for all other significant matters. The Board of Directors also ensures that Management strikes an appropriate balance between promoting long-term growth and delivering short-term objectives. The Board of Directors is responsible for ensuring that management maintains a system of internal control which provides assurance of effective and efficient operations, internal financial controls and compliance with applicable laws and regulations.

Powers reserved for the Board of Directors include the approval of semi-annual and full-year financial statements, significant changes in accounting policy and practice, the appointment of the Company Secretary and the Directors, particularly with respect to filling casual vacancies (subject to ratification of the shareholders at a general meeting, decisions on disposals or capital expenditure and making recommendations in respect of the declaration and distribution of dividends (subject to the approval of the shareholders in general meeting). In addition, the Board of Directors has an oversight function covering credit, market and operational risk management issues.

Core values of Executive and Non-Executive Directors

Both Executive and Non-Executive Directors owe fiduciary duties and general duties of skill and care to the Bank as a whole. Under the CBN Code and the Bank's Corporate Code, the core values expected to be displayed by Directors in exercising their duties include:

- exercising due skill, care and attention. Directors shall also act in good faith and honesty in carrying out their duties;
- avoiding a conflict of interest between their personal interests and their duties to the Bank;
- acting at all times in the Bank's best interests and not for any ulterior purpose or to benefit themselves or others at the Bank's expense;
- having due regard to the interests of the Bank's employees;
- ensuring compliance by the Bank with all laws and regulations guiding its operations;
- acting with integrity at all times and not engaging in any act that would jeopardise the reputation of the Bank;
- observing proper standards of market conduct; and
- disclosing appropriately any information which requires notification to the statutory authorities.

Director nomination process

Section 248 of the CAMA outlines the process for appointing new Directors to the Board of Directors whereby Directors are nominated and then appointed at the Annual General Meeting. All Directors are subject to re-election by the shareholders at the Annual General Meeting at least every two years. Shareholding in the Bank is not considered a criterion for the nomination or appointment of a Director.

The balance and mix of appropriate skills and experience of Non-Executive Directors is taken into account when considering a proposed nomination. The Board of Directors reviews its composition to ensures a mix with representatives from different industry sectors.

Segregation of the roles of Chairman and Chief Executive

The roles of the Chairman and Chief Executive are separate. The Chairman's main responsibility is to lead and manage the Board of Directors to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities. The Chairman is responsible for ensuring that Directors receive accurate, timely and clear information about the Bank in order to enable the Board of Directors to take informed decisions, monitor effectively and provide advice to promote the success of the Bank. The Chairman also facilitates the contribution of Directors and promotes effective relationships and open communications between the Executive and Non-Executive Directors.

The Board of Directors has delegated the responsibility for the day-to-day management of the Bank to the Managing Director/Chief Executive, who is supported by Executive Management comprising the Deputy Managing Director and Executive Directors. The Managing Director executes the powers delegated to him in accordance with the guidelines approved by the Board of Directors. Executive Management is accountable to the Board of Directors for the development and implementation of strategies and policies. The Board of Directors regularly reviews group performance, matters of strategic concern and any other matter it regards as material.

Frequency of meetings

The Board of Directors meets on a quarterly basis and additional meetings are convened as required. Material decisions may be taken between meetings by way of written resolutions, as provided in the Memorandum and Articles of Association of the Bank. The Directors are provided with comprehensive group information at each of the quarterly Board meetings and are also briefed on the business developments between Board meetings. The Board of Directors met six times during the year ended 31 December 2010.

Whistle-blowing procedures

In line with the Bank's commitment to instil best corporate governance practices, the Bank has established a whistle-blowing procedure that ensures anonymity. The Bank has a hotline and dedicated e-mail address to facilitate whistle-blowing. The Bank also maintains an intranet (internal web page) for dissemination of information, to enable members of staff report all identified breaches of the Bank's Corporate Code. The Bank's Chief Compliance Officer forwards whistle-blowing reports and corporate governance breaches to the CBN on a monthly basis.

Board of directors

Following are the Banks current directors.

Name	Title	Date of appointment
Mr. Olutayo Aderinokun	Managing Director(1)	From inception (1 August 1990)
Mr. Segun Agbaje	Deputy Managing Director(2)	22 March 2000
Mr. Oluwole Sunday Oduyemi	Chairman/Non Executive Director(3)	29 June 2005
Mr. Babajide Ogundare	Executive Director	15 March 2002
Mrs. Catherine Echeozo	Executive Director	16 March 2005
Mr. Egbert Ulogo Imomoh	Non Executive Director	29 June 2005
Mrs. Titilayo Grace Osuntoki	Executive Director	2 June 2008
Mr. Andrew Folorunso Alli	Independent Non Executive Director	2 June 2008
Mr. Akin Olanrewaju Akintoye	Independent Non Executive Director	2 June 2008
Mr. Akinola George Taylor	Executive Director	20 January 2009
Mr. Adebayo Adeola	Non Executive Director	22 April 2010
Mr. Olabode Agusto	Non Executive Director	22 April 2010
Mr. Ibrahim Hassan	Non Executive Director	22 April 2010
Mrs. Stella Okoli	Non Executive Director	22 April 2010

Notes:

(1) Deputy Managing Director from inception to 1 August 2002. Managing Director from 1 August 2002 to date. In April 2011, the Bank announced that Mr. Aderinokun is on medical leave.

(2) Deputy Managing Director from 1 August 2002.

(3) Chairman of the Board of Directors from 6 May 2010.

Director profiles

Olutayo Aderinokun, Managing Director/Chief Executive Officer

Mr. Aderinokun co-founded the Bank with Mr. Fola Adeola in August 1990. After serving as Deputy Managing Director for 12 years, he became the Bank's Managing Director and Chief Executive Officer in August 2002. He holds a Bachelor of Science degree in Business Administration from the University of Lagos (1977) and obtained a Masters degree in Business Administration (with specialisation in International Business) in 1981 from the Graduate School of Management, University of California, Los Angeles, California, United States.

Mr. Aderinokun's work experience spans a broad spectrum of financial institutions. He commenced his professional career with the CBN in Calabar, Cross River State, where he performed the one year mandatory National Youth Service (1977 to 1978). He worked with Chase Merchant Bank Nigeria Limited (later renamed Continental Merchant Bank Limited) between 1981 and 1988. During the period, he was a beneficiary of several professional training and education programmes, including the Credit and Relationship Management training at the Chase Manhattan Bank Institute for International Banking, New York, United States (1982 to 1983). He held the position of Assistant General Manager and Head of the Financial Services Division at Prime Merchant Bank Limited between 1988 and 1989. In 1989, he established a non-bank financial institution, First Marina Trust Limited, which he managed for a year before co-founding the Bank.

Mr. Aderinokun has been responsible for the implementation of the Bank's corporate policy and strategy and supervises the Corporate Services Division, which covers the Financial Control and Strategy, Systems and Control, Human Resources and Risk Management Groups.

Mr. Aderinokun was voted '*Banker of the Year*' at the ThisDay Awards in 2006, '*Most Respected CEO*' by PricewaterhouseCoopers in 2008 and '*African Banker of the Year*' by the "African Banker" magazine in September 2009. He is also a recipient of the national award of Member of the Federal Republic of Nigeria and a Fellow of the Chartered Institute of Bankers, Nigeria. In April 2011, the Bank announced that Mr. Aderinokun is on medical leave.

Olusegun J.K. Agbaje, Deputy Managing Director/Chief Operating Officer

Mr. Agbaje joined the Bank in 1990. He is currently the Deputy Managing Director of the Bank and has been an integral staff member since the Bank's foundation. He holds a Bachelor's degree in Business Administration with special emphasis in Accounting (1986) and a Masters of Business Administration (1988) from the University of San Francisco, California, United States. He is also an alumnus of the Harvard Business School, Massachusetts, United States. Prior to joining the Bank, Mr. Agbaje worked with Ernst and Young, San Francisco, California, United States from 1988 to 1990. He was promoted to Executive Director of the Bank in March 2000, and Deputy Managing Director in August 2002.

As the Bank's Chief Operating Officer, Mr. Agbaje has primary responsibility for the Institutional Banking Division, credit monitoring and profitability reporting and is involved in the general management of the Bank's day-to-day operations. Mr. Agbaje has initiated and led the execution of several of the Bank's complex financial transactions. He led the Bank's full listing on the London Stock Exchange in 2007, making the Bank the first Nigerian and African bank to be listed on the London Stock Exchange's Main Market. Similarly, in 2007, he led the Bank's debut U.S.$350 million Eurobond issuance, making the Bank the first Nigerian corporate to issue Eurobonds in the international capital markets. Mr. Agbaje also led the Bank's listing on the NSE in 1996. In addition, Mr. Agbaje helped to develop the interbank derivatives market amongst dealers in the Nigerian money market and introduced an in-house balance sheet management efficiency system.

In addition to his responsibilities within the Bank, Mr. Agbaje serves on the boards of directors of some of the Bank's subsidiaries, including GTB Ghana, GTB Gambia, GTB U.K., GT Assurance and GTB Asset Management and is also a member of the Mastercard APMEA regional advisory board.

Oluwole Sunday Oduyemi, Chairman of the Board

Mr. Oduyemi was appointed to the Board of Directors in June 2005 and became Chairman of the Board of Directors in June 2009. Mr. Oduyemi holds a Bachelor of Science degree in Accounting from the University of Lagos (1967) and a Master's degree in International Banking and Finance from the Herriot Watt University, Edinburgh, Scotland (1980). After working for Barclays Bank DCO (now Union Bank of Nigeria Plc), he joined the CBN in 1964 where he eventually became the Deputy Governor in charge of foreign operations in 1990, a position he held for 14 years. At the CBN, he also played a key role in the resolution of distress in the country's financial services industry. Mr. Oduyemi's contributions to the Nigerian financial sector also include the establishment of the Nigerian Inter-Bank Settlement System Plc, the introduction of the Open Market Operations for Liquidity Management and the introduction of Magnetic Ink Character Recognition technology in clearing operations. He has also served on the boards of the Nigerian Security Minting and Printing Company and the Nigeria Provident Fund (now Nigeria Social Trust Fund) prior to joining the Bank.

Mr. Oduyemi is also the Chairman of Mayfield Investment Limited and Mayfield Finance Limited which is licenced by the CBN. He is an Associate of the Chartered Institute of Bankers in the United Kingdom and Nigeria and a Fellow of the Chartered Institute of Bankers, Nigeria.

Babajide Ogundare, Executive Director/Divisional Head, Retail Banking Division

Mr. Ogundare is a founding member of the Bank and was appointed to the Board of Directors as an Executive Director in March 2002. He received his Bachelor of Laws degree from the School of Oriental and African Studies, University of London, United Kingdom (1986) and became a member of the Nigerian Bar in 1987. He obtained an Masters of Business Administration from the Cardiff Business School, Cardiff University, Wales, United Kingdom (1990). In 2004, he was appointed as the Divisional Head (Abuja and North Central Division) of the Bank, and also assisted the Managing Director in strategy formulation, management of the Bank's Commercial & Public Sector Banking relationships, risk asset and workforce management in this region.

In March 2010, he was appointed Divisional Head (Retail Banking Division).

Mr. Ogundare served as a founding director on the board of directors of GTB Sierra Leone and was appointed its Chairman in 2006.

Catherine Echeozo, Executive Director/Group Head, Corporate Banking

Mrs. Echeozo was appointed to the Board of Directors as an Executive Director in March 2009. She holds a Bachelor of Science degree in Accountancy from the University of Nigeria, Nsukka (1984) and Masters of Business Administration from the University of Maryland, University College, United States (2003). She is a Fellow of the Institute of Chartered Accountants of Nigeria and is a Certified Information Systems Auditor and a member of the international body of the Information Systems Audit and Control Association in the United States. Prior to joining the Bank, Mrs. Echeozo worked at Chase Merchant Bank Limited for five years and Ecobank Nigeria Plc for four years.

She joined the Bank in 1993 and has worked in Treasury Management, Internal Control and Audit and the Retail Banking Group. As the Group Head of Corporate Banking, Mrs. Echeozo is responsible for strategy determination and the general supervision of the Corporate Banking Group. She also serves as a director on the board of directors of GTB Liberia.

Egbert Ulogo Imomoh, Non-Executive Director

Mr. Imomoh has over 30 years' experience with the Shell Group of Companies. He holds a Bachelor of Science degree in Mechanical Engineering from Birmingham University, United Kingdom (1968) and joined Shell Petroleum Development Company (Nigeria) Limited in the same year where he held a wide variety of senior positions including Chief Petroleum Engineer, Technical and Planning

Manager and, in 1997, Deputy Managing Director. He also became Senior Corporate Adviser to Shell, in London, England in 2002. He is a member of the Society of Petroleum Engineers and has served on the SPE Board of Directors as Regional Director for Africa.

Mr. Imomoh also serves as the chairman of Afren plc, an African independent oil and gas exploration and production company.

Titilayo Grace Osuntoki, Executive Director/Divisional Head, Lagos Division

Mrs. Osuntoki is a founding staff member of the Bank and was appointed to the Bank's Board in June 2008. She is responsible for all marketing operations in the Lagos Division, strategy formulation and assisting in the day-to-day management of the Bank.

Mrs. Osuntoki obtained a Bachelor of Science degree in Civil Engineering (1987) and a Masters of Business Administration (2000) from the University of Lagos. She has also attended a number of executive management programmes, including INSEAD France, IMD Switzerland and is an alumnus of the Cranfield University School of Management, United Kingdom. She has worked in various units of the Bank, including Currency Trading, Corporate Finance, Treasury, Financial Control, and Strategic Planning. She also initiated the Activity-Based Costing System in the Bank and played a key role in promoting a cost/benefit structure in terms of resource use.

In addition, she led the team that introduced the Balanced Score Card approach to business performance measurement in the Bank. Mrs. Osuntoki also serves as a member of the Non-Oil/Non-Agric Policy Commission of the Nigerian Economic Summit Group. She also represents the Bank's interests on the boards of directors of GTB Sierra Leone, Credit Reference Company Limited (a private credit bureau) and Patrick Learning & Speech Centre, a special education centre based in Ikeja, Lagos.

Andrew Folorunsho Alli, Non-Executive (Independent) Director

Mr. Alli has over 18 years' experience within various international organisations including IFC (the private sector financing arm of the World Bank), Coopers & Lybrand (now PricewaterhouseCoopers) and the investment bank, S.G Warburg & Co., now part of UBS. Mr. Alli holds a Bachelor's degree in Electrical & Electronics Engineering from Kings College, University of London, United Kingdom (1988). He is a chartered accountant from the Institute of Chartered Accountants in England and Wales. Additionally he holds a Masters degree in Business Administration (with distinction) from INSEAD, France (1995) and is a recipient of various academic prizes. He has attended various capacity building international courses including the World Bank Group Leadership Programme at Harvard University in 2004, Building on Talent in IMD, Switzerland in 2002, and Executive Negotiation at the Wharton School of Business in 1998.

Mr. Alli is currently the President/Chief Executive Officer of Africa Finance Corporation and also serves on the boards of directors of Accion Nigeria Limited (a micro-finance company) and MTN Nigeria Communications Limited.

Akindele Olanrewaju Akintoye, Non-Executive (Independent) Director

Mr. Akintoye obtained a Bachelor of Laws Honours degree from the University of Lagos (1977) and joined the Nigerian Bar in 1978. He obtained a Masters degree in Law from the University of Lagos (1980). He worked in various law firms until 1982 when he became a Principal Partner in Akin Akintoye & Co. He qualified as a solicitor in England and Wales in 1996. He has remained in active legal practice and risen through the ranks to become a Notary Public of Nigeria and a SEC-registered Capital Market Solicitor.

Mr. Akintoye attended an Advanced Management Programme of the Pan African University (Lagos Business School). He is an experienced legal practitioner who has acted as solicitor on several significant transactions in the country.

Akinola George-Taylor, Executive Director/Divisional Head, Abuja and North Central Division

Mr. George-Taylor joined the Bank in 1992. In his current role, his responsibilities cover the day-to-day operations of all marketing units in the Division and assisting the Managing Director in developing business plans and strategy formulation. Mr. George-Taylor obtained a degree in Banking and Finance from the Clark Atlanta University, Atlanta, Georgia, United States (1989). Mr. George-Taylor assumed the role of Assistant General Manager in 2004. In September 2005, he was appointed the Managing Director of GTB Sierra Leone where he managed the bank's products, creating profitable relationships and productive team performances. Mr. George-Taylor's experience in the banking industry spans over 18 years covering a broad spectrum of activities including Credit and Marketing, e-Payment/Cards Services, Airlines/Local Corporates and Public Sector.

He was appointed to the Bank's Board in January 2009. He is currently the President of the Sierra Leone Association of Commercial Banks, Sierra Business Forum and a member of the Executive Council of West African Bankers Association. He has attended several local and international leadership and management courses.

Kadiri Adebayo Adeola (Non-Executive Director)

Mr. Adeola holds a Bachelor's degree in Civil Engineering (1975) from the University of Lagos and a Master of Science degree in Civil Engineering Hydraulics (1978) from the Imperial College, London, England. He has over three decades work experience in Engineering and Project Management. He is the founder and pioneer Managing Director of Comprehensive Project Management Services Limited, a firm of project managers. A philanthropist, Mr. Adeola also sits on the board of directors of Fate Foundation, a non-governmental organisation.

Olabode Mubasheer Agusto (Non-Executive Director)

Mr. Agusto holds a Bachelor's degree in Accounting from the University of Lagos (1977). In addition to serving as a non-executive director, Mr. Agusto is a member of the Banks' Audit and Credit committees. Mr. Agusto qualified as an Associate of the Institute of Chartered Accountants of Nigeria in 1981 and was the recipient of a fellowship from the same association in 1991. He has over 30 years experience in various organisations including UTC Motors Limited, PricewaterhouseCoopers and Nigeria International Bank Limited (now Citibank Nigeria Limited). He is the founder of Agusto & Co. Limited, which was the first credit rating agency registered by the SEC in Nigeria. He also held various public positions including Director of the National Pension Commission (2005 to 2007), Member of the Central Bank of Nigeria Monetary Policy Committee (2006 to 2007) and Director General of the Budget Office of the Federation (2003 to 2007). He serves as a non-executive director on the board of directors of Agusto & Co. Limited and is a Shell Nigeria Closed Pension Fund Administrator. Mr. Agusto is a recipient of the national honour of Member of the Order of the Federal Republic.

Ibrahim Hassan (Non-Executive Director)

A Petroleum Geologist, Mr. Hassan holds a Bachelor of Technology degree in Geology (1992) from the Federal University of Technology, Yola, Adamawa State (1992) and a Master of Science degree in Oil and Gas Enterprise Management from the University of Aberdeen, Scotland, United Kingdom (2005). He is an experienced economic analyst with over 15 years' work experience in the oil and gas industry with various multi-disciplinary oil and gas service companies. He is an alumnus of the Lagos Business School Senior Management Programme. Mr. Hassan is currently the Managing Director and CEO of Summit Energy Limited and a member of several professional bodies, including the Council of Nigerian Mining Engineers and Geoscientists and the Nigerian Association of Petroleum Explorationists.

Stella Okoli (Non-Executive Director)

Mrs. Okoli is the founder and CEO of Emzor Pharmaceutical Industries Limited, one of Nigeria's leading pharmaceutical manufacturing companies. She holds a Bachelor's degree in Pharmacy from the University of Bradford, England (1969) and a Master's degree in Bio-pharmaceutics from the University of London, Chelsea College, England (1971). She is currently the National Vice-President of the Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture. She is also the National Vice President of the Manufacturers Association of Nigeria. She is a recipient of the national honour of Officer of the Order of the Niger.

Board standing committees

The Board of Directors carries out its responsibilities through its standing committees. All committees have clearly defined terms of reference, which set out their roles, responsibilities, functions and scope of authority.

The following committees are currently operating at the Board of Directors level:

- Audit Committee;
- Board Risk Management Committee;
- Board Credit Committee; and
- Board Human Resources and Remuneration Committee.

Audit Committee

The Audit Committee is a statutory committee established pursuant to Section 357 of the CAMA, which requires every listed company to have an audit committee.

Its major functions include approval of the annual audit plan of the internal auditor, review and recommend to the Board of Directors proposals to amend the standard operating procedures, review and approval of the audit scope and plan of the external auditors, review the audit report on internal weaknesses observed by both the internal and external auditors during their respective examination, review and consider any other examination report on the Bank.

In accordance with Section 359(4) of the CAMA, the committee is made up of six members, comprising three Non-Executive Directors and three shareholders of the Bank, elected at the AGM. The Head of Audit and Inspection serves as the secretary to the committee. Members of the Audit Committee are nominated based on their experience and knowledge of internal control processes. One of the appointed ordinary shareholders serves as the Chairman of the committee. When considering appointments to the Audit Committee, the Board of Directors considers such candidates with the required financial expertise. Such members of the Audit Committee are not entitled to remuneration and are subject to re-election annually. The committee meets at least semi-annually.

The Non-Executive Directors serving on the Audit Committee are: Mr. Andrew Alli, Mr. Olabode Agusto and Mr. Ibrahim Hassan. The Audit Committee is chaired by a shareholder representative, Alhaji M.F. Lawal. The committee also reviews the Bank's annual and interim financial statements, including reviewing the effectiveness of the Bank's disclosure and internal controls and areas of judgment involved in the compilation of the Bank's results. The Audit Committee is responsible for the review of the integrity of the Bank's financial reporting and oversees the independence and objectivity of the external auditors. The committee regularly invites external auditors to its meetings to seek additional information.

Board Risk Management Committee

The Board Risk Management Committee is primarily responsible for determining and reviewing the Bank's risk policies, including its risk reputation and technology risk, operations risk, market risk, liquidity risk and pervasive risk. The committee was established to assume the role of the former Board Credit Examiners' Committee which, among other things, was responsible for implementing the ERM, producing a quarterly review of the Bank's central liability report and a summary of criticised loans and recommended the level of reserves for loan losses and possible write-offs.

The Management's functions were subsequently reviewed to include, in addition to administering the ERM, also those functions prescribed by the CBN Code, including the exercise of general risk management oversight to ensure that the Bank has in place appropriate internal control systems, designed to achieve efficiency and effectiveness of operations, reliable financial reporting and compliance with applicable laws and regulations. The Board Risk Management Committee, which comprises three Non-Executive Directors, presents quarterly reports to the Board of Directors and meets as and when required. The Non-Executive Directors serving on the Board Risk Management Committee are: Mr. Egbert. U. Imomoh (who chairs the Committee), Mr. Andrew Alli and Mrs. Stella Okoli.

Board Credit Committee

This committee is the final approving authority responsible for the approval of credit facilities in the Bank and is made up of three Non-Executive Directors. It reviews all credits granted by the Bank and approves specific loans above the Management Credit Committee's authority limit as may be defined from time to time. The committee is also responsible for ensuring that the Bank's internal control procedures in the area of risk assets remain high to safeguard the quality of the Bank's risk assets. In view of the volume of transactions that require Board Credit Committee approvals, there are instances where credits will need to be approved by the members quickly. Such credits are circulated amongst the members and submitted for approval at the next committee meeting. The Non-Executive Directors serving on the Board Credit Committee are: Mr. Akindele Akintoye (who chairs the Committee), Mr. Adebayo Adeola and Mr. Ibrahim Hassan.

Board Human Resources and Remuneration Committee

This committee was established to consider the remuneration of Executive Directors and provide guidance and strategic oversight in respect of human resources activities and senior management development. The committee's principal objective is to ensure that the Bank's human resources are maximised to ensure the long-term success and growth of the Bank and to protect the welfare of all employees. The committee meets quarterly and reports directly to the Board of Directors. The Bank's Non-Executive Directors except the Board Chairman serve on the Board Human Resources and Remuneration Committee. Mr. Egbert U. Imomoh chairs the Committee.

The senior management team

Managing Director

The Board of Directors has delegated the responsibility for the day-to-day management of the Bank to the Managing Director and Chief Executive, who is responsible for leading the Executive Directors and senior management staff and for making and implementing operational decisions.

The Managing Director, who is directly responsible to the Board of Directors, is also the Bank's Chief Marketing Officer and ensures that the Bank complies strictly with regulations and policies of both the Board and regulatory authorities. The current Managing Director of the Bank is Mr. Olutayo Aderinokun. The Prudential Guidelines of the CBN prescribe a maximum tenure of ten years for the Chief Executive Officer of every bank. Under the CBN Prudential Guidelines, the CEO shall not qualify for appointment in his former bank or subsidiaries in any capacity until after three years following the expiration of his tenure as CEO. Under the CBN Prudential Guidelines, Mr.

Aderinokun must leave the bank by August 2012, when he reaches his ten-year maximum tenure. In April 2011, the Bank announced that Mr. Aderinokun is on medical leave.

Deputy Managing Director

The Deputy Managing Director provides support to the Managing Director and is responsible for those specific functions as assigned by the Managing Director and the Board of Directors from time to time. He reports directly to the Managing Director. The current Deputy Managing Director of the Bank is Mr. J.K. Olusegun Agbaje.

Access to senior management

The Directors have full access to senior management staff and other employees of the Bank, although it is expected that the Chief Executive, the relevant Executive Director or the Company Secretary would be informed in advance of such contact.

Members of the management team (non-directors)

Demola Odeyemi, General Manager/Chief Finance Officer/ Head, Corporate Planning, Strategy and Group Coordination

Mr. Odeyemi joined the Bank in 2006. In his current role, Mr. Odeyemi is responsible for the general coordination of the Bank's Corporate Planning, Strategy, Financial Control and Group Coordination groups. He holds a Bachelor of Education Honours degree in Social Studies (1990) and Masters degree in Statistics, Tests and Measurement (1992) from the University of Ole Ife (now Obafemi Awolowo University and obtained a Ph.D in Statistics, Tests and Measurement from the same University in 2011. He is a Chartered Accountant, an associate of the Chartered Institute of Stockbrokers of Nigeria and is a member of the Institute of Taxation in Nigeria. He serves on the boards of directors of GTB Ghana, GTB U.K., GTB Liberia, GTB Asset Management, GTB Registrars, GT Homes and GTAssurance, and several companies in which the Bank holds equity investments under the SMIEIS scheme, including Terra Kulture Nigeria Limited and Sokoa Chair Centre Limited.

Mr. Odeyemi started his working career as a lecturer in Social Research at the Obafemi Awolowo University, Nigeria, in 1990. He joined the Lagos office of Arthur Andersen (now KPMG Professional Services) in 1992 and rose to become Senior Consultant in 1996. In 1997, he joined the Bank for the first time and was responsible for managing the Financial Control Department.

In 2000, Mr. Odeyemi joined First City Monument Bank Limited (now First City Monument Bank Plc –"**FCMB**") where he was responsible for the financial control and strategy of the bank and was appointed as Chief Operating Officer of four of the companies in the FCMB Capital Markets Group in 2002. He also briefly worked at the then Platinum Bank Limited (now Bank PHB Plc) as Vice President and Group Head, Performance Management Group before returning to the Bank in October 2003.

Following a secondment to the Budget Office of the Federation, Federal Ministry of Finance, Abuja, where he had responsibility for developing and implementing recurrent expenditure strategy and developing reform initiatives for Budgeting and Public Expenditure Control for the Federal Government of Nigeria, Mr. Odeyemi returned to the Bank in 2006 to assume his current position as Head, Corporate Planning, Strategy, Financial Control and Group Coordination.

Aku Pauline Odinkemelu, General Manager/Divisional Head, South East Division

Mrs. Odinkemelu joined the Bank in 2004. She is directly responsible for all the marketing operations in the South East Division as well as strategy formulation and assisting with the day-to-day management of the Bank. She holds a Bachelor of Laws from the University of Nigeria, Enugu Campus (1986), graduated from the Nigerian Law School (1987) and was admitted to the Nigerian

Bar in 1987. Mrs. Odinkemelu began her banking career at Continental Merchant Bank Plc (formerly Chase Merchant Bank Limited) where she completed her mandatory National Youth Service in 1987. She subsequently joined Continental Merchant Bank Limited in Lagos and Port Harcourt where she occupied various positions during a six year period, including that of Legal Officer, Credit Controller and Administrator, Credit and Marketing Officer, Funds Management and Treasury Officer, Debt Recovery and Loan Work Out.

She first joined the Bank in January 1994 as a Banking Officer in Consumer Banking and was later appointed the Senior Manager of Commercial Banking. Mrs. Odinkemelu thereafter left the Bank to join Equitorial Bank Limited as Assistant General Manager (East). She joined Access Bank Plc in February 2000 as a Deputy General Manager. She returned to the Bank as General Manager/Divisional Head of the South East Division in 2004.

Kafilat Ayodeji Araoye, General Manager/Chief Compliance Officers/Group Head, Settlement Group

Mrs. Araoye is responsible for all domestic and international settlement operations of the Bank. She holds a Bachelor of Arts degree in History from the University of Ile Ife (now Obafemi Awolowo University) (1985), and a Master of Science degree in Industrial Relations and Personnel Management from the University of Lagos (1987). She worked with the National Oil and Chemicals Marketing Company Plc (now Conoil Nigeria Plc) prior to joining the Bank as a founding member in 1990. She established the Human Resources Unit of the Bank and joined the Foreign Operations Unit in 1992. In addition, she was part of the project team who went to Amman, Jordan as part of the development of the Bank's BASIS (Banking Automated System for Integrated Services) software. She has worked in various areas of the Bank and her experience spans over human resources, foreign operations, clearing and general management.

Abubakar Sadiq Bello, General Manager/Chief Compliance Officer/Group Head, Transaction Services Group

Mr. Bello has been with the Bank since inception. As Chief Compliance Officer and Head of the Transaction Services Group, Mr. Bello is responsible for all customer transaction processes. He holds a Bachelor's degree in Business Management from the University of Maiduguri (1987) and a Masters of Business Administration from the University of Benin (1990).

He played a major role in the Bank's migration from SBS (Standard Banking System) to BASIS (Banking Automated System for Integrated Services) which is the current software deployed by the Bank. He has served in various departments of the Bank including Branch Operations, Financial Institutions, Commercial Banking, Domestic Operations and Corporate Banking (Oil and Gas Group). He has attended various courses including the Leading Corporate Renewal Programme at IMD, Switzerland in 2000 and the General Management Programme at Cranfield University in 2006. Mr. Bello is a member of the Nigeria banking industry's MICR Technical Implementation Committee and he is a Fellow of Leadership for Empowerment and Development.

Mobolaji Shenjobi, General Manager/Divisional Head, North East Division

Mr. Shenjobi received a Bachelor of Arts in accounting from St. Ambrose University, Davenport, Iowa, United States 1988 and qualified as a Chartered Accountant in 1992 with KPMG. He joined the Bank in January 2008. He was involved in developing debt capital investment banking products and is currently responsible for the Bank's commercial and retail activities in the North Eastern part of Nigeria. Prior to joining the Bank, he worked at Peat Marwick Ani Ogunde from 1988 to 1993. He worked at Express Discount Limited from 1993 to 1997 before joining Lead Merchant Bank Limited in June 1997. In 1999, Mr Shenjobi was appointed Treasurer of Habib Bank Nigeria Limited (now part of Bank PHB Plc) where he supervised the Corporate Finance Department. At Habib Bank, he was Vice President International Business and Correspondent Banking.

He joined First Bank of Nigeria Plc in April 2006 as Treasurer where he led the teams that obtained primary dealership licences on the first and second African Development Bank Naira bond issuance, set up the bank's Global Custody Department (First Global) and bureau de change subsidiary (First Xchange). He also served as President of the Executive Committee of the Money Market Association of Nigeria (now Financial Markets Dealers' Association) from 2006 to February 2008.

Siraj Abdullahi, General Manager/Divisional Head, North West Division

Mr. Abdullahi is responsible for the marketing and general co-ordination of the Bank's operations in the North West Division. He obtained a Bachelor of Laws degree from the University of Sokoto in 1986 and was called to the Nigerian Bar in 1987. He also obtained a Postgraduate Diploma in Management Sciences in 1995 and an MBA from the Bayero University, Kano in 1998.

Mr. Abdullahi started his banking career in 1989 with Continental Merchant Bank Plc (formerly Chase Merchant Bank) where he worked in the Credit Policy Department and later, the Treasury Department. In 1995, he joined Broad Bank Limited where he worked in the Credit and Marketing Department and was the pioneer Branch Manager of one of Broad Bank's Kano branches. Mr. Abdullahi first joined the Bank in 1997. In December 1999, he was appointed Special Assistant to the Minister of Commerce, whom he worked with for two years, representing Nigeria at international conferences as well as bilateral and multilateral trade negotiations. In September 2001, Mr. Abdullahi was appointed Deputy Director (Registry) of the Corporate Affairs Commission of Nigeria where he worked for two and a half years prior to returning to the Bank in 2004.

Akin Alexander Ogunbiyi, General Manager/Group Head, Energy Group

Mr. Ogunbiyi joined the Bank in 2004 and is responsible for the general co-ordination of the Bank's Energy Group. Mr. Ogunbiyi holds a Higher National Diploma from London Guildhall University (1982), a Postgraduate Diploma from Derby University (1983) and a Masters of Business Administration from the University of Ibadan (1991).

He started his career in 1984 with Nigeria Arab Bank Limited (which subsequently became Assurance Bank Plc), working in various departments including Inspection, Credit and Marketing, Foreign Operations and Central Accounts. In 1991 he joined Fountain Trust Merchant Bank Limited (which subsequently became Fountain Trust Bank Limited) as Chief Inspector. In 1994, Mr. Ogunbiyi joined Cash Craft Asset Management Limited, a stockbroking firm, and later worked with Magnum Trust Bank Plc between 1997 to 2004 as Group Head (Public Sector) before joining the Bank in 2004.

George Maduabuchi Uwakwe, General Manager/Group Head, Enterprise Risk Management Group

Mr. Uwakwe joined the bank in 1992. He is responsible for identifying, measuring, monitoring, managing and mitigating risks inherent in the Bank's business. He received a Bachelor of Science in Accounting (1990) from the University of Port Harcourt, Nigeria and a Masters of Business Administration from the University of Nigeria (2005). He is also a Fellow of the Institute of Chartered Accountants of Nigeria (2007).

Mr. Uwakwe has served in various departments in the Bank including Transaction Services, Financial Institutions, Corporate Banking and most recently, Systems and Control Group prior to the assumption of his current position.

Jubril Mobolaji Lawal, General Manager/Group Head, Corporate Finance Group

Mr. Lawal joined the Bank in 2003. As part of the Bank's core execution team, Mr. Lawal is directly responsible for all debt syndication transactions, capital markets and advisory mandates, private equity and other principal transactions within the Bank. He holds a Bachelor of Laws degree from the University of Ile Ife (now Obafemi Awolowo University) (1990) a Barrister at Law (B.L) degree from the Nigerian Law School (1991) and a Masters of Business Administration from Oxford University, United Kingdom (2002).

He has also attended courses at various institutions, including Citibank School of Banking, New York, Venture Capital Institute, Atlanta Georgia, United States and Harvard Business School. Mr. Lawal has over 18 years of managerial experience covering, among other things, corporate banking, commercial banking and risk management.

Modupe Oludare Adeyeri, General Manager/Chief Information Officer

Mr. Adeyeri joined the Bank in 2005. He is an information technology specialist and certified database administrator, and is responsible for managing and improving the Bank's information technology platform. Mr. Adeyeri holds a Bachelor of Science in Computer Science and Economics from the University of Ile Ife (now Obafemi Awolowo University) (1988). Prior to joining the Bank, Mr. Adeyeri was the Group Chief Information Officer at Standard Trust Bank Limited (now United Bank for Africa Plc). He also worked as a Consultant and Senior Database Analyst with the Canadian Institute for Health Information and FSB International Bank Plc (now Fidelity Bank Plc) and was a key player in the implementation of the Nigerian Smartcard project where he served as the scheme's national lead evaluator and secretary to the Executive Steering Committee.

Aderonke Kuye, General Manager/Group Head, E-Business & Card Services Group

Mrs. Kuye joined the Bank in 2006, She is responsible for the promoting the Bank's E-Business and Card Services Group to both retail and corporate customers. She holds a Higher National Diploma in Banking and Finance from John Moore's University, Liverpool, United Kingdom (1986) and a Masters degree in Shipping, Trading and Finance from the City University Business School, London, United Kingdom (now CASS) (1988). Mrs. Kuye has been an associate of the Chartered Institute of Bankers, United Kingdom, since 1987.

Prior to joining the Bank, Mrs. Kuye worked in the Financial Control Department of the Sheraton Park Tower Hotel in London fro 1988 to 1990. She started her banking career at Midas Merchant Bank Limited where she subsequently became the Head of Foreign Operations Department. She initially joined the Bank in 1996 and worked in the Institutional Banking Group and the Payments Systems Group (in particular on the Valucard initiative). She left the Bank in 2001 to join the Fountain Trust Bank Limited as Group Head of Consumer and Commercial Banking and was subsequently seconded to NSL Lotteries Management Company Limited, the first online Lottery in Nigeria, as Chief Sales Officer. Mrs. Kuye also worked at the United Bank for Africa (UBA) Plc where she headed the Cards and Merchant POS Division, before returning to the Bank in June 2006.

Mrs. Kuye's banking experience in Nigeria spans over fifteen years and covers Foreign Operations, Institutional Banking, Commercial Banking, Consumer Banking, e-Business & Card Services. She has attended various courses and executive programmes at institutions such as the Lagos Business School (Senior Management Programme) and the Kellogg School of Management, Illinois, United States.

Tayo Asupoto, General Manager/Group Head, Administration Services Group

Mrs. Asupoto joined the Bank in 1993. She is currently the Head of the Bank's Administration Services Group overseeing the administrative, security functions and branch development activities of the Bank. She received a degree in botany from the University of Ile Ife (now Obafemi Awolowo University) (1988), a Chartered Accountant and holds a Masters degree in Business Administration from University of Lagos (1991). Mrs. Asupoto was initially a member of the Transaction Services Group and has since worked in various departments including Corporate Banking, Credit Analysis and Domestic Operations. In the last 10 years, Mrs Asupoto has served as the Head of Treasury, Head of Risk Management and as the Bank's Financial Controller.

Olusola Ajayi, General Manager/Divisional Head, South-West Division

Mr. Ajayi joined the Bank in June 1992. In his capacity as General Manager and Divisional Head, Mr. Ajayi oversees business development and relationship management. He holds a Bachelor of Science degree in Agronomy from the University of Ibadan (1989) and a Masters of Business Administration from the University of Ibadan (2006). He has served in various departments within the Bank including Corporate Banking, Commercial Banking, Public Sector, Domestic Operations and International Operations and is now responsible for business development and relationship management. He previously worked for Equitorial Trust Bank between August 1998 and March 1999 and Access Bank Plc between April 1999 and March 2002 as a senior manager. He has attended various courses on wide-ranging topics including International Trade Finance, Export Finance, Client Relationship Management, Company Law, Time Management and Basic Marketing. Mr. Ajayi is an Associate of the Nigerian Institute of Management.

Ayoku Liadi, Managing Director, GT Bank Sierra Leone

Mr. Liadi joined the Bank in 2006. In his capacity as Managing Director of GTB Bank Sierra Leone, he oversees compliance with the policy and regulatory requirements of the Board of Directors as well as with the Central Bank of Sierra Leone. Mr. Liadi received a Bachelor of Science degree in Business Management from University of Nigeria, Nsukka (1990) and is qualified as a Chartered Accountant. Mr. Liadi has over 15 years experience in the banking industry and has worked in various departments of the Bank covering Financial Control, Banking Operations, Commercial and Corporate Banking of reputable financial institutions. Prior to joining the Bank, Mr. Liadi was the Deputy General Manager of Zenith Bank plc from 1998 to 2006.

He is a member of the Branch Development Committee of the Bank and has contributed to the Bank's expansion programme. He has honed his experience by attending various local and international courses and programmes in leading business schools, including Kellogg School of Management, Illinois, United States.

Olutola Omotola, General Manager/Company Secretary/Legal Adviser

Mrs. Omotola joined the Bank as its Legal Adviser in July 2006 and subsequently became the Bank's Company Secretary in July 2007. Mrs. Omotola holds a Bachelor of Laws degree from the University of Ile Ife, Nigeria (now Obafemi Awolowo University) (1987) and was admitted to the Nigerian Bar in 1988 after obtaining a Barrister at Law degree from the Nigerian Law School (1988). She also holds a Masters degree in Law (1990) from the University of Lagos (1990) and a Masters in Business Administration from the Obafemi Awolowo University (1999). In addition, she is a fellow of the Institute of Chartered Secretaries and Administrators, United Kingdom.

Mrs. Omotola started her career with Abacus Merchant Bank Limited and was subsequently appointed Company Secretary/Legal Adviser in 1991. In 1997, she joined African International Bank Limited as the Head of Corporate Affairs where she was responsible for designing an image strategy for the Bank. Mrs. Omotola joined Universal Trust Bank Plc (now part of Union Bank of Nigeria Plc) in 1999 and became the bank's Company Secretary/Legal Adviser in 2000 where she worked until joining the Bank in 2006.

Miriam Olusanya, Deputy General Manager/Group Head, Treasury Group

Mrs. Olusanya joined the Bank in 1998. As Treasurer of the Bank, Mrs. Olusanya is responsible for supervising the Bank's trading unit and managing the Bank's local and foreign currency balance sheet. She received a Bachelor of Pharmaceutical Science degree from the University of Ibadan (1995). Mrs. Olusanya briefly worked at Smithkline Beecham Nigeria Plc prior to joining the Bank. She had some exposure in Transactions Services and later managed the local and foreign currency trading desks of the Bank. She became the Bank's Chief Dealer in April 2003 and was appointed Treasurer of the Bank in October 2004. Miriam holds a Professional ACI (Association Cambiste

Internationale) Dealing Certificate with distinction. She is currently studying for an Masters of Business Administration in Finance and Accounting at the University of Liverpool, United Kingdom.

Lola Odedina, Deputy General Manager/ Group Head, Corporate Communications and External Affairs

Mrs. Odedina joined the Bank in 1996 as Deputy Manager, Commercial Banking Group, before proceeding to Lead Bank Plc where she held the roles of Group Head Private Banking and Consumer Banking. She later rejoined the Bank in 2005 as a Senior Manager and Group Head, Communications & External Affairs Group. Her work experience spans over nineteen years covering a wide range of banking activities. She is responsible for the brand management and communications strategy of the Bank and its subsidiaries. She has also been responsible for the development and execution of the Bank's media relations and image perception strategy.

Mrs. Odedina holds a Bachelor of Law degree from the University of Benin (1986), and a Barrister at Law from the Nigerian Law School, Lagos (1987). She also has a Diploma in Financial Management from the University of Ibadan (1995). She has also attended several senior management courses at the Lagos Business School, Kellogg School of Business, Columbia Business School, Vega School of Branding as well as Euromoney financial training programmes.

Business address of directors and management team and conflicts

The business address of each of the directors and members of the Bank's management team is the Bank's registered office. There are no potential conflicts of interest between any duties of a director or member of the Bank's management team towards the Bank and the member's private interests and/or other duties.

Management Committees

These are committees comprising members of senior management of the Bank. The main Management Committees in the Bank are:

- Management Risk Committee;
- Management Credit Committee;
- Assets and Liability Management Committee; and
- Criticised Assets Committee.

Management Risk Committee

This committee is responsible for the regular analysis and consideration of risks other than credit risk in the Bank. They meet at least monthly to review environmental issues and policies affecting the Bank and recommend steps to be taken. The committee's approach is entirely risk based. The committee makes contributions to the Board Risk Committee and also ensures that its decisions and policies are implemented. The members of the committee include the Managing Director, Deputy Managing Director and all Divisional and Group Heads, including Executive Directors. A representative from the Risk Management Group serves as the secretary of this committee.

Management Credit Committee

The Management Credit Committee ("**MCC**") is responsible for ensuring that the Bank complies with the Credit Policy Guide as established by the Board of Directors. The MCC also makes contributions to the Board Credit Committee. The MCC can approve credit facilities to individual obligors not exceeding in aggregate a sum as determined by the Board of Directors from time to time. The MCC meets weekly and is responsible for reviewing and approving extensions of credit, including single-obligor commitments that exceed an amount as may be determined by the Board of Directors. The Secretary of the committee is the Head of Credit Administration Unit, while senior management staff of the Bank makes up its membership, including the Managing Director, Deputy Managing Director and other Executive Directors.

The committee reviews the entire credit portfolio of the Bank and conducts periodic assessment of the quality of risk assets in the Bank. It also ensures that adequate monitoring of performance is carried out and reviews the pricing of products and services to ensure they reflect customers' risk profile.

Criticised Assets Committee

The Criticised Assets Committee is responsible for the assessment of the risk asset portfolio of the Bank. It measures the status of the Bank's assets in line with the internal and external regulatory framework, and ensures that triggers are sent in respect of delinquent assets. The committee also ensures that adequate provisions are made in line with the regulatory guidelines. The members of the committee include the Deputy Managing Director, the Executive Directors, and other relevant Senior Management staff of the Bank. A representative from the Credit Administration Department serves as the secretary for this committee.

Asset and Liability Management Committee

The ALMAC establishes the Group's standards and policies covering the various components of market risk. This includes issues on interest rate risk, liquidity risk, investment risk and trading risk. It ensures that the authority delegated by the Board of Directors and Management Risk Committees with regard to market risk is exercised effectively, and that market risk exposures are efficiently monitored and managed. Furthermore, the ALMAC limits and monitors the potential impact of specific pre-defined market movements on the comprehensive income of the Bank through stress tests and simulations.

The ALMAC is charged with the responsibility of managing the Group's daily liquidity position. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALMAC. The Risk Management department of the Group sets limits (such as lending limits and portfolio limits) which are in conformity with regulatory limits. The lending limits and portfolio limits are monitored regularly and exceptions are reported to the ALMAC as appropriate (see the risk management structure in "*Asset, Liability and Risk Management – General*". In addition, gap reports are prepared monthly to measure the maturity mismatches between assets and liabilities. The Bank's cumulative gap over total assets is not expected to exceed 20 per cent.

SHARE CAPITAL AND SHARE OWNERSHIP

As of 31 December, 2010, the Bank's issued and fully paid share capital was: ₦11.7 billion, comprising 23.3 billion ordinary shares with a nominal value of 50 kobo each. The Bank's authorised share capital as of 31 December 2010 was ₦25.0 billion, comprising 50.0 billion ordinary shares with a nominal value of 50 kobo each.

The Bank had 356,830 shareholders of its ordinary shares as of 31 December 2010. With the exception of Citibank Nigeria Limited, which held 13.04 per cent. of the Bank's ordinary shares in its capacity as custodian for the underlying shares in relation to the Bank's GDRs and Stanbic Nominees Nigeria Limited, which held 11.49 per cent. of the Bank's ordinary shares in trading accounts on behalf of various investors, no shareholder held more than 5.0 per cent. of the Bank's ordinary shares as of 31 December 2010. The Bank is not aware of any shareholder which holds a beneficial interest in 5.0 per cent. or more of the ordinary shares. The Bank's 14-member board of directors controlled, in the aggregate, 2.02 per cent. of the Bank's ordinary shares as of 31 December 2010.

The following table lists the Bank's shareholders of record, as indicated on its share register, as of 31 December 2010, that held 5.0 per cent. or more of its total issued ordinary share capital. All holders of the Bank's ordinary shares have the same voting rights.

Shareholders	**Shareholding**	**%**
Stanbic Nominees Nigeria Limited[1]	2,680,223,218	11.49
Citibank Nigeria Limited GDR (underlying shares)	3,040,784,600	13.04

Note:

(1) Stanbic Nominees Nigeria Limited holds the shares in its capacity as custodian for the underlying shares representing the U.S.$824.2 million GDRs.

To the Bank's knowledge, no other person or entity controls more than 5.0 per cent. of the Bank's total issued ordinary share capital.

NIGERIA

The information in this section has been extracted from documents and other publications released by various officials and other public and private sources, including the CBN and the IMF, as indicated below. There is not necessarily any uniformity of views among such sources as to such information provided. The Guarantor and the Issuer have not independently verified the information included in this section. The Company has accurately summarised such information and, so far as the Guarantor and the Issuer are aware and is able to ascertain, no facts have been omitted that would render the reproduced information inaccurate or misleading. The Guarantor and the Issuer have relied on the accuracy of this information without independent verification.

Overview of the Federal Republic

General

The Federal Republic of Nigeria occupies 923,768 square kilometres of West Africa, bordering the Republic of Benin to the west, Chad and Cameroon to the east, Niger to the north and the Gulf of Guinea to the south. Nigeria has a population of approximately 159 million. Nigeria consists of 36 states and the federal capital territory ("**FCT**") of Abuja, which is located in central Nigeria. Lagos, the largest city in Nigeria, has a population of approximately 17 million.

Nigeria achieved full independence from the United Kingdom on 1 October 1960 and became a federal republic in 1963. The current Constitution was adopted in May 1999 and provides for a President, a National Assembly and a Judiciary. The National Assembly, with two chambers, comprises a Senate and a House of Representatives. The Senate is made up of members elected for a four-year term. Each Nigerian state elects three senators while the FCT elects one senator (109 seats in total). The House of Representatives has 360 members who are elected in single member constituencies for four-year terms.

Presidential elections were held in 2007 and resulted in the election of late President Umaru Musa Yar'Adua. Following the death of President Umaru Musa Yar'Adua, Goodluck Ebele Jonathan was sworn in as President, in accordance with the Constitution, in May 2010. The PDP is the ruling party in Nigeria and has been in power since 1999.

Elections in Nigeria were held in April 2011. In the lead up to and over the course of the April 2011 elections, Nigeria experienced instances of sectarian violence, including bomb explosions in Abuja, Jos, Yenagoa and Maiduguri, which have killed a number of people.

The Nigerian National Assembly, presidential, gubernatorial and State Houses of Assembly elections were originally scheduled to be held on 2 April 2011, 9 April 2011 and 16 April 2011, respectively. Due to the late arrival of result sheets in some senatorial districts and federal constituencies, the National Assembly elections were postponed and rescheduled for 9 April 2011. The postponement of the National Assembly elections necessitated an adjustment to the elections timetable, and the presidential and gubernatorial and State Houses of Assembly elections were rescheduled for 16 April 2011 and 26 April 2011, respectively.

The National Assembly elections were held on 9 April 2011. Although there were alleged isolated cases of violence and other irregularities, it was generally reported that the elections were free, fair, peaceful and credible. However, in approximately 15 (out of 109) senatorial districts and 48 (out of 361) federal constituencies, the National Assembly elections were postponed to 26 April 2011. The Nigerian Independent National Electoral Commission (the "**INEC**") attributed the postponement in these areas to printing flaws and the need to re-print ballots which had been used up in the postponed elections of 2 April 2011.

The Presidential elections were held on 16 April 2011 and although the elections were reportedly conducted peacefully and credibly, prior to the final announcement of the results, post-election violence and riots occurred in certain cities of some of the northern states of Nigeria (Kaduna, Gombe, Bauchi, Kano, Adamawa, Zaria and some parts of the Federal Capital Territory). The violence was reportedly as a result of the dissatisfaction with election results by supporters of the opposition party, the Congress of Progressive Change (the "**CPC**"), who believed that the results declared in those states did not reflect the perceived widespread support for the CPC.

Regardless, the INEC and international observers upheld the elections as being well-conducted and INEC formally announced the incumbent President Goodluck Ebele Jonathan as the winner, with over 58.89 per cent. of the total votes cast. President Goodluck secured more than 25 per cent. of the votes cast in over two-thirds of the states in Nigeria and avoided the need for a run-off with the opposition CPC candidate.

Gubernatorial elections were held on 26 April 2011 in 24 states, but were postponed in two states to 28 April 2011 due to the rioting following the 16 April 2011 Presidential elections. Elections for the states' houses of assembly elections were held in all the states, but were postponed in two states to 28 April 2011. Some senatorial elections were also held on 26 April 2011.

The elections were largely reported by INEC and international observers as peacefully and credibly conducted. Following INEC's formal declaration of gubernatorial elections results on 28 April 2011, the PDP won in 16 states, Action Congress of Nigeria won in three states, All Nigeria Peoples Party won in three states, CPC won in one state whilst election results in Imo State were declared inconclusive by the state chief returning officer. Of the 24 states in which gubernatorial elections have been conducted, 15 incumbent governors were re-elected and 8 new governors were elected.

Economy

Nigeria has the second largest economy in sub-Saharan Africa. Overall, despite the negative effects of the global financial crisis in recent periods, Nigeria's economy has continued to experience significant GDP growth.

- *GDP*. Real GDP grew 7.53 per cent. in the first half of 2010, 6.96 per cent. in 2009, 5.98 per cent. in 2008 and 6.45 per cent. in 2007. This growth was largely attributable to the continued growth in non-oil GDP, which grew 8.32 per cent. in 2009, 8.95 per cent. in 2008 and 9.52 per cent. in 2007. Overall GDP growth for 2010 is estimated at 7.85 per cent. The Government plans to reinforce economic growth in future periods by encouraging non-oil private sector growth, which it plans to facilitate through the implementation of its Vision 20:2020 plan.

