OFFERING CIRCULAR

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") 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 1.

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.

Application may also be made to have certain Series (as defined under "*Terms and Conditions of the Notes*") of Notes accepted for trading in the PORTAL® Market ("PORTAL") of The Nasdaq Stock Market LLC.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended, (the "Securities Act") and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons 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.

Arranger

Credit Suisse

Dealers

Credit Suisse
Morgan Stanley
UBS Investment Bank

Deutsche Bank
Standard Bank

The date of this Offering Circular is 1 July 2008.

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) and Nigeria, 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. The Notes have not 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 will be required to execute and deliver an IAI Investment Letter (as defined under "*Terms and Conditions of the Notes*"). Each purchaser or holder of Definitive IAI Registered Notes, Notes represented by a Rule 144A Global Note 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 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.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 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 LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 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. If the Dutch court finds that the jurisdiction of the federal or state court in the United States has been based on grounds which are internationally acceptable and that proper legal procedures have been observed, the Dutch court will, in principle, give binding effect to the final judgment which has been rendered in the United States, unless such judgment contravenes public policy in 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.

Subject to certain exceptions, the Foreign Judgments (Reciprocal Enforcement) Act, Cap F35, Laws of the Federation of Nigeria ("*LFN*") 2004, provides that certain judgments by courts of Commonwealth countries, or countries with which Nigeria has reciprocal arrangements on the matter, may be enforced in Nigeria within 12 months of being delivered. To be enforceable, such judgments must be final and capable of execution in the country of delivery, and must not have been wholly satisfied, nor suffer from want of jurisdiction, lack of fair hearing, fraud, being contrary to public policy or being stopped because the issue had already been decided by another competent court before its determination by the foreign court. Judgments not covered by the Foreign Judgments (Reciprocal Enforcement) Act, Cap F35 LFN 2004 (whether because

they are delivered in countries that are neither part of the Commonwealth nor have any treaties with Nigeria on mutual recognition of court judgments) may be recognised and enforced under residual common law powers, which allow such judgments in a new action to enforce the same to be: (a) used as the basis of proof of liability or (b) determinant of the central issue in a new action. There is no treaty between the United States and Nigeria providing for reciprocal enforcement of judgments (except with respect to penal judgments). Thus, judgments from courts of the United States can only be enforced in Nigeria if the person seeking to enforce them is able to bring a successful new action on the judgment in Nigerian courts. Nonetheless, a judgment obtained in a U.S. court will be enforced in Nigeria if there is reciprocity as to the enforcement of judgments, i.e., where the appropriate courts of the relevant state in the United States would enforce a judgment of a Nigerian superior court of record under comparable circumstances. Due to the difficulties of proving whether or not the reciprocity rule on the enforcement of foreign judgments applies to a specific country, the Minister of Justice will, upon receiving applications, examine such applications and make orders on a case by case basis.

It should be noted that a foreign judgment can only be recognised and enforced in Nigeria in the local currency, leaving the judgment creditor with the responsibility of applying through the banks to convert and remit the proceeds of the enforcement abroad. 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 sought to be enforced was obtained.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

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

Historically, the Bank has only been required to prepare 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"). Since the Bank's first listing of global depositary receipts, or GDRs, on the London Stock Exchange in July 2007, the Bank and its subsidiaries (the "Group") has been subject to, and the Bank has agreed to also prepare (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) semi-annual financial statements for the Bank on a stand-alone basis in accordance with IFRS. The results of operations and financial condition of the Group may be materially different when prepared in accordance with either Nigerian GAAP or IFRS. There are significant differences between Nigerian GAAP and IFRS. See "*Annex A – Summary of Significant Differences between IFRS and Nigerian GAAP*". 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 for Licensed 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.

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 was prepared using monthly averages of the Bank on a stand-alone basis as such monthly averages are not available on a consolidated basis.

Unless otherwise indicated, financial information set forth herein related to the Group has been derived from the Group's audited consolidated balance sheet, statements of income, cashflows and changes in equity as at and for the year ended 29 February 2008 (the "2008 Financial Statements") and consolidated balance sheet, statements of income, cashflows and changes in equity as at and for the year ended 28 February 2007 (the "2007 Financial Statements" and, together with the 2008 Financial Statements, the "Annual Financial Statements") prepared in accordance with IFRS. The 2008 Financial Statements and the 2007 Financial Statements, including the audit opinions of KPMG Professional Services, Nigeria ("KPMG") thereon are set forth elsewhere in this Offering Circular.

The Bank has 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 economy and political landscape in general and related subjects from certain third-party sources described herein. This third-party information is presented in the following sections of the Offering Circular: "*Overview*", "*Risk Factors*", "*The Nigerian Banking Sector*", "*Nigeria*" and "*Management's Discussion and Analysis of Result of Operations and Financial Condition*". The Bank has accurately reproduced such information and, so far as the Bank is aware and is 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 Bank's estimates are based on such third-party information. Neither the Bank nor any of the Dealers have independently verified the figures, market data or other information on which third parties have based their studies.

The Bank has derived substantially all of the information contained in this Offering Circular concerning its competitors from publicly available information, such as annual reports, and has accurately reproduced such information and, so far as the Bank is aware and is 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 Bank has relied on the accuracy of this information without independent verification. Further, up to (and as at) the financial year-end 29 February 2008 the Bank has prepared its financial statements using a 28 February financial year-end. Information presented herein with respect to other banks in Nigeria may be based on different financial year-ends. Additionally, other Nigerian banks prepare their financial statements in accordance with Nigerian GAAP, not IFRS. 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. In particular, the Bank's ranking and financial performance in relation to other Nigerian banks may change as other banks produce new audited financial statements.

Investors should be aware of recent changes introduced by the CBN in January 2008, requiring all Nigerian banks, where applicable, to change their financial year-end to 31 December, with effect from 31 December 2008. The new policy is aimed at bringing Nigerian banks' financial reporting in line with international standards, assisting rating agencies in their assessment and ranking of Nigerian banks and creating a uniform basis for the comparison of profits and size between, and the performance of, Nigerian banks in general. As a consequence, the Bank's financial year-end will change from 28 February to 31 December, resulting in a 10-month financial reporting period from 1 March 2008 to 31 December 2008. For a discussion of the risks involved in a change of the Bank's financial year-end. See "*Risk Factors – The Bank's audited consolidated and unconsolidated financial statements for the 2008 financial year will not be directly comparable to prior accounting periods.*"

In addition, some of the information contained in this Offering Circular has been derived from official data of the CBN and reports published by Agusto & Co., a Nigerian credit rating and risk managing company.

Official data published by the Nigerian governmental or regional agencies is substantially less complete or researched than those of more developed countries. Further, statistics, including those produced by the CBN and Agusto & Co., may be produced on different bases than those used in more developed countries. In addition, when interpreting any information published by Agusto & Co., investors should note for comparative purposes that Nigerian banks, generally, do not have the same financial year-end. Any discussion of matters relating to Nigeria and West Africa in this Offering Circular is, therefore, subject to uncertainty due to concerns about the completeness or reliability of available official and public information. In addition, there are references in this document to the Group's and the Bank's position among other banks in Nigeria. Unless otherwise specified, this position is in relation to the "Tier 1" banks identified by Agusto & Co. in its 2007 Banking Industry Report. In its report, Agusto & Co. identified the Bank as a "Tier 1" bank in addition to United Bank of Africa, Oceanic Bank Plc, Zenith Bank Plc, FirstBank of Nigeria Plc, Intercontinental Bank Plc and Union Bank of Nigeria Plc.

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.

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 excluding the Netherlands Antilles and Aruba;
- “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. dollars”, “USD” or “U.S.$” refers to the lawful currency of the United States of America

Solely for the convenience of the reader, this Offering Circular presents unaudited translations of certain Naira amounts into U.S. dollars at specified rates. The Group has translated the summary income statement and balance sheet information as at and for the year ended 29 February 2008 into U.S. dollars at the rates of USD1.00 = ₦117.03. See “*Exchange Rates and Exchange Controls*”.

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.

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," "approximately" or "anticipates" or similar expressions or the negative thereof or other variations thereof or comparable terminology. These forward looking statements include all matters that are not historical facts. 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, insurance 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 commodity 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;
- 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.

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

EXCHANGE RATES AND EXCHANGE CONTROLS

Exchange Rates

The official currency of Nigeria is the Naira, which was introduced in January 1973. The CBN continues to operate multiple exchange rates for the Naira operating within a band of +/- 3.0 per cent., around its central rate. The five foreign exchange rates used in Nigeria are:

- the Wholesale Dutch Auction System ("WDAS") rate (a retail auction used by the CBN to sell official foreign exchange through banks and the bureau de change to end users);
- the Dutch Auction System ("DAS") rate;
- the NIFEX rate (the open Nigerian Interbank Foreign Exchange market for trading foreign exchange obtained from sources other than the CBN);
- the bureau de change ("BDC") rate; and
- the parallel market rate.

The WDAS is the official foreign exchange rate in Nigeria, while the four other foreign exchange rates are described as parallel rates. Although the official rate and the parallel rates still differ to a degree, the gap is closing. In April 2006 the CBN made a decision to liberalise the CBN foreign exchange market allowing the BDC to have access to the official foreign exchange market. According to the CBN, the BDC exchange rate fell from ₦151:USD1.00 in late March to ₦130: USD1.00 by early June 2006. In February 2006, the CBN switched to a WDAS rate in a bid to unify the DAS and NIFEX rates and thus move closer to compliance with Article VIII of the International Monetary Fund's articles of agreement on the general obligations of its members.

Naira Exchange Rates

(₦1: USD1.00; average)

	2002	2003	2004	2005	2006	2007	2008[(1)]
WDAS official exchange rate	121.0	129.4	133.5	131.7	127.0	127.01	116.8
Bureau de change (BDC) rate	137.8	142.0	40.8	142.6	130.3	127.01	116.8
Premium (BDC/official) rate	13.9	9.7	5.5	8.3	2.6	–	–

Source: Central Bank of Nigeria, www.cenbank.org

(1) As at 1 January 2008.

As at 1 January 2008, the WDAS official exchange rate was ₦116.80: USD1.00.

Exchange Controls

Although foreign exchange restrictions were first introduced in Nigeria in 1962, it was not until 1982 that comprehensive exchange controls were implemented in Nigeria as a result of the foreign exchange crisis of that year. The increasing demand for foreign exchange at a time when the supply was shrinking encouraged the development of a flourishing parallel market for foreign exchange and led to the introduction of the Foreign Currency (Domicilliary Account) Act, No. 18 of 1985 (the "Foreign Currency Act") and the Second Tier Foreign Exchange Market ("SFEM") Act, No. 23 of 1985 (the "SFEM Act"). Under the SFEM, the determination of the Naira exchange rate and allocation of foreign exchange were based on market forces and Nigerians were given the right to maintain foreign exchange accounts and hold foreign exchange. Between 1986 and 1992, the foreign exchange market was further liberalised by virtue of the Export (Incentives and Miscellaneous) Provisions Act, Cap E19 LFN 2004, (passed in 1992), which allowed the keeping of export proceeds by exporters in foreign currency. In addition, to enlarge the scope of the SFEM, the BDC was introduced in 1989 for dealing in privately sourced foreign exchange.

As a result of volatility in rates, further reforms were introduced in the SFEM in 1994. These included the formal pegging of the Naira exchange rate, the centralisation of foreign exchange in the CBN, the restriction of BDC to buy foreign exchange as agents of the CBN, the reaffirmation of the illegality of the parallel market and the discontinuation of open accounts and bills for collection as means of payments sectors.

The Exchange Control (Repeal) Act No. 8 of 1995, which repealed the Exchange Control Act, 1962, and the Foreign Exchange (Monitoring and Miscellaneous) Provisions Act, Cap F34 LFN 2004 (the "Forex Act"), which repealed the Foreign Currency Act, the SFEM Act and the Exchange Control (Anti-Sabotage Act, 1984), abolished exchange controls in Nigeria. Instead, the Forex Act introduced regulatory monitoring provisions on foreign exchange as opposed to exchange control provisions and allows for the Autonomous Foreign Exchange Market ("AFEM") facilitating the sale of foreign exchange to end users by the CBN through selected authorised dealers (usually a bank licensed to deal in foreign exchange) at market determined exchange rates. In 1991, the CBN introduced the Inter bank Foreign Exchange Market ("IFEM") for the sale of foreign exchange among authorised dealers, buyers and end-users. The BDC still exists for privately sourced foreign exchange and some authorised dealers are allowed to operate as BDCs.

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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.

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 any of the risks described below actually materialise, the Issuer's and/or Guarantor's business, results of operations, financial condition or prospects could be materially adversely affected. If that were to happen, the trading price of the Notes could decline and investors could lose all or part of their investment. Furthermore, 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.

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.

Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme

The Issuer's principal purpose is to provide funding, through the international capital markets, to the Guarantor. Therefore, the Issuer's ability to fulfil its obligations under the Notes is entirely dependent on the performance of the Guarantor, as a result of which, in considering the risks that may affect the Issuer's ability to fulfil such obligations, potential investors should also 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 equally meaningful to the Issuer's ability to fulfil its obligations under the Notes.

Factors that may affect the Guarantor's ability to fulfil its obligations under the Guarantee

The Group may not be successful in effectively managing its growth.

The Group has grown rapidly in a short period of time, recently primarily through the growth of its loan book. Historically, the largest portion of the Group's assets have been invested in investment securities, primarily Nigerian government bonds and treasury bills. However, in the last couple of years, in an effort to obtain a higher return on its assets, the Group has increased the amount of its lending. The Group's ability to successfully implement its strategic objectives will depend on its ability to successfully manage its growth and to secure and effectively allocate resources to meet the needs of its expanded business.

The Group may also make acquisitions or may expand by opening new domestic and foreign branches in the future. Such activities in the past have, and if this growth continues will, require 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.

Management of the Group's growth has required significant managerial and operational resources and has increased the overall complexity of the Group's business and is likely to continue to do so in the future. In particular, as the Group's loan portfolio grows the Group will need to obtain new resources, particularly personnel, to manage the growth and to control the credit quality of the loan book. The Group may also become responsible for additional liabilities or obligations not foreseen currently, placing significant strain on the Group's management. If the Group fails to manage its growth successfully, this could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group may not be able to sustain its current level of growth in its loan book, and may have difficulty maintaining credit quality, which could impact its profitability.

The Group's gross loan portfolio has increased rapidly in recent years, growing to ₦293.3 billion as at 29 February 2008, from ₦118.3 billion (USD935.4 million) as at 28 February 2007, and ₦86.9 billion (USD687.0 million) as at 28 February 2006. These increases resulted from the Group's aggressive lending policy as well as emerging lending opportunities in the real sector (non-financial sector) of the economy, particularly the construction, oil and gas, manufacturing, and telecommunications sector, in the corporate and commercial banking segment. There can be no assurance that the Group will be able to sustain its current levels of growth in the future.

If the overall level of lending continues to increase at such levels, this could increase the credit risk of the Group. In particular, retail and small commercial banking customers typically have less financial strength than large companies, the Group's core customer base, and negative developments in the Nigerian economy could affect these borrowers more significantly than large companies. This could result in higher levels of classified loans and NPLs and, as a result, higher levels of provisioning. The Group's allowance for impairment as at 29 February 2008 stood at ₦1.9 billion, representing 0.7 per cent. of gross loans. Additionally, the Group has significantly increased its lending to large companies, and although these companies tend to be stronger credits than retail and commercial banking customers, the rapid growth of the loan portfolio has resulted in what is effectively a new and untested loan portfolio, and the Group does not have sufficient history with this loan book to be certain of its credit quality.

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 such an NPL ratio.

The Group's inability to recruit and retain qualified personnel could have an adverse effect on its business.

The Group's success will depend, in part, on its ability to continue to recruit and retain qualified and experienced banking, investment banking, insurance and management personnel. In common with other banks in Nigeria, the Group is likely to face challenges in recruiting qualified personnel to run its business during its growth phase, and is in the process of actively attempting to recruit an additional 657 staff members, or approximately 20.0 per cent. of the Group's total existing employee base, in order to fill business needs in the calendar year 2008. For the financial year ended 29 February 2008, the Group experienced an employee turnover rate of 13.0 per cent. Additionally, if the Group continues to grow at its current pace, it will continually need to increase its number of employees. Competition in the Nigerian banking industry for personnel is considerable. 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 necessary 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.

Although the Group's net interest margin has increased in the last financial year compared to previous years, it may continue to be under pressure due to increased competition and government policies.

The Group's net interest margin (defined as net interest income divided by average interest earning assets of the Group) increased to 7.8 per cent. in the financial year ended 29 February 2008, compared to 6.8 per cent. in the year ended 28 February 2007, which in turn was a decrease from 8.4 per cent. in the year ended 28 February 2006. The increase in net interest margin in the financial year 2008 over 2007 was primarily due to (a) an increase in the volume of higher interest-earning assets (such as loans and advances), which offset a general decline in the rates earned on such assets and (b) a shift in the composition of the Group's deposits to lower interest-bearing demand deposits, which offset a general increase in rates paid by the Group on its deposits. Therefore, although rates paid on the Group's interest-earning assets decreased and rates earned on the interest-bearing liabilities increased during the period, the Group's net interest margin actually increased due to a shift in the composition of both assets and liabilities, with a higher proportion of higher interest earning assets and a shift from time to on-demand deposits which are less expensive to service.

The decrease in rates earned on interest-earning assets and the increase in rates paid on interest-bearing liabilities were reflected in the decrease in the Group's net interest margin from 8.4 per cent. in the financial year ended 28 February 2006 to 6.8 per cent. for the same period in 2007. This impact on interest rates is primarily due to improvements in the Nigerian macroeconomy, increasing competition resulting in pricing pressures and reduction in market interest rates during the period. Whilst the Group's net interest margin has increased in the last financial year, there is a risk that it may decline again in future periods.

The Nigerian government has put in place several policies that have caused a decrease in net interest margins and net interest income of Nigerian banks. In 2006, the CBN replaced the Minimum Rediscount Rate (the "MRR"), its benchmark rate, which was 13.0 per cent. as at 31 August 2006, with the Monetary Policy Rate (the "MPR") which was 10.0 per cent. as at 30 April 2007. The MPR serves as an indicative rate for transactions in the inter-bank money market as well as other market rates. The MPR was reduced to 8.0 per cent. on 5 June 2007, and then raised to 9.0 per cent. on 4 October 2007. In November 2007 the MPR was further raised to 9.5 per cent. and again, on 1 June 2008, to 10.25 per cent., signalling the CBN's strengthening of its policy stance. Also, as a result of the consolidation of the Nigerian banking sector in 2004 as well as increased levels of capital and availability of funding (such as the ability to access the international capital markets), the banking industry in Nigeria has become increasingly more competitive, which has resulted in increasing pressure on the Group's net interest margin, particularly yields earned in the corporate segment as the Group competed for business. In future, these factors could materially and adversely affect the Nigerian banking industry as a whole and have a material adverse effect on the Group's business, results of operations and financial condition.

The increasingly competitive environment in the Nigerian banking industry may negatively affect the Group's prospects.

The Nigerian market for financial services is becoming highly competitive in the sphere of standard commercial banking activities. The Group principally competes with a number of other nationwide banks, some of which have a broader geographic reach and greater capital resources than the Group. As at 29 February 2008, there were 24 commercial banks registered in Nigeria. The Group's most significant competitors include FirstBank of Nigeria Plc, UBA Plc and Zenith Bank Plc. In addition, any merger among larger banks in Nigeria, such as the recently concluded merger between Stanbic Bank Nigeria Ltd and IBTC Chartered Bank Plc, may further increase competition. Additionally, international banks, including Standard Chartered Bank Nigeria Limited, a wholly-owned subsidiary of Standard Chartered Bank U.K., and Nigeria International Bank Limited, a subsidiary of Citigroup, are increasing their presence in Nigeria either directly or through acquisitions, and compete with the Group for its high net worth and corporate clients.

Many of the banks with which the Group competes in Nigeria, in particular with respect to corporate lending activities, are international banks which are larger and have greater capital resources available to them. In many of the jurisdictions in which the Group operates outside Nigeria, the Group faces competition from larger, more established, and in some cases, better-capitalised local financial institutions. The Group expects the Nigerian corporate and retail banking market to become even more competitive, which is likely to result in a further narrowing of spreads between deposit and loan rates and have an adverse impact on the Group's profitability. Additionally, the CBN has restricted exposure to certain investments by Nigerian banks to 25.0 per cent. of paid-up capital and statutory reserves, and loans to one borrower are limited to 20.0 per cent. of shareholders' funds, thus making it potentially difficult for the Group to make future loans or investments in Nigeria compared to banks with larger capital bases. The Group's inability to continue to compete successfully in the competitive markets in which it operates would have a material adverse effect on its business, financial condition and results of operations.

The Group's investment and loan portfolios and deposit base are highly concentrated.

The Group's investment portfolio (including investment securities, pledged assets and trading assets), which constituted 35.2 per cent. of total assets, or ₦257.9 billion as at 29 February 2008, compared to 41.3 per cent. or ₦196.8 billion (USD1.5 billion) as at 28 February 2007, and 41.9 per cent. or ₦128.3 billion (USD1.0 million) as at 28 February 2006, is highly concentrated in Nigerian government bonds and treasury bills. As at 29 February 2008, ₦110.6 billion of the Group's investment portfolio consisted of investments in Nigerian federal government bonds (with longer maturities than treasury bills). In the event that yields on or the value of these bonds decline or that Nigeria is unable to service these bonds, there could be a significant adverse impact on the Group. As at 29 February 2008, ₦140.2 billion (USD1.2 billion) of the Group's investment portfolio consisted of treasury bills. There has been a downward trend in average yields earned on Nigerian treasury bills in recent years. In the event that the Nigerian government defaults on its treasury bills, the yield on treasury bills continues to decline or if there is some other interruption in the market for Nigerian treasury bills, there could be a significant adverse impact on the Group. Further, in 2007, the CBN opened a new overnight placement window (which allowed banks to deposit funds with the CBN and earn interest on such funds) that paid an average rate of 8.0 per cent. during the first four months of 2007 (an average yield that was higher than the average yield paid on treasury bills during the same period), and the Bank had a balance of ₦7.4 billion with this window as at 28 February 2007. This placement window subsequently closed in September 2007 and the Group has since redeployed the funds to treasury bills.

Additionally, the continued strengthening of the Nigerian economy could lead to an overall decline on yields on treasury bills and government bonds, which could have an adverse impact on the Group. Furthermore, if the Group's deposits grow at a faster pace than its loan portfolio, or if the Bank is unable to invest the proceeds of the Notes issued under the Programme in other risk assets (such as its loan portfolio), it may increase its investments in Nigerian treasury bills and government bonds.

As at 29 February 2008, the Group's top 20 borrowers comprised 40.1 per cent. of its gross loan portfolio, compared to 44.9 per cent. as at 28 February 2007 and 37.0 per cent. as at 28 February 2006. Additionally, a substantial portion of the Group's borrowers are engaged in the oil and gas and telecommunications sectors of the Nigerian economy. Whilst this in part reflects the limited number of high quality corporate credits in Nigeria, the Group will require continued emphasis on credit quality and the development of financial and management control to monitor this credit exposure and the failure to achieve this could have a material adverse effect on the Group's business, results of operations and financial condition.

As at 29 February 2008, the Group's 20 largest depositors accounted for approximately 16.1 per cent. of total deposits, compared to 16.3 per cent. as at 28 February 2007 and 32.0 per cent. as at 28 February 2006. The Group intends to reduce the concentration in its deposit base by attracting further deposits from retail depositors. Failure to reduce such concentration could, however, expose the Group to increased liquidity risk and have a material adverse effect on the Group's business, results of operations and financial condition.

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. 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. The Group cannot guarantee that all of its staff will adhere to its policies and procedures. Moreover, 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 this, the Group believes that its financial systems are sufficient to ensure compliance with the requirements of the UKLA's Disclosure and Transparency rules as a listed entity.

In the past the Group has provided funding for the purchase of shares publicly traded on the Nigerian Stock Exchange, which may expose it to certain risks in the event of a decline in the value of such shares.

In the past year, the Group increased its lending to third parties for the purpose of funding purchases of shares publicly traded on the Nigerian Stock Exchange, commonly referred to as "margin lending". Such loans constituted 5.9 per cent. of the Bank's loan portfolio as at 29 February 2008. Further, an additional 35.5 per cent. of the Bank's loan portfolio as at 29 February 2008 was secured with shares publicly traded on the Nigerian Stock Exchange (where the primary purpose may not have been to purchase securities, but the securities are used as collateral). The Bank has taken efforts to mitigate against any losses that may result from a decrease in the value of such equity shares, including ensuring that the value of the underlying shares equals at least 150.0 per cent. of the value of the loan, obtaining personal guarantees and only providing funding for shares of certain pre-approved companies. However, despite such measures the Bank remains subject to the risk that a significant decline in the share price of one company, or a decline in the value of the securities trading on the Nigerian Stock Exchange generally, could result in a liquidity event such that the Bank will not be able to dispose of any shares declining in value in a timely manner to avoid losses. Further, this risk is heightened by the fact that many other banks in Nigeria are providing similar funding to investors such that a material portion of the securities traded on the Nigerian Stock Exchange have been purchased with funding provided by the Nigerian banking sector. According to an article in Business Day, a Nigerian newspaper, statistics from Nigerian regulators have indicated that more than 25.0 per cent. (approximately ₦3.0 trillion) of the NSE market capitalisation is currently funded by margin accounts. A decline in the value of any shares used to secure the Bank's loan portfolio may result in a material adverse effect on the Group's results of operations, financial condition or prospects, and may result in a wider adverse impact on the Nigerian banking industry as a whole.

Recently, there were rumours that the CBN and SEC were going to instruct all Nigerian banks to stop the practice of margin lending. Additionally, the Central Securities Clearing System in Nigeria ("CSCS") announced that it will no longer open new link accounts (for purposes of margin trading) or renew existing link accounts upon expiration of their term. Following this announcement, the NSE all share index decreased approximately 15.0 per cent. from March 2008 to June 2008. However, the CBN and SEC have since confirmed that they do not oppose or prohibit margin lending by Nigerian Banks. Similarly, on 10 June 2008, the CSCS lifted the suspension on the opening of new, and the renewal of existing, bank accounts and confirmed that these accounts will, going forward, be reclassified as "Custody Accounts". Although the Group does not currently offer margin lending to its customers, it regularly monitors market and regulatory conditions and may consider offering margin lending in the future.

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 regulatory system in Nigeria is still developing and may change in a manner that is adverse to the Group.

The Nigerian banking sector is at an early stage of development compared with more developed countries. Nigeria's banking industry has historically been characterised as highly fragmented, poorly capitalised and with weak banking regulations. It is unclear how legal and regulatory developments may affect the competitive banking landscape in Nigeria. However, as part of the economic reforms undertaken by the Nigerian government and the CBN, the CBN introduced a recapitalisation and consolidation plan for the Nigerian banking sector in July 2004. This plan required all banks to raise their minimum capital levels from ₦2.0 billion to ₦25.0 billion by 31 December 2005 and failure to raise the required capital resulted in the revocation of a bank's banking license. Pursuant to this plan, only 25 banking institutions emerged following the consolidation of the 89 that existed in July 2004, and with the recent merger of IBTC and Stanbic, the number of banks has been further reduced to 24. Further possible mergers are, however, under discussion. In addition, the Nigerian banking sector has experienced rapid credit growth (including consumer lending) over the past few months without necessarily having the appropriate regulatory structures and controls in place to protect asset quality. There may also be an increased risk of smaller banks failing to adapt to regulatory changes and the new more competitive environment. Also, although the CBN has announced a zero tolerance policy on misreporting and under-provisioning, oversight and enforcement of regulatory standards applicable to Nigerian banks may differ from those applicable to banking operations in more highly developed regulatory regimes.

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. Notwithstanding regulatory standards in Nigeria, prospective investors should understand that regulatory standards applicable to banks in Nigeria and the oversight and enforcement thereof by regulators may 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.

The Bank's primary regulator will use the Bank's Nigerian GAAP financial statements for determining compliance with the CBN Prudential Guidelines and capital adequacy requirements.

The Bank's primary regulator, the CBN, will look to the Bank's financial statements prepared in accordance with Nigerian GAAP to determine the Bank's compliance with the CBN Prudential Guidelines and capital adequacy requirements. 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 will use 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. There are significant differences between Nigerian GAAP and IFRS. See *"Annex A – Summary of Significant Differences between IFRS and Nigerian GAAP"*.

The Group's management accounts are not prepared on a basis consistent with IFRS, and there are significant differences between IFRS and Nigerian GAAP.

The Group's interim management accounts are not prepared on a basis consistent with IFRS as applied in preparing its Annual Financial Statements. Accordingly, the information available to management between its Annual Financial statements in accordance with IFRS may not be indicative of the content of the next IFRS financial statements. For example, Nigerian GAAP allows non-consolidation of subsidiaries if certain conditions are met. These conditions are: (a) if it is impracticable or would be of no real value to the members of the company, (b) the result would involve expense or delay out of proportion to its value to members of the company, (c) the result would be misleading or harmful to the business of the company or any of its subsidiaries, or (d) the business of the holding company and that of the subsidiary are so different that they cannot reasonably be treated as a single undertaking. In addition, Nigerian GAAP allows for prescription reserve requirements, the impact of which may materially under or overstate the level of provision for non-performing facilities, when compared to reserve estimates determined in accordance with IFRS. Therefore, although a summary of such differences as they apply to the Bank has been included elsewhere in this Offering Circular, including the differences described above and other potential differences that may materially affect the Group's results of operations and financial position (see *"Annex A—Summary of Significant Differences between IFRS and Nigerian GAAP"*), potential investors should rely upon their own examination of the Group, the terms of the Notes and the financial and other information contained in this Offering Circular.

Additionally, 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 at the same dates and for the same periods, as reported in its Nigerian GAAP 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 based on Nigerian GAAP in interim periods 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 the above, the Group believes that its financial systems are sufficient to ensure compliance with the U.K. Listing Authority Disclosure Rules and Transparency Rules as a listed entity.

The Bank's audited consolidated and unconsolidated financial statements for the 2008 financial year will not be directly comparable to prior accounting periods.

In January 2008, the CBN introduced certain financial reporting reforms requiring all Nigerian banks, where applicable, to change their financial year-end to 31 December with effect from 31 December 2008. The new policy is aimed at bringing Nigerian banks' financial reporting in line with international standards, assisting rating agencies in their assessment and ranking of Nigerian banks and creating a uniform basis for the comparison of profits and size between, and the performance of, Nigerian banks in general. As a consequence, the Bank's financial year-end will change from 28 February to 31 December. For the current financial year, this will result in a 10-month reporting period from 1 March 2008 to 31 December 2008. Therefore, the Bank's audited consolidated and unconsolidated financial statements for the 10-month period ended 31 December 2008, will not be directly comparable to any prior accounting periods. 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 Group expects that the change in its fiscal year end from 28 February to 31 December will result in an effective increase in the cumulative amount of income tax payable in the first three years commencing from the year of change. This is due to a provision of the Nigerian tax laws which gives the tax authority the power to elect the higher of the tax computations of both the old and the new year ends. The two computations are based on a preceding year basis.

By way of example, the cumulative taxable profit for the first three years under the old accounting year end, following the preceding year basis rule, will be for the period covering 1 March 2006 to 28 February 2009. The same period under the new accounting year end will commence from 1 January 2007 to 31 December 2009. Given that the Group taxable profit has historically increased year on year, the new accounting year end basis has the bulk of its coverage in periods of higher taxable profit. Hence the tax authority will likely exercise its power of election and choose the higher tax liability.

The Group is subject to new legal and financial reporting requirements and its ability to meet the new requirements on an ongoing basis has not been tested.

Pursuant to its first listing of GDRs on the London Stock Exchange in July 2007, the Group became subject to annual IFRS reporting obligations. The Group is required to publish annual financial statements in accordance with IFRS within the required period after the end of each financial year, which for 2008, is the four months following the end of the financial year on 29 February 2008. In addition, the Bank has elected to publish its semi-annual financial statements on a stand-alone basis in accordance with IFRS. However, given the change in the Bank's Financial year-end from 28 February to 31 December (effective 31 December 2008), the Bank will not publish semi-annual IFRS financial statements in 2008, as this will not be cost and time efficient due to the fact that the 2008 financial year will only cover a period of 10 months. See *"— The Bank's audited consolidated and unconsolidated financial statements for the 2008 financial year will not be directly comparable to prior accounting periods."* In the past, the Group had not been required to prepare or publish any IFRS financial statements and therefore does not currently have the internal procedures in place to produce such financial statements, nor does it employ any personnel who are trained to produce financial statements in accordance with IFRS. The Group's annual financial statements for the financial years ended 29 February 2008 and 28 February 2007 and 2006, according to IFRS, were produced based upon a conversion of its Nigerian GAAP-based financial statements for such periods. To the best of management's knowledge, the Bank is the first bank in Nigeria to prepare financial statements in accordance with IFRS. Notwithstanding the above, the Group believes it is, and will, continue to be able to produce annual financial statements in accordance with its IFRS reporting obligations on a timely basis and, in respect of the Bank, semi-annual IFRS financial statements (except for the 2008 financial year as explained above) and that the financial systems of the Group are sufficient to ensure compliance with the UKLA's Disclosure Rules and Transparency Rules as a listed entity.

The Group may face difficulties meeting capital adequacy requirements.

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 — Mandatory Ratios".* 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. stipulation.

The Basel Committee on Banking Supervision (the "Basel Committee") has issued a proposal ("Basel II") for a new capital adequacy framework 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, the Basel Committee proposes replacing the existing approach by a system that would use both external and internal credit assessments for determining risk weightings. It is intended that such an approach will also apply, either directly or indirectly and to varying degrees, to the risk weighting of exposures to sovereign states, banks, securities firms and corporations. Prudential guidelines applicable to the Group in Nigeria may differ in material respects from the capital requirements contained in the Basel I Accord, as adopted by the Basel Committee. 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. 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.

Despite these recent reforms, there can be no assurance that the CBN will not further raise the capital requirements applicable to the Group and if the Group requires additional capital in the future, there can be no assurance that it will be able to obtain this capital on favourable terms, in a timely manner or at all. Accordingly, although the Bank currently meets the applicable capital adequacy requirements, it may face difficulties in meeting these requirements in the future. If the Bank fails to meet the capital adequacy requirements, the CBN may take certain actions, including restricting its asset growth, suspending all but its low risk activities and imposing restrictions on the payment of dividends. These actions could materially and adversely affect the Group's business, results of operations and financial condition.

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

Whilst the Bank has recently taken steps to diversify its funding sources, for example by the issue of USD350.0 million securities in January 2007 and USD824.2 million GDRs in July 2007, in common with other banks in Nigeria, the Group has historically relied almost exclusively on corporate and retail depositors to meet its funding needs as access to other funding sources, including syndicated loans and the capital markets, has been limited. As at 29 February 2008, 87.7 per cent. of the Group's interest-bearing liabilities (comprising deposits, debt securities and other borrowings) were due within three months and 40.3 per cent. of the Group's interest-earning assets (comprising loans and advances to customers and banks, investment securities and trading assets) had maturities in excess of three months.

Nigerian companies usually withdraw their deposits on a frequent basis and are not typically in a position to place significant funds within the banking sector on a long-term basis. 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 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. In addition, due to generally low liquidity of 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 will need 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 suffer a sudden increase in withdrawal of deposits, which currently form a significant portion of the Group's funding. 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 of 40.0 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 high credit risk of Nigerian borrowers and the lack of a fully-developed central credit bureau in Nigeria may adversely affect the Group's retail loan portfolio.

Although the Nigerian retail market is still in a nascent state, the Group is actively pursuing a strategy to expand its retail business. The Group is subject to the credit risk that Nigerian 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, the Group may not be able to enforce any security interest or guarantee that it may have against such borrowers. The credit risk of Nigerian borrowers is generally higher than borrowers in more developed countries due to the greater uncertainty of the Nigerian regulatory, political, legal 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 and therefore it is difficult for them to pledge their land ownership rights as collateral for a mortgage or other loan.

Higher credit risk has a material adverse effect on the quality of loan portfolios and exposes the Group to higher risks and more potential losses than banks in more developed countries, which generally have less credit risk. Such losses, if material, would have a material adverse effect on the Group's financial condition, liquidity and results of operations. The Group's NPLs as at 29 February 2008 stood at ₦496.8 million, representing 0.2 per cent. of gross loans, compared to ₦918.3 million or 0.8 per cent. of gross loans as at 28 February 2007. There can be no assurance that in the future, particularly as the Group expands its retail lending operations, the Group will be able to maintain such an NPL ratio.

A central credit bureau, which keeps information on Nigerian borrowers' credit history, including information such as timeliness of loan repayments, has only recently been launched and is not yet fully developed. In addition, international rating agencies do not have sufficiently wide coverage of Nigerian borrowers. 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 ordinarily 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 the Group's assessment of its credit risk. This may increase the risk of borrower default and decrease the likelihood that the Group will be able to enforce any security in respect of the corresponding loan or that the relevant collateral will have a value commensurate with the loan secured by such collateral.

If the Group is unable to engage in profitable retail lending or increase its retail deposits, it may not achieve its strategic goals.

One of the Group's strategic goals is to grow its business in retail lending, which it expects will enhance its ability to increase margins, revenues and profits. Historically, due to the lack of a fully-developed central credit bureau and limitations of the country's legal framework (such as the ability to promptly and effectively pledge land as collateral), the Group has had a relatively small retail loan portfolio. As at 29 February 2008, the Group's retail loan portfolio, net of allowances for possible losses and decline in value, was ₦42.2 billion (USD360.6 million) constituting 5.8 per cent. of its total assets. If the Group is unable to expand its retail loan portfolio, or is only able to do so with additional unacceptable credit risk for which the Group is not adequately compensated, or is unable to increase its retail deposits, the Group may not be able to significantly increase its revenues, margins or profitability.

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 which are 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 effect of an unsuccessful introduction of new products could result in the Group not being able to achieve its intended results.

The Group has expanded and intends to continue to expand the range of its products and services, in particular with respect to investment banking, insurance and retail products and services. Expansion of its business activities exposes the Group to a number of risks and challenges, including the following:

- the Group may have limited or no experience in certain new business activities and may not compete effectively in these areas;
- there is no guarantee that the Group's new business activities will meet expectations for profitability;
- the Group will need to hire or retrain personnel who are able to conduct new business activities; and
- the Group must continually add to the capability of its risk management and information technology systems to support a broader range of activities.

If the Group is not able to achieve the intended results in these new business areas, its business, results of operations and financial condition may be materially and 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 not be able to fully comply with anti-money laundering regulations, which could result in governmental fines and a damaged reputation.

The Group is required to comply with applicable anti-money laundering, 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 to increase 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's 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 whom the Group reports have the power and authority to impose fines and other penalties on the Group. As at 29 February 2008, no fines or penalties have been imposed on the Group. The Group's business and reputation could, however, suffer if customers were to use the Group for money laundering or illegal or improper purposes.

The Group's reputation and its ability to do business may be impaired by corrupt behaviour by any of its employees or agents or those of its subsidiaries.

The Group operates in countries and sectors known to experience corruption. For instance, in 2007 there was incident of fraud at one of the Bank's branches amounting to losses of approximately ₦650 million (USD5.6 million), involving various senior and other personnel members of the branch. More than ₦100.0 million of this amount has subsequently been recovered under the Bank's fidelity insurance cover. While the Group and its subsidiaries are committed to conducting business in a legal and ethical manner, there is a risk that its 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 not have adequate insurance to cover losses suffered as a result of a breakdown in internal control policies and procedures.

There is a risk that the Group will not be able to ensure that its internal control policies and procedures will protect it from fraud or other criminal acts committed by its employees. The Group maintains a system of controls designed to keep operational risk at appropriate levels. However, there can be no assurance that the Group will not suffer losses from any failure of these controls to detect or contain operational risk in the future. 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 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 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 materially and adversely affect the Group's competitiveness, results of operations and financial condition.

The Group has significant off-balance sheet credit-related commitments that may lead to potential losses.

As part of its business, 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. All such credit-related commitments are classified as off-balance sheet items in the Group's consolidated financial statements. As at 29 February 2008, the Group had ₦101.5 billion (USD867.1 million) in off-balance sheet liabilities, compared to ₦31.9 billion (USD252.2 million) as at 28 February 2007 and ₦21.9 billion (USD169.7 million) as at 28 February 2006.