- *Oil prices and production*. The Nigerian economy is highly impacted by oil and gas production, which accounted for 16.29 per cent. of GDP in 2009 and approximately 69.4 per cent. of total gross federally collectible revenue in 2009. Crude oil prices declined from an average of U.S.$101.15 per barrel in 2008 to U.S.$62.08 in 2009, increasing in 2010 to an average of U.S.$80.98 per barrel. Oil production in 2009 and 2008 averaged 2.1 million barrels per day, compared to 2.5 million barrels per day in 2005. In 2010, oil production levels increased to an average of 2.47 million barrels per day.

- *External sector*. Nigeria's external sector, like most economies, was under pressure during the global financial crisis and this was reflected in the decline in external reserves, capital withdrawals by portfolio investors and a lower trade balance. Despite the pressure, monetary policy actions and exchange rate management combined to result in a surplus outcome in the current account balance, which represented 13.65 per cent. of GDP in 2009 compared to 15.43 per cent. in 2008. The external reserves position increased in recent years from U.S.$28.3 billion in 2005 to U.S.$53 billion in 2008, before dropping to U.S.$32.3 billion as of 31 December 2010.

- *Fiscal deficit*. The overall fiscal deficit increased from ₦419.5 billion in 2008 to ₦1,126.7 billion in 2009. The increase in the deficit in 2009 was largely the result of the decline of crude oil prices in 2009 compared to 2008 and was also due to an increase in both recurrent and capital expenditures. In the first eleven months of 2010, the overall fiscal deficit was ₦1,529.3 billion, largely as a result of an increase in recurrent expenditure.

- *Public debt*. As of 31 December 2010, Nigeria's total public debt was U.S.$34.6 billion (provisional). External debt was U.S.$4.8 billion (provisional) as of 31 December 2010, a decrease from U.S.$20.5 billion as of 31 December 2005, attributable to the repayment and subsequent cancellation of the Paris Club debt and the repayment of the London Club debt. Additionally, in December 2010 the Government entered into a U.S.$899.5 million credit agreement with the Export-Import Bank of China for the purpose of funding certain infrastructure projects. Drawdowns under this facility are tied to project completion milestones and as of 31 December 2010 no amount had been drawn. Nigeria's domestic debt was ₦4.5 trillion (provisional), or U.S.$29.8 billion as of 31 December 2010, compared to ₦1.5 trillion, or U.S.$11.8 billion as of 31 December 2005. The increase in domestic debt reflects the significant increase in borrowings through Government bonds in the domestic market.

- *Inflation*. Nigeria's year on year inflation rate for December 2010 was 9.8 per cent. The annual inflation rate was 6.6 per cent. as of 31 December 2007 and rose to 15.1 per cent. as of 31 December 2008. Inflationary pressure moderated slightly in 2009 and was 17.0 per cent. as of 31 December 2009, reflecting an increase in demand pressure due to fuel shortages linked to the speculation that petroleum product prices would be deregulated. In June 2010, the NBS reweighted the CPI to lower the weight of food in the inflation basket from 63.8 per cent. to 50.7 per cent., resulting in a revision to the inflation rate for June 2010 to 14.1 per cent. from 10.3 per cent.

Reforms

Nigeria is in the process of adopting and implementing a number of reforms aimed at making Nigeria one of the 20 largest economies in the world by 2020. The reforms are aimed at a number of areas, primarily diversifying the economy away from dependence on oil by addressing infrastructure and related issues to create a more favourable environment for continued growth of the non-oil and gas sectors of the economy. A summary of some of these key reform agendas include:

- *Vision 20:2020*. Vision 20:2020 is the Government's long-term plan to become one of the 20 largest economies by 2020, and the Government has adopted the First NIP as its medium-term plan to implement the first stage of Vision 20:2020. The First NIP has six main areas of focus:

  - Physical Infrastructure – focusing on power, transport and housing;

  - Productive Sector – focusing on the key sources of economic growth such as agriculture, oil and gas and manufacturing;

  - Human Capital and Social Development – focusing on the social sectors of the economy, namely; education, health, labour, employment and productivity;

  - Building a Knowledge-based Economy – focusing on building a knowledgeable workforce and ensuring widespread access to Information, Internet and Communication Technology;

  - Governance and General Administration – focusing on election reform and combating corruption; and

  - Regional Geopolitical Zone Development – focusing on fostering accelerated, sustainable social and economic development in a competitive and friendly manner.

- *Oil and gas sector.* The Government is currently reforming the petroleum industry and a general overhaul of the oil and gas sector is expected. The PIB, a major legislative proposal that would represent the most comprehensive overhaul of the structure of the oil and gas industry in Nigeria since commercial oil production began in the 1960s, is currently being enacted by the National Assembly. Other significant reforms, including the Nigerian Content Act 2010, have recently been enacted.

- *Power sector.* In August 2010, the Government launched the "Roadmap for Power Sector Reform" which seeks, among other objectives, to remove obstacles to private sector investment in the power sector, permit the privatisation of the generation and distribution companies as well as facilitate the construction of new transmission networks and reform the fuel-to-power sector. The Government estimates that in order to meet the target of 40,000 mega watts by 2020, a total investment of U.S.$10 billion per annum will be needed throughout the whole power sector over the next 10 years, most of which it aims to achieve by incentivising the private sector to make such investments.

- *Banking.* The global financial crisis and the resulting decline in the Nigerian equities market in 2009 resulted in significant provisions by a number of Nigerian banks. Following a special examination and investigation of the 24 banks that comprise the Nigerian banking system, the CBN found significant irregularities and capital adequacy deficiencies at some of the banks, resulting in a number of proposed reforms including the creation of AMCON, a government-backed corporation that will purchase a significant portion of the non-performing assets in the Nigerian banking sector and assist in recapitalising undercapitalised banks to help restore the health of the banking sector. The CBN expects that AMCON will issue Federal Government-guaranteed bonds in the amount of approximately ₦2.5 trillion (U.S.$16.6 billion), of which approximately ₦1 trillion was issued in December 2010, and an additional aggregate of ₦1.7 trillion was issued in April 2011 (with the first ₦1.15 trillion tranche swapped for the initial consideration AMCON Bonds issued in December 2010) will acquire much of the estimated ₦2.2 trillion of non-performing assets in the banking sector.

Statistical data

The following tables set out certain selected economic information about Nigeria. All data shown for 2010 is provisional.

	For the year ended 31 December					For the six months ended 30 June
	2005	2006	2007	2008	2009	2010
Domestic Economy						
Nominal GDP (Naira billions)....	14,572.2	18,564.8	20,657.3	24,296.3	24,794.2	13,061.1
Real GDP (Naira billions)..........	561.9	595.8	634.3	672.2	718.9	334.7
Real GDP (growth rate) (%)......	6.51	6.03	6.45	5.98	6.96	7.53

	For the year ended 31 December					For the six months ended 30 June
	2005	2006	2007	2008	2009	2010
Balance of Payments (Naira billions)						
Exports of Goods	7,246.5	7,324.7	8,309.8	9,907.6	8,832.4	5,525.9
Imports of Goods	(3,413.5)	(2,828.8)	(3,559.9)	(4,369.8)	(4,325.1)	(3,583.7)
Trade Balance	3,832.9	4,495.9	4,749.9	5,537.8	4,507.3	1,942.2
Current Account	4,891.7	4,357.6	3,879.2	3,748.3	3,408.1	852.7

	For the year ended 31 December					For the six months ended 30 June
	2005	2006	2007	2008	2009	2010
Public Finance (Naira billions)						
Total Gross Federally Collectible Revenue	5,559.3	5,973.9	5,594.2	7,748.1	4,599.0	6,344.6
Federal Government Retained Revenue	1,433.5	1,438.4	1,744.3	2,598.5	2,162.5	1,433.5
Total Expenditure	1,722.9	1,809.7	2,346.1	3,018.0	3,289.1	3,652.0
Overall Deficit............................	(289.5)	(371.4)	(601.8)	(419.5)	(1,126.7)	(1,529.3)

	For the year ended 31 December					For the six months ended 30 June
	2005	2006	2007	2008	2009	2010
Public Debt (U.S.$ billions)						
External Debt	20.5	3.5	3.7	3.7	3.9	4.8
Domestic Debt	11.8	13.8	18.6	17.7	21.9	29.8
Gross Public Debt as % of real GDP	28.6	12.1	13	11.6	15.4	16.0

Sources: NBS, CBN, Office of the Accountant General and DMO.

THE NIGERIAN BANKING SECTOR

According to the "Augusto Banking Industry Report 2010", total Nigerian banking sector assets and contingents were ₦16 trillion (U.S.$110 billion) and total Naria deposits were ₦9 trillion (U.S.$61 billion) as of 31 December 2009. Non performing loans, as a proportion of total loans were 36.0 per cent. as of 31 December 2009, compared with 5.6 per cent. in 2008. As of 31 March 2011, there were 24 banks in Nigeria.

Retail loans remain significantly low at only 0.1 per cent. of GDP and the economy is broadly cash based. The financing of infrastructure and project finance projects and capital investments by corporates are key areas for growth for the Group. Nigeria's underdeveloped retail market is considered to be a long term market opportunity and many industry players have shifted their focus to establishing consumer risk assets with higher yields.

Supervision and regulation of banks in Nigeria

The CBN is the primary regulator of the Nigerian banking sector, and is solely responsible for the formulation of monetary, credit and exchange rate policies for financial institutions in Nigeria. Since January 1999, the CBN has had autonomy from its previous supervision by the Ministry of Finance and now reports directly to the National Assembly.

The principal governing body of the CBN is the Board of Directors which consists of the Governor of the CBN, who is the Chairman, four Deputy Governors, the Accountant-General of the Federation, the Permanent Secretary of the Ministry of Finance and five other Directors. Each Deputy Governor overlooks one of the four directorates of the CBN, namely: Operations, Corporate Services, Financial System Stability and Economic Policy.

Under the purview of the Financial System Stability Directorate is the supervision of banks, and this includes off-site review and on-site examination of banks especially in relation to their financial condition, internal control systems, the reliability of information provided in the statutory returns, risk management and compliance with corporate governance codes. The CBN conducts on-site examination on banks on maiden, routine and special bases. Maiden on-site examinations are typically conducted within six months following commencement of operations by a new bank, routine examinations are conducted on a regular basis (usually to address specific areas of a bank's operations), whilst special examinations are conducted as the need arises. In addition to maiden, routine and special examinations, the CBN also conducts on-site spot-checks on banks for quick confirmations and or verifications of specific issues. The CBN conducts off-site examination on Nigerian banks using prudential reports, statutory returns and other relevant documentation.

The CBN also monitors trends in the banking sector and generates industry reports at macro level on monthly and quarterly bases, in addition to evaluating the development finance sector and monitoring other financial institutions. Activities such as the change of auditors, the publication of audited financial statements, the opening and closing of branches, change in control and the appointment of directors and top management by banks are subject to the prior approval of the CBN.

The statutory mandate of the CBN encompasses ensuring monetary and price stability, the issuance of legal tender currency (Naira and Kobo), the maintenance of Nigeria's external reserves to safeguard the international value of the legal tender currency, the promotion of a sound financial system in Nigeria, and acting as banker, economic and financial adviser to the Federal Government as well as banker and lender of last resort to commercial banks.

The CBN is also the agency of the government which maintains general surveillance over the Nigerian foreign exchange system. It licences authorised dealers, who are licenced banks, to deal in foreign exchange. By virtue of Section 1(2) of the Forex Act, the CBN may also make regulations from time to time, pertaining to procedures for transactions in foreign exchange.

The NDIC, established by the NDIC Decree No. 22 of 1988 (subsequently codified as the NDIC Act Cap N102 LFN 2004), insures all deposit liabilities of licenced banks and other financial institutions operating in Nigeria. The NDIC guarantees payments to depositors in case of imminent or actual suspension of payments by insured banks or other financial institutions up to the maximum amount of ₦200,000 per depositor for licenced banks, and ₦100,000 per depositor for other licenced deposit-taking financial institutions (i.e. primary mortgage institutions and microfinance banks). The NDIC is also mandated to assist monetary authorities in the formulation and implementation of banking policy so as to ensure sound banking practice and promote fair competition among banks in Nigeria. The powers and functions of the NDIC are stated in the NDIC Act No 16 of 2006 which repealed the NDIC Decree of 1988.

Pursuant to a 13 point agenda aimed at reforming the banking industry ("**13 point agenda**"), the CBN introduced a number of reforms in July 2004, including a requirement that all banks raise their minimum capital base from ₦2.0 billion to ₦25.0 billion. Following the implementation of the reforms, 25 banking institutions emerged out of the 89 that existed in July 2004. In 2007, the first post - CBN mandated consolidation was completed, with Stanbic Bank Nigeria (wholly owned by Standard Bank of South Africa) merging with IBTC Chartered Bank thereby reducing the number of banks in Nigeria to 24. In March 2011, Access Bank and Intercontinental Bank announced a proposed merger. There is no timeline for completion of the merger and it is subject to regulatory approval. Other proposed strategic transactions include a merger of First Bank of Nigeria and Oceanic Bank (although the parties have since determined not to proceed) and investments in Union Bank of Nigeria by the African Capital Alliance Consortium and in Afribank by Vine Capital. FirstRand Limited of South Africa has also had preliminary discussions regarding an investment in Sterling Bank.

2009 banking crisis

As a result of the high levels of margin lending in the Nigerian banking sector, the CBN made the decision in 2009 to intervene and examine all of the banks in Nigeria. These examinations identified systemic weaknesses in the banking sector, which may continue to have an adverse effect on investment in, and the performance of, the Nigerian economy and the banking sector.

Prior to the CBN intervention, in October 2008, the CBN established the EDW to support the banking sector. The EDW allowed banks to borrow from the CBN at longer tenors (from overnight to 360 days) and expanded the types of collateral that could be used for borrowings. In June 2009, the CBN became concerned about the level of bank borrowings at the EDW, most of which was owed by five banks which were permanent or regular users of the EDW (Afribank, Finbank, Intercontinental Bank, Oceanic Bank and Union Bank of Nigeria). In July 2009, the CBN closed the EDW and instead guaranteed interbank placements and foreign creditors and correspondent banks' credit lines until the end of March 2010. The CBN has subsequently extended this guarantee a number of times and most recently to September 2011. The banking sector may not recover sufficiently for the CBN to allow the guarantee to expire in September 2011. If the guarantee does expire, this may result in a decline in income for banks which have been net lenders in the interbank market, if they reduce their interbank lending following the expiry of the guarantee.

In July 2009, the CBN, together with the NDIC, initiated the Special Examinations of all twenty-four Nigerian banks. The result of the Special Examinations of the first set of ten banks (the Bank, Afribank, Diamond Bank, Finbank, First Bank of Nigeria, Intercontinental Bank, Oceanic Bank, Sterling Bank, Union Bank of Nigeria and United Bank for Africa) was published in August 2009 and revealed that five out of the ten banks (Afribank, Finbank, Intercontinental Bank, Oceanic Bank and Union Bank of Nigeria) were the main users of the EDW over a nine-month period ending June 2009, with an aggregate of ₦434 billion of total outstanding EDW commitments at the peak and accounting for 90 per cent. of total EDW disbursements. These five banks had high concentrations of margin loans and downstream oil and gas loans, many of which were non-performing as a result of the substantial decline in share prices on the NSE and the substantial decline in international oil prices in the second half of 2008.

A second round of Special Examinations covering the remaining 14 banks (Access Bank, Bank PHB, Citibank Nigeria, Ecobank Nigeria, Equitorial Trust Bank, Fidelity Bank, First City Monument Bank, Skye Bank, Spring Bank, Stanbic IBTC Bank, Standard Chartered Bank Nigeria, Unity Bank, Wema Bank and Zenith Bank) was completed in October 2009. The CBN found that four of these 14 banks (Bank PHB, Equitorial Trust Bank, Spring Bank and Wema Bank) had significant issues with their liquidity, capital adequacy and corporate governance.

The CBN removed the managing directors and executive directors of each of the Intervened Banks (other than Wema Bank, which had already been taken over by a new management), and injected an aggregate of ₦620 billion (₦420 billion following the initial round of Special Examinations and ₦200 billion following the second round of Special Examinations) in the form of tier two capital into the Intervened Banks (seven year convertible loans, initially at 11.0 per cent., but reduced to 8.0 per cent. in December 2009). Interest on the loans is presently calculated at the MPR minus 3 per cent. It ordered Wema Bank and Unity Bank to recapitalise by 30 June 2010.

Following the special examinations, the EFCC, a Nigerian government agency which prosecutes cases in relation to certain criminal laws in Nigeria, prosecuted some of the senior management teams of the Intervened Banks alleged to have committed financial improprieties and in October 2010, an executive member of Oceanic Bank was sentenced to a jail term.

The Intervened Banks are now in the process of being recapitalised by the AMCON, a company established by the Government in July 2010.

The Government has stated that it intends that AMCON will, among other things, provide liquidity to the banks by buying their non-performing and margin loans, recapitalise the Intervened Banks, and increase access to refinancing opportunities for borrowers.

In November 2010, AMCON announced that it would issue up to ₦2.5 trillion (U.S.$16.6 billion) in principal amount of three-year, zero-coupon bonds, to finance the purchase of non-performing loans and margin loans from Nigerian banks. The AMCON Bonds are guaranteed by the Government.

In December 2010, AMCON issued ₦1.03 trillion principal amount of AMCON Bonds, with net proceeds of ₦770 billion. The proceeds from this issuance were used to purchase non-performing loans from all but one of the Intervened Banks and to purchase margin loans from each of the 21 Nigerian banks that participated in the first tranche of the programme, including the Bank (Citibank Nigeria, Stanbic IBTC Bank and Standard Chartered Bank elected not to participate). In April 2011, AMCON issued an aggregate of ₦1.7 trillion in additional AMCON Bonds in three tranches. The first tranche of ₦1.15 trillion was swapped for the initial consideration AMCON Bonds issued in December 2010 to acquire loans from 21 banks before AMCON received regulatory approval to issue tradeable bonds. The second ₦20.7 billion tranche was issued to investors and the third ₦535 billion tranche was issued for the purpose of acquiring additional non-performing loans from the 22 banks participating in the second tranche of the programme (Citibank Nigeria and Standard Chartered Bank elected not to participate).

Also, in July 2010 the CBN agreed with Nigeria's 24 banks to establish a sinking fund to cover any net deficits incurred by AMCON. Each Nigerian bank has agreed to contribute 30 basis points of its total assets as of the date of its audited financial statements for the immediately preceding financial year to the sinking fund and the CBN will contribute ₦50 billion per year, for 10 years. AMCON intends to use the sinking fund, plus recoveries earned on the bad assets purchased from the banks, to repay the AMCON Bonds when they become due. The sinking fund is to be backed by a legislative act that shall have the full force of law.

The Government estimates the total net cost to recapitalise the banks and recover the bad debts will be up to ₦1.5 trillion, most of which the Government expects to recover from the sinking fund, recoveries from the bad assets and dividends paid on the equity capital injected into the banks.

In late 2009 and early 2010, the CBN introduced an aggregate of ₦500 billion of initiatives administered through the Bank of Industry to stimulate the economy. Of the total amount, the sum of ₦300 billion was to be applied to power projects and ₦200 billion was to be applied to the refinancing/restructuring of banks' existing loan portfolios to the SME and manufacturing sectors. The CBN has also established a ₦200 billion Small and Medium Enterprises Credit Guarantee Scheme for promoting access to credit by SMEs in Nigeria. Other sector-specific initiatives were also introduced, including in agriculture, power and aviation.

Real Time Gross Settlement System

As part of its re-engineering and restructuring processes, the CBN has introduced a Real Time Gross Settlement System ("**RTGS**"). The CBN RTGS provides an on line payment system in which processing and settlement takes place continuously in real time (i.e., without deferral) and gross (i.e., transaction by transaction). The system handles large-value, time critical payments.

The settlement of credit transfer instructions is done when there is sufficient balance in the settlement account of the participants with the CBN and is guaranteed for its finality and irrevocability.

The central objective of the RTGS system is to reduce systemic risk, by preventing the failure of a payment or of a participant having knock on effects on other participants and thereby endangering the stability of the financial system.

In addition, the system significantly reduces the risk associated with the previous net-settlement systems in operations and also accelerates the payment process while guaranteeing finality and irrevocability of transfers and settlement.

Monetary policy

In its bid to attain bank soundness and effective liquidity management, the CBN introduced in 2006 a new framework for monetary policy implementation in the marketplace using the short term interest rate as its benchmark rate. The benchmark rate, the MPR, serves as an indicative rate for transactions in the inter bank money market as well as money market rates. The ultimate goal of the framework is to achieve a stable value of the Naira through stability in short term interest rates around the MPR which will be determined and operated by the CBN. The MPR replaced the existing Minimum Rediscount Rate ("**MRR**"), and was set at 10.0 per cent. using the current rate of inflation and the expected inflation rate outcome of 9.0 per cent. for the 2007 financial year as a guide to ensure that interest rates remain positive in real terms.

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 CBN, through active interbank trading or transfer of balances at the CBN. 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 CBN would be equal to the opportunity cost of holding a surplus balance with the CBN. Although the new regime of MPR has been in operation for some time, it was only in February 2008 that the CBN formally announced the removal of the MRR based framework.

In 2009, the CBN reviewed the MPR downward twice, from 9.75 per cent. to 8.00 per cent. in April 2009 and to 6.00 per cent. in July 2009. As of 31 March 2011, the MPR was 7.5 per cent. A key priority of the CBN is to reduce interest rates over time and sustain the lower rates such that they provide access to lower cost of funds for the development of the real sector.

The following table sets out changes in the MPR and the CBN's standing lending rate and standing deposit rates:

Effective from	Monetary Policy Rate	Standing Lending Rate	Standing Deposit Rate
		(%)	
1 April 2008	10.00	10.00	0.00
2 June 2008.............	10.25	10.25	0.00
18 September 2008..	9.75	9.75	0.00
8 April 2009	8.00	8.00	0.00
7 July 2009	6.00	8.00	4.00
3 November 2009	6.00	8.00	2.00
2 March 2010	6.00	8.00	1.00
21 September 2010..	6.25	8.25	3.25
23 November 2010 ..	6.25	8.25	4.25
25 January 2011	6.50	8.50	4.50
22 March 2011	7.50	9.50	5.50

Other policy and regulatory considerations

The CBN, under its 13 point agenda, adopted a "Framework for Risk Based Supervision of Banks in Nigeria", aimed at encouraging individual banks to develop and continuously update their internal risk management systems to ensure that such systems are commensurate with the scope and complexity of the relevant bank's operations, and also, to assist Nigerian banks with the implementation of Basel II. As a result, Nigerian banks have been directed to institute effective risk management systems to enable them to identify, measure, monitor and control risks in their institutions. In line with this framework, the Group has adopted numerous risk management procedures and controls which it maintains and continuously reviews to further improve its internal systems and minimise the effect of these risks. See "*Asset, Liability and Risk Management*".

Prudential Guidelines

As part of its initiative of enhancing the quality of banks in Nigeria and with a view to adhering to international best practices, the CBN issued a revised Prudential Guidelines which came into effect on 1 July 2010. The CBN Prudential Guidelines revised the previous guidelines issued in November 1990 and aim to address various key aspects of banks' operations such as risk management, corporate governance, know-your-customer, anti-money laundering, financing of terrorism and loan loss provisioning. The Prudential Guidelines are required to be regarded as minimum requirements and licenced banks are required to implement more stringent policies and practices to enhance mitigation of risks. In addition to the CBN Prudential Guidelines, the CBN also prescribes certain mandatory ratios that must be maintained by Nigerian banks.

Mandatory Ratios	CBN Maximum/Minimum Mandatory Ratio Requirements
Cash reserve ratio/requirement[1] ..	1.0 per cent. of deposits to be held at the CBN
Specified liquidity ratio[2]	30.0 per cent. of deposits
Specified capital adequacy ratio[3] ..	10.0 per cent. of risk weighted assets
Guaranteed BAS/CPS to shareholders funds[4]	150.0 per cent. of shareholder's funds
Loans to deposits ratio[5]	80.0 per cent. of deposits
Statutory minimum capital base	Minimum capital base (inclusive of reserves) of ₦25.0 billion
Long term equity investments........	25.0 per cent. of paid up capital and statutory reserves
Single exposure limit......................	20.0 per cent. of shareholders' funds unimpaired by losses
Large exposure limit	Total of all large exposures cannot exceed eight times shareholders' funds unimpaired by losses
Maximum amount of credit extended to directors and significant shareholders	10.0 per cent. of a bank's paid up capital
Aggregate amount of exposure to a bank's insiders	60.0 per cent. of a bank's paid up capital
Total outstanding exposure to all tiers of government and their agencies	10.0 per cent. of total credit portfolio

The CBN Prudential Guidelines stipulate requirements that must be met by Nigerian banks with regard to classification of assets, disclosure, provisioning and interest accruals. They also set forth the minimum standards that Nigerian banks must meet in this regard, while encouraging banks to implement even more stringent requirements.

The CBN Prudential Guidelines also require licenced banks to review their credit portfolios continuously, at least once every quarter, with a view to promptly recognising any deterioration in credit quality, and to provide in their audited financial statements an analysis of whether their credit facilities are performing or non performing. Under the CBN Prudential Guidelines, a credit facility is deemed to be performing if payments of both the principal amount and interest sums are up to date in accordance with the agreed terms. A credit facility is considered to be non performing if (i) interest or principal is due and unpaid for 90 days or more; or (ii) interest payments equal to 90 days interest or more have been capitalised, rescheduled or rolled over into a new loan. A non-performing credit facility is reclassified as performing only when the borrower pays the outstanding unpaid interest within 90 days. They also provide for a classification of non-performing credit facilities into sub-standard, doubtful and lost, depending on the number of days for which the principal amount and/or interest sums have remained outstanding. Assessment parameters in this regard include repayment performance and net value of collateral that can be realised.

The CBN Prudential Guidelines further specify that off balance sheet engagements such as letters of credit, bonds and guarantees, indemnities and pending or protracted litigation must also be properly appraised to determine the extent of any likely loss arising from them.

The CBN Prudential Guidelines prescribe a maximum tenure of ten years for the CEO of every bank. Under the CBN Prudential Guidelines, the CEO shall not qualify for appointment in his former bank or subsidiaries in any capacity until after three years following the expiration of his tenure as CEO. Non-executive directors may serve a maximum of twelve years on the board of directors of a bank under the CBN Prudential Guidelines.

Additionally, the CBN Prudential Guidelines require banks to rotate their firm of external auditors after the expiration of ten years following the auditors' appointment. The auditors shall not be reappointed until an additional ten year period has passed.

The Small and Medium Industries Equity Investment Scheme

Several challenges face SMEs in developing countries, the most significant of which is funding, as banks which constantly seek to minimise their risk profile are not very eager to fund SMEs. With a view to addressing this issue, the Bankers' Committee, a body comprised of Chief Executives from the CBN and other Nigerian banks, intervened in 2001 with the introduction of the Small and Medium Industries Equity Investment Scheme (the "**SMIEIS**").

The SMIEIS commenced in June 2001 as a government initiative for the promotion of SMEs as a vehicle for rapid industrialisation, sustainable economic development, poverty alleviation and employment generation. The SMIEIS sets forth a mandatory requirement that all banks licenced in Nigeria set aside 10.0 per cent. of their annual profit after tax for equity investment in SMEs. In July 2007, the CBN however announced that participation in the SMIEIS programme is optional going forward. The participants in the SMIEIS programme are the Nigerian government, the CBN, the Bankers' Committee and individual banks.

The SMIEIS aims to assist the establishment of new, viable, small and medium scale projects in certain sectors of the economy including agro allied, information technology and telecommunication, manufacturing, educational establishments, services, tourism and leisure, solid minerals, construction, and other sectors as determined by the Bankers' Committee.

In March 2010, the CBN established a ₦200 billion Small and Medium Enterprise Credit Guarantee Scheme ("**SMECGS**") with the objectives of (i) promoting access to credit by SMEs (ii) fast-tracking the development of the manufacturing SME sector of the Nigerian economy and setting the pace for industrialisation of the Nigerian economy. The CBN acts as the managing agent of the SMECGS and all deposit banks and development finance institutions are eligible to act as participating banks under the SMECGS. The maximum loan amount under the SMECGS is ₦100 million which can be in the form of working capital, overdrafts, term loans for refurbishments or equipment. The CBN provides 80 per cent. guarantee cover of the loan advanced by participating banks to each SMEs.

Legal and regulatory developments

The Government is in the process of implementing reforms in the oil and gas, power and shipping sectors, which may also have an impact on the Nigerian banking sector. Legislative initiatives behind these reforms include the Nigerian Content Act, the proposed PIB, and the Cabotage Act. The Nigerian Content Act was enacted in April 2010. Prior to the enactment of the Nigerian Content Act, local content promotion and development in the Nigerian oil and gas industry was loosely regulated. The Nigerian Content Act provides that all operators, contractors and other entities engaged in any operation, business or transaction in the Nigerian oil and gas industry requiring financial services shall retain only the services of Nigerian financial institutions or organisations, except where this is impracticable. The Nigerian Content Act also requires all operators, contractors and sub-contractors to maintain a minimum of 10 per cent. of the total revenue accruing from their Nigerian operations in bank accounts domiciled in Nigeria. The PIB (if enacted) contains provisions which will seek to prioritise the use of Nigerian goods and services in sectors such as insurance, finance and professional services as a first resort. The Cabotage Act contains local content provisions in connection with domestic coastal carriage of cargo and passengers, which are expected to also increase Nigerian entities' requirements for finance and financial services from Nigerian banks.

DESCRIPTION OF THE ISSUER

History

The Issuer was incorporated as a private company with limited liability (a *besloten vennootschap met beperkte aansprakelijkheid* or B.V.) under and subject to the laws of the Netherlands on 15 December 2006 for an unlimited duration. Its number in the commercial register of Amsterdam, the Netherlands is 34262072. The Issuer is a direct, wholly owned subsidiary of the Bank.

Capitalisation

The authorised share capital of the Issuer is €90,000, divided into 900 ordinary shares with a par value of €100 each. As of the date of this Offering Circular, the Issuer's issued share capital was €18,000, consisting of 180 ordinary shares with a par value of €100 each, which have been issued and fully paid at par and are directly owned by the Bank. There has been no material adverse change in the prospects of the Issuer since the date of its incorporation.

The net proceeds from each issue of Notes under the Programme will be used to provide a loan to the Bank. The Bank will use the proceeds from such loan in accordance with the section "*Use of Proceeds*".

Business

As set out in Article 2 of its Articles of Association, the Issuer was incorporated primarily for the purpose of raising funds in the international capital markets and lending such funds to the Bank or its subsidiaries. The Issuer has been established as a special purpose vehicle and has no employees or subsidiaries.

In January 2007, the Issuer issued U.S.$350 million, 8.5 per cent. notes due 2012. Except for this indebtedness, the Issuer has no outstanding indebtedness in the nature of borrowings, guarantees or contingent liabilities as of the date of this Offering Circular.

There are no and have been no governmental, legal or arbitration proceedings against the Issuer (including any such proceedings which are pending or threatened of which the Issuer is aware) since the date of its incorporation, which may have, or have had in the recent past, significant effects on the Issuer's financial position or profitability, nor is the Issuer aware of any pending or threatened proceedings of such kind.

Auditors

Up until and including the year ended 31 December 2008, the auditors of the Issuer were HLB Schippers, Accountants Fiscalisten Juristen to KPMG Accountants N.V. Effective the year ended 31 December 2009, the auditors of the Issuer are KPMG Accountants N.V., a company with certified accountants, who are registered in the Netherlands with Royal NIVRA (*Koninklijk Nederlands Instituut van Registeraccountants*) or NOvAA (*Nederlandse Orde van Accountants Administratieconsulenten*), to conduct annual audits of its statutory financial statements.

Management

The Issuer has two managing directors, Mr. Julius Kosebinu and Mr. Olusegun Agbaje, who is also a deputy managing director of the Bank, and Intertrust (Netherlands) B.V. ("**Intertrust**"), a private company with limited liability incorporated in the Netherlands.

Intertrust is a company that provides trust, corporate and administrative services. The business address for the managing directors of the Issuer and the managing directors of Intertrust is Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands and its number in the commercial register of Amsterdam, the Netherlands is 33144202. The managing directors of Intertrust are Mr.

Otgerus Joseph Anton van der Nap, Mr. Peter de Langen, Mr. Ronald Willem Bakker and Mr. Carlo Paul Maria Roelofs, each jointly authorised to represent Intertrust as a jointly authorised managing director of the Issuer.

Except for Mr. Julius Kosebiau and Mr. Olusegun Agbaje, who acts as joint managing director of the Issuer and as deputy managing director of the Bank (and the Issuer, from the proceeds of Notes issued under the Programme, will extend loans to and act as a creditor of the Bank), there are no potential conflicts of interest between any duties of the Issuer's managing directors towards the Issuer and their private interests and/or other duties.

There are no potential conflicts of interests between any duties of the managing directors of Intertrust towards either the Issuer or Intertrust and their private interests and/or other duties.

The managing directors of Intertrust perform no principal activities outside Intertrust, which are significant with respect to either Intertrust or the Issuer.

General information

The business address of the Issuer is Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands and its telephone number is +31 20 521 47 77. Administrative services are provided to the Issuer by Intertrust whose business address is Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands.

The Issuer has obtained all necessary consents, approvals and authorisations in the Netherlands in connection with the issuance of the Notes and the performance of its obligations in relation thereto.

BOOK ENTRY CLEARANCE SYSTEMS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the "**Clearing Systems**") currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Guarantor, the Trustee nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership 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.*

Book entry systems

DTC

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a "banking organisation" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants ("**Participants**") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book entry changes in the Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**").

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "**Rules**"), DTC makes book entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book entry settlement system ("**DTC Notes**") as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes ("**Owners**") have accounts with respect to the DTC Notes similarly are required to make book entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to DTC. DTC's practice is to credit the Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of the Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under "S*ubscription and Sale and Transfer and Selling Restrictions*".

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Book entry ownership of and payments in respect of DTC Notes

The Issuer may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Note, the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the Issuer.

Transfers of Notes represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "*Subscription and Sale and Transfer and Selling Restrictions*", cross market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Fiscal Agent and any custodian ("**Custodian**") with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Fiscal Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Guarantor, the Trustee the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

The Netherlands

General

The following is a general summary of certain Dutch tax consequences of the acquisition, holding and disposal of the Notes. This summary does not purport to describe all possible tax considerations or consequences that may be relevant to a holder or prospective holder of Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as investors that are subject to taxation in Bonaire, Sint Eustatius and Saba and trusts or similar arrangements) may be subject to special rules. In view of its general nature, it should be treated with corresponding caution. Holders or prospective holders of Notes should consult with their tax advisers with regard to the tax consequences of investing in the Notes in their particular circumstances. The discussion below is included for general information purposes only.

Except as otherwise indicated, this summary only addresses Dutch national tax legislation and published regulations, as in effect on the date hereof and as interpreted in published case law until this date, without prejudice to any amendment introduced at a later date and implemented with or without retroactive effect.

Withholding tax

All payments of principal or interest made by the Issuer under the Notes may be made free of withholding or deduction of, for or on account of any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein, unless the Notes qualify as equity of the Issuer for Dutch tax purposes.

Taxes on income and capital gains

Please note that the summary in this section does not describe the Dutch tax consequences for:

(i) holders of Notes if such holders, and in the case of individuals, his/her partner or certain of their relatives by blood or marriage in the direct line (including foster children), have a substantial interest or deemed substantial interest in the Issuer under the Dutch income tax act 2001 (*Wet inkomstenbelasting 2001*). Generally speaking, a holder of securities in a company is considered to hold a substantial interest in such company, if such holder alone or, in the case of individuals, together with his/her partner (as defined in the Dutch income tax act 2001), directly or indirectly, (x) holds an interest of 5.0 per cent. or more of the total issued and outstanding capital of that company or of 5.0 per cent. or more of the issued and outstanding capital of a certain class of shares of that company; or (y) holds rights to acquire, directly or indirectly, such interest; or (z) holds certain profit sharing rights in that company that relate to 5.0 per cent. or more of the company's annual profits and/or to 5.0 per cent. or more of the company's liquidation proceeds. A deemed substantial interest arises if a substantial interest (or part thereof) in a company has been disposed of, or is deemed to have been disposed of, on a non recognition basis;

(ii) pension funds, investment institutions (*fiscale beleggingsinstellingen*), exempt investment institutions (*vrijgestelde beleggingsinstellingen*) (as defined in the Dutch corporate income tax act 1969 (*Wet op de vennootschapsbelasting 1969*)) and other entities that are exempt from Dutch corporate income tax; and

(iii) holders of Notes who receive or have received the Notes as employment income, deemed employment income or receive benefits from the Notes as a remuneration or deemed remuneration for activities performed by such holders or certain individuals related to such holder (as defined in the Dutch income tax act 2001).

Residents of the Netherlands

Generally speaking, if the holder of a Note is an entity that is a resident or deemed to be resident of the Netherlands for Dutch corporate income tax purposes, any payment under the Notes or any gain or loss realised on the disposal or deemed disposal of the Notes is subject to Dutch corporate income tax at a rate of 25.0 per cent. (a corporate income tax rate of 20.0 per cent. applies with respect to taxable profits up to €200,000, the bracket for 2011).

If a holder of a Note is an individual, resident or deemed to be resident of the Netherlands for Dutch income tax purposes (including the non resident individual holder who has made an election for the application of the rules of the Dutch income tax act 2001 as they apply to residents of the Netherlands), any payment under the Notes or any gain or loss realised on the disposal or deemed disposal of the Notes is taxable at the progressive income tax rates (with a maximum of 52.0 per cent.), if:

(i) the Notes are attributable to an enterprise from which the holder of the Notes derives a share of the profit, whether as an entrepreneur or as a person who has a co entitlement to the net worth of such enterprise, without being a shareholder, as defined in the Dutch income tax act 2001; or

(ii) the holder of a Note is considered to perform activities with respect to the Notes that go beyond ordinary asset management (*normaal, actief vermogensbeheer*) or derives benefits from the Notes that are (otherwise) taxable as benefits from other activities (*resultaat uit overige werkzaamheden*).

If the above-mentioned conditions (i) and (ii) do not apply to the individual holder of a Note, such holder will be taxed annually on a deemed income of 4.0 per cent. of his/her net investment assets for the year at an income tax rate of 30.0 per cent. The net investment assets for the year is the fair market value of the investment assets less the allowable liabilities on 1 January of the relevant calendar year. The Notes are included as investment assets. A tax free allowance may be available. An actual gain or loss in respect of the Notes is as such not subject to Dutch income tax.

Non residents of the Netherlands

A holder of Notes that is neither resident nor deemed to be resident of the Netherlands nor has made an election for the application of the rules of the Dutch income tax act 2001 as they apply to residents of the Netherlands will not be subject to Dutch taxes on income or capital gains in respect of any payment under the Notes or in respect of any gain or loss realised on the disposal or deemed disposal of the Notes, *provided that*:

(i) such holder does not have an interest in an enterprise or deemed enterprise (as defined in the Dutch income tax act 2001 and the Dutch corporate income tax act 1969) which, in whole or in part, is either effectively managed in the Netherlands or carried on through a permanent establishment, a deemed permanent establishment or a permanent representative in the Netherlands and to which enterprise, or part of an enterprise, the Notes are attributable; and

(ii) in the event the holder is an individual, such holder does not carry out any activities in the Netherlands with respect to the Notes that go beyond ordinary asset management and does not derive benefits from the Notes that are (otherwise) taxable as benefits from other activities in the Netherlands.

A holder of a Note will not become subject to taxation on income and capital gains in the Netherlands by reason only of the execution, delivery and/or enforcement of the Notes or the performance by the Issuer of its obligations under the Notes.

Gift and inheritance taxes

Residents of the Netherlands

Gift or inheritance taxes will arise in the Netherlands with respect to a transfer of the Notes by way of a gift by, or on the death of, a holder of such Notes who is resident or deemed resident of the Netherlands at the time of the gift or his/her death.

Non residents of the Netherlands

No Dutch gift or inheritance taxes will arise on the transfer of Notes by way of gift by, or on the death of, a holder of Notes who is neither resident nor deemed to be resident in the Netherlands, unless the transfer is construed as a gift or inheritance made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in the Netherlands.

For purposes of Dutch gift and inheritance taxes, amongst others, a person that holds the Dutch nationality will be deemed to be resident in the Netherlands if such person has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his/her death. Additionally, for purposes of Dutch gift tax, amongst others, a person not holding the Dutch nationality will be deemed to be resident in the Netherlands if such person has been resident in the Netherlands at any time during the twelve months preceding the date of the gift. Applicable tax treaties may override deemed residency.

Value added tax (VAT)

No Dutch VAT will be payable by the holders of Notes on any payment in consideration for the issue of the Notes or with respect to the payment of interest or principal by the Issuer under the Notes.

Other taxes and duties

No Dutch registration tax, customs duty, stamp duty or any other similar documentary tax or duty will be payable by the holders of Notes in respect or in connection with the issue of the Notes or with respect to the payment of interest or principal by the Issuer under the Notes.

EU Savings Directive

Under the EU Council Directive on the taxation of savings income in the form of interest payments (the "**EU Savings Directive**"), each Member State is required 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, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35.0 per cent. The transitional period is to terminate 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 certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information of transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information arrangements or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

The European Commission has proposed certain amendments to the EU Savings Directive which may, if implemented, amend or broaden the scope of the requirements described above.

Nigeria

General

The following is a general summary of Nigerian tax consequences as of the date hereof. This summary does not purport to describe all possible tax considerations or consequences that may be relevant to a holder or prospective holder of Notes. In view of its general nature, it should be treated with corresponding caution. It is not exhaustive and purchasers are urged to consult their professional advisors as to the tax consequences to them of holding or transferring Notes. Except as otherwise indicated, this summary only addresses Nigerian tax legislation, as in effect and in force at the date hereof, as interpreted and applied by the Courts or tax authorities in Nigeria, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect.

Taxation of Noteholders

Under Nigerian law, payments of principal and interest on the Notes to an individual who is a non-resident of Nigeria or to a legal entity that is neither incorporated in Nigeria, nor has a permanent establishment in Nigeria or otherwise has no taxable presence in Nigeria (together, "**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 realised by Non Nigerian Holders derived from the disposal, sale, exchange or transfer of the Notes will not be subject to capital gains tax or value added tax in Nigeria.

However, any individual who is a resident of Nigeria, or any legal entity that is either incorporated in Nigeria, or has a permanent establishment in Nigeria, or otherwise has a taxable presence in Nigeria (together, "**Nigerian Holders**") will be subject to taxation in Nigeria, and interest or coupon payments or other income from the Notes in the hands of such Nigerian Holder will be taxable in the hands of such Nigerian Holder as part of its general taxable income, except to the extent that such Nigerian Holder repatriates the interest to Nigeria through a foreign currency denominated account maintained with a bank in Nigeria. Save for this, the transaction between any Noteholder and the Issuer will not be liable to any form of taxation in Nigeria.

Taxation of payments under the loan from the Issuer to the Bank

Payments of interest to foreign lenders are normally liable to withholding tax in Nigeria, and this is deemed as a final tax payable by a non-resident recipient of such payment under the provisions of the Nigerian Companies Income Tax Act ("**CITA**"). According to Section 78 of CITA, the current rate of such withholding tax on payments of interest is 10.0 per cent. However, pursuant to an Information Circular issued by the FIRS, if the recipient of the interest payable on such foreign loans is based in a country which has a double taxation treaty with Nigeria, the withholding tax rate will be reduced by 25.0 per cent. Thus, making the withholding tax rate 7.5 per cent.

Currently, the countries with which Nigeria has a double taxation treaty are the United Kingdom, Netherlands, Northern Ireland, Romania, Pakistan, Canada, Belgium and France.

As the Issuer is based in the Netherlands, payments of interest from the Bank to the Issuer should be subject to withholding tax under CITA at the rate of 7.5 per cent., as long as the provisions of the double taxation treaty between Nigeria and the Netherlands remain valid and its terms are complied with. If the double taxation treaty between the Netherlands and Nigeria is inapplicable for any reason whatsoever, then payments by the Bank to the Issuer will be subject to withholding tax at the normal rate, which is currently 10.0 per cent.

Withholding tax on interest payments on a foreign loan with the appropriate moratorium period may be reduced by between 40.0 per cent. and 100.0 per cent. (under Table 1 of the Third Schedule referred to in section 11 of CITA) depending on the tenor of the loan, such tenor not being less than two years. However, as of the date of this Offering Circular, the Bank cannot confirm that such tax benefit or reductions will be available.

Further, in the event of the Issuer proposing to issue Subordinated Notes under the Programme, the Bank may seek confirmation from the FIRS whether its interest payments under the Loan will qualify for the tax relief under Table 1 of the Third Schedule and Section 11 of CITA.

Under the loan agreement between the Issuer and the Bank, the Bank has an obligation (subject to customary exceptions) to pay such additional amounts in respect of such withholding (should such withholding be required to be made by the Bank before making payments) as shall be necessary to ensure that the Issuer receives the full amount of the payment required as if no such withholding deduction were required.

Taxation of payments under the Guarantee

It is unclear whether payment of interest under the Guarantee will be subject to the withholding of Nigerian tax. In the event that there is an obligation by the Guarantor to withhold such tax, the same treatment as applies to payments under the Loan from the Issuer to the Bank, as described above, will be applicable to such interest payments.

Under the Trust Deed, the Guarantor will have an obligation (subject to customary exceptions) to pay such additional amounts in respect of such withholding (should such withholding be required to be made by the Guarantor before making payments) as shall be necessary to ensure that the recipient receives the full amount of the payment required as if no such withholding or deduction were required.

Stamp duties

The Programme Agreement, the Trust Deed, the Agency Agreement and the documents for the issue of any series of Notes are intended to be executed and held outside of Nigeria and are therefore not required to be stamped in Nigeria. However, if it becomes necessary to bring any such documentation into Nigeria for the purpose of enforcement, admission in evidence before a Nigerian court and enforcement by such courts, the documents will be required to be stamped and will be subject to the payment of the relevant rate of stamp duty, assessed by the Nigerian Commissioner for Stamp Duties, as prescribed by the Stamp Duties Act Cap S8 LFN 2004. Arrangements will need to be made for the payment of stamp duty within 30 days from when the documents are brought into Nigeria.

Stamp duty is payable in Nigeria either on a flat rate or an *ad valorem* basis. Each of the documents, other than the Trust Deed, would be subject to a nominal amount of stamp duty assessed on a flat rate. Based on the schedule to the Stamp Duties Act, the maximum rate of stamp duty payable in Nigeria in respect of security documents (including guarantees) securing payment or repayment of money (where the security is not a marketable security transferable by delivery), is 0.375 per cent. levied on an *ad valorem* basis on the value of the underlying transaction. Based on current practice in Nigeria, it is unclear whether stamp duty will be assessed on the Trust Deed, which includes a guarantee, at a flat rate or on an *ad valorem* basis. See "*Risk Factors – Risks Related to the Notes – Risks related to the market generally – Enforcement of the Guarantee and the other obligations of the Guarantor under the Trust Deed and its obligations under the Agency Agreement may be subject to the payment of Nigerian stamp duty*".

Other taxes and duties

There is no capital gain payable upon the disposal of any securities or stocks in Nigeria under the provisions of the Capital Gains Tax Act C1 LFN 2004 (as amended).

Save as set out above, no value added tax or VAT, registration fees, or any other similar documentary tax, charge or duty will be payable by the holders of Notes in respect of, or in connection with the issue of the Notes or with respect to the payment of interest or principal by the Issuer under the Notes.

United States

TO ENSURE COMPLIANCE WITH U.S. INTERNAL REVENUE SERVICE CIRCULAR 230, PROSPECTIVE INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS BASE PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY PROSPECTIVE INVESTORS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) PROSPECTIVE INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

The following is a summary of certain material U.S federal income tax consequences of the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below). This summary does not address the U.S. federal income tax consequences of every type of Note which may be issued under the Programme, and the relevant Final Terms will contain additional or modified disclosure concerning the U.S. federal income tax consequences relevant to such type of Note as appropriate. This summary deals only with purchasers of Registered Notes that are U.S. Holders that acquire such Notes upon original issuance and that will hold such Notes as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors, and does not address state, local, non U.S. or other tax laws. In particular, this summary does not address tax considerations applicable to investors that own (directly or indirectly) 10 per cent. or more of the voting stock of the Issuer or the Bank, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as banks, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax deferred accounts, tax exempt organisations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes or investors whose functional currency is not the U.S. dollar). This discussion assumes that there will be no substitution of another entity in place of the Issuer as principal debtor in respect of the Notes.

As used herein, the term "**U.S. Holder**" means a beneficial owner of Registered Notes that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation, or other entity treated as a corporation, created or organised under the laws of the United States or any state thereof (including the District of Columbia), (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if (1) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) the trust has a valid election in effect under the applicable U.S. Treasury regulations to be treated as a United States person. This discussion also does not address any tax consequences applicable to holders of equity interests in a holder of the Notes. The tax consequences to a partner in a partnership holding Notes will generally depend upon the status of the partner and the activities of the partnership. A partner in a partnership holding Notes should consult its tax adviser regarding the tax consequences of an investment in the Notes.

This summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended (the "**Code**"), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

Bearer Notes are not being offered to United States person. A United States person who owns a Bearer Note will be subject to limitation under U.S. income tax laws, including limitations provided in section 165(j) and 1287(a) of the Code.

The summary of U.S. federal income tax consequences set out below is for general information only. Prospective investors should consult their tax advisers as to the particular tax consequences to them of owning the Notes, including the effect of state, local, non U.S. and other tax laws and possible changes in tax law.

The Issuer generally intends to treat Notes issued under the Programme as debt, unless otherwise indicated in the applicable Final Terms. Certain Notes, however, such as certain Index Linked Notes or Notes with extremely long maturities, may be treated as equity for U.S. federal income tax purposes. The tax treatment of Notes to which a treatment other than debt may apply may be discussed in the applicable Final Terms.

Payments of interest

General

Interest on a Note, whether payable in U.S. dollars or a currency, composite currency or basket of currencies other than U.S. dollars (a "**foreign currency**"), other than interest on a "**Discount Note**" that is not "**qualified stated interest**" (each as defined below under "*–Original Issue Discount – General*"), will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on the holder's method of accounting for tax purposes. Interest paid by the Issuer on the Notes and OID (as defined below), if any, accrued with respect to the Notes (as described below under "*–Original Issue Discount*") generally will constitute income from sources outside the United States, subject to the rules regarding the U.S. foreign tax credit allowable to a U.S. Holder (and the limitations imposed thereon).

Foreign currency denominated interest

If an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognised by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis U.S. Holder may determine the amount of income recognised with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, with respect to an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year).

Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year. Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period or taxable year, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the Internal Revenue Service (the "**IRS**").

Upon receipt of the interest payment (including a payment attributable to accrued but unpaid interest upon the sale or other disposition of a Note) denominated in, or determined by reference to, a foreign currency, the U.S. Holder may recognize exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Original Issue Discount

General

The following is a summary of the principal U.S. federal income tax consequences of the ownership of Notes issued with Original Issue Discount ("**OID**"). The following summary does not discuss Notes that are characterised as contingent payment debt instruments for U.S. federal income tax purposes. The tax treatment of any Notes that are contingent payment debt instruments may be discussed in the applicable Final Terms.

A Note, other than a Note with a term of one year or less (a "**Short Term Note**"), will be treated as issued with OID (a "**Discount Note**") if the excess of the Note's "stated redemption price at maturity" over its issue price is equal to or more than a de minimis amount (0.25 per cent. of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity). An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an "**instalment obligation**") will be treated as a Discount Note if the excess of the Note's stated redemption price at maturity over its issue price is equal to or greater than 0.25 per cent. of the Note's stated redemption price at maturity multiplied by the weighted average maturity of the Note. A Note's weighted average maturity is the sum of the following amounts determined for each payment on a Note (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Note's stated redemption price at maturity. Generally, the issue price of a Note will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold for money to persons other than Note houses, brokers, or similar persons or organisations acting in the capacity of underwriters, placement agents, or wholesalers. The stated redemption price at maturity of a Note is the total of all payments provided by the Note that are not payments of "qualified stated interest". A qualified stated interest payment is generally any one of a series of stated interest payments on a Note that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or a variable rate (in the circumstances described below under "*Variable Interest Rate Notes*"), applied to the outstanding principal amount of the Note. Solely for the purpose of determining whether a Note has OID, the Issuer will be deemed to exercise any unconditional call option that has the effect of decreasing the yield on the Note, and the U.S. Holder will be deemed to exercise any unconditional put option that has the effect of increasing the yield on the Note. If a Note has de minimis OID, a U.S. Holder must include the de minimis amount in income as stated principal payments are made on the Note, unless the holder makes the election described below under "*–Election to Treat All Interest as Original Issue Discount*". A U.S. Holder can determine the includible amount with respect to each such payment by multiplying the total amount of the Note's de minimis OID by a fraction equal to the amount of the principal payment made divided by the stated principal amount of the Note.