Although the Group has established allowances for its off-balance sheet credit-related 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".*

The Group is affected by changes in the value of the U.S. dollar against other currencies, particularly the Naira.

The Group's presentation currency and its functional currency is the Naira. Monetary assets and liabilities originally denominated in U.S. dollars 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. Having a large net dollar 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 the dollar 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 the dollar in nominal terms. In recent years, the Naira has generally appreciated against the U.S. dollar. Further appreciation of the Naira against the dollar may result in foreign exchange translation losses which may negatively affect the Group's results of operations and financial condition.

Risks Related to Nigeria and the West African Sub-region 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 financial position, results of operations and ability to recover on its loans are substantially dependent on the economic and political conditions prevailing in Nigeria.

Political and regional instability could adversely affect the value of investments in Nigerian companies.

Nigeria obtained political independence from the United Kingdom in October 1960 and became the Federal Republic of Nigeria in 1963. From July 1966, with its first military coup d'etat, and except for the short period of democratic rule between 1979 and 1983, Nigeria experienced a long period of military rule and political instability. With the adoption of a new presidential constitution in May 1999, however, Nigeria has undergone its longest period of civilian rule since independence. There have been substantial political disturbances in certain regions, affecting oil production and threatening foreign oil interests, and in certain parts Nigeria does witness sporadic violence and kidnappings. This political disruption has a direct impact on the country's dependence on oil as described below. Although not recently, there have, in the past, been incidents of religious and ethnic clashes in the northern parts of the country.

If the new presidential administration is unable to continue the economic reforms of the previous administration, there may be a material adverse effect on the Nigerian economy.

In April 2007, Alhaji Musa Yar'Adua of the People's Democratic Party became the president-elect and took office on 29 May 2007. International and Nigerian elections monitors reported that the April 2007 elections were deeply flawed and fell below national and international elections standards. In the aftermath of the election, certain opposition parties continued their resistance to recognise or cooperate with any government formed as a result of the elections, while others continue to challenge the results of the elections and are seeking a new vote. In addition, if the new administration does not continue the pro-market policies and reforms of the previous administration, there may be a material adverse effect on the Nigerian economy.

Militant activities in the Niger Delta could destabilise Nigeria, which could adversely affect the Group's business.

Since 2007, there has been an increase in violence in the Niger Delta, Nigeria's southern oil 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. The outcome of such actions may have a continued significant impact on Nigeria's political stability.

Since early 2006, more than 200 foreign oil workers and members of their families have been kidnapped in the Niger Delta. In May 2007, militants staged coordinated attacks on pipelines in the region, cutting oil output by 98,000 barrels a day. The Movement for Emancipation of the Niger Delta ("MEND") has claimed responsibility for the bombings. MEND has carried out attacks in an attempt to force the federal government to release two of their leaders from prison, and to distribute a greater portion of revenues from oil resources in the area. In June 2007, the British government issued a travel warning against all travel to the Niger Delta, due to the very high risk of kidnapping, armed robbery and other armed attacks in the area. Attacks have continued in 2008, with MEND claiming responsibility for an attack on a Nigerian military post, guarding Shell Petroleum in the Bayelsa state, in early February 2008. An attack on Shell's main offshore oilfield in June 2008 forced Shell to temporarily halt production at this site, which accounts for approximately 10.0 per cent. of Nigeria's total production.

Militant attacks have escalated in the Niger Delta, and there can be no assurance that militant acts will not occur in the future. Such militant acts may continue to be directed at foreigners in Nigeria and in relation to the presence of foreign oil interests in the region. Such acts could destabilise Nigeria and create internal divisions within the Government as it considers responses to such instability and unrest. In the past, violent acts arising from and leading to instability and unrest have had, and could continue to have, a material adverse effect on investment and confidence in, and the performance of, the Nigerian economy, and in turn the Group's business.

There are risks related to the economic stability of Nigeria.

Although the previous presidential administration had implemented a number of wide-sweeping political and economic reforms aimed at diversifying Nigeria's economy and increasing macroeconomic stability whilst promoting a private sector market driven economy, in its March 2007 sovereign ratings report Fitch Inc. ("Fitch") characterised Nigeria's economy as one that is constrained by structural challenges including weak institutions and poor capacity and infrastructure, slow progress on reforms and governance systems at the state level, significant social and developmental challenges and continued vulnerability to oil price shocks.

Following the signing of an International Monetary Fund ("IMF") stand-by agreement in August 2000, Nigeria received a debt-restructuring deal from a group of official creditors who find solutions to payment difficulties experienced by debtor nations (the "Paris Club") and a USD1.0 billion credit facility from the IMF, both contingent on economic reforms. Nigeria pulled out of its IMF programme in April 2002, after failing to meet spending and exchange rate targets, making it ineligible for additional debt forgiveness from the Paris Club.

In 2003, under the leadership of President Obasanjo, the government began deregulating fuel prices and instituted the National Economic Empowerment Development Strategy ("NEEDS"), a domestically designed and run programme modelled on the IMF's Poverty Reduction and Growth Facility for fiscal and monetary management. Although NEEDS ran through 2007, there was not enough time remaining for the Government to implement all the reforms detailed in the NEEDS programme, so the main focus will be on consolidating agreed reforms. Additionally, there is a risk that continued reform under the new administration may be slower than in recent years, due to the fact that the more easily implemented reforms have already been completed and the remaining reforms yield long-term gains and are harder to implement. Also, progress will continue to be stunted by vested interests, a weak civil service and pressure to adopt more nationalistic policies by state and local governments in Nigeria.

A major milestone in turning around Nigeria's economy was the agreement reached with the Paris Club in October 2005 whereby the Nigeria government successfully negotiated a debt repayment plan. Under the plan, USD30.0 billion (owed to the Paris Club) of Nigeria's USD37.0 billion in accumulated debt was eliminated in exchange for a USD12.0 billion payment. Of the outstanding debt (owed to the World Bank and the London Club, a group of private lenders), Nigeria has since called its outstanding Brady bonds and in June 2007 had in excess of USD43.0 billion in foreign reserves. The Nigerian government also signed a deal in March 2007 with Merrill Lynch, whereby the government paid USD480.0 million and transferred its obligation to pay its London Club creditors to Merrill Lynch. Notwithstanding this, no assurance can be made that the Nigerian economy will continue to stabilise or that Nigeria's foreign debt will continue to decrease.

The Nigerian economy is largely dependent on its oil production and global prices of oil.

According to the CIA World Factbook's latest available information (updated as at 15 May 2008), oil accounts for about 20.0 per cent. of Nigeria's GDP, 95.0 per cent. of foreign exchange earnings and approximately 80.0 per cent. of its budgetary earnings. The surge in oil prices over the past several years has contributed to an increase in Nigeria's macroeconomic stability. In 2007, the increase in Nigeria's GDP was based largely on increased oil exports and high global crude prices. However, if oil prices or Nigerian production levels decline, there will be an adverse impact on the revenue earned in Nigeria. The militant activity in the Niger Delta has caused disruptions in Nigeria's oil production, reducing the volume of oil produced. A decline in oil prices or a reduction in Nigeria's oil production could have a material adverse effect on the Nigerian economy.

Continued corruption in Nigeria could adversely affect the Nigerian economy.

Former President Obasanjo's campaign against corruption, which included the arrest of officials accused of misdeeds and recovering stolen funds, yielded great dividends as Nigeria was, with the assistance of the World Bank, able to recover USD458.0 million of illicit funds that had been deposited with Swiss banks by the late military dictator Sani Abacha, who ruled Nigeria from 1993 to 1998. However, broad-based progress has been slow and has not yet become evident in international surveys of corruption.

Although key reforms instituted by the Nigerian government may have reduced corruption and organised crime, corruption continues to plague Nigeria. In addition, analysts have identified ongoing problems with private sector corruption which may also affect foreign direct investment and the attractiveness of the Notes. According to Transparency International's 2007 Corruption Perceptions Index, being the most recent information available at the date of this Offering Circular, Nigeria is ranked 147 out of 179 countries and placed 108 out of 178 countries in the World Bank's 2008 Ease of Doing Business Index. The failure of the current administration to continue to fight corruption or the perceived risk of corruption in Nigeria could have a material adverse effect on the Nigerian economy.

Substantially all of the Group's operations and assets are based in Nigeria; a slowdown in economic growth in Nigeria could materially adversely affect the Group's business.

Substantially all of the Group's business operations and assets are based in Nigeria. As a result, the Group's income, results of operations and the quality and growth of its assets depends, to a large extent, on the performance of the Nigerian economy. In the past, Nigeria has experienced periods of slow or negative growth, high inflation, significant devaluation of the Naira and the imposition of exchange controls.

Any deterioration in economic conditions in Nigeria as a result of these or other factors, including a significant depreciation of the Naira or increase in interest rates, could materially adversely affect the Group's borrowers and contractual counterparties. This, in turn, could materially and adversely affect the Group's financial condition and results of operations, including the Group's ability to grow its loan portfolio, the quality of its assets and its ability to implement its business strategy.

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. Similarly, there is a general lack of commercial realism amongst Nigerian judges, leading to excessive and frequent focus on formalism and legalism. The enforcement of security interests in Nigeria is affected by the inefficiencies in the judicial system and can result in uncertainty. In addition, security pledged for much of the Bank's lending is in the form of real estate, which may be prone to adverse price movements and registering land in Nigeria is a complicated and costly process, with very little certainty. 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, the appointments of more commercially minded judges and the introduction of new rules to cut down on delays in the judicial process. The slow judicial process may, however, sometimes affect the enforceability of judgments obtained, including the ability to recover the assessed value of collateral from defaulting borrowers.

Emerging markets such as Nigeria are subject to greater risks than more developed markets, and financial turmoil in any emerging market could disrupt the Group's business, as well as cause the price of the Notes to decrease.

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

The disruptions currently experienced in the international capital markets 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.

There are risks relating to other countries in which the Group operates or intends to operate that could adversely affect the Group's future business, operating results, cash flows and financial condition.

Currently, the Group operates subsidiaries in Sierra Leone, The Republic of The Gambia ("The Gambia") and The Republic of Ghana ("Ghana"). Furthermore, subject to receiving certain regulatory approvals and a provisional banking license, the Group will soon be launching operations through a subsidiary in Liberia. Specific country and regional risks that may have a material impact on the Group's business, operating results, 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 it enters;
- government interventions and protectionism;
- potential adverse changes in laws and regulatory practices, including import and export license 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 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 democracies. However, institutions in these countries and regions may not yet be as firmly established as they are in countries in the developed world. 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, 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 and regions face uncertainty as to the security of their investments. Any unexpected changes in the political or economic conditions in these or neighbouring countries or others in the region may have a material adverse effect on the international investments that the Group has made or may make in the future, which may in turn have a material adverse effect on its business, operating results, cash flows and financial condition.

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

Attracting foreign direct investment was a key feature of President Obasanjo's administration. As a share of gross domestic product ("GDP"), foreign direct investment increased from 2.7 per cent. at the end of the 1990s to about 3.5 per cent. in 2006. In addition, non-oil foreign direct investment increased almost six-fold from USD300.0 million to USD1.7 billion between 2003 and 2005. Notwithstanding these improvements, foreign direct investment remains low for a country the size of Nigeria. An increase in the perceived risks associated with investing in Nigeria could dampen foreign direct investment in Nigeria and adversely affect the Nigerian economy. Furthermore, the lack of IMF endorsement of the country's macroeconomic policies, particularly concerning inflation, may adversely impact the climate for foreign investment in Nigeria. Any deterioration in the climate for foreign direct investment in Nigeria could have a material adverse effect on the economy and thus on the business of the Group.

There are risks associated with weak corporate governance standards.

The CBN released a "Code of Corporate Governance for Banks in Nigeria Post Consolidation" which became effective in April 2006 and is mandatory for all banks in Nigeria. While this document reflects the increasing importance that the CBN places on improved corporate governance to improve the perception and performance of the Nigerian banking industry, the CBN has relaxed some of its recommendations regarding corporate governance as a result of pressure from various banks regarding the tenure of service of non-executive directors. The CBN's provisions regarding corporate governance are under developed and not as stringent as international standards, especially the corporate governance standards set forth in the U.K. Listing Authority's Combined Code. See "*Directors and Senior Management — Corporate Governance*". Corporate governance provisions are in their infancy and there is a lack of tangible enforcement of corporate governance standards in Nigeria. The Bank has adopted corporate governance standards beyond those required by the CBN, however no assumption can be made that these standards are or will be equivalent to those required in the United States or Western Europe.

Due to the Nigerian banking industry operating under a regime with weak corporate governance standards, 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 the Bank's operations or result in inappropriate management decisions, materially adversely affecting the value of an investment in the Notes. Notwithstanding the above, the Bank believes that its financial systems and controls are sufficient to enable continued compliance with the U.K. Listing Authority's Disclosure and Transparency Rules as a listed entity.

There are health risks relating to operating in Nigeria that could adversely affect the Group's business, operating results, cash flows 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 the most recent research published by the World Health Organization, as of 2003 approximately 3.6 million Nigerians were infected with HIV/AIDS resulting in a total adult population prevalence rate of approximately 5.4 per cent. 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 this epidemic will not have a material adverse effect on the Group and its financial condition.

Nigeria's infrastructure is in a poor state and there are numerous interruptions to power and communication systems.

The state of Nigerian infrastructure falls considerably below the standard of more developed countries. For example, Nigerian roads are in a poor state of repair. The communications sector is developing with mobile telephone services and internet facilities which are now common, however, the state of development in this sector cannot be compared with that in more developed economies. Furthermore, the Nigerian power sector has numerous problems such as limited access to infrastructure, low connection rates, inadequate power generation capacity, lack of capital for investment, insufficient transmission and distribution facilities, inappropriate industry and market structure, high technical losses and vandalism.

Power sector reform began in 2000 when President Obasanjo's administration set up the Electric Power Implementation Committee which put together a power policy. The highlights of the power policy included encouragement of private power generation through Independent Power Producers and Emergency Power Producers, the privatisation of the National Electric Power Authority ("NEPA"), the body responsible for coordinating electric supply to all parts of Nigeria, and the encouragement of energy trading between generation and distribution companies.

The Electric Power Sector Reform Act was enacted in 2005 to consolidate power sector reforms by the Nigerian government. Since then, NEPA's legal status has been changed from a corporation to a limited liability company (the Power Holding Company of Nigeria ("PHCN")) following the enactment of Power Sector Reform Bill. Also, the PHCN has been further been unbundled into 18 new business units which have yet to be privatised. Despite the Nigerian government's commitment to developing the power sector, the country's power generation capacity by the end of 2007 was estimated at 10,000 megawatts, which falls below the 40,000 megawatts required for the nation.

In addition, the continued economic growth experienced by the country in recent years has put considerable strain on its already underdeveloped infrastructure, causing widespread deterioration, particularly in the power industry. Due to frequent power supply interruptions, at times for extended periods of up to two weeks, Nigerian businesses are faced with numerous challenges, including significant increases in costs as they are forced to import alternative means of power supply to ensure the continued and uninterrupted operation of their businesses. Although a large number of Nigerian businesses has since acquired their own power generations and are no longer fully reliant on government for power supply, these alternative measures are often expensive and have led to significant increases in the use of diesel fuel and other supplies, with corresponding increases in their administrative and operating costs. The Group expects its operating and administrative costs to increase as its operations continue to expand in line with the Nigerian economy.

Although key reforms instituted by the Nigerian government in the infrastructural sector may progress the development of the sector, such developmental progress may be slow and therefore impact negatively on the Bank's competitiveness, results of operations and financial condition.

Factors which are material for purposes of assessing the market risks associated with Notes issued under the Programme

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

In addition to the risks associated with investing in emerging markets such as Nigeria, each potential investor in the Notes must determine the suitability of that investment in light of its 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.

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:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time or in a different currency than expected;

(iv) they may lose all or a substantial portion of their principal;

(v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(vi) 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 will be magnified; and

(vii) 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 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 or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (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, 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 Member States. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate 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 a 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 a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

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, in effect as at 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 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 devaluation of the Specified Currency 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 *"Enforcement of Foreign Judgments"*.

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.

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.

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. The Issuer and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, in the case of listed Notes only and if appropriate, a supplemental Offering Circular will be published.

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
Arranger:	Credit Suisse Securities (Europe) Limited
Dealers:	Credit Suisse Securities (Europe) Limited Deutsche Bank AG, London Branch Morgan Stanley & Co. International plc Standard Bank Plc UBS Limited 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.
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).

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 at 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).

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).

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).

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).
	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 Restrictions 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 €50,000 (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. 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, 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).
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.
Status of the Senior Notes:	The Senior Notes 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 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) and the Trust Deed. The Guarantee by the Guarantor in respect of the Subordinated Notes will be subordinated as described in Condition 3(d) 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)) 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) and the Trust Deed.
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) 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) and Nigeria 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*".

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 1 July 2008 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 (*www.londonstockexchange.com/marketnews*).

[*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*]. 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, save in respect of the Conditions which are extracted from the Offering Circular dated [*original date*] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circulars dated [*current date*] and [*original date*]. Copies of such Offering Circulars are available for viewing at the market news section of the London Stock Exchange Website (*www.londonstockexchange.com/marketnews*).

[*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 [€50,000] or equivalent are being used the following language should be used:* *"[€50,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000]. No Notes in definitive form will be issued with a denomination above [€99,000]"*
	(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):	[ ]

(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA 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 DaCy onvention/Preceding Business Dayv ention/*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*] A12.4.2.3
(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] (*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:*

"[€50,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000]. No Notes in definitive form will be issued with a denomination above [€99,000]".

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:	[Application has been made by the Issuer (or on its behalf) for the Notes 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 [ ].] [Application has been made to have the Notes accepted for trading in PORTAL.] [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 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.*)

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 a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the "Trust Deed") dated 1 July 2008 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 Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the "Agency Agreement") dated 1 July 2008 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 covenants herein to be transferred to the Trust Deed dated 1 July 2008 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 license 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 the auditors of the Guarantor 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) "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;

(x) "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;

(xi) "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.

(xii) "Permitted Security Interests" means:

(A) Security Interests in existence on 1 July 2008;

(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;

(xiii) "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;

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

(xv) "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;

(xvi) "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;

(xvii) "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 €50,000 and/or such higher amounts as the Principal Paying Agent may determine and notify to the Noteholders and any remaining amounts less than €50,000 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") 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 at 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 at 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 at 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:

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

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 D1 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 D1 is greater than 29, in which case D2 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:

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

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 D1 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 D2 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:

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

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 D1 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 D2 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 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) the relevant place of presentation;

(B) London;

(C) any 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 (if other than the place of presentation, London and any Additional Financial Centre and 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. per annum (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. per annum (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 Central Bank of Nigeria (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 Central Bank of Nigeria (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 and Poor's Rating Services, a division of The McGraw Hill Companies, Inc. ("S&P"), Moody's Investors Services Limited ("Moody's") and Fitch Inc. ("Fitch") or any of their 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 = $RP \times (1 + AY)^{y}$

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 Central Bank of Nigeria (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 license of the Guarantor issued by the CBN is terminated, revoked or suspended and is not replaced or (B) any license 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.

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, 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 are governed by, and shall be construed in accordance with, English law.

(b) *Submission to jurisdiction*

The Issuer irrevocably agrees, 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 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 Addie & Co. Solicitors at its registered office for the time being in England 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

The following table sets out the consolidated capitalisation of the Group as at 29 February 2008.

	As at 29 February 2008
	(₦ millions, except as indicated)
Liabilities:	
Deposits and other accounts	449,382
Other liabilities	57,675
Other facilities	15,402
Taxation payable	5,851
Dividend payable	–
Deferred taxation	1,993
Long-term borrowings	40,698
Total liabilities	571,001
Equity:	
Shares outstanding (ordinary shares of 50 kobo each)	13,679
Share capital and share premium	125,916
Retained earnings	4,301
Other reserves	28,100
Total equity attributable to equityholders of the Bank	158,317
Minority interest	3,335
Total equity	161,652
Total equity and liabilities	732,653

There has been no material change in the Bank's capitalisation since 29 February 2008.

DESCRIPTION OF THE BANK

Overview

In July 1990, the Bank was incorporated in Nigeria, with registration number 152321, as a private limited liability company under the CAMA, and in the same year obtained its license to operate as a commercial bank from the CBN. In 1996, the Bank was converted into a public limited liability company and listed on the NSE. In 2001, the Bank was issued a universal banking license by the CBN and carries on business as such under the BOFIA.

The Bank's ownership structure is well diversified, with over 300,000 shareholders as at 29 February 2008. Except for Stanbic Nominees Nigeria Limited, who held 19.4 per cent. of the Bank's total shareholding as at 29 February 2008 (in its capacity as custodian for the underlying shares representing USD824.2 million global depositary receipts or GDRs issued by the Bank and listed on the London Stock Exchange in July 2007), no shareholder held more than 5.0 per cent. of the Bank's total shareholding. Only two additional shareholders held more than 2.0 per cent. See *"Share Capital and Share Ownership"*. The Bank's 11 member board of directors controlled, in the aggregate, 5.4 per cent. of the Bank's ordinary shares as at 29 February 2008. As a listed company on the NSE, the Bank is subject to numerous corporate governance requirements, and since its listing, has been awarded the NSE President's Merit Award in 1999, 2002, 2003, 2005, 2006 and 2007 for the conduct of the Bank's annual general meetings and for the transparent manner in which the Bank's financial statements are presented.

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. According to Agusto & Co.'s 2007 Banking Industry Report, among Tier 1 banks in Nigeria as identified by Agusto & Co., the Bank was the second most profitable bank measured in terms of return on assets, the most efficient bank measured in terms of operating expenses to net earnings, had the second best asset quality among banks measured in terms of non-performing loan ratio and, amongst all banks in Nigeria, the Bank was the seventh largest bank in terms of total assets. See "*Presentation of Financial and Other Information*".

The Bank has four banking subsidiaries in the West African sub-region — Guaranty Trust Bank (Gambia) Ltd. ("GTB Gambia"), Guaranty Trust Bank (Sierra Leone) Ltd. ("GTB Sierra Leone"), Guaranty Trust Bank (Ghana) Limited ("GTB Ghana") and, recently established, GTB (Liberia) Limited ("GTB Liberia"), which will commence operations upon receipt of the necessary regulatory approvals and a provisional banking license from the Central Bank of Liberia. In addition to the Group's operations in Nigeria and West Africa, the Bank recently extended its business interests to the United Kingdom through GTB U.K. Limited ("GTB U.K"), a wholly owned subsidiary of the Bank. GTB U.K. was primarily established to provide banking services to the Bank's customers that regularly travel between London and West Africa. Additionally, the Bank has five non-banking subsidiaries: Guaranty Trust Assurance Plc ("GT Assurance"), which provides insurance services in Nigeria, GTB Registrars Limited ("GTB Registrars"), a securities registrar, GTB Finance B.V. ("GTB Finance"), a finance subsidiary located in the Netherlands, GT Homes Limited ("GT Homes"), which provides mortgage banking services and also conducts business as a real estate developer in Nigeria and GT Asset Management Limited ("GT Asset Management") which provides securities and asset and investment management services in Nigeria. In each of the past three years, income from the Bank accounted for over 90.0 per cent. of the Group's total income.

The Bank and its subsidiaries (the "Group") service their retail customers through 127 branches, 212 ATMs and 7 cash centres in Nigeria, as well as other branches of the Bank's subsidiaries throughout the West African sub-region.

The Group offers a wide range of financial services and products throughout Nigeria and in the West African sub-region. Historically, the Group has focused its business on large- and medium-size corporate clients. 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. Since 2005, the

Group has been building its retail business, historically targeting only high-end retail customers who were employed by large, reputable companies. Recently, the Group has re-branded itself to establish a more recognizable brand and to create awareness of its retail focus, in particular its evolution as a regional bank with a nationwide network and focus on the provision of banking services to nearly all segments of the Nigerian economy.

The Group's core business is focused on the following four principal areas:

- *Institutional Banking Division*, which services multi-nationals and large corporate organisations with annual gross revenue of USD40.0 million and above. In addition to servicing corporate customers, the Institutional Banking Division manages the Treasury Group and the Corporate Finance Group.

- *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 USD2.0 million and USD40.0 million.

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

- *Retail Banking Division*, which provides banking services, primarily deposit accounts, to individuals and small businesses.

In addition, 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 is 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 is currently also considering a number of opportunities in the private equity fund area as this area starts to develop in Africa, although as yet, no formal decisions have been taken by the Bank to participate in any such transactions.

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, and in September 2006 was appointed as a primary dealer for the newly established Nigerian Bond Market. Additionally, in June 2006 the CBN proposed that certain appointed banks, including the Bank, manage a portion of the CBN's foreign exchange reserves, provided that the banks entered into a partnership agreement with an international financial institution to provide assistance and services to the banks in managing the funds. In July 2006, the Bank entered into such an arrangement with Morgan Stanley Investment Management Limited, and expects to begin managing CBN funds in the short to medium term.

History

The Bank commenced operations in Nigeria as a privately-held bank in 1991. Since its listing on the NSE in 1996, the Bank has completed three successful public offerings. In 2001, the Bank completed its first public offering and raised ₦2.6 billion (USD20.2 million). In June 2004, the Bank raised over ₦21.0 billion (USD166.0 million) in an additional public offering, resulting in a capitalisation of over ₦33.0 billion (USD260.9 million), assisting the Bank in complying with the minimum capital requirements of ₦25.0 billion (USD197.6 million) established by the CBN as part of its recapitalisation and consolidation plan for the Nigerian banking industry in that year. In July 2007, the Bank raised USD824.2 million from the domestic and international capital markets through the issue of global depositary receipts and became the first Nigerian and African bank to list its equity on the London Stock Exchange's main market.

Additionally, the Bank has been the recipient of several loan facilities from international development banks, including an aggregate of USD70.0 million from the International Finance Corporation (the "IFC") beginning in March 2001, USD20.0 million from the Netherlands Development Finance

Company (the "FMO") in December 2004, USD3.0 million from the European Investment Bank (the "EIB") in June 2005 and USD36.7 million from the African Development Bank (the "ADB") in May 2006. In January 2007, the Bank accessed the international capital markets for the first time with an issue of USD350.0 million notes due 2012, issued through the Bank's wholly-owned subsidiary GTB Finance. This was the first issue of securities by a Nigerian entity to access the international capital markets.

The Bank has been the recipient of a number of awards and recognition. Recently, the Bank's debut USD350.0 million Eurobond issued in January 2007 ("USD350.0 million Eurobond") was named 'Nigerian Deal of the Year 2007' by The Banker Magazine and its USD824.2 million issue of global depositary receipts ("USD824.2 million GDR"), 'Transaction of the Year 2008', by ThisDay.

Other awards include:

- in 1996, 2000, 2003, 2005, 2006 and 2007, the NSE Presidents Merit Award;
- in 2007, "Most Customer Friendly Bank" and "Best Bank for Brand Development" by Vanguard. The Bank also received three awards from Fortune & Class Enterprise – the "Grand Prix Award for Reputation and Credibility", "Corporate Best Practice" and "Best Workplace". Additionally, Lagos State Enterprises awarded the Bank, "Brand of the Year" and Nigeria Telecoms, a Nigerian telecoms magazine ("Nigeria Telecoms"), awarded it, "Best Bank in Mobile Banking"; and
- in 2008, the Bank received three awards from Vanguard – "Most Customer Friendly Bank", "Good Corporate Governance" and "Bank of the Year". Titans of Tech also awarded the Bank "Technology Driven Bank of the Year, 2008".

Key Strengths

The Group believes that the following strengths differentiate it from other banks in Nigeria.

Well-recognised and trusted brand that is associated with customer service

Management believes that 'GTBank' is a well-recognised and trusted brand, as a result of its emphasis since the Group's inception on customer service, professionalism and innovation. In 2007, the Group was named "Best Bank for Brand Development" and "Most Customer Friendly Bank" by Vanguard, a Nigerian newspaper. The Group also received the "Grand Prix Award for Reputation and Credibility" and "Corporate Best Practice" by Fortune & Class Enterprises and was awarded, "Brand of the Year", by Lagos State Enterprises. Additionally, the Group has grown organically rather than by merger, maintaining a strong, consistent culture focused on customer service. The strength of the Group's image has been further enhanced through its re-branding with the "Orange Rules" campaign in June 2006, which highlights 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, with an average of more than 14 years of experience in a 17 year old institution. The Group's Managing Director, Mr. Olutayo Aderinokun and the Deputy Managing Director, Mr. Olusegun Agbaje, have over 28 years and 17 years of banking experience, respectively. 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, measured by profit before tax with a significant footprint in West Africa by 2012 whilst maintaining its current efficiency ratios within a certain band. 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.

Focus on human capital with employee training programmes to support the Group's growing employee base

The Group has a young, dynamic work force which management believes is instrumental in maintaining the culture of customer service throughout the Group. The average age of the Group's employees is 30 years and a high proportion of its employees has higher education degrees. Furthermore, approximately 47.0 per cent. of the Group's employees are dedicated to customer service. The Group was the first bank in Nigeria to introduce an employee training programme which management expects will enhance 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. In 2007, the Bank received the "Best Workplace" award by Fortune & Class Enterprise.

Functional and scalable information technology systems and products that provide a platform to support growth

The Group believes that it has one of the most efficient information technology platforms among Nigerian banks. For instance, its platform provides a single customer view, and its branches are real-time linked, ensuring speed and efficiency in respect of all customer transactions. The Group has also been a leader in the industry in introducing innovative products and alternative distribution channels, such as internet banking, telephone and SMS banking. In 2007, the Bank received the "Best Bank in Mobile Banking" award from Nigeria Telecoms. The Group 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.

Strong internal controls and risk management policies that allow the Group to identify and respond to relevant risks

Management believes its risk management policies have contributed to the Group's low levels of non-performing loans. The Group has the second lowest non-performing loan ratio among its peers according to the most recently published audited financial statements of Nigerian banks. The Group's risk management policies cover liquidity, interest rate, foreign exchange, credit and operational risks. In addition, the Group's internal audit functions follow international standards such as ISO 9001:2000 and COBIT.

The Group 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 0.2 per cent. NPL ratio (non-performing loans to total loans and advances) as at 29 February 2008.

Best in class credit rating

The Group's issuer foreign currency rating from S&P is BB-, putting it on par with the sovereign rating. In addition, the Bank is one of only two Nigerian banks to be awarded the highest domestic issuer credit rating of AA- by Fitch Ratings.

Significant footprint in West Africa

In addition to Nigeria, the Group has banking operations in The Gambia, Sierra Leone and Ghana, and will be expanding its business operations to Liberia through a wholly owned subsidiary, GTB Liberia, which is anticipated to commence business during 2008, subject to obtaining certain regulatory approvals and a provisional banking license from the Central Bank of 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.

Leader in terms of efficiency among Nigerian banks

According to Agusto & Co.'s 2007 Banking Industry Report, the Bank had the lowest cost to income ratio among Tier 1 banks and has consistently delivered cost to income ratios below the industry average over the last three years. Management closely monitors the Group's operating expenses and has incentivised staff to identify and implement cost savings in their business units. The Group has been able to use its information technology platform to automate certain tasks and reduce certain costs despite its rapid expansion.

Strategy

The Bank's strategy is to:

- focus on growth to become the most profitable bank in Nigeria by 2012, measured by profit before tax and return on equity;
- keep its cost to income ratio relatively stable by managing costs; and
- expand its footprint in West Africa to entrench its leadership position across the region.

The Group intends to achieve these goals by implementing the following strategies:

Focus on key areas of growth within the West African economy

Management intends to focus on key areas of growth within the West African economy. With respect to traditional banking services, the Group believes there are many opportunities for growth and expansion in the oil and gas, telecommunications and power industries, as well as in project finance, infrastructure projects and the growing retail sector. The Group also sees opportunities for growth in the West African sub-region. 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. In addition, government reforms are encouraging economic diversity, 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, gas, real estate and construction, telecommunications, manufacturing, power and services sectors as well as in infrastructure projects. 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, places it in a strong position to capitalise on this growth.
- *Further expand in the Nigerian retail banking sector*. Management estimates that less than 10.0 per cent. of the Nigerian population has bank accounts. Management believes there is an emerging under-banked middle class which is expected to grow significantly on the back of the successful implementation of economic reforms. The Bank intends to capture this growth, facilitated by the recent introduction of the credit bureau and the leveraging of its 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 banking, enabling it to access remote communities.
- *Expand the Group's presence in West Africa*. The West African sub-region is experiencing significant economic growth. There have been ongoing discussions regarding economic integration and a proposed single currency for this sub-region, the construction of a West African gas pipeline and the general improvement of the political and economic stability of the region. Management believes that the Group is in position to leverage its reputation and that of its existing banking subsidiaries to continue to expand through the sub-region.

Enhance the Group's product and services offering

The Group also sees opportunities for growth by enhancing its existing, and expanding into new, products and services. Specifically, the Group intends to:

- *Bank the "value chain"*. The Bank intends to continue to leverage its corporate relationships to bank the "value chain", by providing banking services to suppliers, distributors, customers and employees. 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, which is the location of Dangote Industries Limited's new cement facility, to offer banking services to Dangote's distributors and employees.

- *Develop the Group's investment banking division*. The macroeconomic reforms in Nigeria have resulted in demand for increased financial intermediation and advisory services, asset management and access to the global markets. Management believes that the Group can play an important role in assisting both domestic and foreign companies with their investment banking needs.

- *Capitalise on the increasing need for insurance products in Nigeria by growing the Group's insurance business*. Nigerian insurance reforms, together with the introduction of the universal banking license that permitted Nigerian banks to diversify the products sold to customers, have created a market opening for banks to be active participants in the insurance industry. The Bank, through its insurance subsidiary GT Assurance, has been an active player in this market and sees additional opportunities for growth by cross-selling insurance products to both corporate and retail customers at its branches. The Group intends to significantly grow its insurance business by taking advantage of potential business opportunities brought about by ongoing reforms in the insurance sub-sector and the changing macroeconomic landscape.

- *Provide Asset Management and Stockbrokerage services*. Recent reforms introduced in the Nigerian capital markets have increased the Group's incentives to participate in this sector by providing asset management and stockbrokerage services. The Group intends to capitalise on opportunities in this market by leveraging its retail distribution network, information technology and strong brand reputation, while deploying the necessary human capital requirements to facilitate an efficient and profitable operation. The Group will, going forward, provide such services through its wholly owned subsidiary, GT Asset Management.

- *Provide Mortgage Banking services*. Against the backdrop of macroeconomic reforms in Nigeria, the retail market segment is expected to experience positive developments with strong growth prospects in the short-term to medium-term, given the increasing liquidity in the financial system and increasing demand for various retail products and service offerings. The Group provides mortgage banking products and services through its wholly owned subsidiary, GT Homes, with a view to taking advantage of mortgage banking opportunities in the growing retail market segment.

Maintain the Group's operational efficiency

Management believes the Group has the management capabilities and expertise to achieve its desired growth without materially adversely affecting its existing operational efficiency.

- *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 culture focusing on cost control. The Group monitors, reviews and adjusts its budget on a monthly basis. One example of the Group's focus on its cost base was the decision to outsource non-core functions, thereby bringing down costs of employees. Management recently 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 29 February 2008. The Group intends to maintain its cost to income ratio within a limited band of its current position, even while it grows its retail business.

- *Continue to invest in and enhance the Group's information technology systems*. Information technology is key in allowing the Group to maintain efficiency. Although management believes that the Group currently has one of the leading technology platforms among banks in Nigeria, to effectively realise the Group's strategic objectives, management intends to continue to invest in robust information technology and support systems. Management believes that a key factor in cost reduction and bank security is an efficient and reliable information technology system. The Group has invested over ₦5.5 billion (USD47.2 million) in information technology in the last three financial years and intends to invest an additional ₦5.1 billion (USD43.4 million) in the 2008 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 the most efficient ATM network in Nigeria measured by transactions per ATM, according to data from Interswitch. 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.

Competition

In July 2004, the CBN embarked on a recapitalisation and consolidation plan for the Nigerian banking sector, requiring all 89 of the existing Nigerian banks to recapitalise from ₦2.0 billion (USD15.8 million) to a minimum of ₦25.0 billion (USD198.0 million). Banks that failed to meet the capitalisation requirements had their licenses revoked after 31 December 2005. This plan led to numerous capital raisings and mergers and acquisitions throughout the Nigerian banking industry and banks falling under the supervision of the banking authorities, resulting in a total of 25 banking institutions operating in Nigeria. This number has subsequently been reduced to 24 following the recent merger between Stanbic Bank Limited and IBTC Chartered Bank Plc. Further possible mergers in the industry are, however, under discussion. Instead of merging or acquiring smaller banks, the Group decided to raise capital through a public offering in June 2004 of over ₦22.0 billion (USD174.0 million), resulting in a total capitalisation of over ₦33.0 billion (USD260.0 million).

The Group considers First Bank of Nigeria Plc, UBA Plc and Zenith Bank Plc. to be its key competitors for the provision of a full range of banking services in Nigeria. 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. Following the recapitalisation of the banking sector, First Bank of Nigeria Plc and Union Bank of Nigeria Plc maintained their positions as two of the largest banks in Nigeria by asset size, with ₦762.8 billion and ₦1,102.3 billion in total assets, respectively, according to the most recently published financial statements of Nigerian banks. The primary area of competition with the larger banks is competition for lending to corporate customers and deposits from retail customers. With their larger asset sizes, these banks have higher limits for loans to one borrower, which may make them more attractive to certain corporate customers. However, the Group believes that its commitment to customer service and innovation in product and service development will continue to attract and allow the Group to maintain its corporate clients.

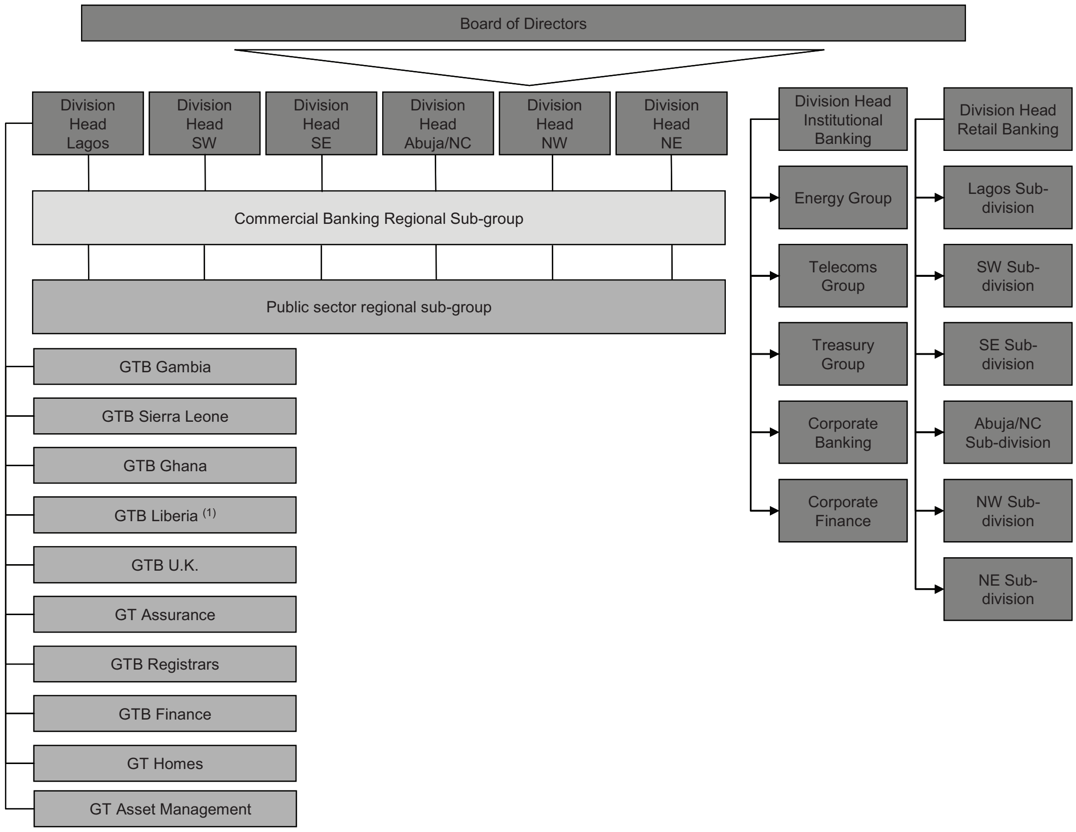
With three subsidiaries operating in Ghana, The Gambia and Sierra Leone and a fourth subsidiary expected to commence operations in Liberia in 2008, the Group has one of the largest footprints in the West African sub-region. See " — *Distribution Channels — Branches*" below.