U.S. Holders of Discount Notes must include OID in income calculated on a constant yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Discount Notes. The amount of OID includible in income by a U.S. Holder of a Discount Note is the sum of the daily portions of OID with respect to the Discount Note for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds the Discount Note ("**accrued OID**"). The daily portion is determined by allocating to each day in any "accrual period" a *pro rata* portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Note as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Note's adjusted issue price at the beginning of the accrual period and the Discount Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Note allocable to the accrual period. The "adjusted issue price" of a Discount Note at the beginning of any accrual period is the issue price of the Note increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Note that were not qualified stated interest payments.

A U.S. Holder that purchases a Discount Note for an amount less than or equal to the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, but in excess of its adjusted issue price (any such excess being "acquisition premium") and that does not make the election described below under "– *Election to Treat All Interest as Original Issue Discount*", is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder's adjusted basis in the Note immediately after its purchase over the Note's adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, over the Note's adjusted issue price.

Further Issues

The Issuer may, without the consent of the Holders of outstanding Notes, issue further notes with identical terms as the Notes. These further notes, even if they are treated for non-tax purposes as part of the same Series as the original Notes, in some cases may be treated as a separate Series for U.S. federal income tax purposes. In such a case, the further notes may be considered to have been issued with OID even if the original Notes had no OID, or the further notes may have a greater amount of OID than the original Notes. These differences may affect the market value of the original Notes if the further notes are not otherwise distinguishable from the original Notes.

Variable Interest Rate Notes

Notes that provide for interest at variable rates ("**Variable Interest Rate Notes**") generally will bear interest at a "qualified floating rate" and thus will be treated as VRDIs (defined below) under U.S. Treasury regulations governing accrual of OID. A Variable Interest Rate Note will qualify as a VRDI if (a) its issue price does not exceed the total noncontingent principal payments due under the Variable Interest Rate Note by more than a specified *de minimis* amount and (b) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate.

A "**qualified floating rate**" is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Note is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Interest Rate Note (e.g., two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Interest Rate Note's issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (i.e., a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate unless the cap or floor is fixed throughout the term of the Note.

An "objective rate" is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (e.g., one or more qualified floating rates or the yield of actively traded personal property). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on a Variable Interest Rate Note will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Note's term. A "qualified inverse floating rate" is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Variable Interest Rate Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Note's issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a "current value" of that rate. A "current value" of a rate is the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

If a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a "variable rate debt instrument" (a "**VRDI**"), then any stated interest on the Note which is unconditionally payable in cash or property (other than debt instruments of the Issuer) at least annually will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a VRDI will generally not be treated as having been issued with OID unless the Variable Interest Rate Note is issued at a "true" discount (i.e., at a price below the Note's stated principal amount) in excess of a specified *de minimis* amount. OID on a Variable Interest Rate Note arising from "true" discount is allocated to an accrual period using the constant yield method described above by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note.

In general, any other Variable Interest Rate Note that qualifies as a VRDI will be converted into an "equivalent" fixed rate debt instrument for purposes of determining the amount and accrual of OID and qualified stated interest on the Variable Interest Rate Note. Such a Variable Interest Rate Note must be converted into an "equivalent" fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Interest Rate Note with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Interest Rate Note's issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Interest Rate Note is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note. In the case of a Variable Interest Rate Note that qualifies as a VRDI and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Interest Rate Note provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Interest Rate Note as of the Variable Interest Rate Note's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument in the manner described above.

Once the Variable Interest Rate Note is converted into an equivalent fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the equivalent fixed rate debt instrument by applying the general OID rules to the equivalent fixed rate debt instrument and a U.S. Holder of the Variable Interest Rate Note will account for the OID and qualified stated interest as if the U.S. Holder held the equivalent fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the equivalent fixed rate debt instrument in the event that these amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Note during the accrual period.

If a Variable Interest Rate Note, such as a Note the payments on which are determined by reference to an index, does not qualify as a VRDI, then the Variable Interest Rate Note will be treated as a contingent payment debt obligation. The tax treatment of any Notes that are contingent payment debt obligations may be discussed in the applicable Final Terms.

Short Term Notes

In general, an individual or other cash basis U.S. Holder of a Short Term Note is not required to accrue OID (calculated as set forth below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so. Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short Term Notes on a straight line basis or, if the U.S. Holder so elects, under the constant yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realised on the sale or other disposition of the Short Term Note will be ordinary income to the extent of the OID accrued on a straight line basis (unless an election is made to accrue the OID under the constant yield method) through the date of sale or other disposition. U.S. Holders who are not required and do not elect to accrue OID on Short Term Notes will be required to defer deductions for interest on borrowings allocable to Short Term Notes in an amount not exceeding the deferred income until the deferred income is realised.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short Term Note are included in the Short Term Note's stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short Term Note as if the Short Term Note had been originally issued to the U.S. Holder at the U.S. Holder's purchase price for the Short Term Note. This election shall apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

Market discount

A Note, other than a Short Term Note, generally will be treated as purchased at a market discount (a "**Market Discount Note**") if the Note's stated redemption price at maturity or, in the case of a Discount Note, the Note's "revised issue price", exceeds the amount for which the U.S. Holder purchased the Note by at least 0.25 per cent. of the Note's stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Note's maturity (or, in the case of a Note that is an instalment obligation, the Note's weighted average maturity). If this excess is not sufficient to cause the Note to be a Market Discount Note, then the excess constitutes "*de minimis* market discount". For this purpose, the "revised issue price" of a Note generally equals its issue price.

Under current law, any gain recognised on the maturity or disposition of a Market Discount Note (including any payment on a Note that is not qualified stated interest) will be treated as ordinary income to the extent that the gain does not exceed the accrued market discount on the Note. Alternatively, a U.S. Holder of a Market Discount Note may elect to include market discount in income currently over the life of the Note. This election shall apply to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the IRS. A U.S. Holder of a Market Discount Note that does not elect to include market discount in income currently will generally be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Note that is in excess of the interest and OID on the Note includible in the U.S. Holder's income, to the extent that this excess interest expense does not exceed the portion of the market discount allocable to the days on which the Market Discount Note was held by the U.S. Holder.

Under current law, market discount will accrue on a straight line basis unless the U.S. Holder elects to accrue the market discount on a constant yield method. This election applies only to the Note with respect to which it is made and is irrevocable.

Market premium

A U.S. Holder that purchases a Note for an amount in excess of its principal amount may elect to treat the excess as "amortizable bond premium", in which case the amount required to be included in the U.S. Holder's income each year with respect to interest on the Note will be reduced by the amount of amortizable bond premium allocable (based on the Note's yield to maturity) to that year. Any election to amortize bond premium shall apply to all bonds (other than bonds the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. See also "*– Election to Treat All Interest as Original Issue Discount*". A U.S. Holder that does not elect to take bond premium (other than acquisition premium) into account currently will recognize a capital loss when the Note matures.

Foreign currency notes

OID for any accrual period on a Discount Note that is denominated in, or determined by reference to, a foreign currency will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above under "*–Payments of Interest*". Upon receipt of an amount attributable to OID (whether in connection with a payment of interest or the sale or other disposition of a Note), a U.S. Holder may recognize exchange gain or loss, which will be ordinary gain or loss measured by the difference between the amount received (translated into U.S. dollars at the exchange rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Market discount on a Note that is denominated in, or determined by reference to, a foreign currency will be accrued by a U.S. Holder in the foreign currency. If the U.S. Holder elects to include market discount in income currently, the accrued market discount will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. Holder's taxable year). Upon the receipt of an amount attributable to accrued market discount, the U.S. Holder may recognize U.S. source exchange gain or loss (which will be taxable as ordinary income or loss) determined in the same manner as for accrued interest or OID. A U.S. Holder that does elect to include market discount in income currently will recognize, upon the disposition or maturity of the Note, the U.S. dollar value of the amount accrued, calculated at the spot rate in effect on that date, and no part of this accrued market discount will be treated as exchange gain or loss.

In the case of a Note that is denominated in, or determined by reference to, a foreign currency, bond premium (including acquisition premium) will be computed in units of foreign currency, and any such bond premium that is taken into account currently will reduce interest income in units of the foreign currency. On the date bond premium offsets interest income, a U.S. Holder may recognize U.S. source exchange gain or loss (taxable as ordinary income or loss) measured by the difference between the spot rate in effect on that date, and on the date the Notes were acquired by the U.S. Holder.

Election to treat all interest as Original Issue Discount

A U.S. Holder may elect to include in gross income all interest that accrues on a Note using the constant yield method described above in "– *Original Issue Discount – General*" with certain modifications. For purposes of this election, interest includes stated interest, OID, *de minimis* OID, market discount, de minimis market discount and unstated interest, as adjusted by any amortizable bond premium (described above under "*Market Premium*") or acquisition premium. If a U.S. Holder makes this election for the Note, then, when the constant yield method is applied, the issue price of the Note will equal its cost, the issue date of the Note will be the date of acquisition, and no payments on the Note will be treated as payments of qualified stated interest. This election will generally apply only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. However, if the Note has amortizable bond premium, the U.S. Holder will be deemed to have made an election to apply amortizable bond premium against interest for all debt instruments with amortizable bond premium, other than debt instruments the interest on which is excludible from gross income, held as of the beginning of the taxable year to which the election applies or any taxable thereafter. If the election to apply the constant yield method to all interest on a Note is made with respect to a Market Discount Note, the electing U.S. Holder will be treated as having made the election discussed above under "– *Original Issue Discount – Market Discount*" to include market discount in income currently over the life of all debt instruments with market discount held or thereafter acquired by the U.S. Holder. U.S. Holders should consult their tax advisers concerning the propriety and consequences of this election.

Purchase, sale or other disposition of notes

A U.S. Holder's tax basis in a Note will generally be its cost, increased by the amount of any OID or market discount included in the U.S. Holder's income with respect to the Note and the amount, if any, of income attributable to *de minimis* OID and *de minimis* market discount included in the U.S. Holder's income with respect to the Note, and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortizable bond premium applied to reduce interest on the Note. A U.S. Holder's tax basis in a Note denominated in a foreign currency will be determined by reference to the U.S. dollar cost of the Notes. The U.S. dollar cost of a Note purchased with a foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase or, in the case of Notes traded on an established securities market, as defined in the applicable U.S. Treasury regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase.

A U.S. Holder will generally recognize gain or loss on the sale or other disposition of a Note equal to the difference between the amount realised on the sale or other disposition and the tax basis of the Note. The amount realised on a sale or other disposition for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or other disposition or, in the case of Notes traded on an established securities market, as defined in the applicable U.S. Treasury regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS. Except to the extent described above under "*–Original Issue Discount – Market Discount*" or "*– Original Issue Discount – Short Term Notes*" or attributable to accrued but unpaid interest or changes in exchange rates, gain or loss recognised on the sale or other disposition of a Note will be capital gain or loss and generally will be treated as from U.S. sources for purposes of the U.S. foreign tax credit limitation. In the case of a U.S. Holder that is an individual, estate or trust, the maximum marginal federal income tax rate applicable to capital gains is currently lower than the maximum marginal rate applicable to ordinary income if the Notes are held for more than one year. The deductibility of capital losses is subject to limitations under the Code.

Gain or loss recognised by a U.S. Holder on the sale or other disposition of a Note that is attributable to changes in exchange rates during the period in which the holder held such Notes will be treated as ordinary income or loss. However, exchange gain or loss is taken into account only to the extent of total gain or loss realised on the transaction. Any foreign currency gain or loss will not be treated as an adjustment to interest income received on the Note.

Exchange of amounts in other than U.S. dollars

Foreign currency received as interest on a Note or on the sale or other disposition of a Note will have a tax basis equal to its U.S. dollar value at the time the interest is received or at the time of the sale or other disposition. Foreign currency that is purchased will generally have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Notes or an exchange for U.S. dollars) will be ordinary income or loss. Foreign currency gain or loss is generally treated as from U.S. sources for purposes of the U.S. foreign tax credit limitations.

Backup withholding and information reporting

In general, payments of interest and accrued OID on, and the proceeds of a sale, redemption or other disposition of, the Notes, payable to a U.S. Holder by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding will apply to these payments and to payments of OID if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or otherwise to comply with the applicable backup withholding requirements. Backup withholding is not an additional tax. The amount of any backup withholding will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Foreign Financial Asset Reporting: Surtax

Individuals and, to the extend provided by the U.S. Secretary of Treasury in regulations or other guidance, certain domestic entities that hold an interest in a "specified foreign financial asset" (as defined in the Code) are required to attach certain information regarding such assets to their income tax return for any year in which the aggregate value of all such assets exceeds U.S.$50,000. Penalties may be imposed for the failure to disclosure such information regarding specified foreign financial assets. U.S. Holders are advised to consult their tax advisors regarding the potential reporting requirements that may be imposed on them by this legislation with respect to their ownership of the Notes.

Effective for taxable years beginning after December 31, 2012, certain U.S. Holders of Notes who are individuals, estates or trusts will be required to pay a 3.8% tax on net investment income, including on interest and capital gains. U.S. Holders of Notes should consult their tax advisors regarding the effect, if any, of this legislation on their acquisition, ownership and disposition of the Notes.

Certain ERISA considerations

The U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") imposes certain requirements on "employee benefit plans" (as defined in ERISA) subject to Title I of ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "**ERISA Plans**") and on those persons who are fiduciaries with respect to ERISA Plans.

Section 406 of ERISA and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), prohibit certain transactions involving the assets of an ERISA Plan (Section 4975 of the Code also imposes prohibitions for certain plans that are not subject to Title I of ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "**Plans**")) and certain persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code. Accordingly, each original or subsequent purchaser or transferee of a Note that is or may become a Plan is responsible for determining that its purchase and holding of such Note will not constitute a prohibited transaction under ERISA or Section 4975 of the Code.

THE PRECEDING DISCUSSION IS ONLY A SUMMARY OF CERTAIN ERISA IMPLICATIONS OF AN INVESTMENT IN THE NOTES AND DOES NOT PURPORT TO BE COMPLETE. PROSPECTIVE INVESTORS SHOULD CONSULT WITH THEIR OWN LEGAL, TAX, FINANCIAL AND OTHER ADVISORS PRIOR TO INVESTING IN THE NOTES TO REVIEW THESE IMPLICATIONS IN LIGHT OF SUCH INVESTOR'S PARTICULAR CIRCUMSTANCES.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in a restated and amended programme agreement (the "**Programme Agreement**") dated 4 May 2011, agreed with the Issuer and the Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer (failing which, the Guarantor) has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

In order to facilitate the offering of any Tranche of the Notes, certain persons participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Tranche. Specifically, such persons may over allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilise or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time. Under U.K. laws and regulations stabilising activities may only be carried on by the Stabilising Manager named in the applicable Final Terms (or persons acting on its behalf) and only for a limited period following the Issue Date of the relevant Tranche of Notes.

Transfer restrictions

As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.

Each purchaser of Registered Notes (other than a person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note) or person wishing to transfer an interest from one Registered Global Note to another or from global to definitive form or *vice versa*, will be required to acknowledge, represent and agree as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

(i) that either: (a) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A or (b) it is an Institutional Accredited Investor which has delivered an IAI Investment Letter or (c) it is outside the United States and is not a U.S. person;

(ii) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes and the Guarantee have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(iii) that, unless it holds an interest in a Regulation S Global Note and either is a person located outside the United States or is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, date which is one year after the later of the last Issue Date for the Series and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Notes, only (a) to the Issuer or any affiliate thereof, (b) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (c) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws;

(iv) it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in paragraph (iii) above, if then applicable;

(v) that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Notes, that Notes offered to Institutional Accredited Investors will be in the form of Definitive IAI Registered Notes and that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;

(vi) that the Notes, other than the Regulation S Global Notes, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT (1) IT IS A "**QUALIFIED INSTITUTIONAL BUYER**" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS OR (2) IT IS AN INSTITUTIONAL "**ACCREDITED INVESTOR**" (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) (AN "**INSTITUTIONAL ACCREDITED INVESTOR**"); (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED

OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).";

(vii) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Notes prior to the expiration of the distribution compliance period (defined as 40 days after the later of the commencement of the offering and the closing date with respect to the original issuance of the Notes), it will do so only (a)(i) outside the United States in compliance with Rule 903 or 904 under the Securities Act or (ii) to a QIB in compliance with Rule 144A and (b) in accordance with all applicable U.S. State securities laws; and it acknowledges that the Regulation S Global Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS PART."; and

(viii) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Institutional Accredited Investors who purchase Registered Notes in definitive form offered and sold in the United States are required to execute and deliver to the Registrar an IAI Investment Letter. Upon execution and delivery of an IAI Investment Letter by an Institutional Accredited Investor, Notes will be issued in definitive registered form. See "*Form of the Notes*".

The IAI Investment Letter will state, among other things, the following:

(i) that the Institutional Accredited Investor has received a copy of the Offering Circular and such other information as it deems necessary in order to make its investment decision;

(ii) that the Institutional Accredited Investor understands that any subsequent transfer of the Notes is subject to certain restrictions and conditions set forth in the Offering Circular and the Notes (including those set out above) and that it agrees to be bound by, and not to resell, pledge or otherwise transfer the Notes except in compliance with, such restrictions and conditions and the Securities Act;

(iii) that, in the normal course of its business, the Institutional Accredited Investor invests in or purchases securities similar to the Notes;

(iv) that the Institutional Accredited Investor is an Institutional Accredited Investor within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Notes, and it and any accounts for which it is acting are each able to bear the economic risk of its or any such accounts' investment for an indefinite period of time;

(v) that the Institutional Accredited Investor is acquiring the Notes purchased by it for its own account or for one or more accounts (each of which is an Institutional Accredited Investor) as to each of which it exercises sole investment discretion and not with a view to any distribution of the Notes, subject, nevertheless, to the understanding that the disposition of its property shall at all times be and remain within its control; and

(vi) that, in the event that the Institutional Accredited Investor purchases Notes, it will acquire Notes having a minimum purchase price of at least U.S.$500,000 (or the approximate equivalent in another Specified Currency).

No sale of Legended Notes in the United States to any one purchaser will be for less than U.S.$100,000 (or its foreign currency equivalent) principal amount or, in the case of sales to Institutional Accredited Investors, U.S.$500,000 (or its foreign currency equivalent) principal amount and no Legended Note will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.$100,000 (or its foreign currency equivalent) or, in the case of sales to Institutional Accredited Investors, U.S.$500,000 (or its foreign currency equivalent) principal amount of Registered Notes.

Selling restrictions

United States

Neither the Notes nor the Guarantee have been and will not be registered under the Securities Act or the Securities laws of any State or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury Regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and the U.S. Treasury Regulations thereunder.

In connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided by Regulation S ("**Regulation S Notes**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver such Regulation S Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager(s), of all Notes of the Tranche of which such Regulation S Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Regulation S Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Notes within the

United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Dealers may arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Notes which may be purchased by a QIB pursuant to Rule 144A is U.S.$100,000 (or the approximate equivalent thereof in any other currency). To the extent that the Issuer is not subject to or does not comply with the reporting requirements of Section 13 or 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, the Issuer has agreed to furnish to holders of Notes and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4).

This Offering Circular does not constitute an offer to any person in the United States or to any U.S. person, other than any QIB or Institutional Accredited Investor to whom an offer has been made directly by one of the Dealers or its U.S. broker-dealer affiliate. Distribution of this Offering Circular by any non-U.S. person outside the United States or by any QIB or Institutional Accredited Investor in the United States to any U.S. person or to any other person within the United States, other than any QIB or Institutional Accredited Investor and those persons, if any, retained to advise such non-U.S. person or QIB or Institutional Accredited Investor with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, other than any QIB or Institutional Accredited Investor and those persons, if any, retained to advise such non-U.S. person or QIB or Institutional Accredited Investor, is prohibited.

Each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms.

Public offer selling restrictions under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that 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 which are the subject of the offering contemplated by this Offering Circular as completed by the final terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive, *provided that* no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any 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 to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive and the expression "**Prospectus Directive**" means Directive 2003/71/EC and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State and includes any relevant implementing measure in each Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73 EU.

United Kingdom

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

(i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Nigeria

This Offering Circular and the Notes have not been and will not be registered with the Nigerian Securities and Exchange Commission ("**Nigerian SEC**"), or under the Nigerian Investments and Securities Act, No. 29, 2007 ("**ISA**"). Further, neither this Offering Circular nor any other offering material related to the Notes may be utilised in connection with any offering to the public within Nigeria, and the Notes may not be offered or sold within Nigeria to, or for the account or benefit of, persons resident in Nigeria, except to the extent that the Notes have been registered with the Nigerian SEC and its written approval obtained in accordance with the provisions of the ISA and other Nigerian securities law. The Notes may however be offered and sold in Nigeria in certain transactions exempt from the registration requirements of the ISA. Accordingly, this Offering Circular is not directed to, and the Notes are not available for subscription by, any persons within Nigeria, other than the selected investors to whom the Offering Circular has been addressed as a private sale, or domestic concern, within the exemption and meaning of Section 69(2) of the ISA.

Each Dealer has agreed that, subject to the provisions of the ISA and regulations made thereunder, it will not offer, sell or deliver the Notes in Nigeria as part of their distribution at any time.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended, the "**FIEL**") and each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it has not and will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

The Netherlands

In addition to and without prejudice to the relevant selling restriction set out under "Public offer selling restrictions under the Prospectus Directive" above, Zero Coupon Securities (as defined below) in definitive form may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the Issuer or a member firm of Euronext Amsterdam N.V., admitted in a function on one or more markets or systems held or operated by Euronext Amsterdam N.V. (*toegelaten instelling*), with due observance of the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) of 21 May 1985 (as amended).

No such mediation is required (a) in respect of the transfer and acceptance of rights representing an interest in a Zero Coupon Security in global form, (b) in respect of the initial issue of Zero Coupon Securities in definitive form to the first holders thereof, (c) in respect of the transfer and acceptance of Zero Coupon Securities in definitive form between individuals not acting in the conduct of a business or profession, and (d) in respect of the transfer and acceptance of Zero Coupon Securities in definitive form within, from or into The Netherlands if all Zero Coupon Securities (either in definitive form or as rights representing an interest in a Zero Coupon Security in global form) of any particular Series are issued outside The Netherlands and are not distributed into The Netherlands in the course of initial distribution or immediately thereafter.

In the event the Dutch Savings Certificates Act applies, certain identification requirements in relation to the issue and transfer of, and payments on, Zero Coupon Securities have to be complied with. If Zero Coupon Securities in definitive form do not qualify as commercial paper traded between professional borrowers and lenders within the meaning of the agreement of 2 February 1987, attached to the Royal Decree of 11 March 1987, ('*Staatscourant 129*') (as amended), any reference in publications concerning those Zero Coupon Securities to the words "to bearer" is prohibited and if in addition thereto those Zero Coupon Securities are not listed on a stock market of Euronext Amsterdam N.V., each transfer and acceptance of those Zero Coupon Securities should be recorded in a transaction note, including the name and address of each party to the transaction, the nature of the transaction and the details and serial numbers of the Zero Coupon Securities involved, which requirement must be indicated in a legend printed on the relevant Zero Coupon Securities.

As used herein "**Zero Coupon Securities**" are securities that are in bearer form and that constitute a claim for a fixed sum against the Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

In deviation from the selling restriction in this section under the heading "Public offer selling restrictions under the Prospectus Directive", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes in the Netherlands, other than to qualified investors (*gekwalificeerde beleggers*) as defined in the Dutch Financial Supervision Act (*Wet op het financieel toezicht*).

Switzerland

The Notes may not and will not be publicly offered, sold, advertised, distributed or re-distributed, directly or indirectly, in or from Switzerland, no solicitation for investments in the Notes may be extended, distributed or otherwise made available in Switzerland in any way that could constitute a public offering pursuant to articles 652a or 1156 of the Swiss Code of Obligations. Neither this Offering Circular nor any other material relating to the Notes constitutes an offering prospectus pursuant to articles 652a and 1156 of the Swiss Code of Obligations, and they may not comply with the information standards required thereunder or under the Directive for Notes of Foreign Borrowers of the Swiss Bankers Association. The Issuer has not applied for a listing of the Notes on the SIX Swiss Exchange Ltd. or any other regulated securities market in Switzerland, and consequently, the information presented in this document does not necessarily comply with the information standards set out in the listing rules of the SIX Swiss Exchange Ltd. Neither this Offering Circular nor any other offering or marketing material relating to the Issuer or the Notes have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of Notes will not be supervised by, the Swiss Financial Market Supervisory Authority.

This Offering Circular is personal to each offeree and does not constitute an offer to any person. The Offering Circular may only be used by those persons to whom it has been handed out in connection with the provision of the Notes described herein and may neither directly nor indirectly be distributed or made available to other persons without the express consent of the Issuer. It may not be copied and/or distributed to the public in Switzerland.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, the Guarantor, the Trustee nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer, the Guarantor, the Trustee and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

GENERAL INFORMATION

Authorisation

The update of the Programme was duly authorised by a resolution of the Board of Directors of the Issuer dated 21 April 2011 and the giving of the Guarantee duly authorised by a resolution of the Board of Directors of the Guarantor dated 20 April 2011.

Listing of Notes

The admission of Notes to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the London Stock Exchange's regulated market will be admitted separately as and when issued, subject only to the issue of a Global Note or Notes initially representing the Notes of such Tranche. Application has been made to the U.K. Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market.

Documents available

For the period of 12 months following the date of this Offering Circular, copies of the following documents will, when published, be available for inspection at the registered office of the Issuer and from the specified offices of the Paying Agents for the time being in London:

(i) the constitutional documents of the Issuer and of the Guarantor;

(ii) the consolidated audited annual financial statements of the Guarantor in respect of the financial year ended 31 December 2010 and the financial year ended 31 December 2009, together with the audit reports prepared in connection therewith;

(iii) the most recently published audited annual financial statements of the Issuer and the Guarantor, together with any audit or review reports prepared in connection therewith;

(iv) the Amended and Restated Programme Agreement, the Amended and Restated Trust Deed, the Amended and Restated Agency Agreement and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;

(v) this Offering Circular;

(vi) any future offering circulars, prospectuses, information memoranda and supplements including Final Terms (save that the Final Terms relating to a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference;

(vii) in the case of each issue of Notes admitted to trading on the London Stock Exchange's regulated market subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document); and

(viii) the audited financial statements of the Group prepared in accordance with Nigerian GAAP for 2010 and 2009, which are expressly not incorporated by reference into this Offering Circular.

Clearing systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. In addition, the Issuer may make an application for any Notes in registered form to be accepted for trading in book entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of such Registered Notes, together with the relevant ISIN and (if applicable) common code, will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B 1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Material contracts

Neither the Bank nor any member of the Group has entered into any material contract, other than in the ordinary course of business during the two years immediately preceding the date of this Offering Circular.

Significant or material change

There has been no significant change in the financial or trading position of the Issuer, the Guarantor or the Group since 31 December 2010 and there has been no material adverse change in the financial position or prospects of the Issuer, the Guarantor or the Group since 31 December 2010.

Litigation

Neither the Issuer nor the Guarantor nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer, the Guarantor or the Group.

Auditors

The auditors of the Issuer are KPMG Accountants N.V., a company with certified accountants, who are registered in the Netherlands with Royal NIVRA (*Koninklijk Nederlands Instituut van Registeraccountants*) or NOvAA (*Nederlandse Orde van Accountants-Administratieconsulenten*), to conduct annual audits of its statutory financial statements.

The auditors of the Guarantor are KPMG, member of the Institute of Chartered Accountants of Nigeria ("**ICAN**"), who have audited the Guarantor's accounts, in accordance with International Standards on Auditing for each of the financial year ended 31 December 2010, the financial year ended 31 December 2009 and the 10-month period ended 31 December 2008.

The auditors do not have any material interest in the Issuer or the Guarantor.

Dealers transacting with the Issuer and the Guarantor

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer, the Guarantor and the Guarantor's affiliates in the ordinary course of business.

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Guaranty Trust Bank plc

GUARANTY TRUST BANK PLC

Consolidated financial statements for the year ended 31 December 2010.

Orange Rules

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CORPORATE GOVERNANCE

Introduction

At Guaranty Trust Bank plc ("the Bank"), the principles of good corporate governance practices remain one of our core values and an important ingredient in creating and sustaining shareholders' value as well as providing excellent service to our customers, while ensuring that behaviour is ethical, legal and transparent.

Corporate Governance practices in the Bank are codified in a Code of Corporate Governance ("the Code"), which can be summarized as a map indicating how the Bank is governed to ensure compliance with regulatory requirements as well as the core values upon which the Bank was founded. The provisions of the Code are geared towards ensuring accountability of the Board and Management to stakeholders of the Bank.

As a company publicly quoted on the Nigerian Stock Exchange with Global Depositary Receipts (GDRs) listed on the London Stock Exchange, the Bank is mindful of its obligations to remain committed to safeguarding and improving shareholders' value through transparent best practices fashioned along local regulatory standards as well as international best practice. The Bank accordingly ensures compliance with the Code of Corporate Governance issued by the Securities and Exchange Commission ("the SEC Code"), the Code of Corporate Governance for Banks in Nigeria Post Consolidation issued by the Central Bank of Nigeria ("the CBN Code") and the additional disclosure requirements under the Disclosure and Transparency Rules of the Financial Services Authority (FSA), United Kingdom, which are applicable to non-United Kingdom companies with Global Depositary Receipts (GDRs) listed on the London Stock Exchange.

In line with our tradition of being in the forefront of best Corporate Governance practices in our operating environment, the Bank recently undertook a comprehensive review of the Code to ensure that all significant governance issues are included.

In compliance with the requirements of the CBN, the Bank undertakes monthly internal reviews of its compliance with defined corporate governance practices and submits reports on the Bank's compliance status to the CBN. An annual Board Appraisal review is also conducted by an Independent Consultant appointed by the Bank whose report is submitted to the CBN and presented to Shareholders at the Annual General Meeting of the Bank in compliance with the provisions of the CBN Code.

Governance Structure

The Board

The ultimate responsibility for the governance of the Bank resides with the Board of Directors which is accountable to shareholders for creating and delivering sustainable shareholders' value through the management of the Bank's business. The Board is also responsible for the management of the Bank's relationship with its various stakeholders.

The business of the Bank is driven by the Board of Directors which exercises its oversight function through its various Committees, namely, Board Risk Management Committee, Board Credit Committee, Board Human Resources and Remuneration Committee and Audit Committee of the Bank.

Through these Committees, interactive dialogue is employed to set broad policy guidelines, and to ensure the proper management and direction of the Bank on a regular basis.

The Board of Directors comprises fourteen members, eight (8) of whom are Non-Executive Directors (including the Chairman of the Board), while six (6) are Executive Directors (including the Managing Director and Deputy Managing Director). Two (2) of the Non-Executive Directors, are "Independent Directors", appointed based on criteria laid down by the CBN for the appointment of Independent Directors and the core values enshrined in the Bank's Code of Corporate Governance. Both Directors do not have any significant shareholding interest or any special business relationship with the Bank. In line with best practices, the roles of the Chairman and Chief Executive are separate and no one individual combines the two positions.

The Board has delegated the responsibility for the day-to-day management of the Bank to the Managing Director/Chief Executive who is supported by Executive Management, comprising the Deputy Managing Director and Executive Directors. The Managing Director executes the powers delegated to him in accordance with guidelines approved by the Board of Directors. Executive Management is accountable to the Board for the development and implementation of strategies and policies. The Board regularly reviews group performance, matters of strategic concern and any other matter it regards as material.

The effectiveness of the Board derives from the appropriate balance and mix of skills and experience of Directors both Executive and Non-Executive. The Bank's Board is made up of a crop of seasoned professionals who have excelled in their various professions including banking, accounting, oil and gas, as well as law, and possess the requisite integrity, skills and experience to bring to bear independent judgment on the deliberations of the Board.

Responsibilities of the Board

The Board determines the strategic objectives and policies of the Bank to deliver long-term value, providing overall strategic direction within a framework of rewards, incentives and controls. The Board also ensures that Management strikes an appropriate balance between promoting long-term growth and delivering short-term objectives. In fulfilling its primary responsibility, the Board is aware of the importance of achieving a balance between conformance to governance principles and economic performance.

The Board is the decision making body of all matters of importance to the Bank as a whole because of their strategic, financial or reputational implications or consequences. The Board is responsible for ensuring that there exists an effective risk management policy which is appropriate to the corporate strategy of the Bank, and ensures that Management maintains an appropriate system of internal control which provides assurance of effective and efficient operations, internal financial controls and compliance with laws and regulations.

Powers reserved for the Board include the approval of quarterly, half yearly and full year financial statements, significant changes in accounting policy and practice, review of the performance of the Managing Director, the appointment or removal of Directors and the Company Secretary, change to the Bank's capital structure and major acquisitions, mergers, disposals or capital expenditure, approval of dividend and annual budget.

Executive and Non-Executive Directors share the same responsibilities in relation to the Bank and owe both fiduciary duties and general duties of care and skill to the Bank as a whole.

The Board meets quarterly and additional meetings are convened as required. Material decisions may be taken between meetings by way of written resolution, as provided for in the Articles of Association of the Bank. The Directors are provided with comprehensive group information at each of the quarterly Board meetings and are also briefed on business developments between Board meetings. The Board met six (6) times during the 2010 financial year.

Board Committees

The Board carries out its responsibilities through its Standing Committees, which have clearly defined terms of reference, which set out their roles, responsibilities, functions and scope of authority. The Board's four (4) Standing Committees are Board Risk Management Committee, Board Credit Committee, Board Human Resources and Remuneration Committee and the Audit Committee of the Bank.

Through these Committees, the Board is able to more effectively deal with complex and specialized issues, and to fully utilize their expertise to formulate strategies for the Bank. The Committees make recommendations to the Board, who retains responsibility for final decision making.

All Committees in the exercise of their powers so delegated conform to the regulations laid down by the Board. The Committees render reports to the Board at the Board's quarterly meetings.

The roles, responsibilities, composition, frequency of meetings of each of the Committees are as stated hereunder:

Board Risk Management Committee

This Committee is tasked with the responsibility of setting and reviewing the Bank's risk policies. The coverage of supervision includes the following: credit risk, reputation risk, operations risk, technology risk, market and rate risks, liquidity risk and other pervasive risks as may be posed by the events in the industry at any point in time.

The Committee's major responsibilities are to set policies on the Bank's risk profile and limits, determine the adequacy and completeness of the Bank's risk detection and measurement systems, assess the adequacy of the mitigants to the risks, review and approve the contingency plan for specific risks and ensure that all units in the Bank are fully aware of the risks involved in their functions. The Committee is charged with the quarterly review of the Bank's central liability report and summary of criticized loans with the concurrent power of recommending adequacy of the reserves for loan losses and approving possible charge-offs.

The Committee meets quarterly and additional meetings are convened as required. The Committee met four (4) times during the 2010 financial year.

The Chief Risk Officer of the Bank presents regular briefings to the Committee at its meetings.
The Board Risk Management Committee is made up of the following members:

1.	Mr. Egbert Imomoh	- Non-Executive Director	- Chairman
2.	Mr. Olutayo Aderinokun	- Managing Director	- Member
3.	Mr. Andrew Alli	- Non-Executive Director (Independent Director)	- Member
4.	Mrs. Stella Okoli	- Non-Executive Director	- Member
5.	Mrs. Babajide Ogundare	- Executive Director	- Member
6.	Mrs. Titilayo Osuntoki	- Executive Director	- Member

Board Credit Committee

This Committee is responsible for approval of credit facilities in the Bank. It reviews credits granted by the Bank and approves specific loans above the Management Credit Committee's authority limit as may be defined from time to time by the Board. The Committee is also responsible for ensuring that the Bank's internal control procedures in the area of risk assets remain high to safeguard the quality of the Bank's risk assets. In view of the volume of transactions that require Board Credit Committee approvals, there are instances where credits will need to be approved by members expeditiously between Credit Committee Meetings. Such urgent credits are circulated amongst the members for consideration and approval in line with a defined procedure that ensures that all members of the Committee are furnished with full information on such credits. All credits considered as

"Large Exposures" as defined by the Board of Directors from time to time are considered and approved by the Board Credit Committee at a special meeting convened for that purpose.

The Board Credit Committee meets at least once in each quarter. However, additional meetings are convened as required. The Committee met five (5) times during the 2010 financial year.

The Board Credit Committee is made up of the following members:

1.	Mr. Akindele Akintoye	-	Non-Executive (Independent Director)	-	Chairman
2.	Mr. Olusegun Agbaje	-	Deputy Managing Director	-	Member
3.	Mr. Adebayo Adeola	-	Non-Executive Director	-	Member
4.	Mr. Olabode Agusto	-	Non-Executive Director	-	Member
5.	Mr. Ibrahim Hassan	-	Non-Executive Director	-	Member
6.	Mrs. Cathy Echeozo	-	Executive Director	-	Member
7.	Mr. Akinola George-Taylor	-	Executive Director	-	Member

Board Human Resources and Remuneration Committee

The Board Human Resources and Remuneration Committee is responsible for the approval of the remuneration of the Executive Directors (including the Managing Director and Deputy Managing Director). The Committee is also responsible for the oversight of strategic people issues, including employee retention, equality and diversity as well as other significant employee relations matters.

The Board Human Resources and Remuneration Committee is made up of all Non-Executive Directors of the Bank (excluding the Chairman of the Board) as listed below:

1.	Mr. Andrew Alli	-	Chairman
2.	Mr. Egbert Imomoh	-	Member
3.	Mr. Akindele Akintoye	-	Member
4.	Mr. Adebayo Adeola	-	Member
5.	Mr. Olabode Agusto	-	Member
6.	Mr. Ibrahim Hassan	-	Member
7.	Mrs. Stella Okoli	-	Member

Audit Committee of the Bank

This Committee is responsible for ensuring that the Bank complies with all the relevant policies and procedures both from the regulators and as laid-down by the Board of Directors. Its major functions include: approval of the annual audit plan of the internal auditors, review and approval of the audit scope and plan of the external auditors, review of the audit report on internal weaknesses observed by both the internal and external auditors during their respective examination and to ascertain whether the accounting and reporting policies of the Bank are in accordance with legal requirements and agreed ethical practices.

The Committee also reviews the Bank's annual and interim financial statements, including reviewing the effectiveness of the Bank's disclosure controls and systems of internal control as well as areas of judgment involved in the compilation of the Bank's results. The Committee is responsible for the review of the integrity of the Bank's financial reporting and oversees the independence and objectivity of the external auditors. The Committee has access to external auditors to seek for explanations and additional information, while the internal and external auditors have unrestricted access to the Committee, which ensures that their independence is in no way impaired.

The Committee is made up of three (3) Non-Executive Directors and three (3) shareholders of the Bank appointed at Annual General Meetings, while the Chief Inspector of the Bank serves as the secretary to the Committee. The membership of the Committee at the Board level is based on relevant experience of the Board members, while one of the shareholders serves as the Chairman of the Committee.

Meetings are attended by the internal and external auditors, the Chief Financial Officer and on invitation, appropriate members of Management. The Committee meets at least four (4) times in a year. The Audit Committee of the Bank met four (4) times during the 2010 financial year.

The following members served on the Committee during the 2010 financial year:

Name	Status	Designation	Attendance
Mr. Mohammed Lawal	Shareholders' Representative	Chairman	4
Alhaji Mohammed Usman	Shareholders' Representative	Member	4
Mrs. Sandra Mbagwu-Fagbemi	Shareholders' Representative	Member	4
Alhaji Mohammed Jada*	Non-Executive Director	Member	1
Mr. Adetokunbo Adesanya*	Non-Executive Director	Member	1
Mr. Oluwole Oduyemi*	Non-Executive Director	Member	1
Mr. Andrew Alli**	Non-Executive (Independent) Director	Member	2
Mr. Olabode Agusto**	Non-Executive Director	Member	3
Mr. Ibrahim Hassan**	Non-Executive Director	Member	2

* Ceased to be a member of the Committee with effect from April 22, 2010
** Appointed as a member of the Committee with effect from May 5, 2010

Attendance of Board and Committee Meetings
The table below shows the frequency of meetings of the Board of Directors and Board Committees, as well as members' attendance for the financial year ended December 31, 2010.

Directors	Board	Board Credit Committee	Board Risk Management Committee
Frequency of Meetings	6	5	4
Owelle Gilbert Chikelu*	4	N/A	N/A
Mr. Oluwole Oduyemi**	6	2	N/A
Mr. Olutayo Aderinokun	6	N/A	4
Mr. Olusegun Agbaje	5	5	N/A
Mr. Victor Osibodu♠	3	2	N/A
Alhaji Mohammed Jada♠	3	2	N/A
Mr. Adetokunbo Adesanya♠	3	N/A	2
Mr. Egbert Imomoh	5	N/A	3
Mr. Andrew Alli	6	N/A	4
Mr. Akindele Akintoye	6	5	N/A
Mr. Adebayo Adeola§	3	3	N/A
Mr. Olabode Agusto§	3	1	1
Mrs. Stella Okoli§	3	2	1
Mr. Ibrahim Hassan§	3	3	N/A
Mr. Babajide Ogundare	6	N/A	4
Mrs. Cathy Echeozo	6	5	N/A
Mrs. Titilayo Osuntoki	6	N/A	4
Mr. Akinola George-Taylor	6	5	N/A

* Retired with effect from May 6, 2010
** Appointed Chairman with effect from May 6, 2010
♠ Retired with effect from April 22, 2010
§ Appointed with effect from April 22, 2010
N/A means not applicable

Tenure of Directors

In pursuance of the Bank's drive to continually imbibe best corporate governance practices, the Board of Directors at its meeting held on February 22, 2010, resolved to adopt a maximum tenure of three (3) terms of four (4) years each (i.e. a maximum of twelve (12) years) for Non-Executive Directors.
Consequent upon the above, Non-Executive Directors who had spent a maximum of twelve years on the Board retired and were replaced by new Directors. These changes on the Board which are contained in the Directors' Report became effective on April 22, 2010.

In appointing the new Non-Executive Directors, the Bank took into account the balance and mix of appropriate skills and experience required to bring independent judgment to bear on Board's deliberations, in addition to the core values such as integrity, professionalism, career success, recognition and ability to add value to the Bank, which are imperative in the choice of Non-Executive Directors.

The appointment of the new Directors was approved by the CBN, and by shareholders of the Bank at the 20th Annual General Meeting of the Bank held on May 5, 2010.

In the Bank's usual manner of setting the pace in the area of best practices in corporate governance in its operating environment, this decision by the Board found support when the Central Bank of Nigeria subsequently issued guidelines which made the implementation of the provision of the CBN Code in respect of the tenure of Non-Executive Directors retroactive, and mandated all Non-Executive Directors of banks who had exceeded the maximum tenure of twelve (12) years to resign from their boards.

Board Appraisal

In furtherance of best corporate governance practices, the Board engaged an Independent Consultant, J. K. Randle International, to carry out the annual Board and Directors review/appraisal for the 2010 financial year covering all aspects of the Board's structure, composition, responsibilities, processes, relationships, as well as individual members' competencies and respective roles in the Board performance. The Independent Consultant rated the Board and Directors very high.

Access to Senior Management

There is an open line of communication both formal and informal, between Board members and Senior Management staff. Board members interact with Senior Management and can request for the presence of any member of Senior Management to provide information required in their decision making.

Information Flows

It is the responsibility of Executive Management under the direction of the Board, to ensure that the Board receives adequate information on a timely basis, about the Bank's businesses and operations at appropriate intervals and in an appropriate manner, to enable the Board to carry out its responsibilities.

The Company Secretary

The Company Secretary provides a point of reference and support for all Directors. The Company Secretary also consults regularly with Directors to ensure that they receive required information. The Board may obtain information from external sources, such as consultants and other advisers, if there is a need for outside expertise, via the Company Secretary or directly.

The Company Secretary is also responsible for assisting the Board and management in the implementation of the Code of Corporate Governance of the Bank, co-ordinating the orientation and training of new Directors and the continuous education of Non-Executive Directors; assisting the Chairman and Managing Director to formulate an annual Board Plan and with the administration of other strategic issues at the Board level; organizing Board meetings and ensuring that the minutes of Board meetings clearly and properly capture the Board's discussions and decisions.

Independent Advice

Independent professional advice is available, on request, to all Directors at the Bank's expense.

The Bank meets the costs of independent professional advice obtained jointly or severally by a Director or Directors where such advice is necessary to enable the obligations imposed on an individual(s), through membership of the Board, to be properly fulfilled.

Induction and Continuous Training

On appointment to the Board and to Board Committees, all Directors receive a formal induction tailored to their individual requirements.

The induction, which is arranged by the Company Secretary, may include meetings with senior management and key external advisors, to assist Directors in building a detailed understanding of how the Bank operates and the key issues its faces, and to familiarize new Directors with the Bank's operations, its strategic plan, its business environment and to introduce directors to their fiduciary duties and responsibilities.

Directors are also encouraged to make site visits to see the Bank's operations first hand.

Training and education of Directors on issues pertaining to their oversight functions is a continuous process, in order to update their knowledge and skills and keep them informed of new developments in the Bank's business and operating environment.

Insider Trading and price sensitive information

Directors, insiders and their related persons in possession of confidential price sensitive information ("insider information") are prohibited from dealing with the securities of the Bank where such would amount to insider trading. Directors, insiders and related parties are prohibited from disposing, selling, buying or transferring their shares in the Bank for a period commencing from the date of receipt of such insider information until such a period when the information is released to the public or any other period as defined by the Bank from time to time.

Management Committees

These are Committees comprising senior management of the Bank. The Committees are risk driven as they are basically set up to identify, analyze, synthesize and make recommendations on risks arising from day to day activities of the Bank. They also ensure that risk limits as contained in the Board and Regulatory policies are complied with at all times. They provide inputs for the respective Board Committees and also ensure that

recommendations of the Board Committees are effectively and efficiently implemented. They meet as frequently as the risk issues occur to immediately take action and decisions within the confines of their powers.
The standing Management Committees in the Bank are:

- Management Risk Committee;
- Management Credit Committee;
- Criticized Assets Committee;
- Assets and Liability Management Committee.

Management Risk Committee

This Committee is responsible for regular analysis and consideration of risks in the Bank. The Committee meets from time to time and at least quarterly. The Committee reviews and analyses environmental issues and policies impacting either directly or remotely on the Bank, brainstorms on such issues and recommends steps to be taken by the Bank. The Committee's approach is risk based.

The Committee provides inputs for the Board Risk Committee and also ensures that the decisions and polices emanating from the Committee's meeting are implemented.

Management Credit Committee

This is the Committee responsible for ensuring that the Bank complies fully with the Credit Policy Guide as laid down by the Board of Directors. The Committee also provides inputs for the Board Credit Committee. This Committee reviews and approves credit facilities to individual obligors not exceeding in aggregate a sum to be determined by the Board from time to time. The Management Credit Committee is responsible for reviewing and approving all credits that are above the approval level of the Managing Director as determined by the Board. The Committee reviews the entire credit portfolio of the Bank and conducts periodic assessment of the quality of risk assets in the Bank. It also ensures that adequate monitoring of credits/facilities is carried out. The Committee meets weekly depending on the number of credit applications to be considered.

The secretary of the Committee is the Head of the Credit Administration Unit of the Bank.

Criticized Assets Committee

This Committee is responsible for the assessment of the risk asset portfolio of the Bank. It highlights the status of the Bank's assets in line with the internal and external regulatory framework, and ensures report that triggers actions are sent in respect of delinquent assets. The Committee also ensures that adequate provisions are taken in line with the regulatory guidelines. The members of the Committee include the Deputy Managing Director, the Executive Directors, and other relevant Senior Management Staff of the Bank.

Assets and Liability Management Committee

This Committee is responsible for the management of a variety of risks arising from the Bank's business including, market and liquidity risk management, loan to deposit ratio analysis, cost of funds analysis, establishing guidelines for pricing on deposit and credit facilities, exchange rate risks analysis, balance sheet structuring, regulatory considerations and monitoring of the status of implemented assets and liability strategies. The members of the Committee include the Managing Director, Deputy Managing Director, Executive Directors, the Treasurer, the Head of the Financial Control Group, the Group Head of the Risk Management Group as well as a representative of the Assets and Liability Management Unit.

Monitoring Compliance with Corporate Governance

Chief Compliance Officer

The Chief Compliance Officer monitors compliance with money laundering requirements and the implementation of the Corporate Governance Code of the Bank.

The Chief Compliance Officer together with the Chief Executive of the Bank certify each year to the Central Bank of Nigeria that they are not aware of any other violation of the Corporate Governance Code, other than as disclosed to the CBN during the course of the year.

The Company Secretary and the Chief Compliance Officer forward monthly returns to the Central Bank of Nigeria on all whistle-blowing incidences and corporate governance breaches.

Whistle Blowing Procedures

In line with the Bank's commitment to instil the best corporate governance practices, the Bank has established a whistle blowing procedure that ensures anonymity. The Bank has two (2) hotlines and a dedicated e-mail address for whistle-blowing procedures. The hotline numbers are 01-4480905 and 01-4480906, and the email address is hotline@gtbank.com.

Internally, the Bank has a direct link on the Bank's Intranet (internal web page) for dissemination of information, to enable members of staff report all identified breaches of the Bank's Code of Corporate Governance.

Code of Professional Conduct for Employees

The Bank has an internal Code of Professional Conduct which all members of staff are expected to subscribe to upon assumption of duties and reaffirm their commitment to the Bank's Code annually.

All members of staff are expected to strive to maintain the highest standards of ethical conduct and integrity in all aspects of their professional life as contained in the Code of Professional Conduct which prescribes the common ethical standards, policies and procedures of the Bank relating to employee values.

Shareholders

The General Meeting of the Bank is the highest decision making body of the Bank. The Bank's General Meetings are conducted in a transparent and fair manner. Shareholders have the opportunity to express their opinions on the Bank's financial results and other issues affecting the Bank. The Annual General Meetings are attended by representatives of regulators such as the Central Bank of Nigeria, the Securities and Exchange Commission, The Nigerian Stock Exchange, Corporate Affairs Commission as well as representatives of Shareholders' Associations.

The Board places considerable importance on effective communication with shareholders on developments in the Bank. The Bank has an Investors' Relations Unit, which deals directly with enquiries from shareholders and ensures that shareholders' views are escalated to Management and the Board. In addition, quarterly, half yearly and annual financial results are published in widely read national newspapers. The Bank also dispatches half yearly reports, providing highlights of activities of the Bank, to all its shareholders.

The Bank ensures that institutional investors and international holders of the Global Depositary Receipts get frequent updates on the Bank's progress via interactive conference calls, local and international investor presentations and meetings. These conference calls and investor meetings provide our investors with direct access to senior and executive Management.

Protection of Shareholders Rights

The Board ensures the protection of the statutory and general rights of shareholders at all times, particularly their right to vote at general meetings. All shareholders are treated equally, regardless of volume of shareholding or social status.

KPMG

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Independent auditor's report

To the members of **Guaranty Trust Bank Plc**

We have audited the accompanying consolidated financial statements of **Guaranty Trust Bank Plc** and its subsidiaries (the" Group"), which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 13 to 107.

Directors' responsibility for the consolidated financial statements
The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated 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 whether the consolidated 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 our judgement, including the assessment of the risks of material misstatements of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 principles used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion.
In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2010, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
We draw your attention to the fact that these consolidated financial statements are prepared in addition to the Group's statutory financial statements as described in Note 2 to the consolidated financial statements.

KPMG

21 April 2011
Lagos, Nigeria

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
A 133501

Consolidated financial statements

Consolidated statement of financial position

As at 31 December 2010

In thousands of Nigerian Naira	*Notes*	2010	2009
Assets			
Cash and cash equivalents	5, 8 19	273,074,591	255,944,975
Non pledged trading assets	8, 20	148,872,254	134,926,969
Pledged assets	8, 21	29,481,804	22,112,657
Derivative assets held for risk management	8, 12	-	-
Loans and advances to banks	5, 8, 22	186,480	146,002
Loans and advances to customers	5, 8, 23	603,906,669	574,586,579
Investment securities	5, 8, 24	33,526,342	19,159,408
Trading properties	25	7,349,815	5,070,666
Property and equipment	26	45,381,210	41,281,423
Intangible assets	27	1,956,459	2,337,921
Deferred tax assets	28	587,881	410,864
Other assets	29	23,729,392	23,539,285
Total assets		1,168,052,897	1,079,516,749
Liabilities			
Deposits from banks	5, 8, 30	26,026,980	31,187,065
Deposits from customers	5, 8, 31	753,088,230	666,921,855
Debt securities issued	5, 8, 32	66,886,763	67,373,122
Current tax liabilities		10,082,335	3,483,561
Deferred tax liabilities	28	4,884,484	6,557,821
Other liabilities	33	60,869,620	91,860,354
Liabilities on insurance contracts		2,926,322	1,476,642
Other borrowed funds	5, 8, 35	23,033,947	12,390,288
Total liabilities		947,798,681	881,250,708
Equity			
Share capital and share premium	36	130,735,159	128,403,440
Retained earnings	36	16,660,333	10,215,217
Other components of equity	36	66,828,039	54,505,445
Total equity attributable to owners of the Bank		**214,223,531**	**193,124,102**
Non controlling interest	36	6,030,685	5,141,939
Total equity		**220,254,216**	**198,266,041**
Total liabilities and equity		**1,168,052,897**	**1,079,516,749**

Signed on behalf of the Board of Directors on 21 April 2011 by:

Director	Director
Titi Osuntoki	Segun Agbaje

The notes on pages 20 to 106 are an integral part of these consolidated financial statements

Consolidated statement of comprehensive income

As at 31 December 2010

In thousands of Nigerian Naira	*Notes*	2010	2009
Interest income	9	114,005,446	128,605,231
Interest expense	9	(30,152,104)	(44,227,069)
Net interest income		83,853,342	84,378,162
Fee and commission income	10	34,155,421	27,886,901
Fee and commission expense	10	(3,212,332)	(1,616,785)
Net fee and commission income		30,943,089	26,270,116
Net trading income	11	7,944,817	7,443,430
Net loss from other financial instruments at fair value profit or loss	12	-	(140,764)
Other operating income and fair value changes	13	(2,261,461)	4,000,278
		5,683,356	11,302,944
Premium from insurance contracts		4,899,507	5,362,384
Premium ceded to re-insurers		(1,959,458)	(2,199,214)
Net premiums from insurance contracts		2,940,049	3,163,170
Operating income		123,419,836	125,114,392
Net impairment loss on financial assets	14	(10,597,236)	(33,276,125)
Net operating income after net impairment loss on assets		112,822,600	91,838,267
Personnel expenses	15	(17,654,525)	(18,484,414)
Operating lease expenses		(594,272)	(583,036)
Depreciation and amortization	26, 27	(6,740,555)	(5,950,871)
Other operating expenses	16	(40,264,790)	(31,807,412)
Total expenses		(65,254,142)	(56,825,733)
Profit before income tax		47,568,458	35,012,534
Income tax expense	17	(8,248,203)	(6,409,456)
Profit for the year		39,320,255	28,603,078

The notes on pages 20 to 106 are an integral part of these consolidated financial statements.