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., Nigeria International Bank Limited, 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. Historically the Group's access to foreign currency funds has been limited. The Group aims to become more competitive in this area by increasing its access to U.S. dollar funds, which it managed in 2007 through the issue of a total of

USD1.174 million on the international capital markets in that year. The Bank intends to continue to access a variety of funding sources, including the capital markets through its debt issuance programme.

Corporate Structure and Description of Business

The following chart shows the corporate structure of the Bank as at 30 May 2008:



(1) To commence operations subject to receiving necessary approvals from applicable regulatory authorities.

General

The Group's operations are conducted through its various 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 the entire value chain of its customers. For example, a large corporate client might use the services offered by the Institutional Banking Division, and 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.

Institutional Banking Division

The Group's Institutional Banking Division services multi-nationals and large corporate organisations with an annual gross revenue of USD40.0 million and above. As at and for the year ended 29 February 2008, the Institutional Banking Division accounted for approximately 45.5 per cent. of the Group's loans, 26.8 per cent. of the Group's deposits and 53.9 per cent. of the Group's profit before income tax (calculated in accordance with Nigerian GAAP). Since completing the Bank's offering of GDRs in July 2007, the Group's capital and funding base was significantly enhanced, thus enabling it to invest in its loan portfolio, particularly in respect of its Institutional Banking Division customers.

The Institutional Banking Division operates through sub-groups that provide tailored expert service based on industry segments, such as oil and gas, telecommunications and corporate banking. The Group's Treasury and Corporate Finance groups are included under the Institutional Banking Division.

Lending

To meet the needs of the Institutional Banking Group's clients, the Group offers a wide range of lending products, including overdrafts, term loans, agricultural loans, equipment finance loans, import finance facilities, export credit finance lines and U.S. dollar denominated credits. Within the Institutional Banking Division, the Group's loans are spread differently among industries and geographies, with loans to customers in the oil and gas, telecommunications, mining, real estate, manufacturing and general commerce sectors, and with customers spread throughout the country.

As at 29 February 2008, approximately 61.6 per cent. of loans consisted of one-year revolving loans, and the remaining 38.4 per cent. consisted of term loans (calculated in accordance with Nigerian GAAP). All of the Group's loans pay interest at a floating rate linked to the Nigerian Interbank Offered Rate ("NIBOR") for loans in Naira or published LIBOR rates for loans in U.S. dollars. On its loans to Institutional Banking customers, the Institutional Banking Division generally charges a margin of 200-300 basis points over the applicable NIBOR. In addition, the Institutional Banking Division generally charges a facility fee of about 1.0 per cent. and a management fee of about 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 at 29 February 2008, approximately 9.1 per cent. of the Group's deposits, or USD282.4 million, were U.S. dollar deposits, the majority of which were from Institutional Banking customers (calculated in accordance with Nigerian GAAP).

The Group's other key funding sources for its Institutional Banking customers are the U.S. dollar facilities extended to it by international development banks and its access to the international capital markets, including an aggregate of USD1.174 billion raised by the Bank from international investors in the capital markets in January and July 2007.

Treasury Group

The Treasury Group is responsible for buying and selling securities for the Group's investment and trading portfolio. As at 29 February 2008, the investment portfolio accounted for 35.0 per cent. of the Group's total assets. The Treasury Group consists of three units, the Asset and Liability Management unit (the "ALM"), which manages the Group's Naira balance sheet, the Funds Management unit and the Trading unit, and is also responsible for complying with regulatory capital requirements. 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 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. See "*Asset, Liability and Risk Management*".

The Treasury Group, through the foreign exchange and foreign currency balance sheet desks, is responsible for the Group's currency trading, in both Naira and U.S. dollars. The Group's currency trading involves straight buying and selling of U.S. dollars and Naira, as well as some swaps and forward-sales contracts, but on a more limited basis. In addition, since the further liberalisation of foreign exchange trade by the CBN in February 2006, the Group can buy and sell foreign currency directly in interbank transactions, rather than trade solely with the CBN.

The bond and treasury bills trading desks are responsible for purchases and sales of Nigerian government bonds and treasury bills. Historically, the Group's investment portfolio included primarily short-term Nigerian government bonds and treasury bills, which the Group generally held to maturity and accounted for at cost. However, in July 2006, the Nigerian government established the Nigeria Bond Market and appointed 10 permanent dealers, one of which is the Bank. Since September 2006, the Bank has been an active participant in the Bond Market, trading Nigerian 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.

For the year ended 29 February 2008, income from the Group's investment portfolio accounted for approximately 30.0 per cent. of all interest income, compared to 45.6 per cent. for the financial year ended 28 February 2007 and 24.2 per cent. for the financial year ended 28 February 2006 (calculated in accordance with IFRS).

Corporate Finance Group

The Corporate Finance Group specialises in the provision of investment banking activities and is also involved in various strategic initiatives concerning the Group (including executing the Bank's USD350.0 million Eurobond transaction).

An example of the Group's corporate finance services is the Bank's participation in a consortium with nine other Nigerian banks to provide a USD205.0 million financing facility to the United Cement Company of Nigeria. In addition, the Bank has acted as lead arranger or co-lead arranger on a number of high profile Nigerian financing transactions, including the USD1.3 billion syndicated note issuance by the Dangote group of companies in May 2008, facilitated by the Bank in consortium with nine other banks, with the Bank acting as lead manager on the transaction.

The Group has also been very active in encouraging foreign direct investments in Nigeria, offering a range of expertise in sourcing funding from international sources for and on behalf of Nigerian companies. In addition, the Corporate Finance Group liaises with international development banks, such as IFC, FMO, EIB, Afrexim and ADB, whilst exploring other potential access to international funding facilities, including the offering of global depositary receipts.

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 USD2.0 million and USD40.0 million. The Commercial Banking Division currently has over 50,000 customers. The Division is organised by geographic regions within Nigeria and then further segmented by industry sector. As at and for the year ended 29 February 2008, the Commercial Banking Division accounted for approximately 17.9 per cent. of the Group's deposits and 24.6 per cent. of the Group's profit before income tax (calculated in accordance with Nigerian GAAP).

Deposits

As at 29 February 2008, 17.9 per cent., or ₦65.3 billion, of the Group's total deposits were from Commercial Banking customers (calculated in accordance with Nigerian GAAP). The deposit products offered to customers in the Commercial Banking Division consist of on demand, term and savings deposits.

Lending

As at 29 February 2008, 32.7 per cent., or ₦94.3 billion, of the Group's total loans were from Commercial Banking customers (calculated in accordance with Nigerian GAAP). As at 29 February 2008, approximately 81.3 per cent. of loans to these customers had a maturity of less than one year, with the remaining 18.7 per cent. comprising medium- to long-term loans. Loans to commercial customers are primarily secured by real estate.

To meet the needs of the Commercial Banking Division's clients, the Group offers a range of lending products, including overdrafts and term loans. The division 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. Additionally, a significant proportion of the Group's margin lending facility, (the GTBank Margin Lending Facility, which is no longer offered as at the date of this Offering Circular), was made available to customers in the Commercial Banking Division. As at 29 February 2008, the margin lending facility constituted 10.6 per cent. of total loans and advances from the Commercial Banking Division. As at the date of this Offering Circular, the Group no longer offers its GT Bank Margin Lending facility. See "*Risk Factors—The Group provides funding for the purchase of shares publicly traded on the Nigerian Stock Exchange, which may expose it to certain risks in the event of a decline in the value of such shares*".

Public Sector Division

The Group's Public Sector Division deals directly with government parastatals and agencies at the federal, state and local government 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. As at and for the year ended 29 February 2008, the Public Sector Division accounted for approximately 14.0 per cent. of the Group's loans, and 14.9 per cent. of the Group's profit before income tax (calculated in accordance with Nigerian GAAP).

Deposits and other Services

As at 29 February 2008, 26.1 per cent., or ₦95.3 billion, of the Group's total deposits were from Public Sector Division customers (calculated in accordance with Nigerian GAAP). 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.

Lending

Loans to customers in the Public Sector Division primarily consist of loans to large 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 government parastatals and 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 parastatals and agencies of the State. 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.

Retail Division

The Group's Retail Division is structured to develop and promote the retail business generally through traditional branches and cash centres, 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 economy, such as employees of its Institutional Banking Division customers, it has recently re-branded and switched its focus to target a broader segment of the Nigerian retail market. The Division is organised by geographic regions within Nigeria. As at and for the year ended 29 February 2008, the Retail Division accounted for approximately 7.7 per cent. of the Group's loans, 29.1 per cent. of the Group's deposits and 6.6 per cent. of the Group's profit before income tax (calculated in accordance with Nigerian GAAP).

Deposits

As at 29 February 2008, 29.1 per cent., or ₦106.1 billion, of the Group's total deposits were from retail customers, compared to 27.0 per cent. as at 28 February 2007 and 25.0 per cent. as at 28 February 2006 (calculated in accordance with Nigerian GAAP). The Group conducts its retail banking operations through the Group's network of 127 branches, 7 cash centres and other distribution channels such as ATMs and the Internet. See "— *Distribution Channels*". The Group is aiming to further increase deposits from retail customers through its new products targeted at individuals, including the current account, GTMax account, savings account, Smart Kids Save account, call account, fixed/tenured deposit account and domiciliary account. The Group has also recently introduced "Slip Free" banking, which allows customers to engage in transactions without the use of deposit or withdrawal slips. The range of accounts that can be established for 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 (USD 0.04 cents) is charged on every ₦1,000.0 (USD8.0) withdrawal.
- GTMax Account — The GTMax account is a high yield current account designed to meet the needs of customers who wish to minimise their bank 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 Bank's savings account has a zero minimum balance and pays interest at the prevailing savings account rate, which as at 29 February 2008 was 3.0 per cent. per annum.
- Smart Kids Save Account — The Smart Kids Save account (the "SKS 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 rate 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.

Lending

Currently, retail lending in Nigeria is constrained by the lack of an operating credit bureau, a Nigerian legal framework that makes it difficult to register and pledge land as collateral and the lack of a national identity card system. 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 at 29 February 2008, only 0.6 per cent. of the Group's total loans, or ₦1.9 billion (USD29.0 million), were loans to individuals (calculated in accordance with IFRS). Loans to individuals consist primarily of MaxAdvance loans, temporary overdrafts, overdrafts and term loans. Interest rates payable on loans to individuals are tied to the leading MPR, which was 10.25 per cent. as at 2 June 2008, plus such number of basis points as determined by management.

- MaxAdvance Loans — The MaxAdvance loans are loans targeted at the staff of the Group's corporate customers. The MaxAdvance loans are generally for amounts of no more than

₦45.0 million (USD0.385 million), and are secured by the direct deposit of the individual's salary and termination benefits with the Group. Interest on MaxAdvance loans are set at the prevailing market rate, which as at 29 February 2008 ranged between 17.0 to 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. Interest on both forms of overdraft is set at the prevailing overdraft default rate, which as at 29 February 2008 ranged between 17.0 to 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 at 29 February 2008 ranged between 17.0 to 21.0 per cent. per annum.

- GTMargin — The GT Bank Margin Lending Facility is a credit facility which provides a convenient payment option to customers who wish to participate in the stock market by investing and/or trading in the shares of companies approved by the Bank. Although, as at the date of this Offering Circular the Bank no longer offers this facility, it regularly monitors market and regulatory conditions and may consider offering margin lending again in the future.

In addition to its conventional lending facilities, the Bank also offers special lending facilities under schemes such as the "Computer Acquisitions Scheme", aimed at providing credit (usually for a 24-month period) to certain staff members of Federal tertiary institutions for the purpose of purchasing computer equipment and software and the "GT Reward Account" or "GTRA" under which personal loans (usually for a 12-month period) are made to primary and secondary school teachers in the public sector.

Other Services

The Group provides a system of cross-marketing to its customers that allows the Group to offer its products and services to individuals, including investment advisory services. Other affiliated products and services offered by the Group include Western Union money transfers and insurance products offered through the Group's subsidiary, GT Assurance. In addition, the Group provides mortgage banking services and products to its retail clients, including the provision of building loans, real estate financing, consultancy services for estate development and property trading, and also assists them with processing applications for home loans made to the National Housing Fund (which is administrated by the Federal Mortgage Bank of Nigeria), through the Bank's wholly owned subsidiary, GT Homes. Upon receipt of CBN approval, the Group will also provide asset management and stockbrokerage services to its customers through GT Asset Management, a wholly owned subsidiary of the Bank.

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, 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 (Banking Automation Systems for Integrated Services) technology.

- The Settlement Group is responsible for clearing, domestic operations, foreign operations, treasury operations and Western Union transactions. Clearing transactions are performed through NEFT, 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 Group 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 at 29 February 2008, the Group had 127 branches in Nigeria. The operations of each branch are subject to internal regulations and to oversight by the 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.

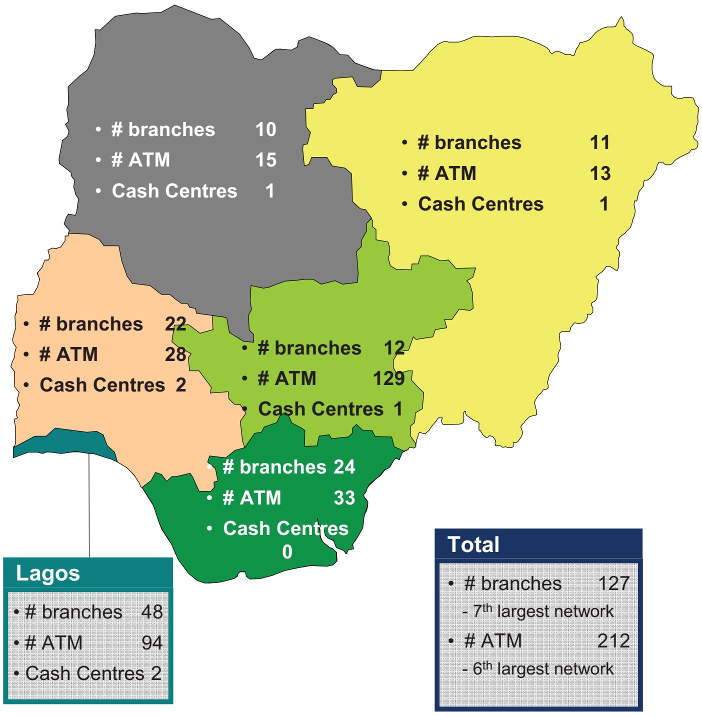
In addition to its branch network, the Group has seven cash centres strategically located throughout Nigeria. Cash centres allow customers to transact most cash-based banking transactions, however, there are certain restrictions on transaction volumes and amounts for control and security reasons.

The Group has one of the most widespread regional networks of banking operations in West Africa. The subsidiary banks in Ghana and Sierra Leone have three branches and The Gambia, seven branches. The Group plans to increase its distribution network in Nigeria by 100 branches before the end of February 2012.

ATM Network

As at 29 February 2008, the Group owned and operated 212 ATMs. The Group intends to, and is in the process of, increasing the number of its ATMs to 1,000 by the end of February 2012. 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. According to data provided by InterSwitch, an electronic transaction switching and payment processing company, the Group has the most efficient ATM network in Nigeria measured by transactions per ATM.

The following map shows the Group's branch, ATM and cash centre network as at 29 February 2008.



Other Distribution Channels

In addition to being able to use the network of ATMs of other banks available throughout Nigeria, under arrangements between the Group and third-party vendors, the Group's customers are currently entitled to use the Group's ValuCards 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 and the Group's call centre, GTConnect. The Bank's two newly established distribution channels include GTBank 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.

The Group has invested significantly since 2003 in its information technology 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 electricity, phone and water 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 a card and use the card for various services and products throughout Nigeria.

- MasterCard – the Group can issue MasterCards to its customers that have a domiciliary account opened with the Group and have funded the account with at least 100.0 per cent. of the required credit limit.

- ATM banking services – allows the Group's customers to make 24-hour cash withdrawals, account balance enquiries, mini-statement printing and funds transfers and to change PIN numbers.

- Online point of sale terminals – InterSwitch online point of sale 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 vital information to GSM phones worldwide through the Bank's website at www.gtbplc.com.
- GTConnect — launched in September 2006, GTConnect is a fully interactive, self-service telephone banking centre.
- 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 point of sale terminals at merchant outlets.
- GAPS – the GTBank Automated Payment System providing 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 on the Internet, across various banks, to merchants for the purchase of goods and services on the Internet.
- Electronic Notification Systems – including "GENS" which provided customers with email and SMS notifications of transactions and "IVR", an interactive voice response system.
- 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.

Subsidiaries

As of the date of this Offering Circular, the Bank had the following subsidiaries:

Guaranty Trust Bank (Gambia) Ltd. is a commercial bank established in The Gambia in 2002. The Bank owns 78.3 per cent. of GTB Gambia, and the remaining shares are owned by an individual. For the year ended 31 December 2007, it reported gross revenue of USD8.4 million and profits before tax of USD2.4 million. The Group's banking operations in The 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 Leona'. 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. The Bank owns 87.6 per cent. of GTB Sierra Leone, and the remaining shares are owned by a Sierra Leonan company. GTB Sierra Leone operates three branches in Sierra Leone. For the year ended 31 December 2007, it reported gross revenue of USD5.8 million and profits before tax of USD1.8 million. The Group's banking operations in Sierra Leone comprise 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 licensed in 2006. The Bank currently owns 70.0 per cent. of GTB Ghana, and the remaining 30.0 per cent. is owned equally by the FMO and by an individual. GTB Ghana, in addition to its head office, recently commenced operations in its purpose-built branches at the Airport Residential Acru, Acura and Community One Time. For the year ended 29 February 2008, it reported gross revenue of USD4.2 million and a loss of USD1.9 million. 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, the Board approved an additional equity investment of USD60.0 million by the Bank in this subsidiary, subject to CBN approval.

GTB U.K. Limited was established in 2006 to extend the Group's business interests into the United Kingdom, specifically London as a major global financial centre. The establishment of a banking subsidiary in London 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. The Bank owns 100.0 per cent. of GTB U.K., the head office of which is situated in London.

GTB Liberia Limited was established in 2007 to further expand the Group's business interests into the West African sub-region, providing financial services and products to corporate and retail customers. The Bank owns 100.0 per cent. of GTB Liberia. As at the date of this Offering Circular, the necessary applications have been submitted to the Central Bank of Liberia for the issue of a banking license to GTB Liberia, which will be issued subject to the completion of certain customary procedures, including a due diligence investigation by the Governor of the Central Bank of Liberia. It is expected that this process will be completed, the necessary regulatory approvals be obtained and GTB Liberia be issued with a provisional banking license allowing it to commence business in 2008.

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 and currently owns 54.0 per cent. of GT Assurance. The remaining shares are held by a Tunisian company. GT Assurance has recently embarked on a recapitalisation exercise (through a special placement and rights issue) to generate additional funds to increase its operational capacity and participate in the opportunities offered by a growing Nigerian insurance market. All applications in respect of the recapitalisation have been filed and the subsidiary is currently awaiting approval from the SEC to proceed with this exercise.

For the year ended 31 December 2007, it reported gross revenue of USD22.2 million and profits before tax of USD9.4 million. In March 2006, the Bank made a capital injection of ₦2.6 billion (USD20.5 million) in GT Assurance, which raised its capital base to over ₦5.3 billion, an action taken in order to meet the requirement of the National Insurance Commission ("NAICOM") that insurance firms increase their capital base by 29 February 2008. According to NAICOM, insurance firms were required to raise their capital as follows: (i) not less than ₦2.0 billion (USD15.8 million) for firms engaged in the life insurance business, (ii) not less than ₦3.0 billion (USD23.7 million) for firms engaged in general insurance business and (iii) not less than ₦10.0 billion (USD79.0 million) for firms engaged in composite insurance business. GT Assurance offers a large range of insurance products to corporate and retail customers, including marine, oil and gas, accident and home insurance. The Group intends to grow the size of the insurance company over the next five years by targeting the Group's corporate customers. Further associate companies include HYGEIA (HMO) Limited (providing health services) and ARM Pension Managers (providing pension plans and services). Agusto & Co has recently assigned GT Assurance with an A+ rating.

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. The Bank owns 99.9 per cent. of GTB Registrars. GT Assurance holds one share in accordance with the minimum shareholder requirements of the CAMA, requiring public companies to have at least two shareholders ("minimum shareholder requirements").

GTB Finance B.V., or the Issuer, is a finance subsidiary located in the Netherlands established in December 2006 to raise funds for the Group on the international capital markets. At the date of this Offering Circular, GTB Finance has issued USD350 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.

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 create possible synergies with the Bank's expanding retail banking segment. Its name was subsequently changed to GT Homes Limited. The Bank effectively owns 100.0 per cent. of GT Homes. (GTB Registrars holds one share in accordance with the minimum shareholder requirements of the CAMA.) 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.

GT Asset Management Limited is a securities and asset and investment management company established in 2008. The Bank effectively owns 100.0 per cent. of GT Asset Management. (One share is held by an individual in accordance with CAMA's minimum shareholder requirements.) The company was established by the Bank as part of its strategy to expand its business operations and to participate in the growing Nigerian capital markets. The company will commence operations as soon as the CBN approves the Bank's equity investment in the company.

The financial results of all the subsidiaries of the Bank were consolidated with the financial results of the Group. See "*Financial Statements*".

As of the date of this Offering Circular, the Bank had the following associate companies:

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. The Bank owns 17.1 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. The Bank owns 5.1 per cent. of ValuCard Nigeria Plc, and the remaining 94.9 per cent. is owned by Visa International Service Association and other Nigerian banks.

Nigeria Automated Clearing System Limited was incorporated in 1993. It 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. The Bank owns 3.1 per cent. of Nigeria Automated Clearing System Limited, and the remaining 96.9 per cent. is owned by other licensed 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, to mitigate the impact of certain operational, reputational and legal risks, to protect the safety and soundness of the Bank and to 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 29 February 2008, the Bank identified 120 incidents of suspicious activity. 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 financial year ended 29 February 2008, the Group's information technology related capital expenditures amounted to approximately ₦2.0 billion, and it has budgeted approximately ₦5.1 billion for information technology expenditure in the current financial year.

All of the Group's branches are connected in real-time to the Group's data centre at its headquarters in Lagos. The Group uses (except GTB U.K. which is a separately functioning entity) the Unix Operating System and operates a real-time online banking system called BASIS (Banking Automation Systems for Integrated Services). BASIS is used for the Group's general ledger accounting and is updated in real time 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 a customer relationship management software that manages the Group's customer interactions. Management believes that its technology is fully scalable, and therefore existing technology 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. See "*Management's Discussion and Analysis of Results of Operations and Financial Condition – Other Expenses*" for a discussion of such costs).

Insurance

The Group is self-insured 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 affiliate, 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 unveiled a new marketing campaign called "Orange Rules". Through this campaign, the Groups 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

Approximately two years into the campaign, the Group is witnessing increased marketing presence and brand image recognition. The orange colour and box have become ubiquitous with the Group in Nigeria and the West African sub-region. In 2006 and 2007, the Group was awarded "Brand of the Year" by ThisDay and Lagos State Enterprises, respectively, and "Best Bank for Brand Development" by Vanguard and "The Most Customer Friendly Bank", also by Vanguard. Additional awards in 2007 include "Deal of the Year" by The Banker Magazine, "Best Bank in Mobile Banking" by Nigeria Telecoms and "Grand Prix Award for Reputation and Credibility", "Corporate Best Practice" and "Best Work Place" by Fortune & Class Enterprise.

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 – no "Sirs or Madams". 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 offices alongside their fellow colleagues.

The Bank has identified its brand essence as "precision" and believes this to best personify 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. More recently, the Group 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.

Employees

As at 29 February 2008, the Group had 1,905 employees and 2,032 contractors working within the Group, of whom over 90.0 per cent. were employed in the branches of the Group, compared to 1,875 employees and 1,666 contractors as at 28 February 2007 and 1,269 employees and 2,427 contractors as at 28 February 2006. In connection with its planned growth in retail, the Group expects to hire an additional 657 employees and 630 contractors in the year ended 31 December 2008. 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 at 29 February 2008, the total net book value of the fixed assets (comprising land, land improvements, buildings and other) of the Group was ₦29.6 billion (USD252.8 million). The Group leases approximately 40.0 per cent. of its branches from third parties pursuant to long-term renewable leases and owns the remaining branches. In the financial year ended 29 February 2008, the Group paid a total amount of approximately ₦434.0 million (USD3.7 million) under its leases.

Legal Proceedings

From time to time and in the ordinary course of business, the Group is subject to legal actions and complaints. 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 companies whose directors are also directors of Group companies at rates and terms comparable to other facilities in the Group's portfolio. As at 29 February 2008, an aggregate of ₦8.1 billion (USD69.5 million) was outstanding under such facilities compared to ₦1.5 billion (USD11.9 million) as at 28 February 2007 and ₦0.7 billion (USD5.5 million) as at 28 February 2006.

ASSET, LIABILITY AND RISK MANAGEMENT

General

The principal risks inherent in the Group's business are liquidity risk, interest rate risk, foreign exchange risk, credit risk and enterprise risk. The Group also carries out risk management in respect of operational and legal risk, and systems risk.

In line with the CBN's recently adopted, "Risk-Based Supervision Framework", 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.

Through its asset and liability management, the Group manages its balance sheet in light of interest rate changes, liquidity requirements, existing asset-liability positions and general market conditions.

The asset, liability and risk management functions are divided among the Board of Directors, the Asset and Liability Management Committee ("ALMAC"), the Managing Director, the Deputy Managing Director, the Risk Management Group ("RMG"), the Asset and Liability Management Unit ("ALM"), Divisional and Group Heads and the Criticised Asset Committee ("CAC").

Asset and Liability Management Committee

The ALMAC has a minimum of eight members and is chaired by the Managing Director. The other members include the Deputy Managing Director (vice chairman), Executive Directors, the Treasurer, Divisional Heads of each business unit within the divisions, the Group Head of Financial Control ("FINCON"), the Group Head Risk Management and a representative of the ALM Unit. The representative of the ALM is the secretary and leads the discussion of asset, liability and risk management issues raised at ALMAC meetings.

ALMAC meetings are held quarterly, or more frequently when there are issues that need to be resolved. The ALMAC manages a variety of risks, focusing on balance sheet structuring, market and liquidity risk management and establishing guidelines for pricing on deposit and credit facilities.

The ALMAC is also responsible for formulating and overseeing the implementation of the asset and liability management strategy of the Group. The objectives of the ALMAC include: (i) the effective monitoring of the liquidity position of the Group at all times; (ii) achieving low cost of funds by ensuring an optimum mix of deposits; (iii) maintaining a liquid but profitable balance sheet; (iv) regularly checking the diversity of the Group's sources of funds to avoid risk of concentration; (v) ensuring strict compliance with banking regulation on different treasury issues; and (vi) building an efficient contingency funding plan.

Liquidity Risk

The Group's funding and liquidity management policy seeks to ensure that, even in adverse conditions, the Group maintains sufficient funds available to meet its operational needs, including maturing liabilities, and to ensure compliance with CBN regulations.

Liquidity risk refers to the ability of the Group to ensure the availability of funds to meet its obligations and other commitments at a reasonable price, at all times both now and in the future. To meet its funding needs, the Group has historically relied on lower cost customer deposits (current and saving accounts), which accounted for approximately 44.4 per cent. of the Group's total funding (excluding shareholders' funds) as at 29 February 2008.

In order to manage liquidity risk, the Group monitors its current and expected cash flows, its liquidity position, its deposit concentration and it holds liquid assets which are readily convertible to cash at a level above the required regulatory minimum. Compliance with minimum regulatory ratios requires that the Group maintain a liquidity ratio (liquid assets to deposits) of 40.0 per cent. and an off-balance sheet volume (consisting of bankers acceptances, commercial paper, letters of credit and guarantees) of not more than 150.0 per cent. of shareholders' funds.

The following table provides certain information as to the Group's liquidity as at the dates indicated:

	As at 28 February		
	2008[(1)]	2007	2006
		(%)	
Loans (excluding accrued income on loans)/assets	39.8	24.5	27.7
Loans (excluding accrued income on loans)/deposits	64.8	37.8	37.0
Loans (excluding accrued income on loans)/total equity	180.2	236.8	199.5
Liquid assets/total assets	38.3	56.0	55.3
Liquid assets/total deposits	62.4	77.7	70.7

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

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 down 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 for the financial years ended 29 February 2008 and 28 February 2007 as at the dates indicated and contain certain information regarding the liquidity risk facing the Group:

	As at 29 February 2008					
	Less than three months	Three to six months	Six to 12 months	One to five years	Over five years	Total
			(₦ millions)			
Assets:						
Interest-earning assets	363,332	58,562	86,901	86,338	12,063	607,185
Non-interest earning assets	64,754	–	–	58,623	2,091	123,468
	428,075	58,562	86,901	144,961	14,154	732,653
Liabilities:						
Interest-bearing liabilities	278,659	2,732	2,764	122	–	284,277
Non-interest bearing liabilities	165,105	–	–	121,618	161,653	448,376
	443,765	2,732	2,764	121,740	161,653	732,653
Net position	15,690	(55,830)	(84,137)	(23,221)	147,499	–
Accumulated gap	15,690	(40,140)	(124,277)	147,449	–	–

	As at 28 February 2007					
	Less than three months	Three to six months	Six to 12 months	One to five years	Over five years	Total
	(₦ millions)					
Assets:						
Interest-earning assets	261,513	11,970	38,377	55,413	2,209	369,482
Non-interest earning assets	73,005	15,147	50	19,148	–	107,350
	334,518	27,117	38,427	74,561	2,209	476,832
Liabilities:						
Interest-bearing liabilities	343,304	117	527	48,056	9,771	401,775
Non-interest bearing liabilities	687	18,954	6,064	–	49,353	75,058
	343,991	19,070	6,591	48,056	59,124	476,832
Net position	9,472	(8,046)	(31,836)	(26,505)	56,915	–
Accumulated gap	9,472	1,426	(30,410)	(56,915)	–	–

Although the Group currently has a negative liquidity gap in some of the time periods indicated above, the Group believes its access to funds will continue to allow it to meet its liquidity needs. Management believes that the above 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 table above. However, there can be no assurance as to the Group's ability to continue to lengthen the maturity of customer accounts beyond their contractual maturity.

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.

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 repricing characteristics of assets and liabilities. The principal objective of the Group's interest rate risk management activities is to enhance profitability by limiting the effect of adverse interest rate movements and increasing interest income by managing interest rate exposure. The Group monitors its interest rate sensitivity by analysing the composition of its assets and liabilities and off-balance sheet financial instruments.

The following table summarises the effective average interest rates of the Bank's assets and liabilities for the periods indicated.

	As at 28 February		
	2008[3]	2007	2006
Trading securities[1]	10.36	13.2	–
Investment securities	7.90	11.0	8.8
Loans and advances	17.4	19.1	22.3
Due to credit institutions[2]	7.84	9.13	8.41
Customer deposits	4.3	5.0	5.5

(1) The Group did not have any trading securities as at 28 February 2006 because it only commenced trading in securities in September 2006.

(2) This represents the average spread above Libor rates.

(3) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

Additionally, as disclosed in the maturity analysis above, management believes that the structure of the Group's balance sheet, including the short-term structure of its major assets and liabilities, reduces the Group's exposure to interest rate risk. Nevertheless, as the average maturity of the Group's loan portfolio increases, it will, without a matching increase in the average maturity of its liabilities, face increasing interest rate risk and will be obliged to introduce more sophisticated risk management techniques and/or more sophisticated standard terms and conditions in its loan agreements. Currently, the Group does not use derivative instruments to reduce its interest rate exposure.

Foreign Exchange Risk

Currency risk is the risk of losses resulting from adverse movements in different foreign currency exchange rates. Currency risk results from the Group having open positions in different currencies. Such positions are calculated as differences between assets and liabilities in the same currency.

The Group does not hold positions in foreign currencies other than the U.S. dollar. All other currencies are purchased to meet customer demands as necessary. With respect to the U.S. dollar, the Group does not exceed an open trading position of USD80.0 million. The Group has also set internal limits, using the "Earnings at Risk" method, which is designed to ensure that the potential loss does not exceed the Group's average earnings for two weeks.

The following table shows the foreign currency trading position of the Group as at the dates indicated:

	As at 28 February		
	2008[(1)]	**2007**	**2006**
Net (short)/long position (₦ billions)	6.2	2.3	0.5
Net (short)/long position (USD million)	(52.8)	17.8	4.1

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

Future movements in the exchange rate between the Naira and the U.S. dollar will affect the carrying value of the Group's U.S. dollar-denominated assets and liabilities. Such changes may also affect the Group's ability to realise a return on its investments in non-cash assets denominated in U.S. dollars. However, the Group mitigates these risks by matching its U.S. dollar borrowings with U.S. dollar loans.

Credit Risk

The RMG is responsible for monitoring compliance with the credit approval process and must report any non-compliance to the Managing Director and the Deputy Managing Director. In addition, the RMG is responsible for the periodic review and update of the credit policy guide, the periodic audit of credit files and security documentation, the review of specific facility credit ratings, reviewing and signing off new credit application, re-approvals and temporary overdrafts, monitoring clients' compliance with credit covenants, safe-keeping of credit files and security documents, internal and external reporting of credit status, filing of relevant security documents with the CBN, the review of overdraft and loan balances and monitoring rescue strategies designed to recover delinquent debts and report performances of accounts officers and relationship managers on criticised assets.

The Group's credit approval process is performed at several levels, depending on the credit rating of the borrower and on the amount of money being requested. The Group's Board of Directors must approve all credit applications over ₦500.0 million. The Management Credit Committee approves all credit applications up to ₦500.0 million. The Managing Director can approve all credit applications up to ₦200.0 million, and the Deputy Managing Director approves all credit applications up to ₦150.0 million. For lending limits lower than that of the Deputy Managing Director, other senior management officers can be authorised to approve such limits as delegated by the Managing Director.

Consistent with regulations of the CBN, 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. Total exposures 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 at 29 February 2008, the Bank's limit for permitted exposure to one borrower was ₦32.3 billion, the maximum permitted exposure to a large borrower was ₦16.2 billion, which was equal to 10.0 per cent. of shareholders' funds and the total permitted large exposure limit was ₦1.29 trillion. As at 29 February 2008, the largest actual exposure to one borrower was ₦11.8 billion, which falls befow the maximum permitted exposure to a large borrower of ₦16.2 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 at 29 February 2008, the Bank's maximum permitted exposure to one director or shareholder, as the case may be, was ₦12.6 billion, and the Bank's maximum actual exposure was ₦5.2 billion, which was equal to 4.8 per cent. of its paid-up capital (including share premium).

The Group's credit approval process requires a minimum of three credit officers approving any credit application, at least one of which must have the authority to approve the recommended amount. The account officer and relationship manager are primarily responsible for origination and analysis of credit decisions and the quality of loans booked. This officer also has the principal customer relationship management role and acts as liaison between the customer and the Group. The account officer is responsible for preparing the credit application and ensuring the application contains all necessary documentation for approval. A second officer must concur with the account officer's judgment. The third officer, typically the group head, will approve the credit application if it is within such officer's authority limit. If not, the officer will recommend the facility to the next higher lending authority or consultative forum as required. Every credit officer involved in the approval process shall state his or her independent evaluation of the merits of the credit application by signing the application.

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 parties (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.

Collateral is a requirement to offset the risk of non-payment of principal and interest. The provision of collateral is mandatory for all types of credit, except for unsecured overdrafts and loans to highly rated or blue chip enterprises, medium-sized companies and government contractors. The size of collateral required is determined by the credit rating of the borrower and the type of proposed collateral. The value of the collateral must cover 120.0 per cent. to 150.0 per cent. of the amount of the loan including interest. The monitoring of collateral is carried out on a regular basis. 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 Relating to Nigeria and the West African Sub-region in which the Group Operates — Inefficiencies in the Judicial System"*.

Loan Classification and Allowances

The CBN monitors and reviews the Group's criticised and non-performing loans as well as significant non-loan assets and makes recommendations on loans for collection, provision and charge-offs to the Board.

A risk rating is assigned to each loan reflecting its credit quality. Risk ratings range from 1 to 6, where 1 represents a loan of the highest quality and 6 represents a loan of lowest quality. Assigning loans a risk rating allows the Bank to monitor its risk management process, including:

- measure the risk level of the total loan portfolio for determining a weighted average;
- monitor the trend in the quality of loans;
- establish guidelines for pricing (e.g., a 1 rating may be priced at the prime rate, while a 4 rating may be priced at the prime rate plus 5.0 per cent.);
- provide performance measures;
- provide criteria for taking action on loans (all loans or risk rating 4 are mentioned to the CAC for monitoring); and
- provide early warning signals which lead to early detection of problems and an opportunity for remedy.

The Bank's risk ratings are as follows:

Rating	Description	Status
1	Superior credits	Current
2	Above average credits	Current
3	Acceptable credits	Current
4	Watch-list credits	Current
5	Substandard and doubtful	Past Due
6	Bad and lost	Past Due

The Bank uses a scoring system measuring various attributes, such as total assets, management experience, type of company, performance ratios and turnover to determine a particular credit's rating.

The Bank is guided by CBN Prudential Guidelines in determining when to place a loan or overdraft account on non-accrual. The Bank is also required to create a general provision equal to 1.0 per cent. of its total loan portfolio. Additionally, the Bank is required to make specific provisions for its non-performing loans. The CBN guidelines define non-performing loans as all loans in which interest or principal is due and unpaid for 90 days. The calculation of all of these provisions is made in accordance with Nigerian GAAP. General provisions such as these are not permitted under IFRS. The provisioning requirements for non-performing loans are further classified as follows:

Number of days past due	Classification	Specific Reserve
90-180	***Substandard*** — applies to existing facilities that show signs of deterioration because they have well-defined weaknesses which could affect the ability of the borrower to repay.	10%
181-360	***Doubtful*** — applies in cases where a strong doubt exists that full repayment of principal and interest will occur. However, the exact extent of the potential loss is not certain at the time of classification.	50%
Over 360	***Lost*** — applies when all or part of the outstanding loan is uncollectible based on present conditions.	100%

Except in specific pre-approved circumstances, all loans which are 90 days past due will be automatically placed on non-accrual, and therefore will stop accruing interest as at such date. Term loans or leases are also placed on non-accrual if the third monthly or second quarterly payments are not paid. In addition to the above, management has the option to place loans on non-accrual and provide for such loans in other circumstances as management deems necessary or prudent.

Even if a loan is not past due, once the Bank determines that a loan is uncollectable, it will immediately make a provision in respect of such loan. In some circumstances, in accordance with CBN guidelines, it may be appropriate to write-off a loan. In such cases, the account officer will make the initial recommendation to the CBN, who will review the account and if in agreement, will recommend a write-off to the Board of Directors. The final decision to write-off a loan resides with the Board of Directors.

The Bank takes all legal remedies available to it in order to recover problem loans. When a loan has been placed on non-accrual but the loan is not yet 90 days past due and the Bank has not created a provision for losses, any future payments received from the borrower are applied to settle past due interest before being applied to the principal amount of the loan. If a loan is on non-accrual and the Bank has created a provision for losses, future payments are applied directly towards principal, and any surplus is applied to past due interest. In addition, in the event that the loan is collateralised, the Bank takes the appropriate legal action to realise payment on problem loans by enforcing the security by either the appointment of a receiver or receiver manager, or auctioneer to take over the assets comprised in the security and, as may be appropriate, managing, selling or otherwise dealing such property, asset or security on the open market.

In accordance with the CBN Prudential Guidelines, once a customer repays the outstanding interest and/or principal, the Bank is automatically allowed to reclassify the loan as performing.

Enterprise Risk

The Bank has recently completed the first phase of its enterprise-wide risk management framework ("ERM"), a structured and disciplined risk integration system through which certain components, including strategy, people, knowledge and technology are aligned, 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 recently adopted "Risk Based Supervision Framework" and the new Capital Accord (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 the new system. The ERMIC comprised members of the board of directors, management, risk management group and other business lines within the Bank.

The second phase of the ERM will be implemented in the next two to three years, *inter alia*, involving the identification of the Group's key risk areas and implementation of the system on various levels in the Group.