In thousands of Nigerian Naira	*Notes*	2010	2009
Other comprehensive income net of income tax:			
Foreign currency translation differences for foreign operations		(469,515)	256,529
Net change in fair value of available for sale financial assets		1,415,413	503,447
Income tax relating to component of other comprehensive income	28	-	94,387
Other comprehensive income for the year, net of tax		945,898	854,363
Total comprehensive income for the year		40,266,153	29,457,441
Profit attributable to:			
Owners of the Bank		38,889,953	28,591,685
Non-controlling interest		430,302	11,393
Profit for the year		39,320,255	28,603,078
Total comprehensive income attributable to:			
Owners of the Bank		39,900,570	29,547,706
Non-controlling interest		365,583	(90,265)
Total comprehensive income for the year		40,266,153	29,457,441
Basic earnings per share (Naira)	18	1.69	1.53
Adjusted earnings per share (Naira)	18	1.69	1.23

The notes on pages 20 to 106 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

In thousands of Nigerian Naira

	Share capital	Share premium	Regulatory risk reserve	Other regulatory reserves	Treasury shares	Bonus reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings	Non-controlling interest	Total equity
Balance at 1 January 2010	9,326,875	119,076,565	12,288,268	40,931,358	(1,873,920)	2,331,719	815,820	12,200	10,215,217	5,141,939	198,266,041
Total comprehensive income for the year:											
Profit for the year	-	-	-	-	-	-	-	-	38,889,953	430,302	39,320,255
Other comprehensive income, net of tax											
Foreign currency translation difference	-	-	-	-	-	-	-	(404,796)	-	(64,719)	(469,515)
Net change in fair value	-	-	-	-	-	-	1,415,413	-	-	-	1,415,413
Total other comprehensive income	-	-	-	-	-	-	**1,415,413**	**(404,796)**	-	**(64,719)**	**945,898**
Total comprehensive income	-	-	-	-	-	-	**1,415,413**	**(404,796)**	**38,889,953**	**365,583**	**40,266,153**
Transactions with equity holders, recorded directly in equity:											
Bonus shares issued during the year	2,331,719	-	-	-	-	(2,331,719)	-	-	-	-	-
Transfers for the year	-	-	(1,328,548)	11,746,279	-	2,914,648	-	-	(13,332,379)	-	-
Increase/Dilution in non-controlling interest	-	-	-	-	-	-	-	-	-	638,203	638,203
Diminution in Small & Medium Enterprise investments	-	-	-	-	-	-	-	-	-	-	-
Acquisition/disposal of own shares	-	-	-	-	311,317	-	-	-	-	-	311,317
Dividend to equity holders	-	-	-	-	-	-	-	-	(19,819,610)	(115,040)	(19,934,650)
Dividend on own share adjusted	-	-	-	-	-	-	-	-	707,150	-	707,150
Total contributions by and distributions to equity holders	**2,331,719**	**-**	**(1,328,548)**	**11,746,279**	**311,317**	**582,929**	**-**	**-**	**(32,444,839)**	**523,163**	**(18,277,980)**
Balance at 31 December 2010	**11,658,594**	**119,076,565**	**10,959,720**	**52,677,637**	**(1,562,603)**	**2,914,648**	**2,231,233**	**(392,596)**	**16,660,333**	**6,030,685**	**220,254,216**

Consolidated Statement of Changes in Equity

In thousands of Nigerian Naira

	Share capital	Share premium	Regulatory risk reserve	Other regulatory reserves	Treasury shares	Bonus reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings	Non-controlling interest	Total equity
Balance at 1 January 2009	7,461,500	119,076,565	4,917,986	33,010,195	(2,842,918)	1,865,375	218,661	(346,662)	13,635,667	4,042,125	181,038,494
Total comprehensive income for the year:											
Profit for the year	-	-	-	-	-	-	-	-	28,591,685	11,393	28,603,078
Other comprehensive income, net of tax											
Foreign currency translation difference	-	-	-	-	-	-	-	358,862	-	(101,658)	257,204
Net change in fair value	-	-	-	-	-	-	597,159	-	-	-	597,159
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**597,159**	**358,862**	**-**	**(101,658)**	**854,363**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**597,159**	**358,862**	**28,591,685**	**(90,265)**	**29,457,441**
Transactions with equity holders, recorded directly in equity:											
Bonus shares issued during the year	1,865,375	-	-	-	-	(1,865,375)	-	-	-	-	-
Transfers for the year	-	-	7,370,282	8,986,588	-	2,331,719	-	-	(18,688,589)	-	-
Cash paid by non-controlling interest	-	-	-	-	-	-	-	-	-	1,747,988	1,747,988
Dilution in non-controlling interest	-	-	-	-	-	-	-	-	-	(36,634)	(36,634)
Diminution in Small & Medium Enterprise investments	-	-	-	(1,065,425)	-	-	-	-	1,065,425	-	-
Acquisition/disposal of own shares	-	-	-	-	968,998	-	-	-	-	-	968,998
Dividend to equity holders	-	-	-	-	-	-	-	-	(14,922,999)	(521,275)	(15,444,274)
Dividend on own share adjusted	-	-	-	-	-	-	-	-	534,028	-	534,028
Total contributions by and distributions to equity holders	**1,865,375**	**-**	**7,370,282**	**7,921,163**	**968,998**	**466,344**	**-**	**-**	**(32,012,135)**	**1,190,079**	**(12,229,894)**
Balance at 31 December 2009	**9,326,875**	**119,076,565**	**12,288,268**	**40,931,358**	**(1,873,920)**	**2,331,719**	**815,820**	**12,200**	**10,215,217**	**5,141,939**	**198,266,041**

Consolidated statement of cash flows

For the year ended 31 December 2010

In thousands of Nigerian Naira	*Notes*	2010	2009
Cash flows from operating activities			
Profit for the period		39,320,255	28,603,078
Adjustments for:			
Depreciation of property and equipment and amortization	26, 27	6,740,555	5,950,871
Gain on disposal of property and equipment		(118,603)	(81,665)
(Gain)/Loss on disposal of trading properties	11	(174,769)	1,932,177
Profit on disposal of shares in subsidiary		(297,226)	-
Impairment on financial assets		10,597,236	33,276,125
Foreign exchange (gains)/losses	13	(245,344)	329,016
Interest paid on borrowings and finance lease		8,165,211	6,299,029
Dividend received		(192,331)	(358,620)
Income tax expense	17	8,248,203	6,409,456
		72,043,187	82,359,467
Change in trading assets		(13,945,285)	(114,696,185)
Change in pledged assets		(5,953,734)	34,222,993
Change in derivative assets		-	4,617,841
Change in loans and advances to banks and customers		(38,400,670)	(180,104,546)
Change in insurance receivables		(362,857)	(419,891)
Change in other assets		477,113	2,887,977
Change in deposits from banks		(5,160,085)	(31,802,198)
Change in deposits from customers		86,166,375	197,671,953
Change in investment contract liabilities		707,570	528,708
Change in insurance contract liabilities		1,449,680	682,096
Change in other liabilities		(31,076,389)	(82,491,034)
		65,944,905	(86,542,819)
Income tax paid		(3,499,600)	(9,969,873)
Net cash provided/(used in) by operating activities		62,445,305	(96,512,692)

Consolidated statement of cash flows

For the year ended 31 December 2010

In thousands of Nigerian Naira	*Notes*	2010	2009
Cash flows from investing activities			
Net (purchase)/sale of investment securities		(14,366,934)	89,709,960
Interest and dividends received		192,331	358,620
Purchase of property and equipment	26	(10,932,744)	(11,691,338)
Proceeds from the sale of property and equipment		757,735	218,696
Purchase of intangible assets	27	(401,315)	(806,306)
Purchase of trading properties	25	(2,750,120)	(2,195,080)
Proceeds from disposal of trading properties		645,740	10,278,083
Net (used in)/cash provided investing activities		(26,855,307)	85,872,635
Cash flows from financing activities			
Inflow from debt securities issued		-	13,203,169
Redemption of debt securities issued through buy back		(1,454,189)	-
Repayment of long term borrowings		(2,927,936)	(2,737,048)
Interest paid on long term borrowings		(7,652,450)	(5,912,567)
Proceeds from long term borrowings		12,952,606	-
Finance lease (repayments)/proceeds		(363,501)	85,870
Interest paid on finance lease		(512,761)	(386,462)
Sale of own shares net of dividend received		1,018,467	1,503,026
Dividends paid to owners	37	(19,819,610)	(14,922,999)
Dividends paid to non-controlling interest		(115,040)	(521,275)
Proceeds from sale to non-controlling interest		638,203	1,747,988
Purchase from non-controlling interest		-	(36,634)
Net cash used in financing activities		(18,236,211)	(7,976,932)
Net increase/(decrease) in cash and cash equivalents		17,353,787	(18,616,989)
Cash and cash equivalents at beginning of period		255,944,975	274,633,776
Effect of exchange rate fluctuations on cash held		(224,171)	(71,812)
Cash and cash equivalents at end of period	19	273,074,591	255,944,975

The notes on pages 20 to 106 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Reporting entity
Guaranty Trust Bank Plc ("the Bank") is a company domiciled in Nigeria. The address of the Bank's registered office is Plot 1669, Oyin Jolayemi, Victoria Island, Lagos. The consolidated financial statements for the year ended 31 December 2010 are prepared for the Bank and its subsidiaries (together referred to as "the Group" and separately referred to as "Group entities"). The Group is primarily involved in investment, corporate and retail banking, mortgage finance, insurance and asset management services.

2. Statement of compliance with International Financial Reporting Standards
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). They have been prepared in addition to the Group's statutory financial statements (not included herein), which were prepared in accordance with Statements of Accounting Standards applicable in Nigeria (Nigerian GAAP).

These financial statements were authorized for issue by the directors on **21 April 2011**.

3. Basis of preparation

(a) Functional and presentation currency
These consolidated financial statements are presented in Nigerian Naira, which is the Bank's functional currency. Except where indicated, financial information presented in Naira has been rounded to the nearest thousand.

(b) Basis of measurement
These consolidated financial statements have been prepared on the historical cost basis except for the following:

- Derivative financial instruments are measured at fair value.
- Non-derivative financial instruments at fair value through profit or loss are measured at fair value.
- Available-for-sale financial assets are measured at fair value.
- Liabilities for cash-settled share-based payment arrangements are measured at fair value.
- The liability for defined benefit obligations is recognized as the present value of the defined benefit obligation less the total of the plan assets, plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses.

(c) Use of estimates and judgements
The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in notes 5 and 6.

Notes to the consolidated financial statements

(d) Changes to accounting policies
All new accounting standards and interpretations applicable to annual reporting periods beginning on or after 1 January 2010 have been applied to the group effective from the required date of application. The initial application of these standards and applications has not had a material impact on the financial position or financial results of the Group.

- Amendment to IAS 32 Classification of rights issues applicable 1 February 2010. The Group did not have any rights issue during the year.

- The Group has adopted IFRS 3 Business Combinations (2008). The change in accounting policy is applied prospectively and had no material impact on earnings per share. The new accounting policy in respect to business combinations is presented as follows:

  Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

  Acquisitions on or after 1 January 2009
  For acquisitions on or after 1 January 2009, the Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

  The Group elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognised amount of the identifiable net assets, as at acquisition date.

  Transaction costs, other than those associated with the issue of debt or equity securities, that the group incurs in connection with a business combination are expensed as incurred.

  Acquisitions between 1 January 2003 and 1 January 2009
  For acquisitions between 1 January 2003 and 1 January 2009, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

  Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisitions.

Notes to the consolidated financial statements

Acquisitions prior to 1 January 2003
As part of its transition to IFRSs, the Group elected to restate only those business combinations that occurred on or after 1 January 2003. In respect of acquisitions prior to 1 January 2003, goodwill represents the amount recognised under the Group's previous accounting framework, (Nigerian GAAP)

- Disclosures pertaining to fair values and liquidity risk for financial instruments
  The Group has applied *Improving Disclosures about Financial Instruments* (Amendments to IFRS 7), issued in March 2009, that require enhanced disclosures about fair value measurements and liquidity risk in respect of financial instruments.

  The amendments require that fair value measurement disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments. Specific disclosures are required when fair value measurements are categorised as Level 3 (significant unobservable inputs) in the fair value hierarchy. The amendments require that any significant change between Level 1 and Level 2 of the fair value hierarchy be disclosed separately, distinguishing between transfers into and out of each level. Furthermore, changes in valuation techniques from one period to another, including the reasons therefore, are required to be disclosed for each class of financial instruments.

  Revised disclosures in respect of fair values of financial instruments are included in note 6 *Use of estimates and judgments*.

  Further, the definition of liquidity risk has been amended and it is now defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

  The amendments require disclosure of a maturity analysis for non- derivative and derivative financial liabilities, but contractual maturities are required to be disclosed for derivative financial liabilities only when contractual maturities are essential for an understanding of the timing of cash flows. For issued financial guarantee contracts, the amendments require the maximum amount of the guarantee to be disclosed in the earliest period in which the guarantee could be called.

  Revised disclosures in respect of liquidity risk are included in note 5c.

Notes to the consolidated financial statements

4. Significant accounting policies
The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

The accounting policies have been applied consistently by Group entities.

(a) Basis of consolidation
(i) Subsidiaries
Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that, presently, are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

(ii) Special purpose entities
Special purpose entities (SPEs) are entities that are created to accomplish a narrow and well-defined objective such as the securitisation of particular assets, or the execution of a specific borrowing or lending transaction. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE.
The following circumstances may indicate a relationship in which, in substance, the Group controls and consequently consolidates an SPE:

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

The Group established GTB Finance B.V., Netherlands as a special purpose entity to raise its $350 million Eurobond Guaranteed Notes. Accordingly the financial statements of GTB Finance B.V. have been consolidated.

(iii) Accounting method of consolidation
The acquisition method of accounting is used to account for the purchase of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed, plus any costs directly related to the acquisition. The excess of the cost of an acquisition over the Group's share of the fair value of the identifiable net assets acquired is recorded as goodwill. See the accounting policy on goodwill.

(v) Transactions eliminated on consolidation
Intra-group balances, and income and expenses (except for foreign currency translation gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Notes to the consolidated financial statements

(b) Foreign currency

(i) Foreign currency transactions

Transactions denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at exchange rates as at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period using the rates prevalent at the beginning, adjusted for effective interest and payments during the period, and the amortised cost in the functional currency at the period end using the rates prevalent at the period end. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Nigerian Naira at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Nigerian Naira at exchange rates at the dates of the transactions or at average rates of exchange where these approximate to actual rates.

Foreign currency differences on the translation of foreign operations are recognised in other comprehensive income. Since 1 March 2004, the Group's date of transition to IFRS, such differences have been recognised in the foreign currency translation reserve. However, if the operation is not wholly owned the relevant proportionate share of the difference is allocated instead to the non-controlling interest. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognised in other comprehensive income and foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the investment in foreign entities are taken to shareholders' funds. When a foreign operation is sold, such exchange differences are recognised in the profit and loss account as part of the gain or loss on sale.

Notes to the consolidated financial statements

(c) Interest
Interest income and expense are recognised in profit or loss using the effective interest method.

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 (or, where appropriate, the next re-pricing date) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instruments but not future credit losses.

The calculation of the effective interest rate includes contractual fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the statement of comprehensive income include:

- interest on financial assets and liabilities measured at amortised cost calculated on an effective interest rate basis.

- interest on financial assets measured at fair value through profit or loss calculated on an effective interest rate basis

Fair value changes on other derivatives held for risk management purposes, and other financial assets and liabilities carried at fair value through profit or loss, are presented in *Other operating income – Mark to market gain/(loss) on trading investments* in the statement of comprehensive income.

(d) Fees and commission
Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management and other fiduciary activity fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

(e) Insurance premium
Insurance premiums are recognised as revenue when they become payable by the contract holder, proportionally over the period of coverage.

Notes to the consolidated financial statements

(f) Net trading income
Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, dividends and foreign exchange differences.

(g) Net income from other financial instruments at fair value through profit or loss
Net income from other financial instruments at fair value through profit or loss relates to derivatives held for risk management purposes that do not form part of qualifying hedge relationships.

(h) Dividends
Dividend income is recognised when the right to receive income is established. Dividends on trading equities are reflected as a component of net trading income. Dividend income on long term equity investments is recognised as a component of other operating income.

(i) Lease payments
Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(j) Income tax expense
Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on taxable income or loss for the year, using tax rates enacted or substantively enacted at the financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends by the Bank are recognised at the same time as the liability to pay the related dividend is recognised.

Notes to the consolidated financial statements

(k) Financial assets and liabilities
(i) Recognition
The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

(ii) Classification
See accounting policies 4(l), (m), (n) and (o).

(iii) De-recognition
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by extent to which it is exposed to changes in the value of the transferred asset.

The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Group writes off certain loans and investment securities when they are deemed to be uncollectible (see note 23).

(iv) Offsetting
Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

Notes to the consolidated financial statements

(v) Sale and repurchase agreements
Securities sold subject to repurchase agreements ('repos') remain on the statement of financial position; the counterparty liability is included in amounts due to other banks, deposits from banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell (reverse repos') are recorded as money market placement. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

Securities lent to counterparties are also retained in the financial statements. Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income.

(vi) Amortised cost measurement
The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vii) Fair value measurement
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Group establishes fair value using valuation techniques. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, and discounted cash flow analysis. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Group calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.
The best evidence of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the instrument is closed out.

(viii) Identification and measurement of impairment
At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence

Notes to the consolidated financial statements

demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably. The Group considers evidence of impairment for loans and advances and held-to-maturity investments at both a specific asset and collective level. Assets showing signs of deterioration are assessed for individual impairment. All individually significant loans and advances and held-to maturity investments found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

Objective evidence that financial assets (including equity securities) are impaired can include significant financial difficulty of the obligor, default or delinquency by a borrower resulting in a breach of contract, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below cost is objective evidence of impairment.

In assessing collective impairment the Group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the difference between the amortised acquisition cost and current fair value out of equity to profit or loss. When a subsequent event causes the amount of impairment loss on an available-for-sale debt security to decrease, the impairment loss is reversed through profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ix) Designation at fair value through profit or loss
The Group designates financial assets and liabilities at fair value through profit or loss in the following circumstances:

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis.
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.
- The asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Notes to the consolidated financial statements

Note 8 sets out the amount of each class of financial asset or liability that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant asset or liability class.

(l) Cash and cash equivalents
Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(m) Trading assets and liabilities
Trading assets and liabilities are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position with transaction costs recognised in profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition, as non-derivative financial assets, other than those designated at fair value through profit or loss (i.e. trading) category are reclassified if they are no longer held for the purpose of being sold or repurchased in the near term and the following conditions are met:

- If the financial asset would have met the definition of loans and receivables (if the financial asset had not been required to be classified as held for trading at initial recognition), then it may be reclassified if the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity.

- If the financial asset would not have met the definition of loans and receivable, then it may be reclassified out of the trading category only in rare circumstances.

(n) Loans and advances
Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

When the Group is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease and recognised and presented within loans and advances.

When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date ("reverse repo or stock borrowing"), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Group's financial statements.

Notes to the consolidated financial statements

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(o) Investment securities
Investment securities are initially measured at fair value plus, in case of investment securities not at fair value through profit or loss, incremental direct transaction costs and subsequently accounted for depending on their classification as either held for trading, held-to-maturity, fair value through profit or loss or available-for-sale.

(i) Held-to-maturity
Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method. A sale or reclassification of a significant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- Sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value.
- Sales or reclassifications after the Group has collected substantially all the asset's original principal.
- Sales or reclassification attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated.

(ii) Fair value through profit or loss
The Group designates some investment securities at fair value with fair value changes recognised immediately in profit or loss as described in accounting policy (k) (ix).

(iii) Available-for-sale
Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss.

Other fair value changes are recognised directly in other comprehensive income until the investment is sold or impaired whereupon the cumulative gains and losses previously recognised in other comprehensive income are recognised to profit or loss as a reclassification adjustment.

Notes to the consolidated financial statements

A non-derivative financial asset may be reclassified from the available-for-sale category to the loans and receivable category if it otherwise would have met the definition of loans and receivables and if the Group has the intention and ability to hold that financial asset for the foreseeable future or until maturity.

(p) Derivatives held for risk management purposes

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value with changes in fair value recognised in profit or loss.

(q) Trading properties

Trading properties (inventory) are shown at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of trading properties is determined on the basis of specific identification of their individual costs.

(r) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment and are recognized net within other income in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

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

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

Notes to the consolidated financial statements

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

Leasehold improvements	over the shorter of the useful life of the item or lease term
Buildings	50 years
Computer hardware	3 years
Furniture and equipment	5 years
Motor vehicles	4 years
Other transportation equipment	10 years

Capital work in progress is not depreciated. Upon completion it is transferred to the relevant asset category. Depreciation methods, useful lives and residual values are reassessed at each reporting date.

(iv) De-recognition
An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(s) Intangible assets

(i) Goodwill
Goodwill arises on the acquisition of subsidiaries. Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative, it is recognised immediately in profit or loss.

Acquisitions of non-controlling interests
Goodwill arising on the acquisition of a non-controlling interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets at the date of acquisition.

Subsequent measurement
Goodwill is measured at cost less accumulated impairment losses.

(ii) Software
Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses. Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is five years. This is reassessed annually.

Notes to the consolidated financial statements

(t) Leased assets – lessee
Leases in terms of which the Group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognized in the Group's statement of financial position.

(u) Impairment of non-financial assets
The carrying amounts of the Group's non-financial assets other than investment property and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

(v) Deposits and debt securities issued
Deposits and debt securities issued are the Group's sources of debt funding. When the Group sells a financial asset and simultaneously enters into a "repo" or "stock lending" agreement to repurchase the asset (or a similar asset) at a fixed price on a future date, the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Group's financial statements.

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Deposits and debt securities issued are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group chooses to carry the liabilities at fair value through profit or loss.

Notes to the consolidated financial statements

(w) Provisions
A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(x) Financial guarantees
Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable). Financial guarantees are included within other liabilities.

(y) Employee benefits

(i) Defined contribution plans
Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due.

(ii) Defined benefit plans
The Group's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield determined by reference to market yields at the reporting date on high quality government bonds. 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 past service by employees is recognised in profit or loss 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 recognised immediately in profit or loss.

Notes to the consolidated financial statements

(iii) Termination benefits
Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(iv) Short-term employee benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(v) Share-based payment transactions
The Bank operates a cash-settled share based compensation plan (i.e. share appreciation rights - SARs) for its management personnel. The management personnel are entitled to the share appreciation rights at a pre-determined price after spending five years in the Bank.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as personnel expense in profit or loss.

(z) Insurance contracts and investment contracts

The Group offers wealth management, term assurance, annuity, property and payment protection insurance products to customers that take the form of long- and short-term insurance contracts. The Group classifies its wealth management and other products as insurance contracts where these transfer significant insurance risk, generally where the benefits payable on the occurrence of an insured event are more significant than the benefits that would be payable if the insured event does not occur. Contracts that do not contain significant insurance risk or discretionary participation features are classified as investment contracts. Financial assets and liabilities relating to investment contracts, and assets backing insurance contracts are classified and measured as appropriate under IAS 39 'Financial Instruments: Recognition and Measurement'.

Long-term insurance contracts
These contracts insure events associated with human life (for example, death or survival) over a long duration. Premiums are recognised as revenue when they become payable by the contract holder. Claims and surrenders are accounted for when notified. Maturities on the policy maturity date and regular withdrawals are accounted for when due. A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised, based on the expected discounted value of the benefit payments and directly related administration costs, less the expected discounted value of the future premiums that would be required to meet the benefits and other expenses. The calculation of the liability contains assumptions regarding

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mortality, maintenance expenses and investment income. Liabilities under unit-linked life insurance contracts (such as endowment policies) in addition reflect the value of assets held within unitised investment pools.

Short-term insurance contracts
Under its payment protection insurance products the Group is committed to paying benefits to the policyholder rather than forgiving interest or principal on the occurrence of an insured event, such as unemployment, sickness, or injury. Property insurance contracts mainly compensate the policyholders for damage to their property or for the value of property lost.

Premiums are recognised as revenue proportionally over the period of the coverage. Claims and claims handling costs are charged to income as incurred, based on the estimated liability for compensation owed to policyholders arising from events that have occurred up to the balance sheet date even if they have not yet been reported to the Group, based on assessments of individual cases reported to the Group and statistical analyses for the claims incurred but not reported.

Deferred acquisition costs (DAC)
Commissions and other costs that are related to securing new insurance and investment contracts are capitalised and amortised over the estimated lives of the relevant contracts.

Deferred income liability
Fees that are designed to recover commissions and other costs related to either securing new insurance and investment contracts or renewing existing investment contracts are included as a liability and amortised over the estimated life of the contract.

Liability adequacy test
Liability adequacy tests are performed at each balance sheet date to ensure the adequacy of contract liabilities net of DAC. Current best estimates of future contractual cash flows, claims handling and administration costs, and investment returns from the assets backing the liabilities are taken into account in the tests. Any deficiency is immediately recognised in the income statement.

Reinsurance
Short- and long-term insurance business is ceded to reinsurers under contracts to transfer part or all of one or more of the following risks: mortality, investment and expenses. All such contracts are dealt with as insurance contracts. The benefits to which the Group is entitled under its reinsurance contracts are recognised as reinsurance assets. The Group assesses reinsurance assets at each balance sheet date. If there is objective evidence of impairment, the carrying amount of the reinsurance asset is reduced accordingly, resulting in a charge to the income statement.

(aa) Share capital and reserves

(i) Share issue costs
Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

(ii) Dividend on the Bank's ordinary shares
Dividends on the Bank's ordinary shares are recognised in equity when approved by the Bank's shareholders.

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(iii) Treasury shares

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

(ab) Earnings per share

The Group presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period.

(ac) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it can earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Executive Management Committee to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

(ad) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2010, and have not been applied in preparing these consolidated financial statements:

- Amended IAS 27 *Consolidated and Separate Financial Statements* (2008) requires accounting for changes in ownership interests in a subsidiary that occur without loss of control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to IAS 27, which becomes mandatory for the Group's 2011 consolidated financial statements, are not expected to have a significant impact on the consolidated financial statements.

- IFRS 9 *Financial Instruments,* published on 12 November 2009 as part of phase 1 of the IASB's comprehensive project to replace IAS 39, deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of *held to maturity, available for sale* and *loans and receivables.* For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment on other comprehensive income. No amount recognised in other comprehensive income would ever be reclassified to profit or loss at a later date. However, dividends on such investments are recognised in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in

Notes to the consolidated financial statements

respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognised in profit or loss.

The standard is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

The Group is currently in the process of evaluating the potential effect of this standard. Given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's financial statements.

- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* clarify the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendments will become mandatory for the Group's 2011 consolidated financial statements, with retrospective application required. The amendments are not expected to have a significant impact on the consolidated financial statements.

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5. Financial risk management
(a) Introduction and overview
The Group has exposure to the following risks from its use of financial instruments:

credit risk
liquidity risk
market risks
operational risks

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital.

Risk management philosophy
The risk management philosophy of the Guaranty Trust Bank Plc Group is drawn from its mission and vision statements and seeks to achieve maximum optimization of the risk – return trade off, while ensuring strong commitment to the following key indices:

- Excellent service delivery across business segments
- Sound performance reporting (financial and non-financial)
- Sound corporate governance
- Consistent appreciation in shareholders' value.

Risk management framework
The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, to monitor risks and adherence to limits. This policy is subject to review at least once a year. More frequent reviews may be conducted in the opinion of the Board, when changes in laws, market conditions or the Group's activities are material enough to impact on the continued adoption of existing policies. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework via its committees – The Board Risk Committee, Board Credit Committee, and Board Audit Committee. These committees are responsible for developing and monitoring risk policies in their specified areas and report regularly to the Board of Directors on their activities. All Board committees have both executive and non-executive members.

The Board Committees are assisted by the various Management Committees in identifying and assessing risks arising from day to day activities of the Group. These committees are:

- The Management Credit Committee
- Criticized Assets Committee
- Asset and Liability Management Committee (ALMAC)
- Management Risk Committee
- IT Steering Committee
- Other Ad-hoc Committees

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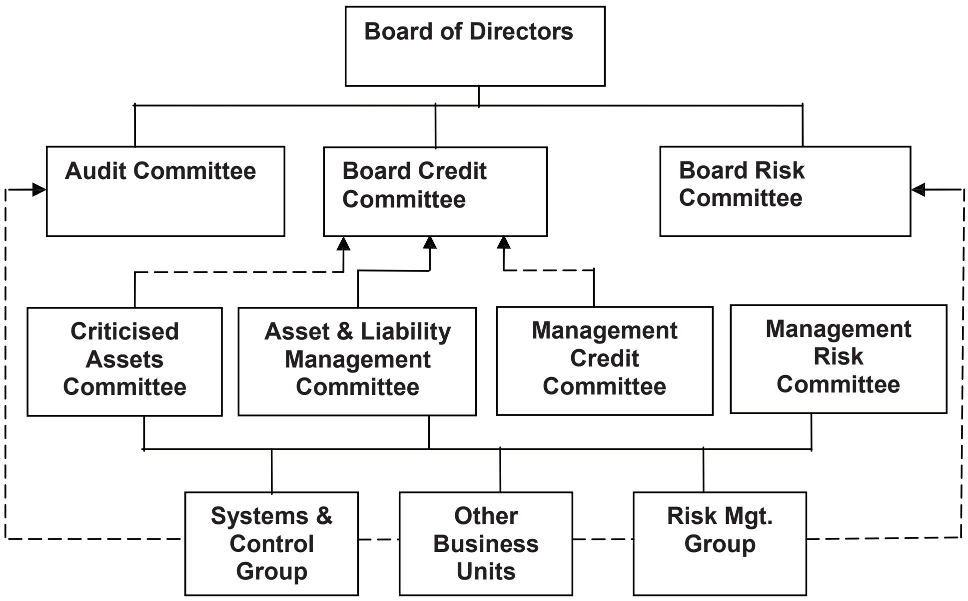
These committees meet on a regular basis while others are set up on an ad-hoc basis as dictated by the circumstances.

The **Group's Audit Committee** is responsible for monitoring compliance with the risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to risks faced by the Group. The Audit Committee is assisted by the Internal Audit department, in carrying out these functions. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Risk Management Organogram of the Group is as follows:



The **Risk Committee** at the board and management levels is responsible for reviewing and recommending risk management policies, procedures and profiles including risk philosophy, risk appetite and risk tolerance of the Group. The oversight functions cut across all risk areas. The committee monitors the Bank's plans and progress towards meeting regulatory Risk-Based Supervision requirements and migration to Basel II compliance as well as the overall Regulatory and Economic Capital Adequacy.

The Group's Board of Directors has delegated responsibility for the management of credit risk to the **Board Credit Committee**. The Board Credit Committee considers and approves all lending exposures, including treasury investment exposures, as well as insider-related credits in excess of limits assigned to the **Management Credit Committee** by the Board. Management Credit Committee formulates credit policies in consultation with business units, covering credit assessment, risk grading and reporting, collateral, regulatory and statutory requirements. The committee also assesses and approves all credit exposures in excess of the Managing Director's limit as approved by the Board.

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The **Asset & Liability Management Committee** establishes the Group's standards and policies covering the various components of Market Risk. This includes issues on Interest Rate Risk, Liquidity Risk, Investment Risk and Trading Risk. It ensures that the authority delegated by the Board and Management Risk Committees with regard to Market Risk is exercised, and that Market Risk exposures are monitored and managed. Furthermore, the Committee limits and monitors the potential impact of specific pre-defined market movements on the comprehensive income of the Bank through stress tests and simulations.

The Credit Risk Management Group is responsible for identifying, controlling, monitoring and reporting credit risk related issues. The Group also serves as the secretariat for the **Management Credit Committee**. Credit risk is the most critical risk for the Group as credit exposures, arising from lending activities account for the major portion of the Group's assets and source of its revenue. Thus, the Group ensures that credit risk related exposures are properly monitored, managed and controlled. The Credit Risk Management Group is responsible for managing the credit exposures, which arise as a result of the lending and investment activities as well other unfunded credit exposures that have default probabilities; such as off-financial position financial instruments.

Risk management methodology
The Group recognizes that it is in the business of managing risks to derive optimal satisfaction for all stakeholders. It has therefore, over the years detailed its approach to risk through various policies and procedures, which include the following:

- Credit Policy Guide
- ERM Policy
- Human Resources Policy Manual
- Quality Manual
- Standard Operating Procedures.

To ensure adherence to the policies and procedures, several exception reports on customers and activities of the Group are generated by the various audit control units for management's decision making. These include:

- Monthly Management Profitability Reports (MPR) for the marketing teams
- Monthly Operations Performance Reports (OPR) for the support teams
- Quarterly Business Profitability Review
- Annual Bank-wide performance appraisal systems

Risk management overview
The Group operates a functional Enterprise-wide Risk Management (ERM) Division that manages all aspects of risk – including threats and opportunities. The risk management infrastructure therefore encompasses a comprehensive and integrated approach to identifying, managing and reporting (i) the 3 main inherent risk groups – Credit, Market and Operational; (ii) residual risks such as Settlement and Legal risks; (iii) additional core risks being Reputation and Strategy risks; and (iv) monitoring of the Bank's subsidiaries' risks. In addition to this, in compliance with the Central Bank of Nigeria's 'Risk-based Supervision' guidelines, and also to align with Basel II Capital Accord / best global practices, we are in the process of incorporating a strategic framework for even more efficient measurement and management of the bank's risks and capital. To this end, we have gone through the process of engaging with appropriate solution providers and plan, in the second quarter of 2010, to commence implementation of Basel II recommended capital measurement approaches (and the modeling and data collation required for these), economic capital to cope with unexpected losses, and other qualitative and quantitative measures that will assist us with enhancing our risk management workflows and creating a platform for more risk-adjusted decision-making based on our aggregate

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exposures.

(b) Credit risk
Lending and other financial activities form the core business of the Group. The Group recognises this and has laid great emphasis on effective management of its exposure to credit risk. The Group defines credit risk as the risk of counterparty's failure to meet the terms of any lending contracts with the Group or otherwise to perform as agreed. Credit risk arises anytime the Group's funds are extended, committed, invested or otherwise exposed through actual or implied contractual agreements.

The Group's specific credit risk objectives, as contained in the designed Credit Risk Management Framework, are:

- maintenance of an efficient loan portfolio
- institutionalization of sound credit culture in the Bank
- adoption of international best practices in credit risk management
- creation of Credit Risk Management professionals and specialists in every industry within which the Bank operates.

Each business unit is required to implement credit policies and procedures in line with the credit approval authorities granted by the Board. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolio, including those subject to Management Credit Committee's approval.

The Internal Audit and Credit Administration units respectively undertake regular audits of business units and credit quality reviews.

The Group continues to focus attention on intrinsic and concentration risks inherent in its business to manage the Group's portfolio risk. It sets portfolio concentration limits that are measured under the following parameters: concentration limits per obligor, industry, sector, rating grade and geographical area. Sector limits reflect the risk appetite of the Group.

The Group drives the credit risk management processes using appropriate technology to achieve global best practices.

For Credit Risk Capital Adequacy computation under Basel ll Pillar l, the Group will commence with the use of the Standardized Approach for Credit Risk Measurement.

For risk management purposes, credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

Management of credit risk
The Board of Directors has delegated responsibility for the management of credit risk to its Board Credit Committee. A separate Management Credit Committee reporting to the Board Credit Committee is responsible for oversight of the Group's credit risk, including:

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- *Formulating credit policies* in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

- *Establishing the authorisation structure* for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Heads. Larger facilities require approval by the Management Credit Committee, Deputy Managing Director, Managing Director and the Board Credit Committee/Board of Directors as appropriate.

- *Reviewing and assessing credit risk.* Management Credit Committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

- *Developing and maintaining the Group's risk grading* in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The current risk grading framework consists of six grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for approving the risk grades lies with the Board Credit Committee. The risk grades are subject to regular reviews by the Risk Management Group.

- *Reviewing compliance* of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to Risk Management Group on the credit quality of local portfolios and appropriate corrective action is taken.

- *Providing advice, guidance and specialist skills* to business units to promote best practice throughout the Group in the management of credit risk.

Each business unit is required to implement Group credit policies and procedures, with credit approval authorities authorised by the Board Credit Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

Regular audits of business units and credit quality reviews are undertaken by the Internal Audit and Credit Administration units respectively.

Credit risk measurement
Guaranty Trust Bank Group undertakes lending activities after careful analysis of the borrowers' character, capacity to repay, cash flow, credit history, industry and other factors. The Group acknowledges that there are diverse intrinsic risks inherent in the vagaries of its business segments and, as a result, applies different parameters to adequately dimension the risks in each business segments.

The Bank's rating grades reflect the range of parameters developed to predict the default probabilities of each rating class. In line with international best practices and in compliance with BASEL II requirements, the Bank standardized its rating grades, in the last quarter of 2010, by increasing the rating buckets from 6 to 10. Like the previous rating grades, the new rating grades deals with all credit risk counterparties and this covers all the Bank's credit exposure to corporate, commercial, retail and public sectors. However the new grades reflect more granularities. The rating is handled by Account Officers and Relationship Managers with further check by Credit Risk Analysis Unit in Credit Risk Management Group.

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The Rating Grid with description is as follows:

RATING GRADE	DESCRIPTION
1	Exceptional Capacity
2	Very Strong Capacity
3	Strong Repayment Capacity
4	Good Credit Quality & Adequate Repayment Capacity
5	Possibility that Credit Risk May Occur
6	Significant Credit Risk May Occur but meet all obligations
7	Default is a real possibility.
8	Default is probable
9	Default is imminent
10	Default/Lost

The first six ratings apply to active credits or newly proposed credits while the last four ratings apply to watch-list and delinquent credits, which are due to be called in or already handed over to solicitors for collection.

Performing (Rating 1–6) – Facility has strong tendency of repayment within approved tenor; interest and principal are being repaid as and when due.

Watch-list (Rating 7) – Facility demonstrates some early warning signal of delinquency and has tendency of default either in respect of the principal or accrued interest. The overdrawn business account has no significant movement for up to 2-month or the account that is permanently in excess of the approved facility.

Substandard & Doubtful (Rating 8 & 9) – This rating is applied where a strong doubt exists that full repayment of principal and interest will occur. The exact extent of the potential loss is not however certain at the time of classification. Interest and principal are past due for 90 days and up to 365 days.

Lost (Rating 10) - Facility is actually in default and principal and or interest overdue remain unpaid for more than 365 days. Legal process does not guarantee full recovery of outstanding debt and borrower might be under receivership or in the process of liquidation.

Risk Limit Control and Mitigation Policies
Guaranty Trust Bank applies limits to control credit risk concentration and ensure proper diversification of its risk assets portfolio. The Bank maintains limits for individual borrowers and groups of related borrowers, as well as industries. Obligor limits are set by the regulators and it is currently at 20% of the Bank's shareholders' funds. The obligor limit covers exposures to counterparties and related parties. Although the Bank is guided by this regulatory limit, we apply additional parameters internally in determining the suitable limits that an individual borrower should have. These include: obligor rating, position in the industry and perceived requirements of key players (e.g. import finance limit may be determined by the customer's import cycle and volume during each cycle), financial analysis, etc. The Bank imposes industry/economic sector limits to guide against concentration risk as a result of exposures to sets of counterparties operating in a particular industry. The industry limits are arrived at after rigorous analysis of the risks inherent in the

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industry. The limits are usually recommended by the Bank's Portfolio Management Unit under Credit Risk Management Group. The limits set for each industry or economic sector depend on the historical performance of the sector as well as the intelligence report on the outlook of the sector. During the year, limits can be realigned (outright removal, reduction or increase) to meet the exigencies of the prevailing macroeconomic events. The Bank also sets internal credit approval limits for various levels of officers in the credit process. Approval decisions are guided by the Bank's strategic focus as well as the stated risk appetite and the other limits established by the board or regulatory authorities such as Aggregate Large Exposure Limits, Single Obligor Limits, Geographical Limits, Industry/ Sectoral limits etc. The lending authority in the Bank flows through the management hierarchy with the final authority residing with the Board of Directors as indicated below:

Board of Directors	Up to the single obligor limit as advised by the regulatory authorities from time to time but currently put at 20% of shareholders' funds (total equity)
Management Credit Committee	Up to N500 Million
Managing Director	Up to N200 Million
Deputy Managing Director	Up to N150 Million
Other Approving Officers	as delegated by the managing director

The above limits are subject to the following overriding approvals:

- Except where a facility is cash collateralized, all new facilities below N10million require the approval of the Credit Committee.

- The deposit required for all cash collateralized facilities (with the exception of bonds, guarantees and indemnities) must be 125% of the facility amount to provide a cushion for interest and other charges.

- Totally new facilities require one-up approval i.e. approval at a level higher than that of the person that would ordinarily approve it.

(iv) Credit definitions

Impaired loans and securities
Impaired loans and securities are loans and securities for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s). These are loans and securities specifically impaired and are graded 6 in the Group's internal credit risk grading system.

Past due but not impaired loans
Loans and securities where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Group.

Loans with renegotiated terms
Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

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Allowances for impairment
The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance, established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy
The Group writes off a loan / security balance (and any related allowances for impairment losses) when Group Management Credit Committee determines that the loans / securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, charge off decisions are generally based on a product specific past due status.

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Credit Risk (Continued)

All loans and advances are categorized as either:
- Neither past due nor impaired
- Past due but not impaired
- Individually impaireed

The impairment allowance includes allowances against financial assets that have been individually impaired and those subject to collective impairment.

		Loans and advances to customers		Loans and advances to banks		Investment securities	
31-December *In thousands of Nigerian Naira*	***Note***	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Carrying amount	22, 23, 24	603,906,669	574,586,579	186,480	146,002	33,526,342	19,159,408
Assets at amortised cost							
Individually impaired							
Grade 10: Impaired		39,030,866	19,753,409	90,213	90,212	1,870,052	1,870,052
Gross amount		39,030,866	19,753,409	90,213	90,212	1,870,052	1,870,052
Allowance for impairment		(29,968,840)	(19,497,227)	(36,085)	(90,212)	(1,329,627)	(1,329,627)
Carrying amount		9,062,026	256,182	54,128	-	540,425	540,425
Collectively impaired							
Grade 1-6: Low-fair risk		234,126,164	205,352,006	1,203	93,279	-	-
Grade 7-9: Watch list		94,802	1,123,619	-	-	-	-
Gross amount		234,220,966	206,475,625	1,203	93,279	-	-
Allowance for impairment		(2,423,192)	(2,730,098)	(78)	(416)	-	-
Carrying amount		231,797,774	203,745,527	1,125	92,863	-	-
Past due but not impaired							
Grade 1-6: Low-fair risk		3,839,543	3,525,925	-	-	-	-
Carrying amount		3,839,543	3,525,925	-	-	-	-
Past due comprises:							
90 -180 days		3,839,543	3,525,925	-	-	-	-
Carrying amount		3,839,543	3,525,925	-	-	-	-
Neither past due nor impaired							
Grade 1-3: Low-fair risk		359,207,326	367,058,945	131,227	53,140	-	-
Carrying amount		359,207,326	367,058,945	131,227	53,140	-	-
Held to maturity assets (HTM)							
Grade 1-6: Low-fair risk		-	-	-	-	32,985,917	18,618,983
Total carrying amount		603,906,669	574,586,579	186,480	146,002	33,526,342	19,159,408

Notes to the consolidated financial statements

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of individually impaired assets by risk grade:

	Loans and advances to customers		Loans and advances to bank		Investment securities	
In thousands of Nigerian Naira	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
2010						
Grade 10: Individually impaired	39,030,866	9,062,026	90,213	54,128	1,870,052	540,425
Total	39,030,866	9,062,026	90,213	54,128	1,870,052	540,425
2009						
Grade 10: Individually impaired	19,753,409	256,182	90,212	-	1,870,052	540,425
Total	19,753,409	256,182	90,212	-	1,870,052	540,425

(v) Credit collateral

The Group ensures that each credit is reviewed and granted based on the strength of the borrowers' cash flow. However, the Group also ensures its credit facilities are well secured as a second way out. The policies that guide collateral for facilities are embedded within the Group's credit policy guide. These include the following policy statements amongst others:

Loans to individuals or sole proprietors must be secured by tangible, marketable collateral that has a market value that is supported by a valuation report from a registered estate valuer who is acceptable to the Group. The collateral must also be easy to check and easy to dispose of. This collateral must be in the possession of, or pledged to, the Group. Client's account balances must be within the scope of cover provided by its collateral.

All collateral offered must have the following attributes:
- There must be good legal title
- The title must be easy to transfer
- It should be easy and relatively cheap to value
- The value should be appreciating or at least stable
- The security must be easy to sell.

All collateral must be protected by insurance. Exceptions include cash collateral, securities in safe keeping, indemnity or guarantees, or where our interest is general (for instance in a negative pledge). The insurance policy has to be issued by an insurer acceptable to the Bank. All cash collateralized facilities shall have a 20% margin to provide cushion for interest and other charges i.e. only 80% of the deposit or cash collateral may be availed to an obligor.

The main collateral types acceptable to the Bank for loans and advances include:
- Mortgages over residential properties
- Charges over business premises, fixed and floating assets as well as the inventory.
- Charges over financial instruments such as equities, treasury bills etc.

Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing

Notes to the consolidated financial statements

activity. Collateral usually is not held against investment securities, and no such collateral was held at 31 December 2010.
An estimate of the fair value of any collateral and other security enhancements held against loans and advances to customers and banks is shown below:

	Loans and advances to customers		Loans and advances to banks	
In thousands of Nigerian Naira	**2010**	**2009**	**2010**	**2009**
Against individually impaired	50,856,577	10,461,743	90,212	-
Against collectively impaired	122,280,503	331,603,523	-	100,000
Against past due but not impaired	19,305,947	9,630,919	-	-
Against neither past due nor impaired	895,540,172	639,108,993	503,000	280,547
Total	1,087,983,199	990,805,178	593,212	380,547

	Loans and advances to customers		Loans and advances to banks	
	2010	**2009**	**2010**	**2009**
Against individually impaired:				
Property	5,927,406	972,639	-	-
Debt securities	2,243,800	219,665	-	-
Equities	648,650	7,064,175	-	-
Cash	208,000	147,132	-	-
Guarantees	55,000	20,224	-	-
Negative pledge	2,500,000	-	-	-
ATC, stock hypothecation and ISPO*	440,000	178,978	-	-
Others	38,833,721	1,858,931	90,212	-
Against collectively impaired:				
Property	60,930,439	113,475,631	-	100,000
Debt securities	7,029,910	135,949,413	-	-
Equities	12,854,549	10,466,840	-	-
Cash	2,826,374	11,236,716	-	-
Guarantees	2,852,597	2,542,473	-	-
Negative pledge	2,000,026	-	-	-
ATC, stock hypothecation and ISPO*	91,518	10,940,347	-	-
Others	33,695,090	46,992,103	-	-
Against past due but not impaired:				
Property	5,367,936	600,024	-	-
Debt securities	-	233,333	-	-
Equities	-	8,797,561	-	-
Cash	13,938,011	-	-	-
Against neither past due nor impaired:				
Property	480,139,814	294,544,652	430,000	140,006
Debt securities	162,573,986	167,156,195	-	-
Equities	3,396,252	59,347,862	-	-
Cash	10,699,119	19,793,898	3,000	-
Guarantees	10,011,165	12,259,985	-	-
Negative pledge	87,955,165	-	-	-
ATC, stock hypothecation and ISPO*	1,746,160	50,254,733	-	-
Others	139,018,511	35,751,668	70,000	140,541
	1,087,983,199	990,805,178	593,212	380,547

*ISPO: Irrevocable standing payment order; *ATC: Authority to collect

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Credit risk (continued)

(vi) Credit concentration

The Group monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

		Loans and advances to customers		Loans and advances to banks		Investment securities	
In thousands of Nigerian Naira	*Note*	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Carrying amount	22, 23, 24	603,906,669	574,586,579	186,480	146,002	33,526,342	19,159,408
Concentration by sector							
Corporate		326,401,693	294,675,066	-	-	4,954,264	-
Commercial		188,042,864	214,674,806	-	-	10,629,568	7,227,931
Bank		-	-	186,480	146,002	-	-
Retail		65,165,430	65,236,707	-	-	-	-
Government		24,296,682	-	-	-	17,942,510	11,931,477
		603,906,669	574,586,579	186,480	146,002	33,526,342	19,159,408
Concentration by location							
Nigeria		577,974,299	552,736,871	186,480	146,580	33,383,691	19,026,708
Rest of West Africa		21,979,530	19,075,965	-	-	-	-
Europe		3,952,840	2,773,743	-	-	142,651	132,700
		603,906,669	574,586,579	186,480	146,580	33,526,342	19,159,408

Concentration by location for loans and advances is measured based on the location of the Group entity holding the asset, which has a high correlation with the location of the borrower. Concentration by location for investment securities is measured based on the location of the issuer of the security.

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5 (c) Liquidity risk
Liquidity risk is the current and future risk to the Group's earnings and capital arising from its inability to meet its financial obligations and commitments as and when due and at a reasonable price.

Management of liquidity risk
A brief overview of the bank's liquidity management processes includes the following:

- Maintenance of minimum levels of liquid and marketable assets above the regulatory requirement of 25%. The Group has set for itself more stringent in-house limit of 35%, to which it adheres.
- Monitoring of its cash flow and financial position trends. The Bank also makes forecasts of anticipated deposits and withdrawals to determine their potential effect on the Bank.
- Regular measurement & monitoring of its liquidity position/ratios in line with regulatory requirements and in-house limits
- Regular monitoring of non-earning assets
- Monitoring of deposit concentration
- Ensure diversification of funding sources
- Monitoring of level of un-drawn commitments
- Maintaining a contingency funding plan.

The Group's Asset and Liability Management Committee (ALMAC) is charged with the responsibility of managing the Group's daily liquidity position. A daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALMAC. The Risk Management Group sets limits which are in conformity with the regulatory limits. The limits are monitored regularly and exceptions are reported to ALMAC as appropriate. In addition gap reports are prepared monthly to measure the maturity mismatches between assets and liabilities. The cumulative gap over total assets is not expected to exceed 20%.

(ii) Exposure to liquidity risk
The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month. A similar calculation is used to measure the Group's compliance with the liquidity limit established by the Bank's lead regulator (The Central Bank of Nigeria).

Details of the reported Group ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows:

	2010	**2009**
At end of period	56.11%	51.94%
Average for the period	50.42%	42.61%
Maximum for the period	56.11%	51.94%
Minimum for the period	48.08%	37.25%

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Financial risk management (continued)

The following table shows the undiscounted cash flows on the Group's financial assets and liabilities and on the basis of their earliest possible contractual maturity. The Gross nominal inflow / (outflow) disclosed in the table in the contractual, undiscounted cash flow on the financial assets and liabilities.

(iii) Gross nominal (undiscounted) maturities of financial assets and liabilities

In thousands of Nigerian Naira	*Note*	Carrying amount	Gross nominal inflow/(outflow)	Less than[1] 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
2010								
Cash and cash equivalents	19	273,074,591	273,444,983	272,344,165	-	1,100,818	-	-
Trading securities	20	148,872,254	151,734,066	151,734,066	-	-	-	-
Pledged assets	21	29,481,804	32,041,026	14,569,433	1,618,936	690,630	15,162,027	-
Loans and advances to banks	22	186,480	235,192	155,279	32,216	47,698	-	-
Loans and advances to customers	23	603,906,669	758,444,850	295,980,343	106,541,488	92,347,714	227,789,667	35,785,638
Investment securities	24	33,526,342	36,273,293	762,112	402,837	1,069,071	25,238,798	8,800,474
		1,089,048,140	1,252,173,410	735,545,397	108,595,477	95,255,931	268,190,493	44,586,112
Non-derivative liabilities								
Deposits from banks	30	26,026,980	26,140,512	26,140,512	-	-	-	-
Deposits from customers	31	753,088,230	792,472,900	782,811,856	7,636,748	2,004,211	20,086	-
Debt securities issued	32	66,886,763	77,131,767	-	3,150,590	56,372,990	17,608,188	-
Other borrowed funds	35	23,033,947	23,878,795	598,083	1,332,627	1,901,886	20,046,198	-
		869,035,920	919,623,973	809,550,451	12,119,965	60,279,086	37,674,471	-
Gap (asset - liabilities)				(74,005,054)	96,475,512	34,976,845	230,516,022	44,586,112
Cumulative liquidity gap				(74,005,054)	22,470,458	57,447,303	287,963,325	332,549,437

[1] Includes balances with no specific contractual maturities

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Gross nominal (undiscounted) maturities of financial assets and liabilities

In thousands of Nigerian Naira	*Note*	Carrying amount	Gross nominal inflow/(outflow)	Less than[1] 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
2009								
Cash and cash equivalents	19	255,944,975	256,596,055	254,335,628	2,260,427	-	-	-
Trading securities	20	134,926,969	136,256,974	115,880,936	19,363,639	1,012,399	-	-
Pledged assets	21	22,112,657	22,278,502	22,278,502	-	-	-	-
Loans and advances to banks	22	146,002	148,922	148,922	-	-	-	-
Loans and advances to customers	23	574,586,579	690,894,682	306,276,187	23,264,331	35,386,453	298,008,069	27,959,642
Investment securities	24	19,159,408	19,159,408	-	-	11,931,477	-	7,227,931
		1,006,876,590	1,125,334,543	698,920,175	44,888,397	48,330,329	298,008,069	35,187,573
Non-derivative liabilities								
Deposits from banks	30	31,187,065	31,254,174	19,961,714	11,292,461	-	-	-
Deposits from customers	31	666,921,855	673,566,465	665,894,463	2,373,983	4,110,196	1,187,823	-
Debt securities issued	32	67,373,122	78,505,666	1,887,572	-	-	76,618,094	-
Other borrowed funds	35	12,390,288	13,376,893	57,720	-	-	13,319,173	-
		777,872,330	796,703,198	687,801,469	13,666,444	4,110,196	91,125,090	-
Gap (asset - liabilities)				11,118,706	31,221,953	44,220,133	216,882,979	25,187,573
Cumulative liquidity gap				11,118,706	42,340,659	86,560,792	303,443,771	328,631,344

[1] Includes balances with no specific contractual maturities

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Financial risk management (continued)

The following table shows the contractual maturities at year end of the Group's financial assets and liabilities and represents actual and in some cases assumed obligation date expected for the assets or liability to be recovered or settled. These figures do not include elements of future incomes or costs.

(iv) Residual contractual maturities of financial assets and liabilities

In thousands of Nigerian Naira	*Note*	Carrying amount	Less than[1] 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
2010							
Cash and cash equivalents	19	273,074,591	272,010,143	-	1,064,448	-	-
Trading securities	20	148,872,254	148,872,254	-	-	-	-
Pledged assets	21	29,481,804	14,071,142	1,410,662	-	14,000,000	-
Loans and advances to banks	22	186,480	114,163	29,366	42,951	-	-
Loans and advances to customers	23	603,906,669	191,329,115	45,670,826	90,573,411	199,107,918	77,225,399
Investment securities	24	33,526,342	608,071	171,452	-	22,117,251	10,629,568
		1,089,048,140	627,004,888	47,282,307	91,680,810	235,225,169	87,854,967
Non-derivative liabilities							
Deposits from banks	30	26,026,980	26,026,980	-	-	-	-
Deposits from customers	31	753,088,230	743,477,430	7,587,211	2,003,563	20,026	-
Debt securities issued	32	66,886,763	-	2,041,094	-	64,845,669	-
Other borrowed funds	35	23,033,947	-	97,680	-	22,936,267	-
		869,035,920	769,504,410	9,725,985	2,003,563	87,801,961	-
Gap (asset - liabilities)			(142,499,522)	37,556,321	89,677,247	147,423,208	87,854,967
Cumulative liquidity gap			(142,499,522)	(104,943,201)	(15,265,954)	132,157,254	220,012,221

[1] Includes balances with no specific contractual maturities

Notes to the consolidated financial statements

Residual contractual maturities of financial assets and liabilities

In thousands of Nigerian Naira	*Note*	Carrying amount	Less than[1] 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
2009							
Cash and cash equivalents	19	255,944,975	253,701,375	2,243,600	-	-	-
Trading securities	20	134,926,969	115,018,299	18,937,544	971,126	-	-
Pledged assets	21	22,112,657	22,112,657	-	-	-	-
Loans and advances to banks	22	146,002	146,002	-	-	-	-
Loans and advances to customers	23	574,586,579	299,536,613	21,793,284	31,384,881	212,419,358	9,452,443
Investment securities	24	19,159,408	-	-	11,931,477	-	7,227,931
		1,006,876,590	690,514,946	42,974,428	44,287,484	212,419,358	16,680,374
Non-derivative liabilities							
Deposits from banks	30	31,187,065	19,936,793	11,250,272	-	-	-
Deposits from customers	31	666,921,855	659,709,685	2,309,041	3,902,857	1,000,272	-
Debt securities issued	32	67,373,122	1,887,572	-	-	65485550	-
Other borrowed funds	35	12,390,288	57,720	-	-	12332568	-
		777,872,330	681,591,770	13,559,313	3,902,857	78,818,390	-
Gap (asset - liabilities)			8,923,176	29,415,115	40,384,627	133,600,968	16,680,374
Cumulative liquidity gap			8,923,176	38,338,291	78,722,918	212,323,886	229,004,260

[1] Includes balances with no specific contractual maturities

Financial risk management (continued)

5(d) Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trade. Settlement risk is the risk of loss due to the failure of a company to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions the Group mitigates this risk by conducting settlements through a settlement / clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval / limit monitoring process described earlier. Acceptance of settlement risk on free settlement trade requires transaction specific or counterparty specific approvals from Group Risk.

5(e) Market risks

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risks

The Group separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios are mainly held by the Treasury Group, and include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis. With the exception of translation risk arising on the Group's net investment in its foreign operations, all foreign exchange risks within the Group are monitored by the Treasury Group. Accordingly, the foreign exchange position is treated as part of the Group's trading portfolios for risk management purposes.

Overall authority for market risk is vested in Market Risk Management Committee. However, the Market Risk Management group within the Enterprise-wide Risk Management Division is responsible for the development of detailed risk management policies (subject to review and approval by the Committee) and for the day-to-day review of their implementation.

Exposure to market risks – trading portfolios

The principal tool used to measure and control market risk exposure within the Group's trading portfolios is the open position limits using the Earnings at Risk approach. Specified limits have been set for open positions limits, which are the expected maximum exposure the Group is to be exposed.

Exposure to interest rate risk – Trading and non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. The ALMAC is the monitoring body for compliance with these limits and is assisted by Risk Management in its day-to-day monitoring activities. A summary of the Group's interest rate gap position on trading and non-trading portfolios is as follows:

Notes to the consolidated financial statements

Market risks

Repricing period

In thousands of Nigerian Naira	*Note*	**Carrying amount**	**Less than 3 months**	**3-6 months**	**6-12 months**	**1-5 years**	**More than 5 years**
2010							
Cash and cash equivalents	19	273,074,591	272,010,143	-	1,064,448	-	-
Trading securities	20	148,872,254	148,872,254	-	-	-	-
Pledged assets	21	29,481,804	14,071,142	1,410,662	-	14,000,000	-
Derivative assets held for risk management	12	-	-	-	-	-	-
Loans and advances to banks	22	186,480	186,480	-	-	-	-
Loans and advances to customers	23	603,906,669	603,906,669	-	-	-	-
Investment securities	24	33,526,342	608,071	171,452	-	22,117,251	10,629,568
		1,089,048,140	**1,039,654,759**	**1,582,115**	**1,064,448**	**36,117,251**	**10,629,568**
Deposits from banks	30	26,026,980	26,026,980	-	-	-	-
Deposits from customers	31	753,088,230	743,477,429	7,587,211	2,003,563	20,026	-
Debt securities issued	32	66,886,763	-	2,041,094	-	64,845,669	-
Other borrowed funds	35	23,033,947	-	97,680	-	22,936,267	-
		869,035,919	**769,504,409**	**9,725,985**	**2,003,563**	**87,801,961**	**-**
		220,012,221	**270,150,349**	**(8,143,871)**	**(939,115)**	**(51,684,710)**	**-**

In thousands of Nigerian Naira	*Note*	**Carrying amount**	**Less than 3 months**	**3-6 months**	**6-12 months**	**1-5 years**	**More than 5 years**
2009							
Cash and cash equivalents	19	255,944,975	253,701,375	2,243,600	-	-	-
Trading securities	20	134,926,969	115,018,299	18,937,544	971,126	-	-
Pledged assets	21	22,112,657	22,112,657	-	-	-	-
Derivative assets held for risk management	12	-	-	-	-	-	-
Loans and advances to banks	22	146,002	146,002	-	-	-	-
Loans and advances to customers	23	574,586,579	488,656,459	-	750,000	64,928,000	20,252,120
Investment securities	24	19,159,408	815,820	-	11,931,477	-	6,412,111
		1,006,876,590	**880,450,612**	**21,181,144**	**13,652,603**	**64,928,000**	**26,664,231**
Deposits from banks	30	31,187,065	19,936,793	11,250,272	-	-	-
Deposits from customers	31	666,921,855	659,709,685	2,309,041	3,902,857	1,000,272	-
Debt securities issued	32	67,373,122	1,887,572	-	-	65,485,550	-
Other borrowed funds	35	12,390,288	57,720	-	-	12,332,568	-
		777,872,330	**681,591,770**	**13,559,313**	**3,902,857**	**78,818,390**	**-**
		229,004,260	**198,858,842**	**7,621,831**	**9,749,746**	**(13,890,390)**	**26,664,231**

Notes to the consolidated financial statements

Exposure to other market risks – non-trading portfolios (continued)

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various scenarios. Credit spread risk (not relating to changes in the obligor / issuer's credit standing) on debt securities held by the Group and equity price risk is subject to regular monitoring by Group Management Risk committee, but is not currently significant in relation to the overall results and financial position of the Group.

Interest rate movement affect reported equity in the following ways:
- Retained earnings arising from increase or decrease in net interest income and the fair value changes reported in profit or loss.
- Fair value reserves arising from increases or decreases in fair value of available-for-sale financial instruments reported directly in equity.

Overall non-trading interest rate risk positions are managed by Treasury, which uses investment securities, advances to banks and deposits from banks to manage the overall position arising from the Group's non-trading activities.

At 31 December 2010, if interest rates on:
- floating rate assets and liabilities held at amortised cost; and
- assets and liabilities accounted at fair value through profit or loss

had increased or decreased by 200 basis points with all other variables held constant, the impact on profit or loss would have been as set out in the table below:

	2010		2009	
	Pre-tax	**Post-tax**	**Pre-tax**	**Post-tax**
	N'000	**N'000**	**N'000**	**N'000**
Decrease	(4,400,244)	(3,637,258)	(4,580,085)	(3,741,647)
Increase	4,400,244	3,637,258	4,580,085	3,741,647

Exposure to foreign currency risk
Foreign exchange risk represents exposures to changes in the values of current holdings and future cash flows denominated in other currencies. The types of instruments exposed to this risk include investments in foreign subsidiaries, foreign currency-denominated loans and securities, future cash flows in foreign currencies arising from foreign exchange transactions, foreign currency-denominated debt and various foreign exchange derivative instruments whose values fluctuate with changes in the level or volatility of currency exchange rates or foreign interest rates. The Group deploys foreign currency debts to foreign currency loans and advances to eliminate exchange exposures on such borrowings.

Notes to the consolidated financial statements

The table below summarise the Group's assets and liabilities at carrying amount, categorised by currency:

Financial instruments by currency *In thousands of Nigerian Naira*	*Note*	**Total**	**Naira**	**US $**	**GBP**	**Euro**	**Others**
2010							
Cash and cash equivalents	19	273,074,591	117,843,914	107,741,280	20,217,205	17,216,638	10,055,554
Trading securities	20	148,872,254	133,356,489	-	-	-	15,515,765
Pledged assets	21	29,481,804	29,481,804	-	-	-	-
Loans and advances to banks	22	186,480	186,480	-	-	-	-
Loans and advances to customers	23	603,906,669	445,374,611	85,785,309	2,864,139	6,541	69,876,069
Investment Securities	24	33,526,342	33,383,691	142,651	-	-	-
		1,089,048,140	**759,626,989**	**193,669,240**	**23,081,344**	**17,223,179**	**95,447,388**
Deposits from banks	30	26,026,980	11,414,798	10,319,969	1,979,585	2,200,908	111,720
Deposits from customers	31	753,088,230	602,900,437	110,483,894	10,205,390	4,740,587	24,757,922
Debt securities issued	32	66,886,763	11,768,663	53,222,400	1,895,700	-	-
Other borrowed funds	35	23,033,947	10,947,680	12,086,267	-	-	-
		869,035,920	**637,031,578**	**186,112,530**	**14,080,675**	**6,941,495**	**24,869,642**

Financial instruments by currency *In thousands of Nigerian Naira*	*Note*	**Total**	**Naira**	**US $**	**GBP**	**Euro**	**Others**
2009							
Cash and cash equivalents	19	255,944,975	120,205,290	98,941,742	8,536,115	18,278,993	9,982,835
Trading securities	20	134,926,969	127,348,071	48,500	-	-	7,530,398
Pledged assets	21	22,112,657	22,112,657	-	-	-	-
Loans and advances to banks	22	146,002	146,002	-	-	-	-
Loans and advances to customers	23	574,586,579	445,065,495	111,020,786	869,675	11	17,630,612
Investment securities	24	19,159,408	19,026,708	-	132,700	-	-
		1,006,876,590	**733,904,223**	**210,011,028**	**9,538,490**	**18,279,004**	**35,143,845**
Deposits from banks	30	31,187,065	6,050,578	22,804,696	1,717,084	511,647	103,060
Deposits from customers	31	666,921,855	587,749,175	41,514,735	8,655,036	2,746,484	26,256,425
Debt securities issued	32	67,373,122	13,271,338	54,101,784	-	-	-
Other borrowed funds	35	12,390,288	-	12,390,288	-	-	-
		777,872,330	607,071,091	130,811,503	10,372,120	3,258,131	26,359,485

Notes to the consolidated financial statements

5(f) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for reconciliations and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for reporting operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

5(g) Capital management

Regulatory capital

The Group's lead regulator, the Central Bank of Nigeria, sets and monitors capital requirements for the Bank. The parent company and individual banking operations are directly supervised by the Central Bank of Nigeria and the respective regulatory authorities in the countries in which the subsidiary banking operations are domiciled. Other subsidiaries are supervised by relevant regulatory authorities

In implementing current capital requirements, Central Bank of Nigeria requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Bank's regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes ordinary share capital, share premium, retained earnings, translation reserve and non-controlling interests after deductions for goodwill and intangible assets, and other regulatory

Notes to the consolidated financial statements

adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

- Tier 2 capital, which includes qualifying subordinated liabilities, collective impairment allowances and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available- for-sale.

Investments in unconsolidated subsidiaries and associates are deducted from Tier 1 or Tier 2 capital in arriving at the regulatory capital. Various limits are applied to elements of the capital base. The qualifying tier 2 capital cannot exceed tier 1 capital. There are also restrictions on the amount of collective impairment allowances that may be included as part of tier 2 capital (1.25% of risk assets and hybrid instruments - convertible bonds). Banking operations are categorised mainly as trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-financial position exposures.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Bank and its individually regulated operations have complied with all externally imposed capital requirements throughout the period. There have been no material changes in the Bank's management of capital during the period.

Notes to the consolidated financial statements

Capital adequacy ratio

The capital adequacy ratio is the quotient of the capital base of the Group and the Group's risk weighted asset base. In accordance with Central Bank of Nigeria regulations, a minimum ratio of 10% is to be maintained.

In thousands of Nigerian Naira	*Note*	2010	2009
Tier 1 capital			
Ordinary share capital	36	11,658,594	9,326,875
Share premium	36	119,076,565	119,076,565
Retained earnings	36	16,660,333	10,215,217
Other reserves	36	66,828,039	54,505,445
Non-controlling interests	36	6,030,685	5,141,939
		220,254,216	**198,266,041**
Add/(Less):			
Fair value reserve for available-for-sale securities	36	(2,231,233)	(815,820)
Intangible assets	27	(1,956,459)	(2,337,921)
Stakeholders' funds		**216,066,524**	**195,112,300**
Tier 2 capital			
Fair value reserve for available-for-sale securities		2,231,233	815,820
Collective allowances for impairment	22, 23	2,423,270	2,730,514
Total		**4,654,503**	**3,546,334**
Total regulatory capital		**220,721,027**	**198,658,634**
Risk-weighted assets		**949,871,787**	**844,751,902**
Capital ratios			
Total regulatory capital expressed as a of total risk-weighted assets		23.24%	23.52%
Total tier 1 capital expressed as a percentage risk-weighted assets		22.11%	23.10%

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation, by the Group Risk and Group Credit, and is subject to review by the Group Credit Committee or ALMAC as appropriate.

Notes to the consolidated financial statements

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Group's longer term strategic objectives. The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

6. Use of estimates and judgements
These disclosures supplement the commentary on financial risk management (see note 5).

Key sources of estimation uncertainty
Allowances for credit losses
Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 4(k)(viii).

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counter party's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances and held to maturity investment securities with similar economic characteristics when there is objective evidence to suggest that they contain impaired loans and advances and held to maturity investment securities, but the individual impaired items cannot yet be identified. A component of collectively assessed allowances is for country risks. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances are estimated.

Determining fair values
The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 4(k)(vii). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Notes to the consolidated financial statements

Critical accounting judgements in applying the Group's accounting policies
Critical accounting judgements made in applying the Group's accounting policies include:

Financial asset and liability classification
The Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

1. In classifying financial assets or liabilities as "trading", the Group has determined that it meets the description of trading assets and liabilities set out in accounting policy 4(m).
2. In designating financial assets or liabilities as available for sale, the Group has determined that it has met one of the criteria for this designation set out in accounting policy 4(k).
3. In classifying financial assets as held-to-maturity, the Group has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by accounting policy 4(o)(i).

Details of the Group's classification of financial assets and liabilities are given in note 8.

Depreciation and carrying value of property and equipment
The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items.

Determination of impairment of property and equipment, and intangible assets excluding goodwill
Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. The Group applies the impairment assessment to its separate cash generating units. This requires management to make significant judgements and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

Valuation of financial instruments
The Group's accounting policy on fair value measurements is discussed under note 4(k)(vii)

The Group measures fair values using the following hierarchy of methods.

- Level 1: Quoted market price in an active market for an identical instrument.

- Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- Level 3: This includes financial instruments, the valuation of which incorporate significant inputs for the asset or liability that is not based on observable market date (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally determined based on inputs of a similar nature, historic observations on the level of the input or analytical techniques. This category includes loans and advances to banks and

Notes to the consolidated financial statements

customers, investment securities, deposits from banks and customers, debt securities and other borrowed funds.

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

31 December 2010 In thousands of Nigerian Naira	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total**
Non pledged trading assets	20	148,872,254	-	-	148,872,254
Pledged assets	21	29,481,804	-	-	29,481,804
Investment securities	24	-	-	10,564,195	10,564,195
		178,354,058	-	10,564,195	188,918,253

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free interest rates, credit spreads and other premia used in estimating discount rates, bonds and equity prices. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with the determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

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7. Operating segments

The Group has five reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately based on the Group's management and internal reporting structure. For each of the strategic business units, the Executive Management Committee reviews internal management reports on at least a quarterly basis. The Group presents segment information to its Executive Management Committee, which is the Group's Chief Operating Decision Maker, based on Nigerian Generally Acceptable Accounting Practice (GAAP) whose requirements differ from those of International Financial Reporting Standards in certain respects. Some of the key differences include:

1. Interest income on impaired assets is not recognised under Nigerian GAAP while IFRS requires that such interest income be recognised in the income statement.

2. Provision for loan loss is determined based on Central Bank of Nigeria Prudential Guidelines under Nigerian GAAP while an incurred loss model is used in determining the impairment loss under IFRS.

3. Credit related fees are recognised in the profit and loss account at the time of occurrence under Nigeria GAAP while under IFRS, credit related fees are recognised as part of effective interest or over the period of the contract depending on the nature of the contract.

The following summary describes the operations in each of the Group's reportable segments:

- **Retail banking** – Incorporates private banking services, private customer current accounts, savings deposits, investment savings products, custody, credit and debit cards, customer loans and mortgages.
- **Corporate banking** – Incorporates current accounts, deposits, overdrafts, loans and other credit facilities, foreign currency and derivative products offered to large corporate customers.
- **Commercial banking** – Incorporates current accounts, deposits, overdrafts, loans and other credit facilities, foreign currency and derivative products for small and medium-sized companies.
- **Insurance** – Includes insurance transactions with individuals and corporate customers.
- **Asset management** – Includes portfolio and asset management transactions with individuals and corporate customers.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Executive Management Committee. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

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7 Information about operating segments

31-Dec-10

In thousands of Nigerian Naira	Corporate Banking	Retail Banking	Commercial Banking	Insurance	Asset Management	Total
Revenue:						
Derived from external customers	83,827,084	30,328,245	36,439,891	1,595,374	1,717,433	153,908,027
Derived from other business segments	(16,608,486)	22,838,076	(6,229,590)	-	-	-
Total Revenue	**67,218,598**	**53,166,321**	**30,210,301**	**1,595,374**	**1,717,433**	**153,908,027**
Interest expenses	(14,866,374)	(9,598,499)	(5,628,563)	(2,365)	(56,303)	(30,152,104)
Fee and commission expenses	(3,198,819)	(13,513)	-	-	-	(3,212,332)
Net operating income	**49,153,405**	**43,554,309**	**24,581,738**	**1,593,009**	**1,661,130**	**120,543,591**
Expense:						
Operating expenses	(8,128,398)	(34,463,636)	(13,303,309)	(695,268)	(354,108)	(56,944,719)
Net impairment loss on financial assets	(5,082,485)	(1,702,007)	(1,355,450)	(177,468)	-	(8,317,410)
Depreciation and amortization	(1,709,044)	(3,481,351)	(1,459,818)	(126,759)	(48,640)	(6,825,612)
Total Cost	**(14,919,927)**	**(39,646,994)**	**(16,118,577)**	**999,495**	**(402,748)**	**(72,087,741)**
Profit before income tax	**34,233,478**	**3,907,315**	**8,463,161**	**593,514**	**1,258,382**	**48,455,850**
Assets and liabilities:						
Total assets	662,956,166	181,735,926	282,653,287	19,739,553	4,916,968	1,152,001,900
Total liabilities	(314,717,294)	(437,981,791)	(181,964,412)	(7,520,442)	1,007,728	(941,176,211)
Net Assets/ (Liabilities)	**348,238,872**	**(256,245,865)**	**100,688,875**	**12,219,111**	**5,924,696**	**210,825,689**

Notes to the consolidated financial statements

Information about operating segments

31-Dec-09

In thousands of Nigerian Naira	Corporate Banking	Retail Banking	Commercial Banking	Insurance	Asset Management	Total
Revenue:						
Derived from external customers	80,783,626	34,375,104	43,930,108	3,044,419	417,161	162,550,418
Derived from other business segments	(10,116,981)	17,667,347	(7,550,366)	-	-	-
Total Revenue	**70,666,645**	**52,042,451**	**36,379,742**	**3,044,419**	**417,161**	**162,550,418**
Interest expenses	(21,993,554)	(11,987,532)	(6,455,657)	(19,689)	(84,033)	(40,540,465)
Fee and commission expenses	(177,587)	(75,567)	(96,572)	0	0	(349,726)
Net operating income	**48,495,504**	**39,979,352**	**29,827,513**	**3,024,730**	**333,128**	**121,660,227**
Expense:						
Operating expenses	(5,747,710)	(29,265,853)	(13,325,120)	(1,492,287)	(325,972)	(50,156,942)
Net impairment loss on financial assets	(20,757,796)	(4,113,874)	(12,503,053)	(151,506)	(500)	(37,526,729)
Depreciation and amortization	(1,347,739)	(3,132,346)	(1,369,811)	(119,286)	(44,371)	(6,013,553)
Total Cost	**(27,853,245)**	**(36,512,073)**	**(27,197,984)**	**(1,763,079)**	**(370,843)**	**(93,697,224)**
Profit before income tax	**20,642,259**	**3,467,279**	**2,629,529**	**1,261,651**	**(37,715)**	**27,963,003**
Assets and liabilities:						
Total assets	579,112,665	201,722,742	266,639,477	16,794,411	2,234,423	1,066,503,718
Total liabilities	(267,940,346)	(376,408,810)	(225,203,464)	(4,123,706)	(582,364)	(874,258,690)
Net Assets/ (Liabilities)	**311,172,319**	**(174,686,068)**	**41,436,013**	**12,670,705**	**1,652,059**	**192,245,028**

Notes to the consolidated financial statements

7 Information about Operating segments (Continued)

Reconciliation of reportable segment revenues, profit or loss and assets and liabilities

In thousands of Nigerian Naira	**2010**	**2009**
Revenues		
Total revenue from reportable segments	153,908,027	162,550,418
Adjustments to reconcile segment results to amounts reported in these IFRS financial statements	2,908,957	8,461,326
Unconsolidated amounts	(32,712)	(53,498)
Consolidated revenue	156,784,272	170,958,246
Profit or loss		
Total profit or loss for reportable segments	48,455,850	27,963,003
Adjustments to reconcile segment results to amounts reported in these IFRS financial statements	34,066	8,615,224
Unconsolidated amounts	(921,458)	(1,565,693)
Consolidated profit before income tax	47,568,458	35,012,534
Assets		
Total assets for reportable segments	1,152,001,900	1,066,503,718
Adjustments to reconcile segment results to amounts reported in these IFRS financial statements	13,722,182	12,518,216
Unconsolidated amounts	(438,971)	(844,349)
Consolidated total assets	1,165,285,111	1,078,177,585
Liabilities		
Total liabilities for reportable segments	941,176,211	874,258,690
Adjustments to reconcile segment results to amounts reported in these IFRS financial statements	(1,118,818)	1,126,598
Unconsolidated amounts	4,973,502	4,526,256
Consolidated total liabilities	945,030,895	879,911,544

Notes to the consolidated financial statements

Geographical segments

The Group operates in three geographic regions, being:

- Nigeria
- Rest of West Africa (comprising Ghana, Gambia, Sierra Leone and Liberia)
- Europe (UK and the Netherlands)

2010 *In thousands of Nigerian Naira*	**Nigeria**	**Rest of West Africa**	**Europe**	**Total**
Derived from external customers	144,532,473	10,855,822	1,395,977	156,784,272
Derived from other segments	-	-	-	-
Total Revenue	144,532,473	10,855,822	1,395,977	156,784,272
Interest expense	(26,894,479)	(2,954,305)	(303,320)	(30,152,104)
Fee and commission expenses	(3,212,332)	-	-	(3,212,332)
Net interest margin	114,425,662	7,901,517	1,092,657	123,419,836
Profit before income tax	45,688,820	2,095,968	(216,330)	47,568,458
Assets and liabilities:				
Total assets	1,090,199,262	51,860,794	23,225,055	1,165,285,111
Total liabilities	(871,102,711)	(48,672,133)	(25,256,051)	(945,030,895)
Net assets/(liabilities)	219,096,551	3,188,661	(2,030,996)	220,254,216

2009 *In thousands of Nigerian Naira*	**Nigeria**	**Rest of West Africa**	**Europe**	**Total**
Derived from external customers	161,427,576	9,037,167	493,503	170,958,246
Derived from other segments	195,068	-	-	195,068
Total Revenue	161,622,644	9,037,167	493,503	171,153,314
Interest expense	(41,554,711)	(2,338,781)	(333,577)	(44,227,069)
Fee and commission expenses	(349,726)	-	-	(349,726)
Net interest margin	119,718,207	6,698,386	159,926	126,576,519
Profit before income tax	33,636,839	2,492,102	(1,116,407)	35,012,534
Assets and liabilities:				
Total assets	1,042,444,775	36,249,852	(517,042)	1,078,177,585
Total liabilities	(844,393,126)	(33,951,625)	(1,566,793)	(879,911,544)
Net assets/(liabilities)	198,051,649	2,298,227	(2,083,835)	198,266,041

Notes to the consolidated financial statements

8 Financial assets and liabilities

Accounting classification measurement basis and fair values

The table below sets out the Group's classification of each class of financial assets and liabilities, and their fair values.

In thousands of Nigerian Naira	*Note*	Trading	Designated at fair value	Held-to-maturity	Loans at amortised cost	Available-for-sale	Other amortized cost	Total carrying amount	Fair value
31 December 2010									
Cash and cash equivalents	19	-	-	-	-	-	273,074,591	273,074,591	272,420,625
Non pledged trading assets	20	148,872,254	-	-	-	-	-	148,872,254	148,872,254
Pledged assets	21	-	-	-	-	29,481,804	-	29,481,804	29,481,804
Derivative assets held for risk management	12	-	-	-	-	-	-	-	-
Loans and advances to banks	22	-	-	-	186,480	-	-	186,480	226,390
Loans and advances to customers	23	-	-	-	603,906,669	-	-	603,906,669	608,147,912
Investment securities	24	-	-	22,896,774	-	10,629,568	-	33,526,342	33,526,342
		148,872,25	**-**	**22,896,774**	**604,093,149**	**40,111,372**	**273,074,591**	**1,089,048,140**	**1,092,675,327**
Deposits from banks	30	-	-	-	-	-	26,026,980	26,026,980	26,027,795
Deposits from customers	31	-	-	-	-	-	753,088,230	753,088,230	753,111,734
Debt securities issued	32	-	-	-	-	-	66,886,763	66,886,763	66,876,136
Other borrowed funds	35	-	-	-	-	-	23,033,947	23,033,947	23,521,825
		-	**-**	**-**	**-**	**-**	**869,035,920**	**869,035,920**	**869,537,490**
31 December 2009									
Cash and cash equivalents	19	-	-	-	-	-	255,944,975	255,944,975	257,800,998
Non pledged trading assets	20	134,926,969	-	-	-	-	-	134,926,969	134,926,969
Pledged assets	21	-	-	-	-	22,112,657	-	22,112,657	22,112,657
Derivative assets held for risk management	12	-	-	-	-	-	-	-	-
Loans and advances to banks	22	-	-	-	146,002	-	-	146,002	236,743
Loans and advances to customers	23	-	-	-	574,586,579	-	-	574,586,579	596,359,962
Investment securities	24	-	-	7,132,700	-	12,026,708	-	19,159,408	19,159,408
		134,926,969	**-**	**7,132,700**	**574,732,581**	**34,139,365**	**255,944,975**	**1,006,876,590**	**1,030,596,737**
Deposits from banks	30	-	-	-	-	-	31,187,065	31,187,065	31,188,044
Deposits from customers	31	-	-	-	-	-	666,921,855	666,921,855	670,624,103
Debt securities issued	32	-	-	-	-	-	67,373,122	67,373,122	69,010,388
Other borrowed funds	35	-	-	-	-	-	12,390,288	12,390,288	13,335,840
		-	**-**	**-**	**-**	**-**	**777,872,330**	**777,872,330**	**784,158,375**

Notes to the consolidated financial statements

Accounting classification measurement basis and fair values (continued)

Financial instruments at fair value (including those held for trading, designated at fair value, derivatives and available-for-sale) are either priced with reference to a quoted market price for that instrument or by using a valuation model. Where the fair value is calculated using a valuation model, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value. The expected cash flows for each contract are determined either directly by reference to actual cash flows implicit in observable market prices or through modeling cash flows using appropriate financial markets pricing models. Wherever possible these models use as their basis observable market prices and rates including, for example, interest rate yield curves, equities and prices.

9 Net interest income

In thousands of Nigerian Naira	**2010**	**2009**
Interest income		
Cash and cash equivalents	9,131,453	9,805,634
Trading and pledged assets	15,745,880	14,333,954
Loans and advances to banks	13,202	11,571
Loans and advances to customers	86,938,583	103,415,233
Investment securities	2,176,328	1,038,839
Total interest income	114,005,446	128,605,231
Interest expense		
Deposit from banks	380,917	1,426,391
Deposit from customers	22,118,737	36,888,111
Other borrowed funds	1,200,640	1,289,924
Debt securities	6,451,810	4,662,643
Total interest expense	30,152,104	44,227,069
Net interest income	83,853,342	84,378,162

Interest income for the period ended 31 December 2010 includes N956,999,000 (December 2009: N1,902,997,523) accrued on impaired financial assets.

10 Fee and commission income

In thousands of Nigerian Naira	**2010**	**2009**
Retail banking customer fees and commissions	7,349,064	6,537,166
Corporate banking fees and commissions	21,506,524	14,607,944
Investment banking fees and commissions	905,693	413,006
Brokerage	-	9,995
Income from financial guarantee contracts issued	3,322,279	4,058,457
Other fees and commissions	1,071,861	2,260,333
Total fee and commission income	34,155,421	27,886,901
Fee and commission expense		
Credit card expenses	1,671,772	349,726
Other fees and commission expense	1,540,560	1,267,059
Total fee and commission expense	3,212,332	1,616,785

Notes to the consolidated financial statements

11 Net trading income

In thousands of Nigerian Naira	2010	2009
Bonds	3,233,852	2,818,958
Treasury bills	205,751	195,587
Equities	(2,226)	(4,084)
Properties	174,769	(1,932,177)
Foreign exchange	4,332,671	6,365,146
Net trading income	7,944,817	7,443,430

12 Net income from other financial instruments at fair value through profit or loss

The Group uses derivatives not designated in a qualifying hedge relationship to manage its exposure to interest rate risks. The instruments used are interest rate swaps. However for the year ended 31 December 2010 there was no such transaction. During the year ended 31 December 2009 Management closed out the swap contracts with the original counterparties to the swap. The table below shows the details:

In thousands of Nigerian Naira	2010	2009
Carrying value, beginning of period	-	4,617,841
Net income from derivatives held for risk management	-	(140,764)
Foreign exchange gain	-	431,662
Settlement	-	(4,908,739)
Carrying value, end of year	-	-

Notes to the consolidated financial statements

13 Other operating income

In thousands of Nigerian Naira	2010	2009
Mark to market (loss)/gain on trading investments	(3,137,308)	3,889,009
Dividends on available for sale equity securities	192,331	358,620
Foreign exchange gain/(loss)	245,344	(329,016)
Gain on disposal of fixed assets	118,603	81,665
Other income	319,569	-
	(2,261,461)	4,000,278

14 Net impairment loss on financial assets

In thousands of Nigerian Naira	2010	2009
Collective impairment charges on loans and advances	4,405,859	1,715,978
Specific impairment charges on loans and advances	5,962,467	29,987,146
Impairment charges on available for sale equities	-	1,329,627
Impairment charges on other assets	51,442	139,858
Impairment charges on insurance receivable	177,468	103,516
	10,597,236	33,276,125

15 Personnel expenses

In thousands of Nigerian Naira	Note	2010	2009
Wages and salaries		16,926,320	16,644,158
Contributions to defined contribution plans		618,081	658,175
Cash-settled share-based payment		24,590	41,891
(Decrease)/increase in liability for defined benefit plans	34	(778,622)	(177,419)
Increase in liability for share appreciation rights		201,763	1,266,803
Other staff costs		662,393	50,806
		17,654,525	18,484,414

Notes to the consolidated financial statements

Personnel expenses (continued)

Cash-settled share-based payments

The Group operates a cash-settled share based compensation plan (share appreciation rights (SARs)) for its management personnel. The management personnel are entitled to the share appreciation rights after spending five years in the Bank. The amount of cash payment is determined based on the fair value of the shares of the Bank. The details of SARs granted at the financial position date are provided below:

In thousands	*Number of shares*
SARs granted to senior management employees at 31 December 2010	396,452
SARs granted to senior management employees at 31 December 2009	292,922

Employee expenses for share-based payments

In thousands of Nigerian Naira	Note	2010	2009
Effect of changes in the fair value of SARs		201,763	1,266,803
Expense from rights exercised during the year		24,590	41,891
Dividend payment to members of the scheme		662,393	203,491
Total expense recognized as personnel expenses		888,746	1,512,185
Total carrying amount of liabilities for cash-settled arrangements	33	4,997,014	4,540,285

The carrying amount of liabilities for cash-settled share based payments includes:

In thousands of Nigerian Naira	Note	2010	2009
Balance, beginning of period		4,540,285	2,994,045
Effect of changes in fair value of SAR at year end		201,763	1,266,803
Options exercised during the year		(13,014)	(20,032)
Share rights granted during the year		267,980	299,469
Balance, end of period	33	4,997,014	4,540,285

Notes to the consolidated financial statements

16 Other operating expenses

In thousands of Nigerian Naira	2010	2009
Lease expenses	512,761	386,684
Other premises and equipment costs	7,220,778	5,425,201
Contract services	4,991,757	4,536,452
Insurance premium	4,546,201	2,401,427
General administrative expenses	21,829,856	17,981,638
Claims and benefits incurred on insurance	1,163,437	1,076,010
	40,264,790	31,807,412

17 Income tax expense recognised in the profit or loss

In thousands of Nigerian Naira	2010	2009
Current tax expense		
Current year	9,302,619	3,036,487
Prior year's under provision	795,938	741,262
	10,098,557	3,777,749
Deferred tax expense		
Origination of temporary differences	4,707,467	3,083,658
Reversal of temporary differences	(6,557,821)	(451,951)
Total income tax expense	8,248,203	6,409,456

Reconciliation of effective tax rate

In thousands of Nigerian Naira	2010	2010	2009	2009
Profit before income tax	47,568,458		35,012,534	
Income tax using the domestic corporation tax rate	14,270,537	30.00%	10,503,760	30.00%
Effect of tax rates in foreign jurisdictions	-	0.00%	(27,347)	-0.08%
Balancing charge	(2,331,116)	-4.90%	1,229	0.00%
Non-deductible expenses	4,086,727	8.59%	1,578,631	4.51%
Education/NITDEF tax levy	989,903	2.08%	295,454	0.84%
Tax exempt income	(7,552,685)	-15.88%	(6,585,178)	-18.81%
Tax losses utilized	(1,850,354)	-3.89%	(98,355)	-0.28%
Under provided in prior years	635,190	1.34%	741,262	2.12%
Total income tax expense in comprehensive income	8,248,203	17.34%	6,409,456	18.31%

Notes to the consolidated financial statements

Income tax recognised
In other comprehensive income

In thousands of Nigerian Naira	**2010**	**2009**
Available-for-sale investment securities	**-**	**94,387**

18 Basic earnings per share

The calculation of basic earnings per share for 2010 was based on the profit attributable to ordinary shareholders of N39,320,255,000 (2009: N28,603,078,000) and a weighted average number of ordinary shares outstanding of 23,317,185,766 (2009: 18,653,748,614), calculated as follows:

Weighted average number of ordinary shares

In millions of shares	**2010**	**2009**
Issued ordinary shares at beginning of year	18,654	14,923
Effect of bonus issue	4,663	3,731
Weighted average number of ordinary shares at end of year	23,317	18,654

Profit attributable to ordinary shareholders

In thousands of Nigerian Naira	**2010**	**2009**
Profit for the period attributable to equity holders of the Bank	47,568,458	28,591,685

Number of ordinary shares

In millions of shares	**2010**	**2009**
Issued ordinary shares	23,317	18,654

Notes to the consolidated financial statements

19 Cash and cash equivalents

In thousands of Nigerian Naira

	2010	2009
Cash and balances with banks	87,202,984	123,310,667
Unrestricted balances with central banks	10,487,258	18,883,307
Money market placements	175,384,349	113,751,001
	273,074,591	255,944,975

20 Non pledged trading assets

In thousands of Nigerian Naira

	2010	2009
Trading bonds	3,215,100	103,866,570
Trading treasury bills	144,237,491	30,262,467
Equities	1,419,663	797,932
	148,872,254	134,926,969

21 Pledged assets

In thousands of Nigerian Naira

	2010	2009
Treasury bills	13,060,941	6,722,047
Government bonds	16,420,863	15,390,610
	29,481,804	22,112,657

Included in pledged assets are treasury bills of nil (31 December 2009: N3,639,133,000) on repurchase agreements to secure inter-bank takings from other banks which have been included in deposits from banks in Note 30. These transactions have been conducted under terms that are usual and customary to standard lending and repurchase activities.

As at 31 December 2010, the Bank held no collateral, which it was permitted to sell or repledge in the absence of default by the owner of the collateral (31 December 2009: nil).

Notes to the consolidated financial statements

22 Loans and advances to banks

In thousands of Nigerian Naira

	2010	2009
Loans and advances to banks	222,643	236,630
Less specific allowances for impairment	(36,085)	(90,212)
Less collective allowances for impairment	(78)	(416)
	186,480	146,002

Specific impairment allowance on loans and advances to banks

In thousands of Nigerian Naira

	2010	2009
Balance beginning of year	90,212	90,212
Impairment loss for the year:		
- Charge for the year	36,085	-
- Allowance no longer required	(90,212)	-
Balance end of year	36,085	90,212

Collective impairment allowance on loans and advances to banks

In thousands of Nigerian Naira

	2010	2009
Balance at beginning of year	416	118
Impairment loss for the year:		
- Charge for the year	-	298
- Allowance no longer required	(338)	
Balance end of year	78	416

Notes to the consolidated financial statements

23 Loans and advances to customers

2010 *In thousands of Nigerian Naira*	**Gross amount**	**Specific impairment**	**Portfolio impairment**	**Total impairment**	**Carrying amount**
Loans to individuals	17,839,862	(1,856,951)	(41,815)	(1,898,766)	15,941,096
Loans to corporate entities and other organizations	618,458,839	(28,111,889)	(2,381,377)	(30,493,266)	587,965,573
	636,298,701	(29,968,840)	(2,423,192)	(32,392,032)	603,906,669

2009 *In thousands of Nigerian Naira*	**Gross amount**	**Specific impairment**	**Portfolio impairment**	**Total impairment**	**Carrying amount**
Loans to individuals	16,900,899	(1,027,333)	(64,857)	(1,092,190)	15,808,709
Loans to corporate entities and other organizations	579,913,005	(18,469,894)	(2,665,241)	(21,135,135)	558,777,870
	596,813,904	(19,497,227)	(2,730,098)	(22,227,325)	574,586,579

Specific impairment allowance on loans and advances to customers

In thousands of Nigerian Naira	**2010**	**2009**
Balance beginning of year	19,497,227	3,196,405
Impairment loss for the year		
- Charge for the year	10,723,976	30,250,732
- Recoveries	-	(263,586)
Net impairment for the year	10,723,976	29,987,146
Effect of foreign currency movements	(55,800)	15,765
Write-offs	(196,563)	(13,702,089)
Balance end of year	29,968,840	19,497,227

Collective impairment allowance on loans and advances to customers

In thousands of Nigerian Naira	**2010**	**2009**
Balance beginning of year	2,730,098	1,019,419
Impairment loss for the year:		
- Charge for the year	-	1,715,921
- Allowance no longer required	(301,185)	(241)
Net impairment for the year	(301,185)	1,715,680
Effect of foreign currency movements	(5,721)	(5,001)
Write-offs	-	-
Balance end of year	2,423,192	2,730,098

Notes to the consolidated financial statements

24 Investment securities

Available-for-sale securities *In thousands of Nigerian Naira*	**2010**	**2009**
Treasury bills	-	-
Bonds	-	4,931,477
Equity securities with readily determinable fair values	10,564,195	5,436,747
Unquoted equity securities at cost	1,395,000	2,988,111
	11,959,195	13,356,335
Specific impairment for equities	(1,329,627)	(1,329,627)
	10,629,568	12,026,708

Held to maturity securities *In thousands of Nigerian Naira*	**2010**	**2009**
Government bonds	17,942,510	7,000,000
Corporate bond (i)	4,954,264	132,700
	22,896,774	7,132,700
Investment securities	33,526,342	19,159,408

Specific impairment for equities *In thousands of Nigerian Naira*	**2010**	**2009**
Balance at 1 January	1,329,627	-
- Charge for the year	-	1,329,627
Balance at 31 December	1,329,627	1,329,627

(i) Include in this balance is AMCON bonds. In 2010, the Bank sold non-performing margin and share backed loans to AMCON which had a gross value of N6,431 million with total provisions against those loans of N5,240 million in exchange for bonds issued by AMCON with a value of N2,323 million. The bank recorded a gain of N536 million, representing the difference between the net amounts (after provisions) of the loans sold to AMCON and the value of the AMCON bonds.

Notes to the consolidated financial statements

25 Trading properties

Trading properties represent the cost of real estate properties designated for resale to customers by group entities trading in properties. The movement on the trading properties account during the year was as follows:

In thousands of Nigerian Naira

	2010	**2009**
Balance, at 1 January	5,070,666	15,085,846
Additions	2,750,120	2,195,080
Disposals	(470,971)	(12,210,260)
Balance at 31 December	7,349,815	5,070,666

Notes to the consolidated financial statements

26 Property and equipment

In thousands of Nigerian Naira	Leasehold improvement and buildings	Furniture & equipment	Motor vehicle	Other transport equipment	Capital work-in - progress	Total
Cost						
Balance at 1 January 2010	17,926,144	21,001,503	5,849,263	2,545,136	13,138,635	60,460,681
Exchange difference on translation of opening balances	(32,243)	(50,291)	(23,844)	-	(172,404)	(278,782)
Additions	1,557,916	3,177,982	1,877,131	-	4,319,715	10,932,744
Disposals	(595,697)	(271,990)	(893,793)	-	-	(1,761,480)
Transfers	1,653,673	363,358	18,249	-	(2,035,280)	-
Balance at 31 December 2010	20,509,793	24,220,562	6,827,006	2,545,136	15,250,666	69,353,163
Balance at 1 January 2009	13,719,394	17,115,380	4,865,053	2,545,136	11,273,863	49,518,826
Exchange difference on translation of opening balances	3,265	(22,223)	21,459	-	(43,708)	(41,207)
Additions	1,369,242	3,005,037	1,581,460	-	5,735,599	11,691,338
Disposals	(28,852)	(47,406)	(632,018)	-	-	(708,276)
Transfers	2,863,095	950,715	13,309	-	(3,827,119)	-
Balance at 31 December 2009	17,926,144	21,001,503	5,849,263	2,545,136	13,138,635	60,460,681

Notes to the consolidated financial statements

Depreciation *In thousands of Nigerian Naira*	**Leasehold improvement and buildings**	**Furniture & equipment**	**Motor vehicle**	**Other transport equipment**	**Capital work-in - progress**	**Total**
Balance at 1 January 2010	2,299,406	13,301,497	2,878,443	699,912	-	19,179,258
Exchange difference on translation of opening balances	(14,553)	2,900	(31,082)	-	-	(42,735)
Charge for the year	804,711	3,480,385	1,418,168	254,514	-	5,957,778
Disposal	(46,157)	(260,784)	(815,407)	-	-	(1,122,348)
Balance at 31 December 2010	3,043,407	16,523,998	3,450,122	954,426	-	23,971,953
Balance at 1 January 2009	1,677,219	10,273,124	2,159,749	445,399	-	14,555,491
Exchange difference on translation of opening balances	(2,190)	(67,869)	15,559	-	-	(54,500)
Charge for the year	629,564	3,137,142	1,228,293	254,513	-	5,249,512
Disposal	(5,187)	(40,900)	(525,158)	-	-	(571,245)
Balance at 31 December 2009	2,299,406	13,301,497	2,878,443	699,912	-	19,179,258
Carrying amounts:						
Balance at 31 December 2010	17,466,386	7,696,564	3,376,884	1,590,710	15,250,666	45,381,210
Balance at 31 December 2009	15,626,738	7,700,006	2,970,820	1,845,224	13,138,635	41,281,423

27 Intangible assets

In thousands of Nigerian Naira	**Goodwill**	**Purchased Software**	**Total**
Cost			
Dec-10			
Balance at 1 January 2010	354,328	4,116,381	4,470,709
Additions	-	401,315	401,315
Exchange translation differences	-	-	-
Balance at 31 December 2010	354,328	4,517,696	4,872,024
Dec-09			
Balance at 1 January 2009	354,328	3,310,075	3,664,403
Additions	-	806,306	806,306
Exchange translation differences	-	-	-
Balance at 31 December 2009	354,328	4,116,381	4,470,709
Amortization and impairment losses			
Balance at 1 January 2010	-	2,132,788	2,132,788
Amortization for the period	-	782,777	782,777
Reclassifications	-	-	-
Balance at 31 December 2010	-	2,915,565	2,915,565
Balance at 1 January 2009	-	1,431,429	1,431,429
Amortization for the period	-	701,359	701,359
Reclassifications	-	-	-
Balance at 31 December 2009	-	2,132,788	2,132,788
Carrying amounts			
Balance at 31 December 2010	354,328	1,602,131	1,956,459
Balance at 31 December 2009	354,328	1,983,593	2,337,921

No impairment losses on goodwill were recognised during the 12 months to 31 December 2010 (12 months to 31 December 2009: nil).

28 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

In thousands of Nigerian Naira	2010			2009		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property and equipment, and software	13,737	(4,732,122)	(4,718,385)	8,566	(4,473,018)	(4,464,452)
Available-for-sale securities	-	(946,707)	(946,707)	-	(104,865)	(104,865)
Allowances for loan losses	-	276,678	276,678	-	(2,063,834)	(2,063,834)
Tax loss carry forward	574,144	-	574,144	-	-	-
Employee benefits	-	336,942	336,942	-	(349,454)	(349,454)
Other assets	-	180,725	180,725	-	223,620	223,620
Others	-	-	-	402,298	-	402,298
Net deferred tax assets/(liabilities)	587,881	(4,884,484)	(4,296,603)	410,864	(6,557,821)	(6,146,957)

There were no unrecognised deferred tax assets or liabilities as at 31 December 2010 (31 December 2009: nil).

Deferred tax assets and liabilities
Movements in temporary differences during the year

2010 *In thousands of Nigerian Naira*	**Balance at 1-Jan**	**Recognised in Profit or loss**	**Recognised in Other comprehensive income**	**Balance at 31-Dec**
Property and equipment, and software	(4,465,489)	(252,896)	-	(4,718,385)
Available-for-sale securities	507,524	(1,454,231)	-	(946,707)
Allowances for loan losses	(2,419,045)	2,695,723	-	276,678
Tax loss carry forward	-	-	-	0
Employee benefits	(349,454)	686,396	-	336,942
Other assets	236,840	(56,115)	-	180,725
Others	342,667	231,477	-	574,144
	(6,146,957)	1,850,354	-	(4,296,603)

2010 *In thousands of Nigerian Naira*	**Balance at 1-Jan**	**Recognised in Profit or loss**	**Recognised in Other comprehensive income**	**Balance at 31-Dec**
Property and equipment, and software	(3,120,350)	(1,345,139)	-	(4,465,489)
Available-for-sale securities	14,278	399,534	93,712	507,524
Allowances for loan losses	495,306	(2,914,351)	-	(2,419,045)
Tax loss carry forward	-	-	-	-
Employee benefits	713,961	(1,063,415)	-	(349,454)
Other assets	(1,625,081)	1,861,921	-	236,840
Others	(87,751)	429,743	675	342,667
	(3,609,637)	(2,631,707)	94,387	(6,146,957)

29 Other assets

In thousands of Nigerian Naira

		2010	**2009**
Accounts receivable and prepayments		14,360,573	16,543,846
Restricted deposits with central banks		6,689,758	5,760,774
Recognized asset for defined benefit obligation	34	2,767,786	1,339,164
Insurance receivables		1,188,509	1,003,120
		25,006,626	24,646,904
Impairment on other assets		(962,566)	(914,045)
Impairment on insurance receivable		(314,668)	(193,574)
		23,729,392	23,539,285

Restricted deposits with central banks are not available for use in the Group's day-to-day operations. The Bank had restricted balances of N6,689,758,000 with the Central Bank of Nigeria (CBN) as at 31 December 2009 (December 2009: N5,760,774,000). This balance is made up of CBN cash reserve requirement. The cash reserve ratio represents a mandatory 1% of local deposit which should be held with the Central Bank of Nigeria as a regulatory requirement.