Operational and Legal Risk

The internal audit function of the Group is carried out by the Systems and Control ("Syscon") Group. Syscon operates independently of the Group's operational activities and reports directly to the Audit Committee. Between meetings of the Audit Committee, Syscon reports matters that are believed to be of sufficient magnitude and importance to the chairman of the Audit Committee. For administrative purposes, the head of Syscon reports to the Managing Director.

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.

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 – tinternet 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.

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 at 29 February 2008 into U.S. dollars at the rate of USD1.00 ₦117.03.

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

Consolidated Balance Sheet of the Group

	As at 28 February			
	2008[(1)]	2008[(1)]	2007	2006
	(USD millions) (unaudited)		(₦ millions)	
Cash and cash equivalents	945	110,595	112,321	60,034
Trading assets	1,341	156,880	8,663	–
Pledged assets	779	91,128	55,533	33,687
Derivative assets held for risk management	20	2,332	–	–
Loans and advances to banks	–	8	106	886
Loans and advances to customers	2,489	291,341	116,843	84,588
Investment securities	85	9,924	132,633	94,634
Trading Properties under development	103	12,063	–	–
Property and equipment	253	29,583	17,647	10,612
Intangible assets	18	2,091	1,501	345
Deferred tax assets	–	21	50	–
Other assets	228	26,687	31,535	21,144
Total assets	6,260	732,653	476,832	305,930
Deposits from banks	646	75,655	34,260	10,957
Deposits from customers	3,193	373,727	309,167	228,386
Debt securities issued	348	40,698	44,968	–
Other borrowed funds	132	15,401	13,380	9,364
Current tax liabilities	50	5,851	3,486	2,207
Deferred tax liabilities	17	1,992	–	1,644
Other liabilities	493	57,675	22,218	10,972
Total liabilities	4,879	571,001	427,479	263,530
Share capital and share premium	1,076	125,916	25,392	24,392
Retained earnings	37	4,301	2,150	3,585
Other reserves	240	28,100	19,149	13,921
Total equity attributable to equity holders of the Bank	1,353	158,317	46,691	41,898
Minority interest	28	3,335	2,662	503
Total equity	1,381	161,653	49,353	42,401
Total liabilities and equity	6,260	732,653	476,832	305,930

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

Consolidated Income Statement of the Group

	For the year ended 28 February			
	2008[(1)]	2008[(1)]	2007	2006
	(USD millions) (unaudited)	(₦ millions except per share data)		
Interest income	463	54,168	32,306	22,970
Interest expense	(161)	(18,805)	(12,941)	(8,043)
Net interest income	302	35,363	19,365	14,927
Net fees and commission income	152	17,756	13,584	9,214
Net trading income	52	6,086	1,650	1,203
Net gain from derivative financial instruments at fair value	20	2,332	–	–
Net premium from insurance contracts	10	1,170	611	323
Other operating income	(11)	(1,305)	803	486
Non-interest income	222	26,039	16,649	11,225
Operating income	525	61,402	36,014	26,152
Net impairment loss on financial assets	(13)	(1,527)	(1,074)	(1,331)
Personnel expenses	(95)	(11,064)	(6,123)	(3,954)
Net claims and benefits incurred on insurance contract	(3)	(363)	(118)	(59)
Depreciation and amortisation	(31)	(3,644)	(2,273)	(1,682)
Other expenses	(151)	(17,658)	(11,795)	(7,999)
Profit before income tax	232	27,145	14,632	11,128
Income tax expense	(55)	(6,455)	(2,124)	(2,238)
Profit for the period	177	20,691	12,507	8,889
Attributable to:				
Equity holders of the Bank	174	20,321	12,306	8,844
Minority interest	3	369	201	45
Basic and diluted earnings per share	0.01	1.63	1.23	1.60

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

	As at and for the year ended 28 February		
	2008[6]	2007	2006
		(%)	
Profitability ratios:			
Return on average equity[1][2]	19.6	27.3	22.7
Return on average assets[1]	3.4	3.2	3.7
Net interest margin[5]	7.8	6.7	8.4
Net interest income/operating income	57.6	53.8	57.1
Cost to income ratio[3]	53.3	56.4	52.4
Operating expenses/average total assets[1]	5.4	5.2	5.7
Effective tax rate	23.9	14.5	20.3
Balance sheet ratios:			
Total net loans to customers/total assets	39.8	24.5	27.6
Deposits/total assets	61.3	72.0	78.2
Total equity/total assets	22.1	10.4	13.9
Liquid assets/customer accounts[4]	82.0	86.3	74.1
Liquid assets/liabilities of up to one month[4]	62.5	82.4	78.2
Capital adequacy ratios (IFRS):			
Total capital	27.6	19.6	24.0
Tier 1 capital	27.4	19.4	22.4
Capital adequacy ratios (Nigerian GAAP):			
Total capital	27.8	16.6	22.4
Tier 1 capital	27.8	16.6	22.4
Credit quality ratios (IFRS):			
Non-performing loans/gross loans	0.2	0.8	0.8
Allowances for impairment losses[7]/non-performing loans	392.1	151.4	356.6
Allowances for impairment losses[7]/total gross loans	0.7	1.2	1.6
Impairment charges to average net loans[1]	0.8	1.1	1.8
Credit quality ratios (Nigerian GAAP):			
Non performing loans to gross loans	1.3	2.0	3.4
Provisions/non performing loans	166.0	127.7	120.6
Provisions/gross loans	2.1	2.6	4.1
Loan loss expenses/average net loans[1]	1.9	0.7	2.4

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

(2) Calculated on tangible shareholders' equity.

(3) Operating expenses/operating income.

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

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

(6) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

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

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. Factors that may cause such a difference include, but are 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 years ended 29 February 2008 and 28 February 2007 and 2006 on a consolidated basis. However, the Bank does not prepare interim financial statements other than on a stand-alone basis. Therefore, although financial year-end information included herein is for the Group on a consolidated basis, certain average financial information and data that require historical monthly data for more accurate presentation, such as balances at the beginning and end of each month, was 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, in line with the requirements of the CBN, the Bank has prepared its financial statements in accordance with Nigerian GAAP. The results of operations and financial condition for the Group may be materially different when prepared in accordance with either Nigerian GAAP or IFRS. 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 prudential guidelines and capital requirements. Accordingly, unless otherwise stated, financial information herein relating to the Bank's compliance with the CBN's prudential guidelines and capital requirements has been prepared in accordance with Nigerian GAAP. In addition, the Group's rate of taxation and any distributions will be determined in accordance with Nigerian GAAP.

Investors should be aware of recent changes introduced by the CBN in January 2008, requiring all Nigerian banks, where applicable, to change their financial year-end to 31 December, with effect from 31 December 2008. The new policy is aimed at bringing Nigerian banks' financial reporting in line with international standards, assisting rating agencies in their assessment and ranking of Nigerian banks and creating a uniform basis for the comparison of profits and size between, and the performance of, Nigerian banks in general. As a consequence, the Bank's financial year-end will change from 28 February to 31 December, resulting in a 10-month financial reporting period from 1 March 2008 to 31 December 2008. For a discussion of the risks involved in a change of the Bank's financial year-end, see "Risk Factors – The Bank's audited consolidated and unconsolidated financial statements for the 2008 financial year will not be directly comparable to prior accounting periods."

Introduction

The Group operates a leading Nigerian bank offering a wide range of financial services and products throughout Nigeria and in the West African sub-region. According to Agusto & Co.'s 2007 Banking Industry Report, among Tier 1 banks in Nigeria as identified by Agusto & Co., the Bank was the second most profitable bank measured in terms of return on assets, the most efficient bank measured in terms of operating expenses to net earnings, had the second best asset quality among banks measured in terms of non-performing loan ratio and, among all banks in Nigeria, the Bank was the seventh largest bank in terms of total assets. See "*Presentation of Financial and Other Information*". Historically, the Group has focused its business on large and medium-size corporate clients. However, the economic reforms that followed Nigeria's return to democracy in 1999 led to an increase in liquidity of retail customers and a corresponding increase in demand by such customers for banking services. Initially, the Group targeted only high-end retail customers who were employed by large, reputable companies. Recently, the Group has re-branded itself to establish a more recognisable brand in the retail sector and to emphasise its evolution as a bank with a nationwide network and focus on the provision of banking services to nearly all segments of the Nigerian economy. Whilst the Group has placed much emphasis on building its retail business since 2005, its focus remains with and it continues to build its corporate business.

The Group has grown significantly since 2004, primarily through organic expansion within Nigeria and West Africa. Additionally, the Group recently extended its business operations to the U.K. through GTB U.K., a wholly owned subsidiary, which commenced business as a commercial bank in May 2008. As from 2008, the Group's extended business operations in the U.K. and, later in 2008, Liberia, are expected to further complement such growth. As at and for the financial year ended 29 February 2008, the Group had total assets of ₦732.7 billion, total equity attributable to equity holders of the Group of ₦158.3 billion and generated ₦20.7 billion in net profit.

In the financial years ended in February 2007 and 2008, in addition to significant growth in the Group's asset size from total assets of ₦476.8 billion as at 28 February 2007 to ₦732.7 billion as at 29 February 2008, the Group changed its asset composition such that there was a large increase in loans and advances to customers. As a percentage of total interest income, income from loans and advances increased to 64.9 per cent. for the year ended 29 February 2008 from 50.8 per cent. for the year ended 28 February 2007.

Even though average interest rates earned on loans and advances and investment securities decreased during the periods under review, the shift in the Bank's asset composition to higher interest earning loans and advances helped to counteract some of the Bank's margin pressure, resulting in an increase of the average interest rate earned on the Bank's interest earning assets to 11.7 per cent. for the year ended 29 February 2008 from 11.1 per cent. for the year ended 28 February 2007.

Additionally, although the average rates paid by the Bank on borrowed funds increased in the year ended 29 February 2008 compared to the year ended 28 February 2007, the average rate the Bank paid on deposits decreased largely due to a change in the Bank's deposit mix, with an increase in demand deposits that pay a lower rate, resulting in an overall decrease of the average rate paid on interest-bearing liabilities.

Therefore, despite a general decline in rates earned on loans and an increase in rates paid on deposits in the periods under review, the Bank's net interest margin actually increased to 7.8 per cent. for the year ended in February 2008 compared to 6.7 per cent. for the year ended in February 2007, which had declined from 8.4 per cent. in the year ended in February 2006 (largely due to a general decline in interest rates).

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, such as market conditions in Nigeria and interest rate and exchange rate fluctuations. 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. See "*Risk Factors*".

Continuing Expansion

The Group has grown significantly in the periods under review, primarily through organic expansion. During this period, certain of the Group's expenses, such as personnel expenses, depreciation and amortisation and other expenses have increased. The Group's current expansion strategy, geographically (recently including the U.K. and, later in 2008, Liberia), product expansion and expansion into the Nigerian retail market, can be expected to result in increasing personnel and administrative expenses, which may adversely affect the Group's operating efficiency. For the financial year ended in February 2008, a significant influx of cash from the Bank's USD824.2 million global depositary receipt offerings led to reduced funding expenses. However, as the Group continues to expand it may need to rely on other means of funding that may be more expensive, which could result in an increase in interest expense from funding costs.

Nigeria's Economic Condition

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. Since 1999, the Nigerian government has attempted, with some success, to reconstruct Nigeria's political institutions, improve its international image, reform the economy and manage its oil wealth. As a result, real GDP in Nigeria grew by 10.6 per cent. in 2004 (of which non-oil grew by 13.2 per cent.), 5.4 per cent. in 2005 (of which non-oil grew by 8.6 per cent.) and 6.2 per cent. in 2006 (of which non-oil grew by 9.4 per cent.). These positive developments have led to increased corporate activities and increased personal wealth, both of which have affected the positive growth in the Nigerian corporate and retail banking sectors. See "*Nigeria*". Continuing economic reforms, the strong performance of the tertiary sector, solid agricultural growth and the rapid expansion of the financial sector are among those factors that have contributed to the country's sustained economic growth in recent years. As a result, the estimated real GDP growth for 2007 stood at 6.4 per cent., with non-oil GDP reaching 9.6 per cent. A further increase in these figures is forecast for 2008, with the IMF projecting growth in real GDP and non-oil GDP at 9.0 per cent. However, the country's continued economic growth has placed considerable strain on its infrastructure, resulting in widespread deterioration specifically in the power industry, leading to interrupted supply or no power supply for extended periods. As a consequence, the business environment faces a number of challenges, including an increase in operating costs as businesses have to import and rely on alternative means of power supply, mainly through self-generation.

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. Although the Bank's net interest margin has declined from 8.4 per cent. in 2006 to 6.7 per cent. in 2007, it increased to 7.8 per cent. in 2008. This increase is due primarily to (a) a shift in the Bank's assets to higher interest earning loans and advances as the Group implemented its strategy to change the composition of the Group's assets, specifically to increase in the Bank's loan book, which partly offset the decline in average rates earned on other interest earning assets and (b) a relative increase in lower interest bearing demand deposits offset in part to an increase in the average rates paid by the Bank on interest-bearing liabilities. Yields on government treasury bills and bonds have also been relatively volatile over this period. With an increasingly competitive environment for certain corporate customers, management expects that net interest margins may continue to be under pressure in the near future. Any future such changes in the composition of the Group's assets may further affect net interest margins.

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 significant accounting policies for the year ended 29 February 2008 are described in Note 3 of the 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.

Financial Assets and Liabilities

Classification and Measurement of Financial Assets

Financial assets under IAS 32 and IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. See Note 3 to the Annual Financial Statements for definitions of these classifications. The fair value of financial assets that are actively traded is determined by reference to quoted market prices at the close of business on the balance sheet date. For financial assets where there is no active market, fair value is determined using other valuation techniques, including recent arm's length precedent transactions, comparison to market value of similar instruments, and discounted cash flow analysis.

Depreciation

Depreciation is charged to the income statement 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 any item of property and equipment. Leased assets 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 corresponding periods are as follows:

Leasehold improvements	Over the shorter of the useful life of the item or lease period.
Buildings	50 years
Computer hardware	3 years
Furniture and equipment	5 years
Motor vehicles	4 years
Other transportation equipment	10 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

Impairment of Financial Assets

The Group recognises allowance for loan impairment when there is objective evidence that the Group will not be able to collect the amounts due according to original contractual terms. If the Group identifies indicators of impairment, an assessment is made as to whether the carrying amounts are fully recoverable. If the recoverable amount is less than the carrying amount, an impairment loss is recognised. The Group analyses each of its significant loans for impairment on a quarterly basis. If the Group determines that there is no objective evidence that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Allowance for loan impairment is based on the Group's own loss and recovery experience, as well as on management's judgment of the amount of losses based on debt service capability and repayment history of a particular borrower in light of the existing economic and political situation. Changes in the allowance are reported in the income statement for the relevant period. The Group cannot predict when conditions may change and what effect it could have on the adequacy of the allowances for loan impairment.

Recent Developments

The following discussion and summary results are based on internal unconsolidated management accounts of the Bank for the three months ended 31 May 2008 which have not been audited or reviewed by the Bank's external auditors. These accounts are not prepared in accordance with IFRS nor on a Nigerian GAAP basis consistent with audited Nigerian GAAP financial statements. Accordingly, the trends reflected below should not be viewed as indicative of the performance or condition of the Bank or Group as reflected in future financial statements produced by the Bank or Group under IFRS or Nigerian GAAP. See *"Risk Factors—The Group's management accounts are not prepared on a basis consistent with IFRS and there are significant differences between IFRS and Nigerian GAAP".*

For the first three months of the new fiscal year ending 31 December 2008, the Bank's profits before tax increased from the same period in the fiscal year ended 29 February 2008, primarily due to an increase in net interest income. Net interest income increased compared to the same quarter the previous year primarily due to an increase in interest income resulting from the significant growth in the Bank's loan portfolio between 31 May 2007 and 31 May 2008. Interest expense also increased during the same period, although to a lesser degree than interest income. The increase in interest expense was predominantly due to an increase in deposits. However, interest expense did not increase as much as interest income primarily because of the change in the Bank's deposit liabilities mix, with most of the increase in deposits coming from low cost demand deposits.

Also contributing to the increase in profits before tax was an increase in non-interest income, primarily income from commissions on turnover, other commissions and fees earned. The increase in non-interest income is primarily a result of the growth in the Bank's loan portfolio which resulted in additional fees earned on loans and an increase in the number of transactions.

The Bank's total assets increased as at 31 May 2008 compared to 29 February 2008, primarily because of an increase in loans and advances to customers. However, the increase in loans and advances to customers was offset by a decrease in the Bank's investment portfolio, which decreased as the Bank continued its strategy of investing funds into higher interest-earning loans and advances. Total liabilities also increased as at 31 May 2008 compared to 29 February 2009, primarily due to a single large letter of credit transaction on the Bank's books as at 31 May 2008. The letter of credit transaction is in respect of a customer's project for the construction of a new, and the expansion of an existing, cement company in Nigeria and elsewhere in Africa. Also contributing to the increase in total liabilities was an increase in deposits from customers, which increased as the Bank continued its branch expansion.

In accordance with Nigerian rules and regulations for publicly-traded Nigerian companies, the Bank published the following first quarter 2008 results. Prospective investors in the Notes should not construe these results as necessarily indicative of any future results of the Bank or Group.

	For the three-months ended 31 May		Variation
	2008	2007	2008/2007
	(₦ millions)		(%)
Gross earnings	27,961	14,883	88.0
Profit before tax	12,299	5,095	141.0
Estimated taxation	3,936	1,630	141.0
Profit after tax	8,363	3,465	141.0

Results of Operations for the financial years ended 29 February 2008 and 28 February 2007 and 2006

Net Profit Attributable to Group Shareholders

The following table presents the main components of the Group's net profit attributable to the Group's shareholders for the periods indicated.

	Financial year ended 28 February			Variation	
	2008[1]	2007	2006	2008/2007	2007/2006
	(₦ millions, except per share data)			(%)	(%)
Interest income	54,168	32,306	22,970	67.7	40.6
Interest expense	(18,805)	(12,941)	(8,043)	45.3	60.9
Net interest income	35,363	19,365	14,927	82.6	29.7
Net fees and commission income	17,756	13,584	9,214	30.7	47.4
Net trading income	6,086	1,651	1,203	268.7	37.2
Premium from insurance contracts	1,170	611	323	91.5	89.2
Other operating income	1,027	803	486	27.9	65.2
Non-interest income	26,039	16,649	11,225	56.4	48.3
Operating income	61,402	36,014	26,152	20.5	37.7

	Financial year ended 28 February			Variation	
	2008(1)	2007	2006	2008/ 2007	2007/ 2006
	(₦ millions, except per share data)			(%)	(%)
Net impairment loss on financial assets	(1,527)	(1,074)	(1,331)	42.2	(19.3)
Personal expenses	(11,064)	(6,123)	(3,954)	80.7	54.9
Net claims and benefits incurred on insurance contract	(363)	(118)	(59)	206.3	100.0
Depreciation and amortisation	(3,644)	(2,273)	(1,682)	60.4	35.1
Other expenses	(17,658)	(11,795)	(7,999)	49.7	47.5
Profit before income tax	27,145	14,632	11,128	85.5	31.5
Income tax expense	(6,455)	(2,124)	(2,238)	203.8	(5.1)
Profit for the period	20,690	12,507	8,889	65.4	40.7
Attributable to:					
Equity holders of the banks	20,321	12,306	8,844	65.1	39.2
Minority interest	369	201	45	83.9	346.7
Basic earnings per share	1.63	1.23	1.47	32.5	(16.3)

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

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 28 February			Variation	
	2008(1)	2007	2006	2008/ 2007	2007/ 2006
	(₦ millions, except percentages)			(%)	(%)
Interest income	54,168	32,306	22,970	67.7	40.6
Interest expense	(18,805)	(12,941)	(8,043)	45.3	60.9
Net interest income	35,363	19,365	14,927	82.6	29.7

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

Net interest income increased by 82.6 per cent. to ₦35.4 billion for the financial year ended 29 February 2008 from ₦19.4 billion in 2007, and by 29.7 per cent. from ₦14.9 billion for the financial year ended 28 February 2006, due primarily to the increase in the average volume of the Group's interest-earning assets, although this was partially offset as average interest rates on loans and advances to customers declined from 22.3 per cent. in 2006 to 19.1 per cent. in 2007 and further to 17.4 per cent. in 2008. Despite a general decline in rates earned on interest-earning assets, the Group significantly increased the proportion of its assets that are higher-earning loans and advances to customers, resulting in an overall increase in the average rate earned on interest-earning assets. See "– *Average Balance Sheet and Ratio Information of the Bank*". Net interest income constituted 57.6 per cent., 53.8 per cent. and 57.1 per cent. of the Group's total operating income for the financial years ended 29 February 2008, 28 February 2007 and 2006, respectively.