Insurance receivable comprises:

In thousands of Nigerian Naira

	2010	**2009**
Due from contract holders	1,106,190	236,020
Due from agents and brokers	50,013	553,815
Due from reinsurers	32,306	213,285
	1,188,509	1,003,120

Movement in impairment on other assets:

In thousands of Nigerian Naira

	2010	**2009**
Balance at 1 January	914,045	774,187
Charge for the year	51,442	139,858
Recoveries	(2,921)	-
Balance at 31 December	962,566	914,045

Movement in impairment on insurance receivables:

In thousands of Nigerian Naira

	2010	**2009**
Balance at 1 January	193,574	124,058
Charge for the year	177,468	103,516
Recoveries	(56,374)	(34,000)
Balance at 31 December	314,668	193,574

Notes to the consolidated financial statements

30 Deposits from banks

In thousands of Nigerian Naira

	2010	2009
Money market deposits	-	4,041,988
Other deposits from banks	26,026,980	27,145,077
	26,026,980	31,187,065

31 Deposits from customers

In thousands of Nigerian Naira

	2010	2009
Retail customers:		
Term deposits	116,008,146	136,298,536
Current deposits	145,663,017	87,345,922
Savings	107,124,837	60,053,329
Corporate customers:		
Term deposits	129,327,190	181,866,261
Current deposits	254,965,040	201,357,807
Others	-	-
	753,088,230	666,921,855

32 Debt securities issued

In thousands of Nigerian Naira

	2010	2009
Debt securities at amortized cost:		
Eurobond debt security	55,137,783	54,169,953
Corporate bonds	11,748,980	13,203,169
	66,886,763	67,373,122

Debt securities of N55,137,783,000 (USD350,000,000 measured at amortised cost) represents US Dollar denominated guaranteed notes issued by the Group in January 2007 with tenure of 5 years. Interest on the notes is payable semi-annually at 8.5% per annum plus margin of 10.7 basis points (0.1% per annum).

The amount of N13,203,169,000 represents fixed rate senior unsecured non-convertible bonds issued by the Bank in December 2009. The debt security is redeemable in December 2014 and coupon is payable half yearly at 13.5% per annum. The amount represents the first tranche of a N200 billion debt issuance programme. The sum of N1,454,189,000 worth of GTB Bonds was purchased by a member of the group in 2010 and was therefore eliminated on consolidation. The Group has not had any defaults of principal, interest or other breaches with respect to its debt securities during 2010 (2009: nil).

Notes to the consolidated financial statements

33 Other liabilities

In thousands of Nigerian Naira	2010	2009
Cash settled share based payment liability	4,997,014	4,540,285
Liability for defined contribution	36,699	115,976
Deferred income on financial guarantee	716,148	660,110
Creditors and accruals	-	604,711
Certified cheques	7,589,756	12,594,704
Lease obligation (a)	1,847,629	2,211,130
Customers' deposit for foreign trade (b)	29,635,301	60,283,827
Other current liabilities	14,224,409	9,734,517
Liabilities to customers under investment	1,822,664	1,115,094
	60,869,620	91,860,354

(a) As at 31 December 2010, the Group was obligated under a non-cancellable finance lease for other transportation equipment for which the future minimum lease payments extend over a number of years. This is analysed as follows:

	2010	2009
Not more than one year	733,611	721,595
Over one year but less than five years	1,650,626	2,345,184
Over five years	-	-
Less future finance charges	(536,608)	(855,649)
	1,847,629	2,211,130

(b) This represents the Naira value of foreign currencies held on behalf of customers in various foreign accounts to cover letters of credit transactions. The corresponding balance is included in cash and balances with banks.

Notes to the consolidated financial statements

34 Defined benefit obligations

The Bank operates a non-contributory, funded lump sum defined benefit gratuity scheme. Employees are entitled to join the scheme after completing 10 full years of service. Employees' terminal benefits are calculated based on number of years of continuous service, limited to a maximum of 10 years

The amounts recognised in the statement of financial position are as follows:

In thousands of Nigerian Naira	**2010**	**2009**
Unfunded obligations	-	-
Present value of funded obligations	(1,826,248)	(1,952,810)
Total present value of defined benefit obligations	(1,826,248)	(1,952,810)
Fair value of plan assets	4,594,034	3,291,974
Present value of net asset/(obligations)	2,767,786	1,339,164
Unrecognized actuarial gains and losses	-	-
Recognized asset/(liability) for defined benefit obligations	2,767,786	1,339,164

Plan assets consist of the following:

In thousands of Nigerian Naira	**2010**	**2009**
Equity securities	1,418,274	1,037,061
Government bonds	211,201	158,788
Offshore investments	1,086,857	398,799
Cash and bank balances	1,877,702	1,697,326
	4,594,034	3,291,974

Movement in the present value of defined benefit obligations:

In thousands of Nigerian Naira	**2010**	**2009**
(Deficit)/surplus on defined benefit obligations at 1 January	1,339,164	(410,125)
Interest costs	(234,177)	(237,696)
Current service costs	(220,692)	(225,287)
Expected return on planned assets	394,766	172,890
Net actuarial gain/(loss) for the year - obligations	574,498	359,019
Net actuarial gain/(loss) for the year - plan Assets	264,227	108,493
Contributions paid	650,000	1,571,870
(Deficit)/surplus for defined benefit obligations at end 31 December	2,767,786	1,339,164

Notes to the consolidated financial statements

Movement in plan assets:

In thousands of Nigerian Naira

	2010	2009
Fair value of plan assets at 1 January	3,291,974	1,441,735
Contributions paid into/(withdrawn from) the plan	650,000	1,571,870
Benefits paid by the plan	(6,933)	(3,014)
Actuarial gain/(loss)	264,227	108,493
Expected return on plan assets	394,766	172,890
Fair value of plan assets at 31 December	4,594,034	3,291,974

Expense recognized in profit or loss:

In thousands of Nigerian Naira	Note	2010	2009
Current service costs		220,692	225,287
Interest on obligation		234,177	237,696
Expected return on planned assets		(394,766)	(172,890)
Net actuarial (gain)/loss recognized in the		(838,725)	(467,512)
To profit or loss	15	(778,622)	(177,419)
Actual return on plan assets		(658,993)	(281,383)

Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2010	2009
Expected return on plan assets at 1 January	14%	12%
Future salary increases	12%	12%
Retirement age for both male and female	60 years	60 years
Retirement Rate: 50 – 59	2.00%	2.00%
Withdrawal Rate: 18 – 29	4.50%	4.50%
Withdrawal Rate: 30 – 44	6.00%	6.00%
Withdrawal Rate: 45 – 49	2.50%	2.50%

Assumptions regarding future mortality before retirement are based on A49/52 ultimate table published by the Institute of Actuaries of United Kingdom.

The overall expected long-term rate of return on assets is 14%. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based entirely on current market yields on Nigerian Government Bonds. The component of the rate of remuneration increase based on seniority and promotion is an average of 2% per annum. The inflation component has been worked out at 10% per annum.

For members in active service as at the valuation date, the projected unit credit method of valuation as required under the IFRS has been adopted.

Historical information	**December**	**December**	**December**	**February**	**February**
In thousands of Nigerian Naira	**2010**	**2009**	**2008**	**2008**	**2007**
Present value of the defined benefit obligation	(1,826,248)	(1,952,810)	(1,851,860)	(1,135,223)	(950,210)
Fair value of plan assets	4,594,034	3,291,974	1,441,735	2,636,488	2,390,030
Surplus/(deficit)	2,767,786	1,339,164	(410,125)	1,501,265	1,439,820

35 Other borrowed funds

In thousands of Nigerian Naira

	2010	**2009**
Due to IFC (see note (i) below)	7,207,949	8,507,690
Due to ADB (see note (ii) below)	2,102,606	3,882,598
Due to FMO (see note (iii) below)	2,873,392	-
Due to BOI (see note (iv) below)	6,600,000	-
Due to CAC (see note (v) below)	4,250,000	-
	23,033,947	12,390,288

i). The amount of ₦7,207,949,000 (USD 47,321,000) represents the outstanding balances on various facilities granted by the International Finance Corporation (IFC) between March 2001 and January 2007, repayable over 7 to 10 years at interest rates varying from 3.21% to 7.75% above LIBOR rates.

ii). The amount of ₦2,102,606,000 (USD18,333,000) represents the outstanding balance on a dollar facility of $40,000,000 granted by the African Development Bank (ADB) in May 2006 for a period of 7 years. The principal amount is repayable in 12 equal instalments after a moratorium of 1 year, while interest is payable half yearly at a rate per annum determined by the Bank to be the sum of LIBOR or its successor rate for such interest periods plus 245 basis points per annum.

iii). The amount of ₦2,873,392,000 (USD13,827,000) represents the outstanding balance on the term loan facility of USD15,000,000 granted by FMO (an entrepreneurial development bank of the Netherlands) in December 2009 for a period of 4 years. The principal is repayable at maturity in January 2014 while the interest is repayable quarterly over the tenure of the facility at 4.5% above LIBOR rates.

iv). The amount of ₦6,600,000,000 represents the outstanding balance on a naira facility granted by the Bank of the Industry (BOI) in August 2010 for a period of 15 years. The facility (an on-lending loan) is an initiative of the Central Bank of Nigeria to unlock the credit market in the country through the revamping of power projects and the refinancing of banks. The principal amount is repayable in quarterly instalments as specified against each beneficiary customer's in the schedule attached to the offer letter. There is no interest repayable on the facility

v). The amount of ₦4,250,000 represents the outstanding balance on a facility granted by the Debt Management Office in tranches between April and August 2010 for 7 years. It is an initiative of Central Bank of Nigeria and Federal Ministry of Agriculture and Water resources aimed at the growth and development of commercial agriculture enterprise in Nigeria. The funds are made available to participating banks at zero cost, for on lending to commercial agriculture enterprise at a maximum rate of 9.00% p.a.

Notes to the consolidated financial statements

36 Capital and reserves

Share capital
The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote at meetings of the Group. All ordinary shares and GDR shares rank pari-passu with the same rights and benefits at meetings of the Group

In thousands of Nigerian Naira

		2010	2009
(a)	Authorised - 50,000,000,000 Ordinary shares of 50k each (31 December 2009: 30,000,000,000 of 50k each)	25,000,000	15,000,000

In thousands of Nigerian Naira

		2010	2009
(b)	Issued and fully paid-up - 23,317,185,766 Ordinary shares of 50k each (31 December 2009: 18,653,750,000 of 50k each)	11,658,594	9,326,875

The movement on the issued and fully paid-up share capital account during the year was as follows:

In thousands of units

		2010	2009
(c)	Balance, beginning of year	18,653,749	14,922,999
	Bonus shares capitalized	4,663,437	3,730,750
	Balance, end of year	23,317,186	18,653,749

Share premium
Share premium is the excess paid by shareholders over the nominal value for their shares.

Other regulatory reserves
The other regulatory reserve includes movements in the statutory reserves and the small and medium scale industries reserve.

(i) **Statutory Reserves:** Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by S.16(1) of the Banks and Other Financial Institution Act of 1991 (amended), an appropriation of 30% of profit after tax is made if the statutory reserve is less than paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid up share capital However, the Bank transferred 30% of its profit after tax to statutory reserves as at year end (2009: 30%).

Notes to the consolidated financial statements

(ii) **Small and Medium Scale Industries Reserve (SMEEIS)**: The SMEEIS reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investment in qualifying small and medium scale enterprises. Under the terms of the guideline (amended by CBN letter dated 11 July 2006), the contributions will be 10% of profit after tax and shall continue after the first 5 years but banks' contributions shall thereafter reduce to 5% of profit after tax. However, this is no longer mandatory. The small and medium scale industries equity investment scheme reserves are non-distributable.

(iii) **Treasury shares**
Treasury shares represent the Bank's shares of 929,040,420 (2009: 753,049,097) held by the Staff Investment Trust and two other subsidiary companies as at 31 December 2010.

(iv) **Bonus reserves**
Subsequent to the balance sheet date, the Board of Directors has approved the transfer of ₦2,914,648,000 (2009: N2,331,719,000) from the Group's profit for the year to issue bonus shares in the ratio of 1 new ordinary share for every 4 held, subject to declaration by the shareholders at the Annual General Meeting (2009: 1 new ordinary share for every 4 ordinary shares held).

(v) **Fair value reserve**
The fair value reserve includes the net cumulative change in the fair value of available-for-sale investments until the investment is derecognised or impaired.

(vi) **Regulatory risk reserve**
The regulatory risk reserves warehouses the difference between the impairment on balance on loans and advances under the Nigeria GAAP and based on Central Bank of Nigeria prudential guidelines compared with the loss incurred model used in calculating the impairment balance under IFRS.

(vii) **Retained earnings**
Retained earnings are the carried forward recognised income net of expenses plus current period profit attributable to shareholders.

(viii) **Non-controlling interest**
The entities accounting for the non-controlling interest balance is shown below:

In thousands of Nigerian Naira

	2010	**2009**
GTB (Gambia) Limited	316,668	268,899
GTB (Sierra Leone) Limited	199,125	168,317
GT Assurance Plc	4,131,396	3,580,884
GTB (Ghana) Limited	490,069	366,832
GT Homes Limited	893,282	757,007
	6,030,540	5,141,939

Notes to the consolidated financial statements

37 Dividends

The following dividends were declared and paid by the Group during the year ended 31 December:

In thousands of Nigerian Naira	**2010**	**2009**
Balance, beginning of period	-	-
Interim dividend declared	5,829,297	-
Final dividend declared	13,990,313	14,922,999
Payment during the period	(19,819,610)	(14,922,999)
Balance, end of period	-	-

Subsequent to the balance sheet date, the board of directors has proposed a final dividend of ₦0.75 per share subject to the approval of the shareholders at the next annual general meeting. (31 December 2009: ₦0.75 per share on the issued share capital of 18,653,750,000 ordinary shares of 50k each, amount being ₦13,990,313,000)

38 Leasing

As lessor

The Group acts as lessor under operating and finance leases, providing financing for its customers and leasing assets for their own use. In addition, assets leased by the Group may be sublet to other parties. Details of finance lease commitments have been included in other liabilities.

As lessee

Operating lease commitments

The Group leases offices, branches and other premises under operating lease arrangements. The leases have various terms and renewal rights. The lease rentals are paid in advance and recognised on straight line basis over the lease period. The outstanding balance is accounted for as prepaid lease rentals. There are no contingent rents payable.

39 Contingencies

Claims and litigation

The Bank, in its ordinary course of business, is presently involved in 233 cases as a defendant (2009: 154) and 70 cases as a plaintiff (2009: 35). The total amount claimed in the 233 cases against the Bank is estimated at ₦184,245,033,499 and $124,919,188 (2009: ₦122,746,173,027) and while the total amount claimed in the 70 cases instituted by the Bank is ₦ 24,864,498,703 and $10,477,341 (2009: ₦4,270,189,728 and $16,352,426). However, the solicitors of the Bank are of the view that the probable liability arising from the cases pending against the Bank is not likely to exceed N28,734,053 (2009: ₦21,340,988). The amounts have been fully provided for in the financial statements.

Based on the advice of the solicitors, the Directors of the Bank are of the opinion that none of the aforementioned cases is likely to have a material adverse effect on the Bank and they are not aware of any other pending and or threatened claims or litigation which may be material to the financial statements.

Notes to the consolidated financial statements

Contingent liabilities and commitments

In common with other banks, the Group conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. Contingent liabilities and commitments comprise acceptances, endorsements, guarantees and letters of credit.

Nature of instruments

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Group expects most acceptances to be presented, but reimbursement by the customer is normally immediate. Endorsements are residual liabilities of the Group in respect of bills of exchange, which have been paid and subsequently rediscounted. Guarantees and letters of credit are given as security to support the performance of a customer to third parties. As the Group will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Other contingent liabilities include transaction related customs and performances bonds and are, generally, short-term commitments to third parties which are not directly dependent on the customer's creditworthiness. Commitments to lend are agreements to lend to a customer in the future, subject to certain conditions. Such commitments are either made for a fixed period, or have no specific maturity dates but are cancellable by the lender subject to notice requirements. Documentary credits commit the Group to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers. The following tables summarise the nominal principal amount of contingent liabilities and commitments with off-financial position risk.

Acceptances, bonds, guarantees and other obligations for the account of customers:

a. These comprise:

In thousands of Nigerian Naira

	2010	**2009**
Contingent liabilities:		
Acceptances and guaranteed commercial papers	15,094,944	1,684,681
Transaction related bonds and guarantees	319,570,824	250,006,249
Guaranteed facilities	8,956,030	90,406
	343,621,798	251,781,336
Commitments:		
Short term foreign currency related transactions	6,108,844	14,712,413
Clean line facilities for letters of credit	74,917,884	66,196,010
Other commitments	339,678	130,501
	81,366,406	81,038,924

b. All the transaction related bonds and guarantees are fully collaterised. The cash component out of the balance was ₦ 19,470,930,805 (31 December 2009: ₦16,477,432,157).

c. The Bank granted clean line facilities for letters of credit during the period to guarantee the performance of customers to third parties.

Notes to the consolidated financial statements

40 Group entities

i. Significant subsidiaries

		Country of incorporation	Ownership interest December 2010	Ownership interest December 2009
1	Guaranty Trust Bank Gambia Limited	Gambia	77.8%	77.9%
2	Guaranty Trust Bank Sierra Leone Ltd	Sierra Leone	84.2%	84.3%
3	Guaranty Trust Assurance Plc	Nigeria	67.7%	71.2%
4	Guaranty Trust Bank Ghana Limited	Ghana	95.7%	96.0%
5	Guaranty Trust Registrars Limited	Nigeria	99.9%	99.9%
6	Guaranty Trust Homes Limited	Nigeria	75.1%	75.1%
7	Guaranty Trust Bank UK Limited	United Kingdom	100%	100%
8	GTB Asset Management Limited	Nigeria	100%	100%
9	Guaranty Trust Bank Liberia Limited	Liberia	99.4%	100%
	Special purpose entities:			
	Staff Investment Trust	Nigeria	100%	100%
	Guaranty Trust Bank Finance BV	Netherlands	100%	100%

1 GTB Gambia was incorporated in September 2001 and commenced operations in January 2002.

2 GTB Sierra Leone was incorporated in September 2001 and commenced operations in January 2002.

3 Guaranty Trust Assurance Plc was incorporated on 23 June 1989 as Heritage Assurance Limited. However, GTB Plc acquired a majority shareholding in the Company in September 2004. In January 2010, 5% of the equity holding in the company was ceded for the purpose of listing the shares of the company on the floor of the Nigerian Stock Exchange.

4 Guaranty Trust Bank Ghana was incorporated in October 2004 and commenced operations in March 2006.

5 GTB Registrars was incorporated in February 2006 and commenced operations in September 2006.

6 GT Homes Limited was incorporated in 1992 as Citizens Savings and Loans Limited. Its name was changed to New Patriot Building Society in 1997. However, GTB Plc acquired majority shareholding in August 2007, consequent upon which the name was changed to GT Homes Limited. It commenced operations under this name in January 2008.

7 Guaranty Trust Bank (UK) Limited was incorporated in February 2007 and commenced operations in January 2008.

8 GT Asset Management Company Limited provides security brokerage and asset management services and was incorporated on 14 January 2008 and commenced operations in April 2008.

9 Guaranty Trust Bank (Liberia) Limited was incorporated in September 2008 and commenced operations in March 2009.

10 GTB Finance B.V was incorporated in December 2006 and commenced operations in December 2006. An obligation also exists between the Bank and GTB Finance B.V, for which GTB Finance B.V was expected to lend the Bank the sum of ₦307.87 million ($2,608,000) as a share premium loan. The loan agreement between both parties however permits that the obligation of GTB Finance B.V. to grant the loan be set-off against the obligation of the Bank to repay the loan such that each party's obligation either as a borrower or lender is discharged. In view of this, no loan payable has been recongised in the Bank's financial statements.

Notes to the consolidated financial statements

41 Related parties

(i) Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes subsidiaries, associates, joint ventures and the Group's pension schemes, as well as key management personnel.

(ii) Parent

The parent company, which is also the ultimate parent company, is Guaranty Trust Bank Plc (GTB Plc)

(iii) Subsidiaries

Transactions between Guaranty Trust Bank Plc and its subsidiaries also meet the definition of related party transactions. Where these are eliminated on consolidation, they are not disclosed in the consolidated financial statements.

(iv) Transactions with key management personnel

The Group's key management personnel, and persons connected with them, are also considered to be related parties. The definition of key management includes the close members of family of key personnel and any entity over which key management exercise control. The key management personnel have been identified as the executive and non-executive directors of the Group. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with Guaranty Trust Bank Plc and its subsidiaries.

(v) Subsidiaries' deposit account balances

In thousands of Nigerian Naira

Name of company/Individual	*Relationship*	*Type of Deposit*	*2010*	*2009*
			₦	₦
Guaranty Trust Assurance Plc	Subsidiaries	Demand Deposit	98,270	459,383
Guaranty Trust Assurance Plc	Subsidiaries	Domicilliary	131,556	-
Guaranty Trust Assurance Plc	Subsidiaries	Time Deposit	303,635	-
GT Homes Limited	Subsidiaries	Demand Deposit	1,208	13,646
GT Homes Limited	Subsidiaries	Time Deposit	72,901	256,419
GTB Asset Management Ltd	Subsidiaries	Demand Deposit	3,999,530	48,913
GTB Asset Management Ltd	Subsidiaries	Domicilliary	412,772	-
GTB Asset Management Ltd	Subsidiaries	Time Deposit	638,052	695,847
GT Registrars Limited	Subsidiaries	Demand Deposit	835,980	2,913
GT Registrars Limited	Subsidiaries	Domicilliary	11,560	-
GT Registrars Limited	Subsidiaries	Time Deposit	88,177	-
GTB Sierra Leone	Subsidiaries	Domicilliary	563	-
GTB Ghana	Subsidiaries	Demand Deposit	996	-
GTB Ghana	Subsidiaries	Domicilliary	3,650	-
GTB Ghana	Subsidiaries	Time Deposit	11,027	-
			6,609,875	1,477,121

Notes to the consolidated financial statements

(vi) Key management personnel and their immediate relatives engaged in the following transactions with the Group during the year:

Loans and advances:

In thousands of Nigerian Naira	**2010**	**2009**
Secured loans	13,028,752	10,016,822

Deposits:	**2010**	**2009**
In thousands of Nigerian Naira		
Total deposits	1,526,189	645,853

Interest rates charged on balances outstanding are at rates that would be charged in the normal course of business. The secured loans granted are secured over real estate, equity and other assets of the respective borrowers. No impairment losses have been recorded against balances outstanding during the period with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel and their immediate relatives at the year end.

(vii) Key management personnel compensation for the period comprises:

In thousands of Nigerian Naira	**2010**	**2009**
Post-employment benefits	169,270	(55,138)
Share-based payments	-	-
Increase /(decrease) in share appreciation rights	111,575	612,789
	280,845	557,651

Directors' remuneration
In thousands of Nigerian Naira

	2010	**2009**
Fees as directors	144,232	103,712
Other allowances	396,113	132,064
	540,345	235,776
Executive compensation	310,191	406,665
	850,536	642,441

42 The Central Bank of Nigeria's Regulation on the Scope of Banking Activities

Section 6(1) of the Central Bank of Nigeria (CBN) Regulation on the Scope of Banking Activities and Ancillary Matters issued in September 2010 requires every bank currently operating under a universal banking licence to submit to the Central Bank of Nigeria, for approval, a compliance plan duly approved by the Bank's Board of Directors. The regulation requires banks to divest from all non-banking businesses and apply for a new type of banking license based on the decision of the Bank's Board of Directors. The divestment is required to be completed by May 2012.

At an extra-ordinary general meeting (EGM) held in October, 2010, the shareholders authorised the divestment of the Bank's equity interest in its non-banking subsidiaries. The EGM authorised the Board to divest through, but not limited to direct sale, auction, transfer, distribution in specie or such other divestment mechanism; and upon such terms and conditions as the directors may determine to be in the best interest of the Bank.

The subsidiaries of the Bank to be covered under the divestment are **Guaranty Trust Assurance Plc** (Insurance business)**, GTB Asset Management Limited** (Asset management) and **GTB Registrars Limited** (Registrar).

The Bank's compliance plan duly approved by the Board of Directors on 28 October 2010 involves the divestment from non-banking subsidiaries through a competitive process with the ultimate objective of ensuring the selection of credible investors to acquire the Bank's equity interest in the subsidiaries.

In January 2011, the Bank obtained CBN's approval-in-principle ("AIP") of the divestment plan in accordance with the provisions of CBN regulations. Subsequent to year end and upon receipt of approval from CBN, the Bank received bids from interested investors for the subsidiaries and the due diligence process by the prospective bidders commenced. The procedures for obtaining regulatory approvals from other regulators other than the CBN (i.e. from National Insurance Commission and the Securities and Exchange Commission) also commenced.

The Bank, after considering the circumstances post the balance sheet date and before the date of authorisation of these financial statements have assessed and believes that it is highly probable that the divestments from various non-banking subsidiaries will be completed by the regulatory deadline of May 2012 and expects but with no guarantee that this will be completed by 31 December 2011.

The details of assets and liabilities which met the criteria to be classified as held for sale after the balance sheet date but before the date of authorisation of the financial statements are as follows:

Assets classified as held for sale	**N'000**
Cash and cash equivalents	1,155,652
Deferred tax assets	7,478
Goodwill	303,404
Investment securities	7,083,864
Other assets	2,362,129
Property and equipment	485,990
Trading properties under development	4,720,954
Total Non -current assets	**16,119,471**

Liabilities classified as held for sale	*N'000*
Current tax liabilities	669,337
Deferred tax liabilities	114,311
Liabilities on Insurance contracts	2,926,322
Other liabilities	4,135,872
Total non-current liabilities	**7,845,842**

Operating results	*N'000*
Interest income	776,947
Interest expense	(56,303)
Net interest margin	720,644
Fee and commission income	262,912
Other operating income	1,431,629
Operating Income	2,415,185
Net impairment loss on financial assets	(151,331)
Other operating expense	(1,285,119)
Profit before income tax	**978,735**
Taxation	**(361,114)**
Profit after tax	**617,621**

43 Subsequent events

There were no events subsequent to the financial position date which require adjustment to, or disclosure in, these financial statements.

44 Prior period corresponding balances

Certain prior period balances have been reclassified in line with current period presentation due to the following reasons:

- Finance Lease expense was reclassified from Operating lease expense to other operating expense to properly state operating lease expense. (a), (c)
- Other fees and commission expense was reclassified from General administrative expense to Fees and commission expense in order to properly categorise it based on its nature. (b), (c)
- Corporate banking fees and commission were reclassified from other fees and commission expenses to reflect the judgement that commercial banking customers be best categorised as corporate customers. (d), (e)
- Recognized asset/liability for defined benefit obligation was reclassified from other liabilities where it was shown as a negative balance to other assets. (f), (g)
- Disclosure on fair value of collaterals and other security enhancements held against loans and advances to customers and banks was changed because the bank standardized its rating grades in the last quarter of 2010, by increasing the rating buckets from 6 to 10, see *page 44 Credit risk management*. (h)

(a) **Operating lease expenses**

In thousands of Nigerian Naira	**2009**
Balance previously reported	969,720
Reclassification to other operating expense (lease expense (see note (c) below))	(386,684)
Balance as restated	583,036

(b) **Fee and commission expenses**

In thousands of Nigerian Naira	**2009**
Balance previously reported	349,726
Reclassification from other operating expense (see note (c) below)	1,267,059
Balance as restated	1,616,785

(c) **Other operating expenses**

In thousands of Nigerian Naira	**2009**
Balance previously reported	32,687,787
Reclassification from operating lease expenses (see note (a) above)	386,684
Reclassification to fee and commission expenses (see note (b) above)	(1,267,059)
Balance as restated	31,807,412

(d) **Fee and commission income – Corporate banking fees and commission**

In thousands of Nigerian Naira	**2009**
Balance previously reported	4,686,494
Reclassification from Other fees and commission (see note (e) below)	9,921,450
Balance as restated	14,607,944

(e) **Fee and commission income – Other fees and commission**

In thousands of Nigerian Naira	**2009**
Balance previously reported	12,181,783
Reclassification to Corporate banking fees and commission (see note (d) above)	(9,921,450)
Balance as restated	2,260,333

(f) **Other liabilities**

In thousands of Nigerian Naira	**2009**
Balance previously reported	90,521,190
Reclassification of assets for defined benefit obligation (see note (g) below)	1,339,164
Balance as restated	91,860,354

(g) **Other assets**

In thousands of Nigerian Naira	**2009**
Balance previously reported	22,200,121
Reclassification of assets for defined benefit obligation (see note (f) above)	1,339,164
Balance as restated	23,539,285

Notes to the consolidated financial statements

(h) **Loans and advances to customers**

	2009 Balance previously reported	Reclassification	2009 Balance as reported
Against individually impaired:			
Property	972,639	-	972,639
Debt securities	219,665	-	219,665
Equities	4,211,101	2,853,074	7,064,175
Cash	147,132	-	147,132
Guarantees	33,215	(12,991)	20,224
Negative pledge	-	-	-
ATC, stock hypothecation and ISPO*	3,023,977	(2,844,999)	178,978
Others	1,854,014	4,917	1,858,931
	10,461,743	1	10,461,744
Against collectively impaired:			
Property	334,427,054	(220,951,423)	113,475,631
Debt securities	272,951,535	(137,002,122)	135,949,413
Equities	57,392,203	(46,925,363)	10,466,840
Cash	66,359,645	(55,122,929)	11,236,716
Guarantees	48,653,488	(46,111,015)	2,542,473
Negative pledge	13,803,558	(13,803,558)	-
ATC, stock hypothecation and ISPO*	73,659,029	(62,718,682)	10,940,347
Others	1,345,798	45,646,305	46,992,103
	868,592,310	(536,988,787)	331,603,523
Against neither past due nor impaired:			
Property	65,644,896	228,899,756	294,544,652
Debt securities	26,562,977	140,593,218	167,156,195
Equities	183,778	59,164,084	59,347,862
Cash	7,954,180	11,839,718	19,793,898
Guarantees	147,204	12,112,781	12,259,985
Negative pledge	1,180,000	(1,180,000)	-
ATC, stock hypothecation and ISPO*	-	50,254,733	50,254,733
Others	447,171	35,304,497	35,751,668
	102,120,206	536,988,787	639,108,993

Loans and advances to banks

	2009 Balance previously reported	Reclassification	2009 Balance as reported
Against collectively impaired:			
Property	240,006	(140,006)	100,000
Others	140,541	(140,541)	-
	380,547	(280,547)	100,000
Against neither past due nor impaired:			
Property	-	140,006	140,006
Others	-	140,541	140,541
	-	280,547	280,547

GTBank

Guaranty Trust Bank plc

GUARANTY TRUST BANK PLC

Consolidated financial statements for the year ended 31 December 2009.

Orange Rules

Contents

Consolidated statement of financial position

As at 31 December 2009

In thousands of Nigerian Naira	***Notes***	**December 2009**	**December 2008**
Assets			
Cash and cash equivalents	5, 8 19	255,944,975	274,633,776
Non pledged trading assets	8, 20	134,926,969	20,230,784
Pledged assets	8, 21	22,112,657	55,738,491
Derivative assets held for risk management	8, 12	-	4,617,841
Loans and advances to banks	5, 8, 22	146,002	34,364
Loans and advances to customers	5, 8, 23	574,586,579	421,773,158
Investment securities	5, 8, 24	19,159,408	110,198,995
Trading properties	25	5,070,666	15,085,846
Property and equipment	26	41,281,423	34,963,335
Intangible assets	27	2,337,921	2,232,974
Deferred tax assets	28	410,864	36,847
Other assets	29	22,200,121	23,572,417
Total assets		1,078,177,585	963,118,828
Liabilities			
Deposits from banks	5, 8, 30	31,187,065	62,989,263
Deposits from customers	5, 8, 31	666,921,855	469,249,902
Debt securities issued	5, 8, 32	67,373,122	50,102,687
Current tax liabilities		3,483,561	9,484,919
Deferred tax liabilities	28	6,557,821	3,646,484
Other liabilities	33	90,521,190	171,591,469
Liabilities on insurance contracts		1,476,642	794,546
Other borrowed funds	5, 8, 35	12,390,288	14,221,064
Total liabilities		879,911,544	782,080,334
Equity			
Share capital and share premium	36	128,403,440	126,538,065
Retained earnings	36	10,215,217	13,635,667
Other components of equity	36	54,505,445	36,822,637
Total equity attributable to owners of the Bank		**193,124,102**	**176,996,369**
Non controlling interest	36	5,141,939	4,042,125
Total equity		**198,266,041**	**181,038,494**
Total liabilities and equity		**1,078,177,585**	**963,118,828**

Signed on behalf of the Board of Directors on 19 May 2010 by:

Director	**Director**
Segun Agbaje	**Titi Osuntoki**

The notes on pages 8 to 91 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2009

In thousands of Nigerian Naira	***Notes***	**December 2009 12 months**	**December 2008 10 months**
Interest income	9	128,605,231	71,733,888
Interest expense	9	(44,227,069)	(22,358,280)
Net interest income		84,378,162	49,375,608
Fee and commission income	10	27,886,901	20,830,453
Fee and commission expense		(349,726)	(175,208)
Net fee and commission income		27,537,175	20,655,245
Net trading income	11	7,443,430	6,892,004
Net income from other financial instruments at fair value through profit or loss	12	(140,764)	2,684,703
Other operating income	13	4,000,278	1,427,742
		11,302,944	11,004,449
Premium from insurance contracts		5,362,384	4,037,112
Premium ceded to re-insurers		(2,199,214)	(1,583,973)
Net premiums from insurance contracts		3,163,170	2,453,139
Operating income		126,381,451	83,488,441
Net impairment loss on financial assets	14	(33,276,125)	(4,757,818)
Net operating income after net impairment loss on financial assets		93,105,326	78,730,623
Personnel expenses	15	(18,484,414)	(12,751,408)
Operating lease expenses		(969,720)	(661,414)
Depreciation and amortization	26, 27	(5,950,871)	(3,976,597)
Other operating expenses	16	(32,687,787)	(23,706,518)
Total expenses		(58,092,792)	(41,095,937)
Profit before income tax		35,012,534	37,634,686
Income tax expense	17	(6,409,456)	(7,720,982)
Profit for the year		28,603,078	29,913,704

The notes on pages 8 to 91are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2009

In thousands of Nigerian Naira	***Notes***	**December 2009 12 months**	**December 2008 10 months**
Other comprehensive income net of income tax:			
Foreign currency translation differences for foreign operations		256,529	(30,598)
Net change in fair value of available for sale financial assets		503,447	475,161
Income tax relating to component of other comprehensive income	28	94,387	(148,091)
Other comprehensive income for the year, net of tax		854,363	296,472
Total comprehensive income for the year		29,457,441	30,210,176
Profit attributable to:			
Owners of the Bank		28,591,685	29,206,701
Non-controlling interest		11,393	707,003
Profit for the year		28,603,078	29,913,704
Basic earnings per share (Naira)	18	1.53	1.96
Total comprehensive income attributable to:			
Owners of the Bank		29,547,706	29,503,173
Non-controlling interest		(90,265)	707,003
Total comprehensive income for the year		29,457,441	30,210,176

The notes on pages 8 to 91 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

In thousands of Nigerian Naira	**Share capital**	**Share premium**	**Regulatory risk reserve**	**Other regulatory reserves**	**Treasury shares**	**Bonus reserve**	**Fair value reserve**	**Foreign currency translation reserve**	**Retained earnings**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2009	7,461,500	119,076,565	4,917,986	33,010,195	(2,842,918)	1,865,375	218,661	(346,662)	13,635,667	4,042,125	181,038,494
Total comprehensive income for the year:											
Profit for the year	-	-	-	-	-	-	-	-	28,591,685	11,393	28,603,078
Other comprehensive income, net of tax											
Foreign currency translation difference	-	-	-	-	-	-	-	358,862	-	(101,658)	257,204
Fair value reserve	-	-	-	-	-	-	597,159	-	-	-	597,159
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**597,159**	**358,862**	**-**	**(101,658)**	**854,363**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**597,159**	**358,862**	**28,591,685**	**(90,265)**	**29,457,441**
Transactions with equity holders, recorded directly in equity:											
Bonus shares issued during the year	1,865,375	-	-	-	-	(1,865,375)	-	-	-	-	-
Transfers for the year	-	-	7,370,282	8,986,588	-	2,331,719	-	-	(18,688,589)	-	-
Cash paid by non-controlling interest	-	-	-	-	-	-	-	-	-	1,747,988	1,747,988
Dilution in non-controlling interest	-	-	-	-	-	-	-	-	-	(36,634)	(36,634)
Diminution in Small & Medium Enterprise investments	-	-	-	(1,065,425)	-	-	-	-	1,065,425	-	-
Acquisition/disposal of own shares	-	-	-	-	968,998	-	-	-	-	-	968,998
Dividend to equity holders	-	-	-	-	-	-	-	-	(14,922,999)	(521,275)	(15,444,274)
Dividend on own share adjusted	-	-	-	-	-	-	-	-	534,028	-	534,028
Total contributions by and distributions to equity holders	**1,865,375**	**-**	**7,370,282**	**7,921,163**	**968,998**	**466,344**	**-**	**-**	**(32,012,135)**	**1,190,079**	**(12,229,894)**
Balance at 31 December 2009	**9,326,875**	**119,076,565**	**12,288,268**	**40,931,358**	**(1,873,920)**	**2,331,719**	**815,820**	**12,200**	**10,215,217**	**5,141,939**	**198,266,041**

Consolidated Statement of Changes in Equity

In thousands of Nigerian Naira	Share capital	Share premium	Regulatory risk reserve	Other regulatory reserves	Treasury shares	Bonus reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings	Non-controlling interest	Total Equity
Balance at 1 March 2008	6,839,708	119,076,565	4,290,147	24,588,219	(1,271,874)	621,792	(127,869)	(296,604)	4,597,359	3,335,075	161,652,518
Total comprehensive income for the period:											
Profit or loss	-	-	-	-	-	-	-	-	29,206,701	707,003	29,913,704
Other comprehensive income, net of tax											
Foreign currency translation difference	-	-	-	-	-	-	-	(50,058)	-	-	(50,058)
Fair value reserve	-	-	-	-	-	-	346,530	-	-	-	346,530
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**346,530**	**(50,058)**	**-**	**-**	**296,472**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**346,530**	**(50,058)**	**29,206,701**	**707,003**	**30, 210,176**
Transactions with equity holders, recorded directly in equity:											
Bonus shares issued during the period	621,792	-	-	-	-	(621,792)	-	-	-	-	-
Transfers for the period	-	-	627,839	8,421,976	-	1,865,375	-	-	(10,915,190)	-	-
Cash paid by non-controlling interest	-	-	-	-	-	-	-	-	-	395,842	395,842
Dilution in non-controlling interest	-	-	-	-	-	-	-	-	-	(257,735)	(257,735)
Acquisition/disposal of own shares	-	-	-	-	(1,571,044)	-	-	-	-	-	(1,571,044)
Dividend to equity holders	-	-	-	-	-	-	-	-	(9,575,591)	(138,060)	(9,713,651)
Dividend on own share adjusted	-	-	-	-	-	-	-	-	322,388	-	322,388
Total contributions by and distributions to equity holders	**621,792**	**-**	**627,839**	**8,421,976**	**(1,571,044)**	**1,243,583**	**-**	**-**	**(20,168,393)**	**47**	**(10,824,200)**
Balance at 31 December 2008	**7,461,500**	**119,076,565**	**4,917,986**	**33,010,195**	**(2,842,918)**	**1,865,375**	**218,661**	**(346,662)**	**13,635,667**	**4,042,125**	**181,038,494**

Consolidated statement of cash flows

For the year ended 31 December 2009

In thousands of Nigerian Naira	***Notes***	**December 2009**	**December 2008**
Cash flows from operating activities			
Profit for the period		28,603,078	29,913,704
Adjustments for:			
Depreciation of property and equipment and amortization	26, 27	5,950,871	3,976,597
Gain on disposal of property and equipment		(81,665)	(37,382)
Loss /(Gain) on disposal of trading properties	11	1,932,177	(1,918,556)
Impairment on financial assets		33,276,125	4,757,818
Foreign exchange gains	13	329,016	(1,377,423)
Interest paid on borrowings and finance lease		6,299,029	4,299,471
Dividend received		(358,620)	(230,398)
Income tax expense	17	6,409,456	7,720,982
		82,359,467	47,104,813
Change in trading assets		(114,696,185)	135,919,452
Change in pledged assets		34,222,993	35,634,850
Change in derivative assets		4,617,841	(2,285,560)
Change in loans and advances to banks and customers		(180,104,546)	(120,078,303)
Change in insurance receivables		(419,891)	(187,556)
Change in other assets		1,548,813	2,526,237
Change in deposits from banks		(31,802,198)	(12,666,210)
Change in deposits from customers		197,671,953	89,532,197
Change in investment contract liabilities		528,708	249,872
Change in insurance contract liabilities		682,096	169,474
Change in other liabilities		(81,151,870)	114,460,007
		(86,542,819)	290,379,273
Income tax paid		(9,969,873)	(2,597,543)
Net (used in)/cash provided by operating activities		(96,512,692)	287,781,730

Consolidated statement of cash flows

For the year ended 31 December 2009

In thousands of Nigerian Naira	***Notes***	**December 2009**	**December 2008**
Cash flows from investing activities			
Net sale/(purchase) of investment securities		89,709,960	(100,866,736)
Interest and dividends received		358,620	230,398
Purchase of property and equipment	26	(11,691,338)	(8,713,159)
Proceeds from the sale of property and equipment		218,696	134,035
Purchase of intangible assets	27	(806,306)	(614,381)
Purchase of trading properties	25	(2,195,080)	(4,304,560)
Proceeds from disposal of trading properties		10,278,083	3,200,000
Net cash provided by/(used in) investing activities		85,872,635	(110,934,403)
Cash flows from financing activities			
Increase in debt securities issued	32	13,203,169	-
Repayment of long term borrowings		(2,737,048)	(4,043,518)
Interest paid on long term borrowings		(5,912,567)	(2,183,844)
Increase in long term borrowings		-	-
Finance lease proceeds		85,870	-
Finance lease repayments		-	(225,187)
Interest paid on finance lease		(386,462)	(281,925)
Sale/(purchase) of own shares net of dividend received		1,503,026	(1,248,656)
Dividends paid to owners	36	(14,922,999)	(9,575,591)
Dividends paid to non-controlling interest	36	(521,275)	(138,060)
Increase in non-controlling interest		1,747,988	395,842
Dilution in non-controlling interest		(36,634)	(257,735)
Net cash provided by financing activities		(7,976,932)	(17,558,674)
Net (decrease) /increase in cash and cash equivalents		(18,616,989)	159,288,653
Cash and cash equivalents at beginning of period		274,633,776	110,594,499
Effect of exchange rate fluctuations on cash held		(71,812)	4,750,624
Cash and cash equivalents at end of period	19	255,944,975	274,633,776

The notes on pages 8 to 91 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Reporting entity
Guaranty Trust Bank Plc ("the Bank") is a company domiciled in Nigeria. The address of the Bank's registered office is Plot 1669, Oyin Jolayemi, Victoria Island, Lagos. The consolidated financial statements for the year ended 31 December 2009 are prepared for the Bank and its subsidiaries (together referred to as "the Group" and separately referred to as "Group entities"). The Group is primarily involved in investment, corporate and retail banking, mortgage finance, insurance and asset management services.

2. Statement of compliance with international financial reporting standards
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). They have been prepared in addition to the Group's statutory financial statements (not included herein), which were prepared in accordance with Statements of Accounting Standards applicable in Nigeria (Nigerian GAAP).

These financial statements were authorised for issue by the directors on **19 May 2010**.

3. Basis of preparation

(a) Reporting period
The 2009 consolidated financial statements have been prepared for a 12 month period. However the comparative 2008 consolidated financial statements have been prepared for a 10 month period as a result of the change in accounting year end of the Bank from 28 February to 31 December. The change in accounting year end was due to the adoption of the 31 December mandatory year end for banks in Nigeria and to align the Bank's accounting year end with that of its subsidiaries.

(b) Functional and presentation currency
These consolidated financial statements are presented in Nigerian Naira, which is the Bank's functional currency; except where indicated, financial information presented in Naira has been rounded to the nearest thousand.

(c) Basis of measurement
These consolidated financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value.
- Non-derivative financial instruments at fair value through profit or loss are measured at fair value.
- Available-for-sale financial assets are measured at fair value.
- liabilities for cash-settled share-based payment arrangements are measured at fair value.
- the liability for defined benefit obligations is recognised as the present value of the defined benefit obligation less the total of the plan assets, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses.

Notes to the consolidated financial statements

(d) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Information about significant areas of estimation uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in notes 5 and 6.

(e) Changes to accounting policies

Effective 1 January 2009 the Group has adopted the following:

- IFRS 7 – Improving disclosures about financial instruments, an amendment to IFRS 7 – Financial instruments disclosures which has resulted in additional disclosures being made regarding liquidity risk and the fair value measurement in respect of financial instruments.

- IAS 1 – Presentation of financial statements (revised), which has resulted in the reformatting of the statement of recognised income and expense into the statement of comprehensive income and the addition of a statement of changes in equity. This does not change the recognition, measurement or disclosure of specific transactions and events required by IFRS.

- IFRS 8 – The Group determines and presents operating segments based on the information that internally is provided to the Executive Management Committee, which is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS 8 Operating segments. Previously operating segments were determined and presented in accordance with IAS 14 Segment reporting. The new accounting policy in respect of operating segment disclosures is presented as follows.
  Comparative segment information has been re-presented in conformity with the transitional requirements of this standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.
  An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Executive Management Committee to make decisions about resources allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the Executive Management Committee include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Group's headquarters), head office expenses, and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property and equipment, and intangible assets other than goodwill.

Notes to the consolidated financial statements

4. Significant accounting policies
The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

The accounting policies have been applied consistently by Group entities.

(a) Basis of consolidation
(i) Subsidiaries
Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

(ii) Special purpose entities
Special purpose entities (SPEs) are entities that are created to accomplish a narrow and well-defined objective such as the securitisation of particular assets, or the execution of a specific borrowing or lending transaction. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE.
The following circumstances may indicate a relationship in which, in substance, the Group controls and consequently consolidates an SPE:
- The activities of the SPE are being conducted on behalf of the Group according to its specific business needs so that the Group obtains benefits from the SPE's operation.
- The Group has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up an 'autopilot' mechanism; the Group has delegated these decision-making powers.
- The Group has the rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE.
- The Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

The assessment of whether the Group has control over an SPE is carried out at inception and normally no further assessment of control is carried out in the absence of changes in the structure or terms of the SPE, or additional transactions between the Group and the SPE. Day-to-day changes in market conditions normally do not lead to a reassessment of control. However, sometimes changes in market conditions may alter the substance of the relationship between the Group and the SPE and in such instances the Group determines whether the change warrants a reassessment of control based on the specific facts and circumstances. Where the Group's voluntary actions, such as lending amounts in excess of existing liquidity facilities or extending terms beyond those established originally, change the relationship between the Group and an SPE, the Group performs a reassessment of control over the SPE.

(iii) Accounting method of consolidation
The acquisition method of accounting is used to account for the purchase of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed, plus any costs directly related to the acquisition. The excess of the cost of an acquisition over the Group's share of the fair value of the identifiable net assets acquired is recorded as goodwill. See accounting policy on goodwill.

Notes to the consolidated financial statements

(iv) Funds management
The Group manages and administers assets held in unit trusts and other investment vehicles on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements except when the Group controls the entity.

(v) Transactions eliminated on consolidation
Intra-group balances, and income and expenses (except for foreign currency translation gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency
(i) Foreign currency transactions
Transactions in foreign currencies are translated into the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at each reporting date are retranslated to the functional currency at exchange rates as at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period using the rates prevalent at the beginning, adjusted for effective interest and payments during the period, and the amortised cost in the functional currency at the period end using the rates prevalent at the period end. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

(ii) Foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Nigerian Naira at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Nigerian Naira at exchange rates at the dates of the transactions or at average rates of exchange where these approximate to actual rates.

Foreign currency differences on the translation of foreign operations are recognised in other comprehensive income. Since 1 March 2004, the Group's date of transition to IFRS, such differences have been recognised in the foreign currency translation reserve. However, if the operation is not wholly owned the relevant proportionate share of the difference is allocated instead to the non-controlling interest. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognised in other comprehensive income and foreign currency translation reserve.

Notes to the consolidated financial statements

(c) Interest
Interest income and expense are recognised in profit or loss using the effective interest method.

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 (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instruments but not future credit losses.

The calculation of the effective interest rate includes contractual fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the statement of comprehensive income include:

- interest on financial assets and liabilities measured at amortised cost calculated on an effective interest rate basis.

- interest on available-for-sale investment securities calculated on an effective interest basis

Interest income and expense on all trading assets and liabilities are recognized as interest in profit or loss account.
Fair value changes on trading assets and liabilities carried at fair value through profit or loss, are presented in net trading income through profit or loss.

(d) Fees and commission
Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management and other fiduciary activity fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

(e) Insurance premium
Insurance premiums are recognised in the period earned.

(f) Net trading income
Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, dividends and foreign exchange differences.

Notes to the consolidated financial statements

(g) Net income from other financial instruments at fair value through profit or loss
Net income from other financial instruments at fair value through profit or loss relates to derivatives held for risk management purposes that do not form part of qualifying hedge relationships and financial assets and liabilities designated at fair value through profit or loss, and include all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

(h) Dividends
Dividend income is recognised when the right to receive income is established. Dividends on trading equities are reflected as a component of net trading income. Dividend income on available-for-sale securities are recognised as a component of other operating income.

(i) Lease payments
Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(j) Income tax expense
Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on taxable income or loss for the year, using tax rates enacted or substantively enacted at the financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends by the Bank are recognised at the same time as the liability to pay the related dividend is recognised.

Notes to the consolidated financial statements

(k) Financial assets and liabilities

(i) Recognition

The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

(ii) Classification

See accounting policies 4(l), (m), (n) and (o).

(iii) De-recognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group enters into transactions whereby it transfers assets recognised on its financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.
The Group writes off certain loans and investment securities when they are deemed to be uncollectible (see note 23).

(iv) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(v) Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') remain on the statement of financial position; the counterparty liability is included in amounts due to other banks, deposits from banks, other deposits or

Notes to the consolidated financial statements

deposits due to customers, as appropriate. Securities purchased under agreements to resell (reverse repos') are recorded as money market placement. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

Securities lent to counterparties are also retained in the financial statements. Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income.

(vi) Amortised cost measurement
The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vii) Fair value measurement
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Group establishes fair value using valuation techniques. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, and discounted cash flow analysis. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Group calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.
The best evidence of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (.i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the instrument is closed out.

(viii) Identification and measurement of impairment
At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably. The Group considers evidence of impairment for loans and advances and held-to-maturity investments at both a specific asset and collective

Notes to the consolidated financial statements

level. Assets showing signs of deterioration are assessed for individual impairment. All individually significant loans and advances and held-to maturity investments found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

Objective evidence that financial assets (including equity securities) are impaired can include significant financial difficulty of the obligor, default or delinquency by a borrower resulting in a breach of contract, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below cost is objective evidence of impairment.

In assessing collective impairment the Group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the difference between the amortised acquisition cost and current fair value out of equity to profit or loss. When a subsequent event causes the amount of impairment loss on an available-for-sale debt security to decrease, the impairment loss is reversed through profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ix) Designation at fair value through profit or loss

The Group designates financial assets and liabilities at fair value through profit or loss in the following circumstances:

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis.
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.
- The asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Note 8 sets out the amount of each class of financial asset or liability that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant asset or liability class.

Notes to the consolidated financial statements

(l) Cash and cash equivalents
Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(m) Trading assets and liabilities
Trading assets and liabilities are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position with transaction costs taken directly to profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition, as non-derivative financial assets, other than those designated at fair value through profit or loss (i.e. trading) category are reclassified if they are no longer held for the purpose of being sold or repurchased in the near term and the following conditions are met:

- If the financial asset would have met the definition of loans and receivables (if the financial asset had not been required to be classified as held for trading at initial recognition), then it may be reclassified if the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity.

- If the financial asset would not have met the definition of loans and receivable, then it may be reclassified out of the trading category only in rare circumstances.

(n) Loans and advances
Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

When the Group is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease and recognised and presented within loans and advances.

When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date ("reverse repo or stock borrowing"), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Group's financial statements.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

Notes to the consolidated financial statements

(o) Investment securities
Investment securities are initially measured at fair value plus, in case of investment securities not at fair value through profit or loss, incremental direct transaction costs and subsequently accounted for depending on their classification as either held for trading, held-to-maturity, fair value through profit or loss or available-for-sale.

(i) Held-to-maturity
Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for- sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- Sales or reclassification that are so close to maturity that changes on the market rate of interest would not have a significant effect on the financial asset's fair value.

- Sales or reclassification after the Group has collected substantially all the asset's original principal.

- Sales or reclassification attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated.

(ii) Fair value through profit or loss
The Group designates some investment securities at fair value with fair value changes recognised immediately in profit or loss as described in accounting policy (k) (ix).

(iii) Available-for-sale
Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss.

Other fair value changes are recognised directly in other comprehensive income until the investment is sold or impaired whereupon the cumulative gains and loses previously recognised in other comprehensive income are recognised to profit or loss as a reclassification adjustment.

A non-derivative financial asset may be reclassified from the available-for-sale category to the loans and receivable category if it otherwise would have met the definition of loans and receivables and if the Group has the intention and ability to hold that financial asset for the foreseeable future or until maturity.

Notes to the consolidated financial statements

(p) Derivatives held for risk management purposes
Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value with changes in fair value recognised in profit or loss.

(q) Trading properties

Trading properties (inventory) are shown at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of trading properties is determined on the basis of specific identification of their individual costs.

(r) Property and equipment
(i) Recognition and measurement
Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii) Subsequent costs
The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

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

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

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

Leasehold improvements	Over the shorter of the useful life of the item or lease term
Buildings	50 years
Computer hardware	3 years
Furniture and equipment	5 years
Motor vehicles	4 years
Other transportation equipment	10 years

Notes to the consolidated financial statements

Capital work in progress is not depreciated. Upon completion it is transferred to the relevant asset category. Depreciation methods, useful lives and residual values are reassessed at each reporting date.

(iv) De-recognition
An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(s) Intangible assets

(i) Goodwill
Goodwill arises on the acquisition of subsidiaries. Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative, it is recognised immediately in profit or loss.

Acquisitions of non-controlling interests
Goodwill arising on the acquisition of a non-controlling interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets at the date of acquisition.

Subsequent measurement
Goodwill is measured at cost less accumulated impairment losses.

(ii) Software
Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses. Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is five years. This is reassessed annually.

(t) Leased assets – lessee
Leases in terms of which the Group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised on the Group's statement of financial position.

Notes to the consolidated financial statements

(u) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets other than goodwill and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of goodwill is estimated at each reporting date. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

(v) Deposits and debt securities issued

Deposits and debt securities issued are the Group's sources of debt funding. When the Group sells a financial asset and simultaneously enters into a "repo" or "stock lending" agreement to repurchase the asset (or a similar asset) at a fixed price on a future date, the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Group's financial statements.

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

Deposits and debt securities issued are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group chooses to carry the liabilities at fair value through profit or loss.

(w) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

Notes to the consolidated financial statements

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(x) Financial guarantees
Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable). Financial guarantees are included within other liabilities.

(y) Employee benefits

(i) Defined contribution plans
Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due.

(ii) Defined benefit plans
The Group's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield determined by reference to market yields at the reporting date on high quality government bonds. 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 past service by employees is recognised in profit or loss 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 recognised immediately in profit or loss.

(iii) Termination benefits
Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(iv) Short-term employee benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

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A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(v) Share-based payment transactions
The Bank operates a cash-settled share based compensation plan (i.e. share appreciation rights - SARs) for its management personnel. The management personnel are entitled to the share appreciation rights at a pre-determined price after spending five years in the Bank.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as personnel expense in profit or loss.

(z) Insurance contracts and investment contracts

The Group offers wealth management, term assurance, annuity, property and payment protection insurance products to customers that take the form of long- and short-term insurance contracts. The Group classifies its wealth management and other products as insurance contracts where these transfer significant insurance risk, generally where the benefits payable on the occurrence of an insured event are more significant than the benefits that would be payable if the insured event does not occur. Contracts that do not contain significant insurance risk or discretionary participation features are classified as investment contracts. Financial assets and liabilities relating to investment contracts, and assets backing insurance contracts are classified and measured as appropriate under IAS 39, 'Financial Instruments: Recognition and Measurement'.

Long-term insurance contracts
These contracts insure events associated with human life (for example, death or survival) over a long duration. Premiums are recognised as revenue when they become payable by the contract holder. Claims and surrenders are accounted for when notified. Maturities on the policy maturity date and regular withdrawals are accounted for when due. A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised, based on the expected discounted value of the benefit payments and directly related administration costs, less the expected discounted value of the future premiums that would be required to meet the benefits and other expenses. The calculation of the liability contains assumptions regarding mortality, maintenance expenses and investment income. Liabilities under unit-linked life insurance contracts (such as endowment policies) in addition reflect the value of assets held within unitised investment pools.

Short-term insurance contracts
Under its payment protection insurance products the Group is committed to paying benefits to the policyholder rather than forgiving interest or principal on the occurrence of an insured event, such as unemployment, sickness, or injury. Property insurance contracts mainly compensate the policyholders for damage to their property or for the value of property lost.

Premiums are recognised as revenue proportionally over the period of the coverage. Claims and claims handling costs are charged to income as incurred, based on the estimated liability for compensation owed to policyholders arising from events that have occurred up to the balance sheet date even if they have not yet

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been reported to the Group, based on assessments of individual cases reported to the Group and statistical analyses for the claims incurred but not reported.

Deferred acquisition costs (DAC)
Commissions and other costs that are related to securing new insurance and investment contracts are capitalised and amortised over the estimated lives of the relevant contracts.

Deferred income liability
Fees that are designed to recover commissions and other costs related to either securing new insurance and investment contracts or renewing existing investment contracts are included as a liability and amortised over the estimated life of the contract.

Liability adequacy test
Liability adequacy tests are performed at each balance sheet date to ensure the adequacy of contract liabilities net of DAC. Current best estimates of future contractual cash flows, claims handling and administration costs, and investment returns from the assets backing the liabilities are taken into account in the tests. Any deficiency is immediately recognised in the income statement.

Reinsurance
Short- and long-term insurance business is ceded to reinsurers under contracts to transfer part or all of one or more of the following risks: mortality, investment and expenses. All such contracts are dealt with as insurance contracts. The benefits to which the Group is entitled under its reinsurance contracts are recognised as reinsurance assets. The Group assesses reinsurance assets at each balance sheet date. If there is objective evidence of impairment, the carrying amount of the reinsurance asset is reduced accordingly, resulting in a charge to the income statement.

(aa) Share capital and reserves

(i) Share issue costs
Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

(ii) Dividend on the Bank's ordinary shares
Dividends on the Bank's ordinary shares are recognised in equity when approved by the Bank's shareholders.

(iii) Treasury shares
Where the Bank or any member of the Group purchases the Bank's share capital, the consideration paid is deducted from the shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

(ab) Earnings per share
The Group presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period.

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(ac) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it can earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Executive Management Committee to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

(ad) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended 31 December 2009, and have not been applied in preparing these consolidated financial statements:

- Revised IFRS 3 *Business Combinations* (2008) incorporates the following changes that are likely to be relevant to the Group's operations:
  - The definition of a business has been broadened, which may result in more acquisitions being treated as business combinations.
  - Contingent consideration will be measured at fair value, with subsequent changes in fair value recognised in profit or loss.
  - Transaction costs, other than share and debt issue costs, will be expensed as incurred.
  - Any pre-existing interest in an acquiree will be measured at fair value, with the related gain or loss recognised in profit or loss.
  - Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis.

Revised IFRS 3, which becomes mandatory for the Group's 2010 consolidated financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2011 consolidated financial statements.

- Amended IAS 27 *Consolidated and Separate Financial Statements* (2008) requires accounting for changes in ownership interests in a subsidiary that occur without loss of control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to IAS 27, which become mandatory for the Group's 2011 consolidated financial statements, are not expected to have a significant impact on the consolidated financial statements.

- IFRS 9 *Financial Instruments,* published on 12 November 2009 as part of phase 1 of the IASB's comprehensive project to replace IAS 39, deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of *held to maturity, available for sale* and *loans and receivables.* For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment on other comprehensive income. No amount recognised in other

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comprehensive income would ever be reclassified to profit or loss at a later date. However, dividends on such investments are recognised in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognised in profit or loss.

The standard is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

The Group is currently in the process of evaluating the potential effect of t his standard. Given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's financial statements.

- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendments will become mandatory for the Group's 2011 consolidated financial statements, with retrospective application required. The amendments are not expected to have a significant impact on the consolidated financial statements.

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5. Financial risk management

(a) Introduction and overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risks
- operational risks

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital.

Risk management philosophy

The risk management philosophy of the Guaranty Trust Bank Plc Group is drawn from its mission and vision statements and seeks to achieve maximum optimization of the risk – return trade off, while ensuring strong commitment to the following key indices:

- Excellent service delivery across business segments
- Sound performance reporting (financial and non-financial)
- Sound corporate governance
- Consistent appreciation in shareholders value.

Risk management framework

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, to monitor risks and adherence to limits. This policy is subject to review at least once a year. More frequent reviews may be conducted in the opinion of the Board, when changes in laws, market conditions or the Group's activities are material enough to impact on the continued adoption of existing policies. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework via its committees – The Board Risk Committee, Board Credit Committee, and Board Audit Committee. These committees are responsible for developing and monitoring risk policies in their specified areas and report regularly to the Board of Directors on their activities. All Board committees have both executive and non-executive members.

The Board Committees are assisted by the various Management Committees in identifying and assessing risks arising from day to day activities of the Group. These committees are:

- The Management Credit Committee
- Criticized Assets Committee
- Asset and Liability Management Committee (ALMAC)
- Management Risk Committee
- IT Steering Committee
- Other Ad-hoc Committees

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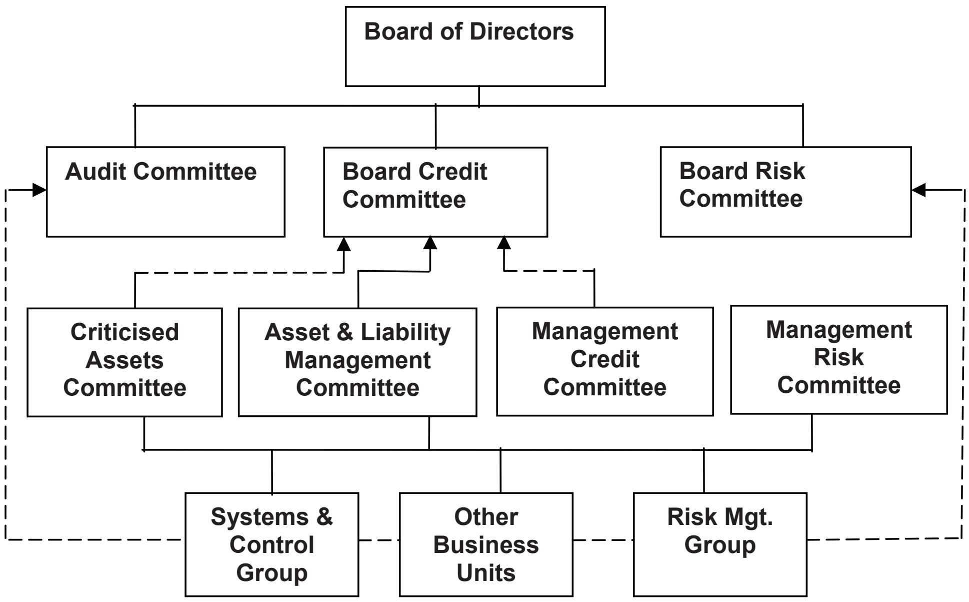
These committees meet on a regular basis while others are set up on an ad-hoc basis as dictated by the circumstances.

The **Group's Audit Committee** is responsible for monitoring compliance with the risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to risks faced by the Group. The Audit Committee is assisted by the Internal Audit department, in carrying out these functions. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Risk Management Organogram of the Group is as follows:



The **Risk Committee** at the board and management levels is responsible for reviewing and recommending risk management policies, procedures and profiles including risk philosophy, risk appetite and risk tolerance of the Group. The oversight functions cut across all risk areas. The committee monitors the Bank's plans and progress towards meeting regulatory Risk-Based Supervision requirements and migration to Basel II compliance as well as the overall Regulatory and Economic Capital Adequacy.

The Group's Board of Directors has delegated responsibility for the management of credit risk to the **Board Credit Committee**. The Board Credit Committee considers and approves all lending exposures, including treasury investment exposures, as well as insider-related credits in excess of limits assigned to the **Management Credit Committee** by the Board. Management Credit Committee formulates credit policies in consultation with business units, covering credit assessment, risk grading and reporting, collateral, regulatory and statutory requirements. The committee also assesses and approves all credit exposures in excess of the Managing Director's limit as approved by the Board.

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The **Asset & Liability Management Committee** establishes the Group's standards and policies covering the various components of Market Risk. This includes issues on Interest Rate Risk, Liquidity Risk, Investment Risk and Trading Risk. It ensures that the authority delegated by the Board and Management Risk Committees with regard to Market Risk is exercised effectively, and that Market Risk exposures are efficiently monitored and managed. Furthermore, the Committee limits and monitors the potential impact of specific pre-defined market movements on the comprehensive income of the Bank through stress tests and simulations.

The Credit Risk Management Group is responsible for identifying, controlling, monitoring and reporting credit risk related issues. The Group also serves as the secretariat for the **Management Credit Committee**. Credit risk is the most critical risk for the Group as credit exposures, arising from lending activities account for the major portion of the Group's assets and source of its revenue. Thus, the Group ensures that credit risk related exposures are properly monitored, managed and controlled. The Credit Risk Management Group is responsible for managing the credit exposures, which arise as a result of the lending and investment activities as well other unfunded credit exposures that have default probabilities; such as off-financial position financial instruments.

Risk management methodology
The Group recognizes that it is in the business of managing risks to derive optimal satisfaction for all stakeholders. It has therefore, over the years painstakingly detailed its approach to risk through various policies and procedures, which include the following:

- Credit Policy Guide
- ERM Policy
- Human Resources Policy Manual
- Quality Manual
- Standard Operating Procedures.

To ensure adherence to the policies and procedures, several exception reports on customers and activities of the Group are generated by the various audit control units for management's decision making. These include:

- Monthly Management Profitability Reports (MPR) for the marketing teams
- Monthly Operations Performance Reports (OPR) for the support teams
- Quarterly Business Profitability Review
- Annual Bank-wide performance appraisal systems

Risk management Overview
The Group operates a robust and functional Enterprise-wide Risk Management (ERM) Division that manages all aspects of risk – including threats and opportunities. The risk management infrastructure therefore encompasses a holistic, comprehensive and integrated approach to identifying, managing and reporting (i) the 3 main inherent risk groups – Credit, Market and Operational; (ii) residual risks such as Settlement and Legal risks; (iii) additional core risks being Reputation and Strategy risks; and (iv) monitoring of the Bank's subsidiaries' risks. In addition to this, in compliance with the Central Bank of Nigeria's 'Risk-based Supervision' guidelines, and also to align with Basel II Capital Accord / best global practices, we are in the process of incorporating a strategic framework for even more efficient measurement and management of the bank's risks and capital. To this end, we have gone through the process of engaging with appropriate solution providers and plan, in the second quarter of 2010, to commence implementation of Basel II recommended capital measurement approaches (and the modelling and data collation required for these), economic capital to cope with unexpected losses, and other qualitative and quantitative measures that will assist us with enhancing

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our risk management workflows and creating a platform for more efficient risk-adjusted decision-making based on our aggregate exposures.

(b) Credit risk
Lending and other financial activities form the core business of the Group. The Group recognises this and has laid great emphasis on effective management of its exposure to credit risk. The Group defines credit risk as the risk of counterparty's failure to meet the terms of any lending contracts with the Group or otherwise to perform as agreed. Credit risk arises anytime the Group's funds are extended, committed, invested or otherwise exposed through actual or implied contractual agreements.

The Group's specific credit risk objectives as contained in the designed Credit Risk Management Framework are:

- maintenance of an efficient loan portfolio
- institutionalization of sound credit culture in the Bank
- adoption of international best practices in credit risk management
- creation of Credit Risk Management professionals and specialists in every industry within which the Bank operates.

Each business unit is required to implement credit policies and procedures in line with the credit approval authorities granted by the Board. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolio, including those subject to Management Credit Committee's approval.

The Internal Audit and Credit Administration units respectively undertake regular audits of business units and credit quality reviews.

The Group continues to focus attention on intrinsic and concentration risks inherent in its business to manage the Group's portfolio risk. It sets portfolio concentration limits that are measured under the following parameters: concentration limits per obligor, industry, sector, rating grade and geographical area. Sector limits reflect the risk appetite of the Group.

The Group drives the credit risk management processes using appropriate technology to achieve global best practices.

For Credit Risk Capital Adequacy computation under Basel ll Pillar l, the Group will commence with the use of the Standardized Approach for Credit Risk Measurement.

For risk management purposes, credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

Management of credit risk
The Board of Directors has delegated responsibility for the management of credit risk to its Board Credit Committee. A separate Management Credit Committee reporting to the Board Credit Committee is responsible for oversight of the Group's credit risk, including:

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- *Formulating credit policies* in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

- *Establishing the authorisation structure* for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Heads. Larger facilities require approval by the Management Credit Committee, Deputy Managing Director, Managing Director and the Board Credit Committee/Board of Directors as appropriate.

- *Reviewing and assessing credit risk.* Management Credit Committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

- *Developing and maintaining the Group's risk grading* in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The current risk grading framework consists of six grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for approving the risk grades lies with the Board Credit Committee. The risk grades are subject to regular reviews by the Risk Management Group.

- *Reviewing compliance* of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to Risk Management Group on the credit quality of local portfolios and appropriate corrective action is taken.

- *Providing advice, guidance and specialist skills* to business units to promote best practice throughout the Group in the management of credit risk.

Each business unit is required to implement Group credit policies and procedures, with credit approval authorities authorised by the Board Credit Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.
Regular audits of business units and credit quality reviews are undertaken by the Internal Audit and Credit Administration units respectively.

Credit risk measurement
Guaranty Trust Bank Group undertakes lending activities after careful analysis of the borrowers' character, capacity to repay, cash flow, credit history, industry and other factors. The Group acknowledges that there are diverse intrinsic risks inherent in the vagaries of its business segments and, as a result, applies different parameters to adequately dimension the risks in each business segments. The Bank's rating grades reflect the range of parameters developed to predict the default probabilities of each rating class. Currently, the six grade internal risk rating system deals with all credit risk counterparties and this covers all the Bank's credit exposure to corporate, commercial, retail and public sectors. The rating system, which has been applied since 1990, reflects quality of each credit transaction after considering the financial and non financial parameters of the obligors as well as the quality of the transaction and the credit risk mitigants. The Group also employs Moody's Rating Scale concurrently with its six grade rating system. The former is currently being validated. On the six grade rating scale, the first 3 (1-3) ratings cover active credits or newly proposed acceptable credits (ratings 1 & 2 represents the investment grade classes) while the last three (4-6) ratings apply to delinquent

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credits which are due to be called in or already handed over to solicitors for collection. Specifically, the ratings definitions are highlighted below:

Grade 1 – Superior Credits: These are recognised as credits with overwhelming capacity to repay obligations. Attributes such as strong position in the industry, good track record, strong brand name, strong equity and assets, focused management with integrity, adequate cash flow and full cash cover are major factors to be considered.

Grade 2 – Above Average: They possess most of the attributes of superior credits but may have weaknesses, which should not significantly impair repayment capacity.

Grade 3 – Acceptable Credits: They have most of the attributes of above average credits but may have one or more weaknesses which, if not closely managed, could impair repayment capacity. Weaknesses such as short track record, low market share, highly cyclical demand, low capitalisation and price control on its products are considered.

Grade 4 – Watch list Credits: These are existing facilities that have shown signs of deterioration because they have well defined weaknesses, which could affect the ability of borrower to repay. Weaknesses such as, but not restricted to, overdrawn accounts without significant movement for up to 3 months, evidence of funds diversion, loss in borrowers' profit, poor information disclosure, delays in payment of principal and interest are considered.

Grade 5 – Doubtful & Substandard Credits: This is applied when a strong doubt exists that full repayment of principal and interest will occur. Major weaknesses here are unpaid principal and/or interest that are past due for 90 days or more, losses experienced consistently for 2 years, eroded borrower's networth due to a major business failure or disaster and security offered has deteriorated in value and full repayment is not guaranteed from normal operating sources.

Grade 6 – Bad & Lost: This applies when all or part of the outstanding loan is uncollectible based on existing conditions at the time. Major weaknesses include outstanding principal and/or interest for more than 180 days, legal process does not guarantee full recovery, borrower is under receivership or in the process of liquidation, borrower cannot be located and documentation is too inadequate to pursue recovery through legal means.

The Credit Risk Management Group centrally handles assessment of risk ratings and this is usually done on a quarterly basis with advice to relationship managers on the current risk ratings of their customers' facilities and the criteria employed to arrive at such ratings.

Risk Limit Control and Mitigation Policies
Guaranty Trust Bank applies limits to control credit risk concentration and ensure proper diversification of its risk assets portfolio. The Bank maintains limits for individual borrowers and groups of related borrowers, as well as industries. Obligor limits are set by the regulators and it is currently at 20% of the Bank's shareholder's funds. The obligor limit covers exposures to counterparties and related parties. Although the Bank is guided by this regulatory limit, we apply additional parameters internally in determining the suitable limits that an individual borrower should have. These include: obligor rating, position in the industry and perceived requirements of key players (e.g. import finance limit may be determined by the customer's import cycle and volume during each cycle), financial analysis, etc. The Bank imposes industry/economic sector limits to guide against concentration risk as a result of exposures to sets of counterparties operating in a particular industry. The industry limits are arrived at after rigorous analysis of the risks inherent in the

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industry. The limits are usually recommended by the Bank's Portfolio Management Unit under Credit Risk Management Group. The limits set for each industry or economic sector depend on the historical performance of the sector as well as the intelligence report on the outlook of the sector. During the year, limits can be realigned (outright removal, reduction or increase) to meet the exigencies of the prevailing macroeconomic events. The Bank also sets internal credit approval limits for various levels of officers in the credit process. Approval decisions are guided by the Bank's strategic focus as well as the stated risk appetite and the other limits established by the board or regulatory authorities such as Aggregate Large Exposure Limits, Single Obligor Limits, Geographical Limits, Industry/ Sectoral limits etc. The lending authority in the Bank flows through the management hierarchy with the final authority residing with the Board of Directors as indicated below:

Board of Directors	Up to the single obligor limit as advised by the regulatory authorities from time to time but currently put at 20% of shareholders' funds (total equity)
Management Credit Committee	Up to N500 Million
Managing Director	Up to N200 Million
Deputy Managing Director	Up to N150 Million
Other Approving Officers	as delegated by the managing director

The above limits are subject to the following overriding approvals:

- Except where a facility is cash collateralized, all new facilities below N10million require the approval of the Credit Committee.

- The deposit required for all cash collateralized facilities (with the exception of bonds, guarantees and indemnities) must be 125% of the facility amount to provide a cushion for interest and other charges.

- Totally new facilities require one-up approval i.e. approval at a level higher than that of the person that would ordinarily approve it.

(iv) Credit definitions

Impaired loans and securities
Impaired loans and securities are loans and securities for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s). These are loans and securities specifically impaired and are graded 6 in the Group's internal credit risk grading system.

Past due but not impaired loans
Loans and securities where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Group.

Loans with renegotiated terms
Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

Notes to the consolidated financial statements

Allowances for impairment
The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance, established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy
The Group writes off a loan / security balance (and any related allowances for impairment losses) when Group Management Credit Committee determines that the loans / securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, charge off decisions are generally based on a product specific past due status.

Notes to the consolidated financial statements

Credit Risk (Continued)

All loans and advances are categories as either:

- Neither past due nor impaired
- Past due but not impaired
- Individually impaired

The impairment allowance includes allowances against financial assets that have been individually impaired and those subject to collective impairment.

		Loans and advances to customers		Loans and advances to banks		Investment securities	
31 December		***December***	***December***	***December***	***December***	***December***	***December***
In thousands of Nigerian Naira	***Note***	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Carrying amount	22, 23, 24	574,586,579	421,773,158	146,002	34,364	19,159,408	110,198,995
Assets at amortised cost							
Individually impaired							
Grade 6: Impaired		19,753,409	3,196,405	90,212	90,212	1,870,052	-
Gross amount		19,753,409	3,196,405	90,212	90,212	1,870,052	-
Allowance for impairment		(19,497,227)	(3,196,405)	(90,212)	(90,212)	(1,329,627)	-
Carrying amount		256,182	-	-	-	540,425	-
Collectively impaired							
Grade 1-3: Low-fair risk		533,487,712	335,024,270	146,418	34,482	-	-
Grade 4-5: Watch list		1,123,619	2,157,988	-	-	-	-
Gross amount		534,611,331	337,182,258	146,418	34,482	-	-
Allowance for impairment		(2,730,098)	(1,019,419)	(416)	(118)	-	-
Carrying amount		531,881,233	336,162,839	146,002	34,364	-	-
Past due but not impaired							
Grade 1-3: Low-fair risk		3,525,925	35,919	-	-	-	-
Carrying amount		3,525,925	35,919	-	-	-	-
Past due comprises:							
90 -180 days		3,525,925	35,919	-	-	-	-
Carrying amount		3,525,925	35,919	-	-	-	-
Neither past due nor impaired							
Grade 1-3: Low-fair risk		38,923,239	85,574,400	-	-	-	-
Carrying amount		38,923,239	85,574,400	-	-	-	-
Available-for-sale assets (AFS)							
Grade 1-3: Low-fair risk		-	-	-	-	18,618,983	110,198,995
Total carrying amount		574,586,579	421,773,158	146,002	34,364	19,159,408	110,198,995

Notes to the consolidated financial statements

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of individually impaired assets by risk grade:

	Loans and advances to customers		Loans and advances to bank		Investment securities	
In thousands of Nigerian Naira	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
December 2009						
Grade 6: Individually impaired	19,753,409	256,182	90,212	-	1,870,052	540,425
Total	19,753,409	256,182	90,212	-	1,870,052	540,425
December 2008						
Grade 6: Individually impaired	3,196,405	-	90,212	-	-	-
Total	3,196,405	-	90,212	-	-	-

(v) Credit collateral
The Group ensures that each credit is reviewed and granted based on the strength of the borrowers' cash flow. However, the Group also ensures its credit facilities are well secured as a second way out. The policies that guide collateral for facilities are embedded within the Group's credit policy guide. These include the following policy statements amongst others:

Loans to individuals or sole proprietors must be secured by tangible, marketable collateral that has a market value that is supported by a valuation report from a registered estate valuer who is acceptable to the Group. The collateral must also be easy to check and easy to dispose of. This collateral must be in the possession of, or pledged to, the Group. Client's account balances must be within the scope of cover provided by its collateral.

All collateral offered must have the following attributes:

- There must be good legal title
- The title must be easy to transfer
- It should be easy and relatively cheap to value
- The value should be appreciating or at least stable
- The security must be easy to sell.

All collateral must be protected by insurance. Exceptions include cash collateral, securities in safe keeping, indemnity or guarantees, or where our interest is general (for instance in a negative pledge). The insurance policy has to be issued by an insurer acceptable to the Bank. All cash collateralized facilities shall have a 20% margin to provide cushion for interest and other charges i.e. only 80% of the deposit or cash collateral may be availed to an obligor.

The main collateral types acceptable to the Bank for loans and advances include:
- Mortgages over residential properties
- Charges over business premises, fixed and floating assets as well as the inventory.
- Charges over financial instruments such as equities, treasury bills etc.

Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing

Notes to the consolidated financial statements

activity. Collateral usually is not held against investment securities, and no such collateral was held at 31 December 2009.

An estimate of the fair value of any collateral and other security enhancements held against loans and advances to customers and banks is shown below:

	Loans and advances to customers		Loans and advances to Banks	
In thousands of Nigerian Naira	December 2009	December 2008	December 2009	December 2008
Against individually impaired	10,461,743	-	-	-
Against collectively impaired	868,592,310	587,031,122	380,547	61,500
Against past due but not impaired	9,630,919	204,464	-	-
Against neither past due nor impaired	102,120,206	99,614,099	-	-
Total	990,805,178	686,849,685	380,547	61,500

	Loans and advances to customers		Loans and advances to banks	
	December 2009	December 2008	December 2009	December 2008
Against individually impaired:				
Property	972,639	-	-	-
Debt securities	219,665	-	-	-
Equities	4,211,101	-	-	-
Cash	147,132	-	-	-
Guarantees	33,215	-	-	-
ATC, stock hypothecation and ISPO*	3,023,977	-	-	-
Others	1,854,014	-	-	-
Against collectively impaired:				
Property	334,427,054	252,119,891	240,006	5,000
Debt securities	272,951,535	71,033,979	-	-
Equities	57,392,203	85,967,963	-	4,000
Cash	66,359,645	56,661,361		
Guarantees	48,653,488	85,470,222		
Negative pledge	13,803,558	-		
ATC, stock hypothecation and ISPO*	73,659,029	31,760,471		
Others	1,345,798	4,017,235	140,541	52,500
Against past due but not impaired:				
Property	600,024	195,773	-	-
Debt securities	233,333	-	-	-
Equities	8,797,562	-	-	-
Cash	-	8,691	-	-

Notes to the consolidated financial statements

	Loans and advances to customers		Loans and advances to banks	
	December 2009	December 2008	December 2009	December 2008
Against neither past due nor impaired:				
Property	65,644,896	58,152,060	-	-
Debt securities	26,562,977	28,292,115	-	-
Equities	183,778	2,296,670	-	-
Cash	7,954,180	8,294,527		
Guarantees	147,204	1,787,894		
Negative pledge	1,180,000	-		
ATC, stock hypothecation and ISPO*	-	17,411		
Others	447,171	773,422	-	-
	990,805,178	686,849,685	380,547	61,500

*ISPO: Irrevocable standing payment order
*ATC: Authority to collect

Notes to the consolidated financial statements

Credit risk (continued)

(vi) Credit concentration
The Group monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

		Loans and advances to customers		Loans and advances to Banks		Investment securities	
		December	*December*	*December*	*December*	*December*	*December*
In thousands of Nigerian Naira	*Note*	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Carrying amount	22, 23, 24	574,586,579	421,773,158	146,002	34,364	19,159,408	110,198,995
Concentration by sector							
Corporate		294,675,066	197,170,286	-	-	-	-
Commercial		214,674,806	155,937,419	-	-	7,227,931	7,102,898
Bank		-	-	146,002	34,364	-	-
Retail		65,236,707	68,665,453	-	-	-	-
Government		-	-	-	-	11,931,477	103,096,097
		574,586,579	421,773,158	146,002	34,364	19,159,408	110,198,995
Concentration by location							
Nigeria		552,736,871	411,957,342	146,580	34,364	19,026,708	99,363,122
Rest of West Africa		19,075,965	9,764,167	-	-	-	10,835,873
Europe		2,773,743	51,649	-	-	132,700	-
		574,586,579	421,773,158	146,002	34,364	19,159,408	110,198,995

Concentration by location for loans and advances is measured based on the location of the Group entity holding the asset, which has a high correlation with the location of the borrower. Concentration by location for investment securities is measured based on the location of the issuer of the security.

5 (c) Liquidity risk
Liquidity risk is the current and future risk to the Group's earnings and capital arising from its inability to meet its financial obligations and commitments as and when due and at a reasonable price.

Management of liquidity risk
A brief overview of the bank's liquidity management processes includes the following:

- Maintenance of minimum levels of liquid and marketable assets above the regulatory requirement of 25%. The Group has set for itself more stringent in-house limit of 35%, to which it adheres.
- Monitoring of its cash flow and financial position trends. The Bank also makes forecasts of anticipated deposits and withdrawals to determine their potential effect on the Bank.
- Regular measurement & monitoring of its liquidity position/ratios in line with regulatory requirements and in-house limits
- Regular monitoring of non-earning assets
- Monitoring of deposit concentration

Notes to the consolidated financial statements

- Ensure diversification of funding sources
- Monitoring of level of un-drawn commitments
- Maintaining a contingency funding plan.

The Group's Asset and Liability Management Committee (ALMAC) is charged with the responsibility of managing the Group's daily liquidity position. A daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALMAC. The Risk Management Group sets limits which are in conformity with the regulatory limits. The limits are monitored regularly and exceptions are reported to ALMAC as appropriate. In addition gap reports are prepared monthly to measure the maturity mismatches between assets and liabilities. The cumulative gap over total assets is not expected to exceed 20%.

(ii) Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month. A similar calculation is used to measure the Group's compliance with the liquidity limit established by the Bank's lead regulator (The Central Bank of Nigeria).

Details of the reported Group ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows:

	December 2009	December 2008
At end of period	51.94%	63.92%
Average for the period	42.61%	45.90%
Maximum for the period	51.94%	63.92%
Minimum for the period	37.25%	40.11%

Notes to the consolidated financial statements

Financial risk management (continued)

The following table shows the undiscounted cash flows on the Group's financial assets and liabilities and on the basis of their earliest possible contractual maturity. The Gross nominal inflow / (outflow) disclosed in the table is the contractual, undiscounted cash flow on the financial liability or commitment.

(iii) Residual contractual maturities of financial assets and liabilities

In thousands of Nigerian Naira	*Note*	Carrying amount	Gross nominal inflow/(outflow)	Less than 3 months	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years
31-Dec-09								
Cash and cash equivalents	19	255,944,975	256,596,055	254,335,628	2,260,427	-	-	-
Trading securities	20	134,926,969	136,256,974	115,880,936	19,363,639	1,012,399	-	-
Pledged assets	21	22,112,657	22,278,502	22,278,502	-	-	-	-
Loans and advances to banks	22	146,002	148,922	148,922	-	-	-	-
Loans and advances to customers	23	574,586,579	690,894,682	306,276,187	23,264,331	35,386,453	298,008,069	27,959,642
Investment securities	24	19,159,408	19,159,408	-	-	11,931,477	-	7,227,931
		1,006,876,590	1,125,334,543	698,920,175	44,888,397	48,330,329	298,008,069	35,187,573
Non-derivative liabilities								
Deposits from banks	30	31,187,065	31,254,174	19,961,714	11,292,461	-	-	-
Deposits from customers	31	666,921,855	673,566,465	665,894,463	2,373,983	4,110,196	1,187,823	-
Debt securities issued	32	67,373,122	78,505,666	1,887,572	-	-	76,618,094	-
Other borrowed funds	35	12,390,288	13,376,893	57,720	-	-	13,319,173	-
		777,872,330	796,703,198	687,801,469	13,666,444	4,110,196	91,125,090	-
Gap (asset - liabilities)				11,118,706	31,221,953	44,220,133	216,882,979	25,187,573
Cumulative liquidity gap				11,118,706	42,340,659	86,560,792	303,443,771	328,631,344

Notes to the consolidated financial statements

In thousands of Nigerian Naira	*Note*	Carrying amount	Gross nominal inflow/(outflow)	Less than 3 months	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years
31-Dec-08								
Cash and cash equivalents	19	274,633,776	274,895,798	274,895,798	-	-	-	-
Trading securities	20	20,230,784	20,230,784	20,230,784	-	-	-	-
Pledged assets	21	55,738,491	57,196,208	39,132,000	3,514,171	14,550,038	-	-
Derivative assets held for risk management		4,617,841	4,617,841	518,224	958,223	-	3,141,394	-
Loans and advances to banks	22	34,364	36,443	10,149	20,910	3,330	2,054	-
Loans and advances to customers	23	421,773,158	542,579,730	106,305,828	70,631,177	85,831,044	215,409,262	64,402,419
Investment securities	24	110,198,995	141,391,403	57,116,550	2,575,342	25,315,825	51,620,500	4,763,185
		887,227,409	1,040,948,207	498,209,333	77,699,823	125,700,237	270,173,210	69,165,604
Non-derivative liabilities								
Deposits from banks	30	62,989,263	63,619,156	63,619,156	-	-	-	-
Deposits from customers	31	469,249,902	471,286,951	466,143,748	1,925,633	2,374,679	842,891	-
Debt securities issued	32	50,102,687	62,420,160	1,798,871	-	-	60,621,289	-
Other borrowed funds	35	14,221,064	18,331,401	163,880	-	220,295	8,881,649	9,065,577
		596,562,916	615,657,668	531,725,655	1,925,633	2,594,974	70,345,829	9,065,577
Gap (asset - liabilities)				(33,516,322)	75,774,190	123,105,263	199,827,381	60,100,027
Cumulative liquidity gap				(33,516,322)	42,257,868	165,363,131	365,190,512	425,290,539

Notes to the consolidated financial statements

Financial risk management (continued)

5(d) Settlement risk
The Group's activities may give rise to risk at the time of settlement of transactions and trade. Settlement risk is the risk of loss due to the failure of a company to honour its obligations to deliver cash, securities or other assets as contractually agreed.
For certain types of transactions the Group mitigates this risk by conducting settlements through a settlement / clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval / limit monitoring process described earlier. Acceptance of settlement risk on free settlement trade requires transaction specific or counterparty specific approvals from Group Risk.

5(e) Market risks
Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risks
The Group separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios are mainly held by the Treasury Group, and include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis. With the exception of translation risk arising on the Group's net investment in its foreign operations, all foreign exchange risks within the Group are monitored by the Treasury Group. Accordingly, the foreign exchange position is treated as part of the Group's trading portfolios for risk management purposes.

Overall authority for market risk is vested in Market Risk Management Committee. However, the Market Risk Management group within the Enterprise-wide Risk Management Division is responsible for the development of detailed risk management policies (subject to review and approval by the Committee) and for the day-to-day review of their implementation.

Exposure to market risks – trading portfolios
The principal tool used to measure and control market risk exposure within the Group's trading portfolios is the open position limits using the Earnings at Risk approach. Specified limits have been set for open positions limits, which are the expected maximum exposure the Group is to be exposed.

Notes to the consolidated financial statements

Financial risk management (continued)

Exposure to interest rate risk – Trading and non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. The ALMAC is the monitoring body for compliance with these limits and is assisted by Risk Management in its day-to-day monitoring activities. A summary of the Group's interest rate gap position on trading and non-trading portfolios is as follows:

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Market risks

			Repricing period				
In thousands of Nigerian Naira	*Note*	**Carrying amount**	**Less than 3 months**	**3 - 6 months**	**6 - 12 months**	**1 - 5 years**	**More than 5 years**
31 December 2009							
Cash and cash equivalents	19	255,944,975	253,701,375	2,243,600	-	-	-
Trading Securities	20	134,926,969	115,018,299	18,937,544	971,126	-	-
Pledged assets	21	22,112,657	22,112,657	-	-	-	-
Derivative assets held for risk management	12	-	-	-	-	-	-
Loans and advances to banks	22	146,002	146,002	-	-	-	-
Loans and advances to customers	23	574,586,579	488,656,459	-	750,000	64,928,000	20,252,120
Investment Securities	24	19,159,408	815,820	-	11,931,477	-	6,412,111
		1,006,876,590	880,450,612	21,181,144	13,652,603	64,928,000	26,664,231
Deposits from banks	30	31,187,065	19,936,793	11,250,272	-	-	-
Deposits from customers	31	666,921,855	659,709,685	2,309,041	3,902,857	1,000,272	-
Debt securities issued	32	67,373,122	1,887,572	-	-	65,485,550	-
Other borrowed funds	35	12,390,288	57,720	-	-	12,332,568	-
		777,872,330	681,591,770	13,559,313	3,902,857	78,818,390	-
		229,004,260	198,858,842	7,621,831	9,749,746	(13,890,390)	26,664,231
31 December 2008							
Cash and cash equivalents	19	274,633,776	274,633,776	-	-	-	-
Trading Securities	20	20,230,784	20,230,784	-	-	-	-
Pledged assets	21	55,738,491	38,696,662	3,411,817	13,630,012	-	-
Derivative assets held for risk management	12	4,617,841	-	4,617,841	-	-	-
Loans and advances to banks	22	34,364	34,364	-	-	-	-
Loans and advances to customers	23	421,773,158	417,266,356	249,365	11,869	3,456,147	789,421
Investment Securities	24	110,198,995	39,685,267	2,492,266	23,549,605	41,296,400	3,175,457
		887,227,409	790,547,209	10,771,289	37,191,486	44,752,547	3,964,878
Deposits from banks	30	62,989,263	62,989,263	-	-	-	-
Deposits from customers	31	469,249,902	464,553,019	1,863,516	2,209,003	624,364	-
Debt securities issued	32	50,102,687	-	-	-	50,102,687	-
Other borrowed funds	35	14,221,064	162,661	-	209,306	7,133,855	6,715,242
		596,562,916	527,704,943	1,863,516	2,418,309	57,860,906	6,715,242
		290,664,494	262,842,266	8,907,773	34,773,177	(13,108,359)	(2,750,364)

Notes to the consolidated financial statements

Exposure to other market risks – non-trading portfolios (continued)

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various scenarios. Credit spread risk (not relating to changes in the obligor / issuer's credit standing) on debt securities held by the Group and equity price risk is subject to regular monitoring by Group Management Risk committee, but is not currently significant in relation to the overall results and financial position of the Group.

Interest rate movement affect reported equity in the following ways:

- Retained earnings arising from increase or decrease in net interest income and the fair value changes reported in profit or loss.
- Fair value reserves arising from increases or decreases in fair value of available-for-sale financial instruments reported directly in equity.

Overall non-trading interest rate risk positions are managed by Treasury, which uses investment securities, advances to banks and deposits from banks to manage the overall position arising from the Group's non-trading activities.

At 31 December 2009, if interest rates on

- floating rate assets and liabilities held at amortised cost and
- assets and liabilities accounted at fair value through profit or loss

had increased or decreased by 200 basis points with all other variables held constant, the impact on profit or loss would have been as set out in the table below:

	Dec '09		**Dec '08**	
	Pre-tax	**Post-tax**	**Pre-tax**	**Post-tax**
	N'000	**N'000**	**N'000**	**N'000**
Decrease	(4,580,085)	(3,741,647)	(5,720,933)	(4,547,249)
Increase	4,580,085	3,741,647	5,720,933	4,547,249

Exposure to foreign currency risk
Foreign exchange risk represents exposures to changes in the values of current holdings and future cash flows denominated in other currencies. The types of instruments exposed to this risk include investments in foreign subsidiaries, foreign currency-denominated loans and securities, future cash flows in foreign currencies arising from foreign exchange transactions, foreign currency-denominated debt and various foreign exchange derivative instruments whose values fluctuate with changes in the level or volatility of currency exchange rates or foreign interest rates. The Group deploys foreign currency debts to foreign currency loans and advances to eliminate exchange exposures on such borrowings.

Notes to the consolidated financial statements

The table below summaries the Group's assets and liabilities at carrying amount, categorised by currency:

Financial instruments by currency *In thousands of Nigerian Naira*	**Note**	**Total**	**Naira**	**US $**	**GBP**	**Euro**	**Others**
31 December 2009							
Cash and cash equivalents	19	255,944,975	120,205,290	98,941,742	8,536,115	18,278,993	9,982,835
Trading Securities	20	134,926,969	127,348,071	48,500	-	-	7,530,398
Pledged assets	21	22,112,657	22,112,657	-	-	-	-
Loans and advances to banks	22	146,002	146,002	-	-	-	-
Loans and advances to customers	23	574,586,579	445,065,495	111,020,786	869,675	11	17,630,612
Investment Securities	24	19,159,408	19,026,708	-	132,700	-	-
		1,006,876,590	733,904,223	210,011,028	9,538,490	18,279,004	35,143,845
Deposits from banks	30	31,187,065	6,050,578	22,804,696	1,717,084	511,647	103,060
Deposits from customers	31	666,921,855	587,749,175	41,514,735	8,655,036	2,746,484	26,256,425
Debt securities issued	32	67,373,122	13,271,338	54,101,784	-	-	-
Other borrowed funds	35	12,390,288	-	12,390,288	-	-	-
		777,872,330	607,071,091	130,811,503	10,372,120	3,258,131	26,359,485

Financial instruments by currency			**Naira**	**US $**	**GBP**	**Euro**	**Others**
In thousands of Nigerian Naira	**Note**						
31 December 2008							
Cash and cash equivalents	19	274,633,776	87,349,798	133,012,150	13,961,478	28,586,395	11,723,955
Trading Securities	20	20,230,784	10,730,028	-	-	-	9,500,756
Pledged assets	21	55,738,491	55,738,491	-	-	-	-
Derivative assets held for risk		-	-	-	-	-	-
management	12	4,617,841	-	4,617,841	-	-	-
Loans and advances to banks	22	34,364	34,364	-	-	-	-
Loans and advances to customers	23	421,773,158	290,033,162	128,823,152	-	8	2,916,835
Investment Securities	24	110,198,995	108,863,878	-	-	-	1,335,117
		887,227,409	552,749,721	266,453,143	13,961,478	28,586,403	25,476,663
Deposits from banks	30	62,989,263	59,442,112	3,061	32	-	3,544,058
Deposits from customers	31	469,249,902	389,812,925	45,994,586	10,064,442	2,223,573	21,154,375
Debt securities issued	32	50,102,687	-	50,102,687	-	-	-
Other borrowed funds	35	14,221,064	-	14,221,064	-	-	-
		596,562,916	449,255,037	110,321,398	10,064,474	2,223,573	24,698,433

Notes to the consolidated financial statements

5(f) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for reconciliations and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for reporting operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

5(g) Capital management

Regulatory capital

The Group's lead regulator, the Central Bank of Nigeria sets and monitors capital requirements for the Bank. The parent company and individual banking operations are directly supervised by the Central Bank of Nigeria and the respective regulatory authorities in the countries in which the subsidiary banking operations are domiciled. Other subsidiaries are supervised by relevant regulatory authorities

In implementing current capital requirements, Central Bank of Nigeria requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Bank's regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes ordinary share capital, share premium, retained earnings, translation reserve and non-controlling interests after deductions for goodwill and intangible assets, and other regulatory

Notes to the consolidated financial statements

adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

- Tier 2 capital, which includes qualifying subordinated liabilities, collective impairment allowances and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available-for-sale.

Investments in unconsolidated subsidiaries and associates are deducted from Tier 1 or Tier 2 capital in arriving at the regulatory capital. Various limits are applied to elements of the capital base. The qualifying tier 2 capital cannot exceed tier 1 capital. There are also restrictions on the amount of collective impairment allowances that may be included as part of tier 2 capital (1.25% of risk assets and hybrid instruments - convertible bonds). Banking operations are categorised mainly as trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-financial position exposures.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Bank and its individually regulated operations have complied with all externally imposed capital requirements throughout the period. There have been no material changes in the Bank's management of capital during the period.

Notes to the consolidated financial statements

Capital adequacy ratio
The capital adequacy ratio is the quotient of the capital base of the Group and the Group's risk weighted asset base. In accordance with Central Bank of Nigeria regulations, a minimum ratio of 10% is to be maintained.

In thousands of Nigerian Naira	*Note*	December 2009	December 2008
Tier 1 capital			
Ordinary share capital	36	9,326,875	7,461,500
Share premium	36	119,076,565	119,076,565
Retained earnings	36	10,215,217	13,635,667
Other reserves	36	54,505,445	36,822,637
Non-controlling interests	36	5,141,939	4,042,125
Shareholders' funds		198,266,041	181,038,494
Add/(Less):			
Fair value reserve for available-for-sale securities	36	(815,820)	(218,661)
Intangible assets	27	(2,337,921)	(2,232,974)
Shareholders' funds		195,112,300	178,586,859
Tier 2 capital			
Fair value reserve for available-for-sale securities		815,820	218,661
Collective allowances for impairment	22,23	2,730,514	1,019,537
Total		3,546,334	1,238,198
Total regulatory capital		198,658,634	179,825,057
Risk-weighted assets		843,412,738	796,955,069
Capital ratios			
Total regulatory capital expressed as a percentage of total risk-weighted assets		23.55%	22.56%
Total tier 1 capital expressed as a percentage of risk-weighted assets		23.13%	22.41%

Capital allocation
The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to

Notes to the consolidated financial statements

specific operations and activities is undertaken independently of those responsible for the operation, by Group Risk and Group Credit, and is subject to review by the Group Credit Committee or ALMAC as appropriate.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Group's longer term strategic objectives. The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

6. Use of estimates and judgements
These disclosures supplement the commentary on financial risk management (see note 5).

Key sources of estimation uncertainty
Allowances for credit losses
Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 4(k)(viii).

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counter party's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances and held to maturity investment securities with similar economic characteristics when there is objective evidence to suggest that they contain impaired loans and advances and held to maturity investment securities, but the individual impaired items cannot yet be identified. A component of collectively assessed allowances is for country risks. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances are estimated.

Determining fair values
The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 4(k)(vii). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Notes to the consolidated financial statements

Critical accounting judgements in applying the Group's accounting policies
Critical accounting judgements made in applying the Group's accounting policies include:

Financial asset and liability classification
The Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

1. In classifying financial assets or liabilities as "trading", the Group has determined that it meets the description of trading assets and liabilities set out in accounting policy 4(m).
2. In designating financial assets or liabilities as available for sale, the Group has determined that it has met one of the criteria for this designation set out in accounting policy 4(k)(vi).
3. In classifying financial assets as held-to-maturity, the Group has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by accounting policy 4(o)(i).

Details of the Group's classification of financial assets and liabilities are given in note 8.

Depreciation and carrying value of property and equipment
The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items.

Determination of impairment of property and equipment, and intangible assets excluding goodwill
Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. The Group applies the impairment assessment to its separate cash generating units. This requires management to make significant judgements and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

Valuation of financial instruments
The Group's accounting policy on fair value measurements is discussed under note 4(k)(vii)

The Group measures fair values using the following hierarchy of methods.

- Level 1: Quoted market price in an active market for an identical instrument.

- Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- Level 3: This includes financial instruments, the valuation of which incorporate significant inputs for the asset or liability that is not based on observable market date (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally determined based on inputs of a similar nature, historic observations on the level of the input or analytical techniques. This category includes loans and advances to banks and

Notes to the consolidated financial statements

customers, investment securities, deposits from banks and customers, debt securities and other borrowed funds.

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

December 2009 *In thousands of Nigerian Naira*	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total**
Non pledged trading assets	20	134,926,969	-	-	134,926,969
Pledged assets	21	22,112,657	-	-	22,112,657
Derivative assets held for risk management	12	-	-	-	-
Loans and advances to banks	22	-	-	236,743	236,743
Loans and advances to customers	23	-	-	596,359,962	596,359,962
Investment securities	24	-	-	19,159,408	19,159,408
		157,039,626	-	615,756,113	772,795,739
Deposits from banks	30	-	-	31,188,044	31,188,044
Deposits from customers	31	-	-	670,624,103	670,624,103
Debt securities issued	32	-	-	69,010,388	69,010,388
Other borrowed funds	35	-	-	13,335,840	13,335,840
		-	-	784,158,375	784,158,375

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free interest rates, credit spreads and other premia used in estimating discount rates, bonds and equity prices. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with the determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Notes to the consolidated financial statements

7. Operating segments

The Group has five reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately based on the Group's management and internal reporting structure. For each of the strategic business units, the Executive Management Committee reviews internal management reports on at least a quarterly basis. The Group presents segment information to its Executive Management Committee, which is the Group's Chief Operating Decision Maker, based on Nigerian Generally Acceptable Accounting Practice (GAAP) whose requirements differ from those of International Financial Reporting Standards in certain respects. Some of the key differences include:

1. Interest income on impaired assets is not recognised under Nigerian GAAP while IFRS requires that such interest income be recognised in the income statement.

2. Provision for loan loss is determined based on Central Bank of Nigeria Prudential Guidelines under Nigeria GAAP while an incurred loss model is used in determine the impairment loss under IFRS..

3. Credit related fees are recognised in the profit and loss account at the time of occurrence under Nigeria GAAP while under IFRS, credit related fees are recognised as part of effective interest or over the period of the contract depending on the nature of the contract.

The following summary describes the operations in each of the Group's reportable segments:

- **Retail banking** – Incorporates private banking services, private customer current accounts, savings deposits, investment savings products, custody, credit and debit cards, customer loans and mortgages.
- **Corporate banking** – Incorporates current accounts, deposits, overdrafts, loans and other credit facilities, foreign currency and derivative products offered to large corporate customers.
- **Commercial banking** – Incorporates current accounts, deposits, overdrafts, loans and other credit facilities, foreign currency and derivative products for small and medium-sized companies.
- **Insurance** – Includes insurance transactions with individuals and corporate customers.
- **Asset management** – Includes portfolio and asset management transactions with individuals and corporate customers.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Executive Management Committee. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

Notes to the consolidated financial statements

7 Operating segments (Continued)
Information about operating segments

31 December 2009

In thousands of Nigerian Naira	Corporate Banking	Retail Banking	Commercial Banking	Insurance	Asset Management	Total
Revenue:						
Derived from external customers	80,783,626	34,375,104	43,930,108	3,044,419	417,161	162,550,418
Derived from other business segments	(10,116,981)	17,667,347	(7,550,366)			-
Total Revenue	70,666,645	52,042,451	36,379,742	3,044,419	417,161	162,550,418
Interest expenses	(21,993,554)	(11,987,532)	(6,455,657)	(19,689)	(84,033)	(40,540,465)
Fee and commission expenses	(177,587)	(75,567)	(96,572)	-	-	(349,726)
Net operating income	48,495,504	39,979,352	29,827,513	3,024,730	333,128	121,660,227
Expense:						
Operating expenses	(5,747,710)	(29,265,853)	(13,325,120)	(1,492,287)	(325,972)	(50,156,942)
Net impairment loss on financial assets	(20,757,796)	(4,113,874)	(12,503,053)	(151,506)	(500)	(37,526,729)
Depreciation and amortization	(1,347,739)	(3,132,346)	(1,369,811)	(119,286)	(44,371)	(6,013,553)
Total Cost	(27,853,245)	(36,512,073)	(27,197,984)	(1,763,079)	(370,843)	(93,697,224)
Profit before income tax	20,642,259	3,467,279	2,629,529	1,261,651	(37,715)	27,963,003
Assets and liabilities:						
Total assets	579,112,665	201,722,742	266,639,477	16,794,411	2,234,423	1,066,503,718
Total liabilities	(267,940,346)	(376,408,810)	(225,203,464)	(4,123,706)	(582,364)	(874,258,690)
Net Assets/ (Liabilities)	311,172,319	(174,686,068)	41,436,013	12,670,705	1,652,059	192,245,028

Notes to the consolidated financial statements

7 Operating segments (Continued)
Information about operating segments

31 December 2008

In thousands of Nigerian Naira	Corporate Banking	Retail Banking	Commercial Banking	Insurance	Asset Management	Total N'000
Revenue:						
Derived from external customers	48,933,723	28,034,656	20,160,922	3,304,477	172,028	100,605,806
Derived from other business segments	(8,715,577)	5,196,875	3,518,702	-	-	-
Total Revenue	40,218,146	33,231,531	23,679,624	3,304,477	172,028	100,605,806
Interest expenses	(8,989,017)	(6,262,359)	(4,214,499)	(1,625)	-	(19,467,500)
Fee and commission expenses	(88,270)	(50,571)	(36,367)	-	-	(175,208)
Net operating income	31,140,859	26,918,601	19,428,758	3,302,852	172,028	80,963,098
Expense:						
Operating expenses	(7,883,445)	(20,927,395)	(6,331,430)	(1,204,550)	(693,785)	(37,040,605)
Net impairment loss on financial assets	(3,269,726)	(619,841)	(688,950)	-	-	(4,578,517)
Depreciation and amortization	(678,316)	(2,345,000)	(875,630)	(95,470)	(20,431)	(4,014,847)
Total Cost	(11,831,487)	(23,892,236)	(7,896,010)	(1,300,020)	(714,216)	(45,633,969)
Profit before income taxation	19,309,372	3,026,365	11,532,748	2,002,832	(542,188)	35,329,129
Assets and liabilities:						
Total assets	462,554,611	238,475,196	239,624,167	16,567,466	1,962,253	959,183,693
Total liabilities	(302,953,452)	(347,089,034)	(122,717,701)	(4,135,163)	(254,443)	(777,149,793)
Net Assets/ (Liabilities)	159,601,159	(108,613,838)	116,906,466	12,432,303	1,707,810	182,033,900

Notes to the consolidated financial statements

7. Operating segments (Continued)

Reconciliation of reportable segment revenues, profit or loss and assets and liabilities

In thousands of Nigerian Naira	**2009**	**2008**
Revenues		
Total revenue from reportable segments	162,550,418	100,605,806
Adjustments to reconcile segment results to amounts reported in these IFRS financial statements	8,461,326	5,242,426
Unconsolidated amounts	(53,498)	173,697
Consolidated revenue	170,958,246	106,021,929
Profit or loss		
Total profit or loss for reportable segments	27,963,003	35,329,129
Adjustments to reconcile segment results to amounts reported in these IFRS financial statements	8,615,224	696,143
Unconsolidated amounts	(1,565,693)	1,609,414
Consolidated profit before income tax	35,012,534	37,634,686
Assets		
Total assets for reportable segments	1,066,503,718	959,183,693
Adjustments to reconcile segment results to amounts reported in these IFRS financial statements	12,518,216	5,286,618
Unconsolidated amounts	(844,349)	(1,351,483)
Consolidated total assets	1,078,177,585	963,118,828
Liabilities		
Total liabilities for reportable segments	874,258,690	777,149,793
Adjustments to reconcile segment results to amounts reported in these IFRS financial statements	1,126,598	1,943,083
Unconsolidated amounts	4,526,256	2,987,458
Consolidated total liabilities	879,911,544	782,080,334

Notes to the consolidated financial statements

Geographical segments
The Group operates in three geographic regions, being:
- Nigeria
- Rest of West Africa (comprising Ghana, Gambia, Sierra Leone and Liberia)
- Europe (UK and the Netherlands)

December 2009 *In thousands of Nigerian Naira*	**Nigeria**	**Rest of West Africa**	**Europe**	**Total**
Derived from external customers	161,427,576	9,037,167	493,503	170,958,246
Derived from other segments	195,068	-	-	195,068
Total Revenue	161,622,644	9,037,167	493,503	171,153,314
Interest expense	(41,554,711)	(2,338,781)	(333,577)	(44,227,069)
Fee and commission expenses	(349,726)	-	-	(349,726)
Net interest margin	119,718,207	6,698,386	159,926	126,576,519
Profit before income tax	33,636,839	2,492,102	(1,116,407)	35,012,534
Assets and liabilities:				
Total assets	1,042,444,775	36,249,852	(517,042)	1,078,177,585
Total liabilities	(844,393,126)	(33,951,625)	(1,566,793)	(879,911,544)
Net assets/(liabilities)	198,051,649	2,298,227	(2,083,835)	198,266,041

December 2008 *In thousands of Nigerian Naira*	**Nigeria**	**Rest of West Africa**	**Europe**	**Total**
Derived from external customers	101,203,089	4,488,238	217,518	105,908,845
Derived from other segments	113,084	-	-	113,084
Total Revenue	101,316,173	4,488,238	217,518	106,021,929
Interest expense	(17,678,686)	(1,107,879)	(3,571,715)	(22,358,280)
Fee and commission expenses	(175,208)			(175,208)
Net interest margin	83,462,279	3,380,359	(3,354,197)	83,488,441
Profit before income tax	40,947,193	1,156,722	(4,469,229)	37,634,686
Assets and liabilities:				
Total assets	864,479,467	36,861,091	61,778,270	963,118,828
Total liabilities	(691,510,606)	(32,171,805)	(58,397,923)	(782,080,334)
Net assets/(liabilities)	172,968,861	4,689,286	3,380,347	181,038,494

Notes to the consolidated financial statements

8. Financial assets and liabilities

Accounting classification measurement basis and fair values

The table below sets out the Group's classification of each class of financial assets and liabilities, and their fair values.

In thousands of Nigerian Naira	*Note*	Trading	Designated at fair value	Held-to-maturity	Loans at amortised cost	Available-for-sale	Other amortized cost	Total carrying amount	Fair value
31 December 2009									
Cash and cash equivalents	19	-	-	-	-	-	255,944,975	255,944,975	257,800,998
Non pledged trading assets	20	134,926,969	-	-	-	-	-	134,926,969	134,926,969
Pledged assets	21	-	-	-	-	22,112,657	-	22,112,657	22,112,657
Derivative assets held for risk management	12	-	-	-	-	-	-	-	-
Loans and advances to banks	22	-	-	-	146,002	-	-	146,002	236,743
Loans and advances to customers	23	-	-	-	574,586,579	-	-	574,586,579	596,359,962
Investment securities	24	-	-	7,132,700	-	12,026,708	-	19,159,408	19,159,408
		134,926,969	**-**	**7,132,700**	**574,732,581**	**34,139,365**	**255,944,975**	**1,006,876,590**	**1,030,596,737**
Deposits from banks	30	-	-	-	-	-	31,187,065	31,187,065	31,188,044
Deposits from customers	31	-	-	-	-	-	666,921,855	666,921,855	670,624,103
Debt securities issued	32	-	-	-	-	-	67,373,122	67,373,122	69,010,388
Other borrowed funds	35	-	-	-	-	-	12,390,288	12,390,288	13,335,840
		-	**-**	**-**	**-**	**-**	**777,872,330**	**777,872,330**	**784,158,375**
31 December 2008									
Cash and cash equivalents	19	-	-	-	-	-	274,633,776	274,633,776	269,650,366
Non pledged trading assets	20	20,230,784	-	-	-	-	-	20,230,784	20,230,784
Pledged assets	21	-	-	-	-	55,738,491	-	55,738,491	55,738,491
Derivative assets held for risk management	12	-	4,617,841	-	-	-	-	4,617,841	4,617,841
Loans and advances to banks	22	-	-	-	34,364	-	-	34,364	34,125
Loans and advances to customers	23	-	-	-	421,773,158	-	-	421,773,158	398,408,045
Investment securities	24	-	-	-	-	110,198,995	-	110,198,995	110,198,995
		20,230,784	**4,617,841**	**-**	**421,807,522**	**165,937,486**	**274,633,776**	**887,227,409**	**858,878,647**
Deposits from banks	30	-	-	-	-	-	62,989,263	62,989,263	63,015,820
Deposits from customers	31	-	-	-	-	-	469,249,902	469,249,902	583,288,445
Debt securities issued	32	-	-	-	-	-	50,102,687	50,102,687	50,636,996
Other borrowed funds	35	-	-	-	-	-	14,221,064	14,221,064	15,949,847
			-	**-**	**-**	**-**	**596,562,916**	**596,562,916**	**712,891,108**

Notes to the consolidated financial statements

Accounting classification measurement basis and fair values (continued)

Financial instruments at fair value (including those held for trading, designated at fair value, derivatives and available-for-sale) are either priced with reference to a quoted market price for that instrument or by using a valuation model. Where the fair value is calculated using a valuation model, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value. The expected cash flows for each contract are determined either directly by reference to actual cash flows implicit in observable market prices or through modelling cash flows using appropriate financial markets pricing models. Wherever possible these models use as their basis observable market prices and rates including, for example, interest rate yield curves, equities and prices.

9. Net interest income

31 December	**12 months**	**10 months**
In thousands of Nigerian Naira	**2009**	**2008**
Interest income		
Cash and cash equivalents	9,805,634	3,897,437
Loans and advances to banks and customers	103,426,804	60,369,874
Investment securities	15,372,793	7,466,577
Total interest income	128,605,231	71,733,888
Interest expense		
Deposit from banks	1,426,391	1,377,410
Deposit from customers	36,888,111	16,427,475
Securities trading	-	603,477
Other borrowed funds	1,289,924	833,722
Debt securities	4,622,643	3,116,196
Total interest expense	44,227,069	22,358,280
Net interest income	84,378,162	49,375,608

Interest income for the period ended 31 December 2009 includes ₦ 1,902,997,523 (December 2008:₦ 395,453,740) accrued on impaired financial assets.

10. Fee and commission income

31 December	**12 months**	**10 months**
In thousands of Nigerian Naira	**2009**	**2008**
Retail banking customer fees and commissions	6,537,166	4,384,361
Corporate banking credit related fees and commissions	4,686,494	5,212,316
Investment banking fees and commissions	413,006	19,028
Brokerage	9,995	624
Income from financial guarantee contracts issued	4,058,457	2,064,836
Other fees and commissions	12,181,783	9,149,288
Total fee and commission income	27,886,901	20,830,453

Notes to the consolidated financial statements

Corporate banking credit related fees and commissions relate to fees charged to corporate customers other than fees included in determining the effective interest rates relating to loans and advances carried at amortized cost.

11. Net trading income

31 December *In thousands of Nigerian Naira*	**12 months 2009**	**10 months 2008**
Bonds	2,818,958	1,204,532
Treasury bills	195,587	1,367,668
Equities	(4,084)	(734,582)
Properties	(1,932,177)	1,918,556
Foreign exchange	6,365,146	3,135,830
Net trading income	7,443,430	6,892,004

12. Derivative instruments held for risk management purposes

The Group uses derivatives not designated in a qualifying hedge relationship to manage its exposure to interest rate risks. The instruments used are interest rate swaps; however during the year ended December 2009 management closed out the swap contracts with the original counterparties to the swap. The table below shows the details and the fair values:

31 December *In thousands of Nigerian Naira*	**12 months 2009**	**10 months 2008**
Notional amount ($350,000)	-	48,838,125
Assets	-	13,806,685
Liabilities	-	(9,188,844)
Net balance	-	4,617,841

31 December *In thousands of Nigerian Naira*	**12 months 2009**	**10 months 2008**
Carrying value, beginning of period	4,617,841	2,332,281
Net income from derivatives held for risk management	(140,764)	2,684,703
Foreign exchange gain	431,662	114,322
Settlement	(4,908,739)	(513,465)
Carrying value, end of year/period	-	4,617,841

Notes to the consolidated financial statements

13. Other operating income

31 December *In thousands of Nigerian Naira*	**12 months 2009**	**10 months 2008**
Mark to market gain/(loss) on trading investments	3,889,009	(170,031)
Dividends on available for sale equity securities	358,620	181,898
Foreign exchange gain/(loss)	(329,016)	1,377,423
Gain on disposal of fixed assets	81,665	35,563
Other income	-	2,889
	4,000,278	1,427,742

14. Net impairment loss on financial assets

31 December *In thousands of Nigerian Naira*	**12 months 2009**	**10 months 2008**
Collective impairment charges on loans and advances	1,715,978	(452,639)
Specific impairment charges on loans and advances	29,987,146	4,674,321
Impairment charges on available for sale equities	1,329,627	-
Impairment charges on other assets	139,858	439,628
Impairment charges on insurance receivable	103,516	96,508
	33,276,125	4,757,818

15. Personnel expenses

31 December *In thousands of Nigerian Naira*	**Note**	**12 months 2009**	**10 months 2008**
Wages and salaries		16,644,158	11,852,313
Contributions to defined contribution plans		658,175	408,321
Cash-settled share-based payment		41,891	349,531
(Decrease)/increase in liability for defined benefit plans	34	(177,419)	1,926,546
Increase in liability for share appreciation rights		1,266,803	(2,012,179)
Other staff costs		50,806	226,876
		18,484,414	12,751,408

Notes to the consolidated financial statements

Personnel expenses (continued)

Cash- settled share-based payments

The Group operates a cash-settled share based compensation plan (share appreciation rights (SARs)) for its management personnel. The management personnel are entitled to the share appreciation rights after spending five years in the Bank. The amount of cash payment is determined based on the fair value of the shares of the Bank. The details of SARs granted at the financial position date are provided below:

In thousands	*Number of shares*
SARs granted to senior management employees at 31 December 2009	292,922
SARs granted to senior management employees at 31 December 2008	232,282

Employee expenses for share-based payments

31 December	**Note**	**12 months**	**10 months**
In thousands of Nigerian Naira		**2009**	**2008**
Effect of changes in the fair value of SARs		1,266,803	(2,012,179)
Expense from rights exercised during the year		41,891	349,531
Dividend payment to members of the scheme		203,491	226,876
Total expense recognized as personnel expenses		1,512,185	(1,435,772)
Total carrying amount of liabilities for cash-settled arrangements	33	4,540,285	2,994,045

The carrying amount of liabilities for cash-settled share based payments includes:

	Note	**December**	**December**
In thousands of Nigerian Naira		**2009**	**2008**
Balance, beginning of period		2,994,045	4,939,198
Effect of changes in fair value of SAR at year end		1,266,803	(2,012,179)
Options exercised during the year		(20,032)	(51,976)
Share rights granted during the year		299,469	119,002
Balance, end of period	33	4,540,285	2,994,045

Notes to the consolidated financial statements

16. Other operating expenses

31 December *In thousands of Nigerian Naira*	**12 months 2009**	**10 months 2008**
Other premises and equipment costs	5,425,201	1,623,880
Contract services	4,536,452	3,060,132
Insurance premium	2,401,427	1,957,280
General administrative expenses	19,248,697	16,267,501
Claims and benefits incurred on insurance contracts	1,076,010	797,725
	32,687,787	23,706,518

17. Income tax expense recognised in the profit or loss

31 December *In thousands of Nigerian Naira*	**12 months 2009**	**10 months 2008**
Current tax expense		
Current year	3,036,487	5,973,772
Prior year's under provision	741,262	257,492
	3,777,749	6,231,264
Deferred tax expense		
Origination of temporary differences	3,083,658	1,505,916
Reversal of temporary differences	(451,951)	(16,198)
Total income tax expense	6,409,456	7,720,982

Reconciliation of effective tax rate

In thousands of Nigerian Naira	***December* 2009**	***December* 2009**	***December* 2008**	***December* 2008**
Profit before income tax		35,012,534		37,634,683
Income tax using the domestic corporation tax rate	30.00%	10,503,760	30.00%	11,290,405
Effect of tax rates in foreign jurisdictions	-0.08%	(27,347)	-0.10%	(29,395)
Balancing charge	0.00%	1,229	0.00%	(1,541)
Non-deductible expenses	4.51%	1,578,631	7.50%	2,841,378
Education tax levy	0.84%	295,454	1.20%	438,839
Tax exempt income	-18.81%	(6,585,178)	-19.00%	(7,120,441)
Tax losses utilized	-0.28%	(98,355)	0.10%	44,245
Under provided in prior years	2.12%	741,262	0.70%	257,492
Total income tax expense in comprehensive income	18.31%	6,409,456	20.52%	7,720,982

Notes to the consolidated financial statements

Income tax recognised
In other comprehensive income

31 December *In thousands of Nigerian Naira*	**12 months 2009**	**10 months 2008**
Available-for-sale investment securities	94,387	148,091

18. Basic earnings per share

The calculation of basic earnings per share at 31 December 2009 was based on the profit attributable to ordinary shareholders of ₦28,591,685,000 (December 2008: ₦29,206,701,000) and a weighted average number of ordinary shares outstanding of 18,653,748,614 (December 2008: 14,922,998,891), calculated as follows:

Weighted average number of ordinary shares

In millions of shares	**December 2009**	**December 2008**
Issued ordinary shares at beginning of year	14,923	13,679
Effect of bonus issue	3,731	1,244
Weighted average number of ordinary shares at end of year	18,654	14,923

Profit attributable to ordinary shareholders

31 December *In thousands of Nigerian Naira*	**12 months 2009**	**10 months 2008**
Profit for the period attributable to equity holders of the Bank	28,591,685	29,206,701

Number of ordinary shares

In millions of shares	**December 2009**	**December 2008**
Issued ordinary shares	18,654	14,923

Notes to the consolidated financial statements

19. Cash and cash equivalents

In thousands of Nigerian Naira	December 2009	December 2008
Cash and balances with banks	123,310,667	168,183,158
Unrestricted balances with central banks	18,883,307	47,771,840
Money market placements	113,751,001	58,678,778
	255,944,975	274,633,776

20. Non pledged trading assets

In thousands of Nigerian Naira	December 2009	December 2008
Trading bonds	103,866,570	15,990,113
Trading treasury bills	30,262,467	1,282,392
Equities	797,932	2,958,279
	134,926,969	20,230,784

21. Pledged assets

In thousands of Nigerian Naira	December 2009	December 2008
Treasury bills	6,722,047	49,304,977
Government bonds	15,390,610	6,433,514
	22,112,657	55,738,491

Included in pledged assets are treasury bills of ₦3,639,133,000 (December 2008: ₦31,500,000,000) on repurchase agreements to secure inter-bank takings from other banks which have been included in deposits from banks in Note 30. These transactions have been conducted under terms that are usual and customary to standard lending and repurchase activities.

As at 31 December 2009, the Bank held no collateral, which it was permitted to sell or repledge in the absence of default by the owner of the collateral (December 2008: nil).

Notes to the consolidated financial statements

22. Loans and advances to banks

In thousands of Nigerian Naira	December 2009	December 2008
Loans and advances to banks	236,630	124,694
Less specific allowances for impairment	(90,212)	(90,212)
Less collective allowances for impairment	(416)	(118)
	146,002	34,364

Specific impairment allowance on loans and advances to banks

In thousands of Nigerian Naira	December 2009	December 2008
Balance beginning of year/period	90,212	90,212
Impairment loss for the year/period:		
- Charge for the year/period	-	-
Balance end of year/period	90,212	90,212

Collective impairment allowance on loans and advances to banks

In thousands of Nigerian Naira	December 2009	December 2008
Balance at beginning of year/period	118	78
Impairment loss for the year/period:		
- Charge for the year/period	298	40
Balance end of year/period	416	118

Notes to the consolidated financial statements

23. Loans and advances to customers

December 2009 *In thousands of Nigerian Naira*	**Gross amount**	**Specific impairment**	**Portfolio impairment**	**Total impairment**	**Carrying amount**
Loans to individuals	16,900,899	(1,027,333)	(64,857)	(1,092,190)	15,808,709
Loans to corporate entities and other organizations	579,913,005	(18,469,894)	(2,665,241)	(21,135,135)	558,777,870
	596,813,904	(19,497,227)	(2,730,098)	(22,227,325)	574,586,579

December 2008 *In thousands of Nigerian Naira*	**Gross amount**	**Specific impairment**	**Portfolio impairment**	**Total impairment**	**Carrying amount**
Loans to individuals	44,148,240	(312,187)	(164,275)	(476,462)	43,671,778
Loans to corporate entities and other organizations	381,840,742	(2,884,218)	(855,144)	(3,739,362)	378,101,380
	425,988,982	(3,196,405)	(1,019,419)	(4,215,824)	421,773,158

Specific impairment allowance on loans and advances to banks and customers

In thousands of Nigerian Naira	**December 2009**	**December 2008**
Balance beginning of year/period	3,196,405	382,332
Impairment loss for the year/period:		
- Charge for the year/period	30,250,732	5,035,842
- Recoveries	(263,586)	(361,521)
Net impairment for the year/period	29,987,146	4,674,321
Effect of foreign currency movements	15,765	(2,053)
Write-offs	(13,702,089)	(1,858,195)
Balance end of year/period	19,497,227	3,196,405

Notes to the consolidated financial statements

Collective impairment allowance on loans and advances to customers

In thousands of Nigerian Naira	**December 2009**	**December 2008**
Balance beginning of year/period	1,019,419	1,475,363
Impairment loss for the year/period:		
- Charge for the year/period	1,715,921	-
- Allowance no longer required	(241)	(452,679)
Net impairment for the year/period	1,715,680	(452,679)
Effect of foreign currency movements	(5,001)	(3,265)
Balance end of year/period	2,730,098	1,019,419

Loans and advances to customers include the following finance lease receivables for leases of certain property and equipment where the Group is the lessor:

In thousands of Nigerian Naira	**December 2009**	**December 2008**
Gross investment in finance leases, receivable:		
Less than one year	6,093	7,567
Between one and five years	-	18,811
	6,093	26,378
Unearned finance income	(23)	(2,302)
Net investment in finance leases	6,070	24,076

The net investment in finance leases comprises:

Less than one year	6,070	7,333
Between one and five years	-	16,743
	6,070	24,076

Notes to the consolidated financial statements

24. Investment securities

Available for sale Securities *In thousands of Nigerian Naira*	**December 2009**	**December 2008**
Treasury bills	-	43,142,049
Bonds	4,931,477	59,954,048
Equity securities with readily determinable fair values	5,436,747	5,606,787
Unquoted equity securities at cost	2,988,111	1,496,111
	13,356,335	110,198,995
Specific impairment for equities	(1,329,627)	-
	12,026,708	110,198,995

Held to maturity securities *In thousands of Nigerian Naira*	**December 2009**	**December 2008**
State government bonds	7,000,000	-
Corporate bond	132,700	-
	7,132,700	-
Investment securities	19,159,408	110,198,995

Specific impairment for equities *In thousands of Nigerian Naira*	**December 2009**	**December 2008**
Balance at 1 March	-	-
- Charge for the year	1,329,627	-
Balance at 31 December	1,329,627	-

Notes to the consolidated financial statements

25. Trading properties

Trading properties represent the cost of real estate properties designated for resale to customers by group entities trading in properties. The movement on the trading properties account during the year was as follows:

In thousands of Nigerian Naira	**December 2009**	**December 2008**
Balance, beginning of year	15,085,846	12,062,730
Additions	2,195,080	4,304,560
Disposals	(12,210,260)	(1,281,444)
Balance at 31 December	5,070,666	15,085,846

Notes to the consolidated financial statements

26 Property and equipment

In thousands of Nigerian Naira	Leasehold improvement and buildings	Furniture & equipment	Motor vehicle	Other transport equipment	Capital work-in - progress	Total
Cost						
Balance at 1 January 2009	13,719,394	17,115,380	4,865,053	2,545,136	11,273,863	49,518,826
Exchange difference on translation of opening balances	3,265	(22,223)	21,459	-	(43,708)	(41,207)
Additions	1,369,242	3,005,037	1,581,460	-	5,735,599	11,691,338
Disposals	(28,852)	(47,406)	(632,018)	-	-	(708,276)
Transfers	2,863,095	950,715	13,309	-	(3,827,119)	-
Balance at 31 December 2009	17,926,144	21,001,503	5,849,263	2,545,136	13,138,635	60,460,681
Balance at 1 March 2008	10,800,780	13,821,777	3,513,244	2,545,136	10,337,872	41,018,809
Exchange difference on translation of opening balances	19,803	22,246	7,226	-	(17,395)	31,880
Additions	184,829	2,355,458	1,784,674	-	4,388,198	8,713,159
Disposals	-	(31,021)	(440,091)	-	(14,068)	(485,180)
Transfers	2,473,824	946,920	-	-	(3,420,744)	-
Reclassifications	240,158	-	-	-	-	240,158
Balance at 31 December 2008	13,719,394	17,115,380	4,865,053	2,545,136	11,273,863	49,518,826

Notes to the consolidated financial statements

In thousands of Nigerian Naira	**Leasehold improvement and buildings**	**Furniture & equipment**	**Motor vehicle**	**Other transport equipment**	**Capital work-in - progress**	**Total**
Depreciation						
Balance at 1 January 2009	1,677,219	10,273,124	2,159,749	445,399	-	14,555,491
Exchange difference on translation of opening balances	(2,190)	(67,869)	15,559	-	-	(54,500)
Charge for the year	629,564	3,137,142	1,228,293	254,513	-	5,249,512
Disposal	(5,187)	(40,900)	(525,158)	-	-	(571,245)
Balance at 31 December 2009	2,299,406	13,301,497	2,878,443	699,912	-	19,179,258
Balance at 1 March 2008	1,334,096	8,123,536	1,744,931	233,304	-	11,435,867
Exchange difference on translation of opening balances	(3,550)	8,991	(1,246)	-	-	4,195
Charge for the year	346,673	2,166,474	778,710	212,095	-	3,503,952
Disposal	-	(25,877)	(362,646)	-	-	(388,523)
Balance at 31 December 2008	1,677,219	10,273,124	2,159,749	445,399	-	14,555,491
Carrying amounts:						
Balance at 31 December 2009	15,626,738	7,700,006	2,970,820	1,845,224	13,138,635	41,281,423
Balance at 31 December 2008	12,042,175	6,842,256	2,705,304	2,099,737	11,273,863	34,963,335

Notes to the consolidated financial statements

27. Intangible assets

In thousands of Nigerian Naira	Goodwill	Purchased Software	Total
Cost			
December 2009			
Balance at 1 January 2009	354,328	3,310,075	3,664,403
Additions	-	806,306	806,306
Exchange translation differences	-	-	-
Balance at 31 December 2009	354,328	4,116,381	4,470,709
December 2008			
Balance at 1 March 2008	189,817	2,860,205	3,050,022
Additions	164,511	449,870	614,381
Exchange translation differences	-	-	-
Balance at 31 December 2008	354,328	3,310,075	3,664,403
Amortization and impairment losses			
Balance at 1 January 2009	-	1,431,429	1,431,429
Amortization for the period	-	701,359	701,359
Reclassifications	-	-	-
Balance at 31 December 2009	-	2,132,788	2,132,788
Balance at 1 March 2008	-	958,784	958,784
Amortization for the period	-	472,645	472,645
Reclassifications	-	-	-
Balance at 31 December 2008	-	1,431,429	1,431,429
Carrying amounts			
Balance at 31 December 2009	354,328	1,983,593	2,337,921
Balance at 31 December 2008	354,328	1,878,646	2,232,974

No impairment losses on goodwill were recognised during the 12 months to 31 December 2009 (10 months to 31 December 2008: nil).

Notes to the consolidated financial statements

28. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

In thousands of Nigerian Naira		December 2009			December 2008	
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property and equipment, and software	8,566	(4,473,018)	(4,464,452)	6,891	(3,127,241)	(3,120,350)
Available-for-sale securities	-	104,865	104,865	29,956	(15,678)	14,278
Allowances for loan losses	-	(2,063,834)	(2,063,834)	-	495,306	495,306
Tax loss carry forward	-	-	-	-	-	-
Employee benefits	-	(349,454)	(349,454)	-	713,961	713,961
Other assets	-	223,620	223,620	-	(1,625,081)	(1,625,081)
Others	402,298	-	402,298	-	(87,751)	(87,751)
Net tax assets/(liabilities)	410,864	(6,557,821)	(6,146,957)	36,847	(3,646,484)	(3,609,637)

There were no unrecognised deferred tax assets or liabilities as at 31 December 2009 (31 December 2008: nil).

Notes to the consolidated financial statements

Deferred tax assets and liabilities
Movements in temporary differences during the year

December 2009		**Recognised in**		
In thousands of Nigerian Naira	**Balance at 1 January**	**Profit or loss**	**Other comprehensive income**	**Balance at 31 December**
Property and equipment, and software	(3,120,350)	(1,345,139)	-	(4,465,489)
Available-for-sale securities	14,278	399,534	93,712	507,524
Allowances for loan losses	495,306	(2,914,351)	-	(2,419,045)
Tax loss carry forward	-	-	-	-
Employee benefits	713,961	(1,063,415)	-	(349,454)
Other assets	(1,625,081)	1,861,921	-	236,840
Others	(87,751)	429,743	675	342,667
	(3,609,637)	(2,631,707)	94,387	(6,146,957)

December 2008	**Balance at**	**Profit or loss**	**Other**	**Balance at**
In thousands of Nigerian Naira	**1 March**		**comprehensive income**	**31 December**
Property and equipment, and software	(2,334,039)	(786,311)	-	(3,120,350)
Available-for-sale securities	(86,928)	229,837	(128,631)	14,278
Allowances for loan losses	372,293	123,013	-	495,306
Tax loss carry forward	175,995	(175,995)	-	-
Employee benefits	263,190	450,771	-	713,961
Other assets	(361,737)	(1,263,344)	-	(1,625,081)
Others	(602)	(67,689)	(19,460)	(87,751)
	(1,971,828)	(1,489,718)	(148,091)	(3,609,637)

29. Other assets

In thousands of Nigerian Naira	**December 2009**	**December 2008**
Due from banks	-	1,796,264
Accounts receivable and prepayments	16,543,846	14,124,287
Restricted deposits with central banks	5,760,774	7,812,617
Others	-	50,749
Insurance receivables	1,003,120	686,745
	23,307,740	**24,470,662**
Impairment on other assets	(914,045)	(774,187)
Impairment on insurance receivable	(193,574)	(124,058)
	22,200,121	23,572,417

Notes to the consolidated financial statements

Restricted deposits with central banks are not available for use in the Group's day-to-day operations.

The Bank had restricted balances of ₦5,760,774,000 with the Central Bank of Nigeria (CBN) as at 31 December 2009 (December 2008: ₦7,812,617,000). This balance is made up of CBN cash reserve requirement. The cash reserve ratio represents a mandatory 1% cash deposit which should be held with the Central Bank of Nigeria as a regulatory requirement.

Insurance receivable comprises:

In thousands of Nigerian Naira	**December 2009**	**December 2008**
Due from contract holders	236,020	139,227
Due from agents and brokers	553,815	526,510
Due from reinsurers	213,285	21,008
	1,003,120	686,745

Movement in impairment on other assets:

In thousands of Nigerian Naira	**December 2009**	**December 2008**
Balance at 1 March	774,187	981,367
Charge for the year	139,858	439,628
Recoveries	-	(646,808)
Balance at 31 December	914,045	774,187

Movement in impairment on insurance receivables:

In thousands of Nigerian Naira	**December 2009**	**December 2008**
Balance at 1 March	124,058	27,550
Charge for the year	103,516	96,508
Recoveries	(34,000)	-
Balance at 31 December	193,574	124,058

Notes to the consolidated financial statements

30. Deposits from banks

In thousands of Nigerian Naira	December 2009	December 2008
Money market deposits	4,041,988	31,519,939
Other deposits from banks	27,145,077	31,469,324
	31,187,065	62,989,263

31. Deposits from customers

In thousands of Nigerian Naira	December 2009	December 2008
Retail customers:		
Term deposits	136,298,536	66,012,806
Current deposits	87,345,922	92,676,275
Savings	60,053,329	45,211,678
Corporate customers:		
Term deposits	181,866,261	87,585,751
Current deposits	201,357,807	177,760,411
Others	-	2,981
	666,921,855	469,249,902

32. Debt securities issued

In thousands of Nigerian Naira	December 2009	December 2008
Debt securities at amortized cost:		
Eurobond debt security	54,169,953	50,102,687
Corporate bonds	13,203,169	-
	67,373,122	50,102,687

Debt securities of ₦54,169,953,000 (USD350,000,000 measured at amortised cost) represents US Dollar denominated guaranteed notes issued by the Group in January 2007 with tenure of 5 years. Interest on the notes is payable semi-annually at 8.5% per annum plus margin of 10.7 basis points (0.1% per annum).

The amount of N13,203,169,000 represents fixed rate senior unsecured non-convertible bonds issued by the Bank in December 2009. The debt security is redeemable in December 2014 and coupon is payable half yearly at 13.5% per annum. The amount represents the first tranche of a N200 billion debt issuance programme.

Notes to the consolidated financial statements

The Group has not had any defaults of principal, interest or other breaches with respect to its debt securities during 2009 (2008: nil).

33. Other liabilities

In thousands of Nigerian Naira	Note	December 2009	December 2008
Cash settled share based payment liability		4,540,285	2,994,045
Liability for defined contribution obligations		115,976	-
Recognized liability for defined benefit obligations	34	(1,339,164)	410,125
Deferred income on financial guarantee contracts		660,110	1,386,803
Creditors and accruals		604,711	21,987
Certified cheques		12,594,704	13,297,171
Lease obligation (a)		2,211,130	2,125,260
Due to foreign banks (b)		60,283,827	119,883,550
Other current liabilities		9,734,517	30,886,142
Liabilities to customers under investment contracts		1,115,094	586,386
		90,521,190	171,591,469

(a) As at 31 December 2009, the group was obligated under a non-cancellable finance lease for other transportation equipment for which the future minimum lease payments extend over a number of years. This is analysed as follows:

	December 2009	December 2008
Not more than one year	721,595	608,534
Over one year but less than five years	2,345,184	1,825,601
Over five years	0	760,682
Less future finance charges	(855,649)	(1,069,557)
	2,211,130	2,125,260

(b) This represents the Naira value of foreign currencies held on behalf of customers in various foreign accounts to cover letters of credit transactions. The corresponding balance is included in cash and balances with banks.

Notes to the consolidated financial statements

34. Defined benefit obligations

The Bank operates a non-contributory, funded lump sum defined benefit gratuity scheme. Employees are entitled to join the scheme after completing 10 full years of service. Employees' terminal benefits are calculated based on number of years of continuous service, limited to a maximum of 10 years.

The amounts recognised in the statement of financial position are as follows:

In thousands of Nigerian Naira	December 2009	December 2008
Unfunded obligations	-	-
Present value of funded obligations	(1,952,810)	(1,851,860)
Total present value of defined benefit obligations	(1,952,810)	(1,851,860)
Fair value of plan assets	3,291,974	1,441,735
Present value of net asset/(obligations)	1,339,164	(410,125)
Unrecognized actuarial gains and losses	-	-
Recognized asset/(liability) for defined benefit obligations	1,339,164	(410,125)

Plan assets consist of the following:

In thousands of Nigerian Naira	December 2009	December 2008
Equity securities	1,037,061	773,617
Government bonds	158,788	241,212
Offshore investments	398,799	336,854
Cash and bank balances	1,697,326	90,052
	3,291,974	1,441,735

Movement in the present value of defined benefit obligations:

In thousands of Nigerian Naira	December 2009	December 2008
(Deficit)/surplus on defined benefit obligations at 1 January	(410,125)	1,501,265
Interest costs	(237,696)	(104,058)
Current service costs	(225,287)	(128,710)
Expected return on planned assets	172,890	241,668
Net actuarial gain/(loss) for the year - obligations	359,019	(499,024)
Net actuarial gain/(loss) for the year - plan Assets	108,493	(1,436,422)
Contributions paid	1,571,870	15,156
(Deficit)/surplus for defined benefit obligations at end 31 December	1,339,164	(410,125)

Notes to the consolidated financial statements

Movement in plan assets:

In thousands of Nigerian Naira	December 2009	December 2008
Fair value of plan assets at 1 January	1,441,735	2,636,488
Contributions paid into/(withdrawn from) the plan	1,571,870	15,156
Benefits paid by the plan	(3,014)	(15,156)
Actuarial gain/(loss)	108,493	(1,436,422)
Expected return on plan assets	172,890	241,669
Fair value of plan assets at 31 December	3,291,974	1,441,735

Expense recognised in profit or loss:

In thousands of Nigerian Naira	Note	December 2009	December 2008
Current service costs		225,287	128,710
Interest on obligation		237,696	104,058
Expected return on planned assets		(172,890)	(241,668)
Net actuarial (gain)/loss recognised in the year		(467,512)	1,935,446
To profit or loss	15	(177,419)	1,926,546
Actual return on plan assets		(281,383)	1,179,597

Actuarial assumptions
Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	December 2009	December 2008
Expected return on plan assets at 1 January	12%	12%
Future salary increases	12%	12%
Retirement age for both male and female	60 years	60 years
Retirement Rate: 50 – 59	2.00%	2.00%
Withdrawal Rate: 18 – 29	4.50%	4.50%
Withdrawal Rate: 30 – 44	6.00%	6.00%
Withdrawal Rate: 45 – 49	2.50%	2.50%

Assumptions regarding future mortality before retirement are based on A49/52 ultimate table published by the Institute of Actuaries of United Kingdom.

Notes to the consolidated financial statements

The overall expected long-term rate of return on assets is 12%. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based entirely on current market yields on Nigerian Government Bonds. The component of the rate of remuneration increase based on seniority and promotion is an average of 2% per annum. The inflation component has been worked out at 10% per annum.
For members in active service as at the valuation date, the projected unit credit method of valuation as required under the IFRS has been adopted.

Historical information *In thousands of Nigerian Naira*	**December 2009**	**December 2008**	**February 2008**	**February 2007**	**February 2006**
Present value of the defined benefit obligation	(1,952,810)	(1,851,860)	(1,135,223)	(950,210)	(748,140)
Fair value of plan assets	3,291,974	1,441,735	2,636,488	2,390,030	1,338,420
Surplus/(deficit)	1,339,164	(410,125)	1,501,265	1,439,820	590,280

35. Other borrowed funds

In thousands of Nigerian Naira	**December 2009**	**December 2008**
Due to IFC (see note (i) below)	8,507,690	9,267,822
Due to EIB (see note (iii) below)	-	209,696
Due to ADB (see note (iv) below)	3,882,598	4,743,546
	12,390,288	14,221,064

(i). The amount of ₦8,507,690,000 (USD 56,785,000) represents the outstanding balance on various facilities granted by the International Finance Corporation (IFC) between March 2001 and January 2007 repayable over 7 to 10 years at interest rates varying from 2.75% to 4.75% above LIBOR rates.

(ii). The amount of ₦209,696,000 (USD 1,502,874) represents the dollar facility granted by the European Investment Bank (EIB) in June 2005 for a period of 4 years. Interest is payable half yearly at 2.5% above LIBOR rates. The amount was fully repaid during the year.

(iii). The amount of ₦3,882,598,000 (USD 25,667,000) represents the dollar facility granted by the African Development Bank (ADB) in May 2006 for a period of 7 years. The principal amount is repayable in 12 equal instalments after a moratorium of 1 year, while interest is payable half yearly at a rate per annum determined by the Bank to be the sum of LIBOR or its successor rate for such interest periods plus 245 basis points per annum.

Notes to the consolidated financial statements

36. Capital and reserves

Share capital

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote at meetings of the Group. All ordinary shares and GDR shares rank pari-passu with the same rights and benefits at meetings of the Group.

	In thousands of Nigerian Naira	December 2009	December 2008
(a)	Authorised - 30,000,000,000 Ordinary shares of 50k each (31 December 2008: 30,000,000,000 of 50k each)	15,000,000	15,000,000

	In thousands of Nigerian Naira	December 2009	December 2008
(b)	Issued and fully paid-up - 18,653,748,614 Ordinary shares of 50k each (31 December 2008: 14,922,998,891 of 50k each)	9,326,875	7,461,500

The movement on the issued and fully paid-up share capital account during the year was as follows:

	In thousands of units	December 2009	December 2008
(c)	Balance, beginning of year	14,922,999	13,679,416
	Bonus shares capitalized	3,730,750	1,243,583
	Balance, end of year	18,653,749	14,922,999

Share premium
Share premium is the excess paid by shareholders over the nominal value for their shares.

Other regulatory reserves
The other regulatory reserve includes movements in the statutory reserves and the small and medium scale industries reserve.

(i) Statutory Reserves: Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by S.16(1) of the Banks and Other Financial Institution Act of 1991 (amended), an appropriation of 30% of profit after tax is made if the statutory reserve is less than paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid up share capital. However, the Bank transferred 30% of its profit after tax to statutory reserves as at year end (2008: 30%).

Notes to the consolidated financial statements

(ii) Small and Medium Scale Industries Reserve (SMEEIS): The SMEEIS reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investment in qualifying small and medium scale enterprises. Under the terms of the guideline (amended by CBN letter dated 11 July 2006), the contributions will be 10% of profit after tax and shall continue after the first 5 years but banks' contributions shall thereafter reduce to 5% of profit after tax. However, this is no longer mandatory.

During the year, an amount of ₦1,065,425,000 representing diminution in value of SMEEIS investment was charged to profit or loss.

Treasury shares
Treasury shares represent the Bank's shares of 753,049,097 (2008: 641,542,946) held by the Staff Investment Trust and two other subsidiary companies as at 31 December 2009.

Bonus reserves
Subsequent to the balance sheet date, the Board of Directors has approved the transfer of ₦2,331,719,000 (2008: ₦1,865,375,000) from the Group's profit for the year to issue bonus shares in the ratio of 1 new ordinary share for every 4 held, subject to declaration by the shareholders at the Annual General Meeting (2008: 1 new ordinary share for every 4 ordinary shares held).

Fair value reserve
The fair value reserve includes the net cumulative change in the fair value of available-for-sale investments until the investment is derecognised or impaired.

Regulatory risk reserve
The regulatory risk reserves warehouses the difference between the impairment on balance on loans and advances under the Nigeria GAAP and based on Central Bank of Nigeria prudential guidelines compared with the loss incurred model used in calculating the impairment balance under IFRS.

Retained earnings
Retained earnings are the carried forward recognised income net of expenses plus current period profit attributable to shareholders.

Non-controlling interest
The entities accounting for the non-controlling interest balance is shown below:

In thousands of Nigerian Naira	**December 2009**	**December 2008**
GTB (Gambia) Limited	268,899	257,778
GTB (Sierra Leone) Limited	168,317	168,709
GT Assurance Plc	3,580,884	3,294,813
GTB (Ghana) Limited	366,832	320,825
GT Homes Limited	757,005	-
GTB Asset Management Limited	2	-
	5,141,939	4,042,125

Notes to the consolidated financial statements

37. Dividends

The following dividends were declared and paid by the Group during the year ended 31 December 2009:

In thousands of Nigerian Naira	**December 2009**	**December 2008**
Balance, beginning of period	-	-
Interim dividend declared	-	-
Final dividend declared	14,922,999	9,575,591
Payment during the period	(14,922,999)	(9,575,591)
Balance, end of period	-	-

Subsequent to the balance sheet date, the board of directors has proposed a dividend of ₦0.75 per share on the issued share capital of 18,653,748,614 ordinary shares of 50k each, amount being ₦13,990,311,460 subject to the approval of the shareholders at the next annual general meeting. (31 December 2008: ₦1 per share on the issued share capital of 14,922,998,891 ordinary shares of 50k each, amount being ₦14,922,998,891)

38. Leasing

As lessor

The Group acts as lessee under operating and finance leases, providing financing for its customers and leasing assets for their own use. In addition, assets leased by the Group may be sublet to other parties. Details of finance lease commitments have been included in other liabilities.

As lessee

Operating lease commitments

The Group leases offices, branches and other premises under operating lease arrangements. The leases have various terms and renewal rights. The lease rentals are paid in advance and recognised on straight line basis over the lease period. The outstanding balance is accounted for as prepaid lease rentals. There are no contingent rents payable.

39. Contingencies

Claims and litigation

The Group in its ordinary course of business is presently involved in 154 (December 2008: 98) cases as a defendant and 35 cases (December 2008: 32) as a plaintiff. The total amount claimed in the 154 cases against the Group is estimated at ₦ 122,746,173,027 (December 2008: ₦ 8,489,470,462) while the total amount claimed in the 35 cases instituted by the Bank is ₦ 4,270,189,728 and $16,352,426 (2008: ₦ 472,820,325). The Directors having sought the opinion of the Group's solicitors are of the opinion that none of the aforementioned cases is likely to have material adverse effect on the Group. The Directors are not aware of any other pending and or threatened claims or litigation which may be material to the financial statements.

Notes to the consolidated financial statements

Contingent liabilities and commitments
In common with other banks, the Group conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. Contingent liabilities and commitments comprise acceptances, endorsements, guarantees and letters of credit.

Nature of instruments
An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Group expects most acceptances to be presented, but reimbursement by the customer is normally immediate. Endorsements are residual liabilities of the Group in respect of bills of exchange, which have been paid and subsequently rediscounted.
Guarantees and letters of credit are given as security to support the performance of a customer to third parties. As the Group will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Other contingent liabilities include transaction related customs and performances bonds and are, generally, short-term commitments to third parties which are not directly dependent on the customer's creditworthiness. Commitments to lend are agreements to lend to a customer in the future, subject to certain conditions. Such commitments are either made for a fixed period, or have no specific maturity dates but are cancellable by the lender subject to notice requirements. Documentary credits commit the Group to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers. The following tables summarise the nominal principal amount of contingent liabilities and commitments with off-financial position risk.

Acceptances, bonds, guarantees and other obligations for the account of customers:

a. These comprise:

In thousands of Nigerian Naira	**December 2009**	**December 2008**
Contingent liabilities:		
Acceptances and guaranteed commercial papers	1,684,681	146,373,722
Transaction related bonds and guarantees	250,006,249	170,281,067
Guaranteed facilities	90,406	259,016
	251,781,336	316,913,805
Commitments:		
Short term foreign currency related transactions	14,712,413	25,420,700
Clean line facilities for letters of credit	66,196,010	71,788,236
Other commitments	130,501	9,656,209
	81,038,924	106,865,145

c. All the transaction related bonds and guarantees are fully collaterised. The cash component out of the balance was ₦ 16,477,432,157 (31 December 2008: ₦26,120,245,000).

d. The Bank granted clean line facilities for letters of credit during the period to guarantee the performance of customers to third parties.

Notes to the consolidated financial statements

40. Group entities

i. Significant subsidiaries

	Country of incorporation	Ownership interest December 2009	Ownership interest December 2008
Guaranty Trust Bank Gambia Limited	Gambia	77.9%	77.9%
Guaranty Trust Bank Sierra Leone Ltd	Sierra Leone	84.3%	84.3%
Guaranty Trust Assurance Plc	Nigeria	71.2%	73.7%
Guaranty Trust Bank Ghana Limited	Ghana	96.0%	70.0%
Guaranty Trust Registrars Limited	Nigeria	99.9%	99.9%
Guaranty Trust Homes Limited	Nigeria	75.1%	100%
Guaranty Trust Bank UK Limited	United Kingdom	100%	100%
GTB Asset Management Limited	Nigeria	99.9%	99.9%
Guaranty Trust Bank Liberia Limited	Liberia	100%	100%
Special purpose entities:			
Staff Investment Trust	Nigeria	100%	100%
Guaranty Trust Bank Finance BV	Netherlands	100%	100%

41. Related parties

Related party transactions
Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes subsidiaries, associates, joint ventures and the Group's pension schemes, as well as key management personnel.

Parent
The parent company, which is also the ultimate parent company, is Guaranty Trust Bank Plc (GTB Plc).

Subsidiaries
Transactions between Guaranty Trust Bank Plc and its subsidiaries also meet the definition of related party transactions. Where these are eliminated on consolidation, they are not disclosed in the consolidated financial statements.

Transactions with key management personnel
The Group's key management personnel, and persons connected with them, are also considered to be related parties. The definition of key management includes the close members of family of key personnel and any entity over which key management exercise control. The key management personnel have been identified as the executive and non-executive directors of the Group. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with Guaranty Trust Bank Plc and its subsidiaries.

Notes to the consolidated financial statements

Key management personnel and their immediate relatives engaged in the following transactions with the Group during the year:

Loans and advances: *In thousands of Nigerian Naira*	December 2009	December 2008
Secured loans	10,016,822	11,542,887

Deposits: *In thousands of Nigerian Naira*	December 2009	December 2008
Total deposits	645,853	1,350,655

Interest rates charged on balances outstanding are at rates that would be charged in the normal course of business. The secured loans granted are secured over real estate, equity and other assets of the respective borrowers. No impairment losses have been recorded against balances outstanding during the period with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel and their immediate relatives at the year end.

Key management personnel compensation for the period comprises:

In thousands of Nigerian Naira	December 2009	December 2008
Short-term employee benefits	-	357,341
Post-employment benefits	(55,138)	684,820
Share-based payments	-	114,156
Increase /(decrease) in share appreciation rights	612,789	(802,053)
	557,651	354,264

Directors' remuneration

In thousands of Nigerian Naira	December 2009	December 2008
Fees as directors	103,712	81,457
Other allowances	132,064	72,920
	235,776	154,377
Executive compensation	406,665	293,079
	642,441	447,456

42. Subsequent events

There were no events subsequent to the financial position date which require adjustment to, or disclosure in, these financial statements.

Notes to the consolidated financial statements

43. Prior period corresponding balances

Certain prior period balances have been reclassified in line with current period presentation due to the following reasons:

- Insurance contracts liabilities was reclassified from other liabilities to liabilities on insurance contracts in order to reflect the Group's increased activity in its insurance business.

- Mark to market loss on trading investments was reclassified to other operating income in order to properly categorise it based on its nature.

- Impairment charges on other assets and insurance receivables were reclassified from operating expenses to net impairment loss on financial assets for appropriate disclosure purposes.

(a) Other liabilities

In thousands of Nigerian Naira	**December 2008**
Balance previously reported	172,386,015
Reclassification to liabilities on insurance contracts (see note (b) below)	(794,546)
Balance as restated	171,591,469

(b) Liabilities on insurance contracts

In thousands of Nigerian Naira	**December 2008**
Balance previously reported	-
Reclassification from other liabilities (see note (a) above)	794,546
Balance as restated	794,546

(c) Fee and commission expense

In thousands of Nigerian Naira	**December 2008**
Balance previously reported	-
Reclassification from other operating expenses (see note (d) below)	175,208
Balance as restated	175,208

(d) Other operating expenses

In thousands of Nigerian Naira	**December 2008**
Balance previously reported	23,620,137
Reclassification to fee and commission expense (see note (c) above)	(175,208)
Reclassification to impairment charge on other assets (see note (e) below)	(439,628)
Reclassification to impairment charge on insurance receivable (see note (e) below)	(96,508)
Reclassification from claims incurred on insurance contracts (see note (f) below)	797,725
Balance as restated	23,706,518

Notes to the consolidated financial statements

(e) Net impairment loss on financial assets

In thousands of Nigerian Naira	**December 2008**
Balance previously reported	4,221,682
Reclassification from other operating expenses (see note (d) above)	439,628
Reclassification from other operating expenses (see note (d) above)	96,508
Balance as restated	4,757,818

(f) Claims incurred on insurance contracts

In thousands of Nigerian Naira	**December 2008**
Balance previously reported	797,725
Reclassification to other operating expenses (see note (d) above)	(797,725)
Balance as restated	-

(g) Net trading income

In thousands of Nigerian Naira	**December 2008**
Balance previously reported	6,721,973
Reclassification to other operating income (see note (h) below)	170,031
Balance as restated	6,892,004

Notes to the consolidated financial statements

(h) Other operating income

In thousands of Nigerian Naira	**December 2008**
Balance previously reported	1,597,773
Reclassification from other net trading income (see note (g) above)	(170,031)
Balance as restated	1,427,742

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Independent Auditor's Report
To the members of **Guaranty Trust Bank Plc**

We have audited the accompanying consolidated financial statements of Guaranty Trust Bank Plc and its subsidiaries (the "Group"), which comprise the consolidated financial position as at 31 December 2009, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statement, which include a summary of significant accounting policies and other explanatory notes as set out on pages 1 to 91.

Directors' responsibility for the financial statements
The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 our 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 considers 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 principles used and the reasonableness of accounting estimates made by the directions, 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 opinion.

Opinion
In our opinion, the consolidated financial statements give a true and fair of the financial position of Guaranty Trust Bank Plc and its subsidiaries ("the Group") as at 31 December 2009, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
We draw attention to the fact that these consolidated financial statements are prepared in addition to the Group's statutory consolidated financial statements as described in Note 2 to the consolidate financial statements.

KPMG

19 May 2010
Lagos, Nigeria

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