Interest Income of the Group

The following table sets out details of the Group's interest income for the periods indicated.

	Financial year ended 28 February						Variation	
	2008(1)	% of total	2007	% of total	2006	% of total	2008/ 2007	2007/ 2006
	(₦ millions, except percentages)						(%)	(%)
Cash and cash equivalents	2,765	5.1	1,147	3.6	747	3.3	141.2	53.5
Loans and advances to banks and customers	35,154	64.9	16,417	50.8	16,655	72.5	114.1	(1.4)
Investment portfolio(2)	16,249	30.0	14,742	45.6	5,568	24.2	10.2	164.8
Total interest income	54,168	100.0	32,306	100.0	22,970	100.0	67.7	40.6

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

(2) Included in the investment portfolio is interest earned on investment securities, trading assets and pledged assets.

Interest income for the financial year ended 29 February 2008 increased by 67.7 per cent. to ₦54.2 billion from ₦32.3 billion as at 28 February 2007, which in turn was an increase of 40.6 per cent. compared to ₦23.0 billion for the financial year ended 28 February 2006. This is primarily as a result of the growth in the Bank's average interest-earning assets, in particular its loans and advances. Average total loans grew by 136.9 per cent. to ₦201.3 billion as at 29 February 2008, from ₦85.0 billion as at 28 February 2007, which in turn was an increase of 15.6 per cent. from ₦73.5 billion as at 28 February 2006. Throughout this period, loans carried a higher average yield than the Bank's investment portfolio. However, whilst interest earned on the Group's loan portfolio for the financial year ended 29 February 2008 increased by 114.1 per cent. from the year ended 28 February 2007, the increase was partly offset by a decline in the average yield due to pricing pressures and a reduction in the average interest rate during the period under review. See "*– Average Balance Sheet and Ratio Information of the Bank – Interest-earning Assets of the Bank*".

Similarly, although interest earned on the investment portfolio increased by 10.2 per cent. in 2008 compared to 2007, this increase is significantly less than the increase in the average volume of the investment portfolio. This is largely due to a decrease in the average rates paid on the investment portfolio. See *"–Average Balance Sheet and Ratio Information of the Bank – Interest-earning Assets of the Bank"*.

Also contributing to the increase in interest income of the Group was an increase in interest earned on cash and cash equivalents (which consist mostly of money market placements, cash and balances held with banks) of 141.2 per cent. to ₦2.8 billion as at 29 February 2008, compared to an increase of 53.5 per cent. to ₦1.1 billion for the financial year ended 28 February 2007 from ₦0.7 billion in 2006. Whilst there was an increase in the average volume of money market placements and cash and balances held with other banks, interest on cash and cash equivalents increased primarily due to an increase in yield.

Interest Expense of the Group

The following table sets out details of the Group's interest expenses for the periods indicated.

	Financial year ended 28 February						Variation	
	2008[(1)]	% of total	2007	% of total	2006	% of total	2008/ 2007	2007/ 2006
	(₦ millions, except percentages)						(%)	(%)
Deposits from banks	(1,887)	10.0	(439)	3.4	(278)	3.4	329.6	57.9
Deposits from customers	(11,354)	60.4	(11,156)	86.2	(6,754)	84.0	1.78	65.2
Securities trading	(604)	3.2	(26)	0.2	–	–	(2212.3)	100.0
Other borrowed funds	(4,959)	26.4	(1,320)	10.2	(1,011)	12.6	275.7	30.6
Total interest expense	(18,805)	100.0	(12,941)	100.0	(8,043)	100.0	45.3	60.9

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

Interest expense increased by 45.3 per cent. to ₦18.8 billion for the financial year ended 29 February 2008 from ₦12.9 billion in 2007, compared to an increase of 60.9 per cent. from ₦8.0 billion for the financial year ended 28 February 2006, primarily due to the growth in the Group's average volume of interest-bearing liabilities. Whilst the average volume of the Group's interest bearing liabilities increased, interest expense on deposits from customers remained almost flat at ₦11.4 billion for the financial year ended 29 February 2008 compared to ₦11.1 billion for the year ended 28 February 2007 due to a change in the Group's deposit mix from term deposits to on-demand deposits. In 2006, interest expense increased by 65.2 per cent. from ₦6.8 billion for the year ended 28 February 2006, which reflected an increase in the average volume of the Group's interest-bearing deposits, although offset in part by a decline in the average cost of the Group's deposits. See "*– Average Balance Sheet and Ratio Information of the Bank – Interest-bearing Liabilities of the Bank*".

Interest expense on other borrowed funds increased 275.4 per cent. to ₦4.9 billion for the financial year ended 29 February 2008 from ₦1.3 billion for the financial year ended 28 February 2007, which in turn was an increase of 30.6 per cent. compared to ₦1.0 billion for the financial year ended

28 February 2006. This resulted from an increase in the Group's average borrowings. Additionally, the Bank made its first two regular interest payments on its USD350.0 million Eurobond (issued in January 2007) in the financial year ended 29 February 2008.

Average Balance Sheet and Ratio 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.

	Financial year ended 28 February								
	2008[6]			2007			2006		
	Average balance(1)	Average rate[1][2]	Interest income/ expense	Average balance[1]	Average rate[1][2]	Interest income/ expense	Average balance[1]	Average rate[1][2]	Interest income/ expense
	(₦ millions, except percentages)								
Assets:									
Investment from banks[3]	84,600	3.23%	2,733	75,096	1.99%	1,494	43,588	1.82%	795
Loans and advances to customers[4]	201,312	17.42	35,068	84,972	19.13	16,259	73,499	22.31	16,401
Investment portfolio[5]	171,836	9.24	15,874	122,866	11.15	13,702	61,683	8.76	5,405
Interest-earning assets	457,748	11.73	53,675	282,934	11.12	31,455	178,770	12.64	22,601
Non-interest earning assets	74,691	–	–	40,465	–	–	26,262	–	–
Total assets	532,439	10.08	53,675	323,399	9.73	31,455	205,032	11.02	22,601
Deposits	299,543	4.29	12,850	222,432	5.03	11,191	125,614	5.47	6,865
Debt securities issued	43,769	8.60	3,764	7,471	4.20	313	–	–	–
Other borrowed funds	13,597	8.79	1,195	11,025	9.13	1,006	8,858	8.41	745
Interest-bearing liabilities	356,909	4.99	17,809	240,928	5.19	12,510	134,472	5.66	7,610
Non-interest bearing liabilities	57,164	–	–	41,803	–	–	34,822	–	–
Equity	118,366	–	–	40,668	–	–	35,738	–	–
Total liabilities and equity	532,439	3.35%	17,809	323,399	3.87%	12,510	205,032	3.71%	7,610
Net interest income	6.74	6.74%	35,866	–	5.92%	19,152	–	7.36%	15,095

(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) Prior to deducting allowance for loan impairment.

(5) Includes investment securities, trading assets and pledged assets, but excludes equity securities, as these securities are not interest earning.

(6) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

Interest-earning Assets of the Bank

The Bank's average interest-earning assets grew by 61.8 per cent. to ₦457.7 billion for the financial year ended 29 February 2008 from ₦282.9 billion in 2007, which in turn was an increase of 58.3 per cent. from ₦178.8 billion for the financial year ended 28 February 2006.

The largest portion of the increase came from an increase in the average size of its loan portfolio by 136.9 per cent. to ₦201.3 billion for the financial year ended 29 February 2008 from ₦85.0 billion for the financial year ended 28 February 2007, which in turn was an increase of 15.6 per cent. from ₦73.5 billion for the financial year ended 28 February 2006. The Bank's loan portfolio constituted 44.0 per cent., 30.0 per cent. and 41.1 per cent. of total interest-earning assets for the years ended in February 2008, 2007 and 2006, respectively. Whilst the overall yield on interest-earning assets improved slightly from 11.1 per cent. in 2007 to 11.7 per cent. in 2008, compared to a decrease in 2006 from 12.6 per cent., the average yield on loans decreased throughout the period from 22.3 per cent. in 2006 to 19.1 per cent. in 2007, and further to 17.4 per cent. in 2008. This decrease was largely due to improvements in the Nigerian macroeconomic environment and to pricing pressures resulting from competition.

The average volume of the Bank's investment portfolio (comprising investment securities, trading assets and pledged assets) increased by 39.9 per cent. to ₦171.8 billion for the financial year ended 29 February 2008 from ₦122.9 billion for the financial year ended 28 February 2007, which was a further increase of 99.2 per cent. in 2006 from ₦61.7 billion for the financial year ended 28 February 2006. The investment portfolio constituted 37.5 per cent., 43.4 per cent., and 34.5 per cent. of total interest-earning assets for the years ended in February 2008, 2007 and 2006, respectively.

Trading assets comprise investments in Government treasury bills and bonds, designated as trading and available-for-sale securities in line with the CBN's money market guidelines. The investment made by GT Assurance into Government treasury bills is also included under trading assets. Investment securities comprise Government treasury bills and bonds designated as held-to-maturity and the Bank's investment in equities of SMEs and affiliates companies. Pledged assets includes treasury bills and bonds that are subject to repurchase agreements and are used to secure deposits from banks.

The balance of the Bank's investment portfolio substantially comprises Government treasury bills and Government bonds. Whilst the average yield earned on the Bank's investment portfolio increased from 8.8 per cent. in 2006 to 11.2 per cent. in 2007, it decreased to 9.2 per cent. in 2008. These changes reflect the yield on treasury bills and bonds throughout the period 2006 to 2008.

The following table sets out the average yield (calculated using monthly averages) on the Bank's interest-earning assets for the periods indicated.

	Financial year ended 28 February		
	2008[(1)]	**2007**	**2006**
		(%)	
Cash and cash equivalents	3.2	2.0	1.8
Investment portfolio	9.2	11.2	8.8
Trading assets	10.4	13.2	–
Investment securities	7.9	11.0	8.8
Loans and advances	17.4	19.1	22.3
Total average yield on interest-earning assets	11.7	11.1	12.6

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

Interest-bearing Liabilities of the Bank

The Bank increased the volume of its average interest-bearing liabilities by 48.1 per cent. to ₦356.9 billion for the financial year ended 29 February 2008 from ₦240.9 billion in 2007 and by 79.2 per cent. from ₦134.5 billion in 2006. The average cost of interest-bearing liabilities decreased to 5.0 per cent. in 2008 from 5.2 per cent. in 2007, which was a further decrease from 5.7 per cent. in 2006.

The following table sets out the average cost (calculated using monthly averages) of the Bank's interest-bearing liabilities for the periods indicated.

	Financial year ended 28 February		
	2008[(1)]	**2007**	**2006**
		(%)	
Debt securities in foreign currency	8.6	4.2	–
Deposits[(2)]	4.3	5.0	5.5
Time deposits	*10.3*	*9.3*	*9.7*
Demand deposits	*4.2*	*3.0*	*2.8*
Savings deposits	*2.5*	*2.9*	*2.9*
Short term interbank loans	6.9	–	–
Other borrowings	8.8	9.1	8.4
Average cost of interest-bearing liabilities	5.0	5.2	5.7

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

(2) Deposits include all the Bank's deposit liabilities, including demand deposits, savings deposits and time deposits, which also include money market deposits.

As at 29 February 2008, 25.1 per cent. of all deposits were from retail customers compared to 23.7 per cent. as at 28 February 2007 and 23.8 per cent. as at 28 February 2006.

Non-interest Income

The following table sets out the principal components of the Group's non-interest income for the periods indicated.

	Year ended 28 February			Variation	
	2008[(1)]	2007	2006	2008/ 2007	2007/ 2006
		(₦ millions)		(%)	(%)
Net fee and commission income	17,756	13,584	9,214	30.7	47.4
Net trading income	6,086	1,651	1,202	268.6	37.4
Net premium from insurance contracts	1,170	611	323	91.5	89.2
Other operating income	1,027	803	486	27.9	65.2
Total	26,039	16,649	11,225	56.4	48.3

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

Non-interest income increased by 56.4 per cent. to ₦26.0 billion for the financial year ended 29 February 2008 from ₦16.6 billion for the financial year ended 28 February 2007, which in turn was an increase of 48.3 per cent. compared to ₦11.2 billion for the financial year ended 28 February 2006. The increase was primarily due to the increase in net fees and commission income, which constituted 68.2 per cent. of non-interest income for the financial year ended 29 February 2008, compared to 81.6 per cent. as at 28 February 2007 and 82.1 per cent. as at 28 February 2006. In addition, net trading income increased with 268.7 per cent. to ₦6.1 billion as at 29 February 2008 from ₦1.7 billion as at 28 February 2007, which in turn was an increase of 37.4 per cent. from ₦1.2 billion as at 28 February 2006. Net trading income constituted 23.4 per cent. of total non-interest income in 2008, compared to 9.9 per cent. in 2007 and 2006. The increase in net trading income is largely attributable to profit realised from the Group's trading portfolio of securities.

The following table shows the composition of net fee and commission income for the periods indicated.

	Financial year ended 28 February			Variation	
	2008[(1)]	2007	2006	2008/ 2007	2007/ 2006
		(₦ millions)		(%)	(%)
Retail banking customer fees and commissions	2,999	2,055	1,155	45.9	77.9
Corporate banking credit related fees and commissions	4,580	3,812	3,317	20.1	14.9
Investment banking fees	524	661	273	(20.7)	142.1
Brokerage	137	1	1	13,600.0	–
Asset management fees	–	–	369	–	(100)
Financial guarantee contracts issued	2,744	157	30	1,647.8	423.3
Other fees and charges	6,771	6,898	4,069	(1.8)	69.5
Total net fee and commission income	17,756	13,584	9,214	30.7	47.4

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

Net fee and commission income increased by 30.7 per cent. to ₦17.7 billion for the financial year ended 29 February 2008 from ₦13.6 billion for the financial year ended 28 February 2007, which in turn was an increase of 47.4 per cent. from ₦9.2 billion for the financial year ended 28 February 2006, primarily due to the Group's expanding customer base, an increase in the volume of transactions and continued growth in its range of banking products. Retail banking customer fees and commissions increased by 45.9 per cent. to ₦3.0 billion for the financial year ended 29 February 2008 from ₦2.1 billion for the financial year ended 28 February 2007 which in turn was an increase of 77.9 per cent. from ₦1.2 billion for the financial year ended 28 February 2006 as the number of retail customers of the Group grew from approximately 450,000 as at 28 February

2007 to approximately 780,000 as at 29 February 2008 and the corresponding increase in transactions.

Additionally, corporate banking credit related fees and commissions increased by 20.1 per cent. to ₦4.6 billion for the financial year ended 29 February 2008 from ₦3.8 billion for the financial year ended 28 February 2007, which in turn was an increase of 14.9 per cent. from ₦3.3 billion for the financial year ended 28 February 2006. The increase is primarily attributable to an increase in the volume of transactions, offset by the pressure on prices from increasing competition.

Commission earned on financial guarantee contracts also increased to ₦2.7 billion as at 29 February 2008 from ₦0.2 billion as at 28 February 2007, compared to ₦29.8 million as at 28 February 2006. This was primarily due to a significant increase of acceptances and guaranteed commercial paper transactions.

The remaining fees and commission items (including investment banking fees, brokerage fees, asset management fees and other fees and charges) decreased slightly by 1.7 per cent. to ₦7.4 billion for the financial year ended 29 February 2008 from ₦7.6 billion for the financial year ended 28 February 2007, which in turn was an increase of 60.5 per cent. from ₦4.7 billion for the financial year ended 28 February 2006. Other fees and charges, which consist of, among other things, fees and commissions for transfers, certified cheques, standing instruction, cheque book commissions, foreign exchange commissions, domiciliary withdrawals, various service charges and commissions on turn-over charged to commercial and public sector customers increased due to the Group's continuing and increasing relationships with such customers.

Also contributing to the increase in non-interest income was an increase in net trading income of 268.7 per cent. to ₦6.1 billion for the financial year ended 29 February 2008 from ₦1.7 billion for the financial year ended 28 February 2007. Net trading income increased in 2008 due to an increase in fixed income earned through trading in Nigerian bonds and treasury bills. The Nigerian Bond Market only commenced trading in September 2006 and the Nigerian Treasury Bill Market in August 2007. In addition, income from foreign exchange trading increased by 115.0 per cent. to ₦1.9 billion for the financial year ended 29 February 2008 from ₦0.9 billion for the financial year ended 28 February 2007.

Other operating income also increased 27.9 per cent. to ₦1.0 billion for the financial year ended 29 February 2008 from ₦0.8 billion for the financial year ended 28 February 2007, which in turn was an increase of 65.2 per cent. from ₦0.5 billion for the financial year ended 28 February 2006. Other operating income, which consists of gains on the sale of available-for-sale securities, increased in 2008 over 2007 as a result of the difference between a one-time revaluation loss (incurred by the Bank when it converted the balance of its USD824.2 million GDR dollar funds to Naira following the latter's continued appreciation against the dollar), and the gain made on an interest rate swap entered into by the Bank in connection with the USD350.0 million Eurobond. In addition, other operating income increased in 2007 over 2006 due to income earned on trading securities held by the Bank's subsidiary, GT Assurance.

Net Impairment Loss

The following table sets out certain information relating to the Group's net impairment loss for the periods indicated.

	Financial year ended 28 February		
	2008[1]	2007	2006
	(₦ millions, except percentages)		
Impairment allowance on loans and advances:			
Balance at 1 March	1,390	1,447	1,080
Impairment loss for the year:			
Charge for the year	1,824	1,573	1,335
Recoveries	(297)	(525)	(4)
Net impairment for the year	1,527	1,048	1,331
Effect of foreign currency movements	(2)	(4)	(34)
Write-offs	(967)	(1,101)	(930)
Balance at 28 February	1,948	1,390	1,447
Total provisions for impairment losses/non-performing loans	39.2%	151.0%	357.0%
Non-performing loans/total loans and advances	0.2%	0.8%	0.5%
Impairment charges/average net loans and advances[2]	0.8%	1.1%	1.8%

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

(2) Averages based on opening and closing balances of the Group.

Provisions for impairment losses on loans to customers increased by 40.1 per cent. to ₦1.9 billion for the financial year ended 29 February 2008 from ₦1.4 billion for the financial year ended 28 February 2007 after having remained the same at approximately ₦1.4 billion for both the financial years ended 28 February 2007 and 2006. Although impairment losses on loans to customers increased in the year ended 28 February 2008, primarily as a result of the significant increase in the Bank's average loan balances of 136.9 per cent., it decreased as a proportion to the total average loan portfolio. Despite the increase in average loan balances in 2007, provisions for impairment losses on loans to customers remained stable at ₦1.4 billion in 2007 and 2006.

Historically, the Bank's ratio of non performing loans to total loans has been less than 1.0 per cent. of gross loans. Whilst the ratio was 0.5 per cent. as at 28 February 2006, it increased to 0.8 per cent. as at 28 February 2007 and decreased again to 0.2 per cent. as at 29 February 2008. Although this may indicate an improvement in the credit quality of the Bank's loan portfolio, given the significant growth of the loan book in the year ended 28 February 2008, many of these loan credits are new and untested, therefore it may be too early to draw any conclusions about the quality of the risk assets. See *"Risk Factors – The Group may not be able to sustain its current level of growth in its loan book, and may have difficulty maintaining credit quality, which could impact its profitability"*.

Operating Expenses

The following table sets out the principal components of the Group's operating expenses for the periods indicated.

	Financial year ended 28 February						Variation	
	2008[1]	% of total	2007	% of total	2006	% of total	2008/ 2007	2007/ 2006
	(₦ millions, except percentages)						(%)	(%)
Personnel expenses	(11,064)	33.8	(6,123)	30.1	(3,954)	28.9	80.7	54.9
Net claims and benefits incurred on insurance contract	(363)	1.1	(118)	0.6	(59)	0.4	206.3	100.0
Depreciation and amortisation	(3,644)	11.1	(2,273)	11.2	(1,682)	12.3	60.4	35.1
Other expenses	(17,658)	54.0	(11,795)	58.1	(7,999)	58.4	49.7	47.5
Total	(32,729)	100.0	(20,309)	100.0	(13,694)	100.0	61.2	48.3

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

Operating expenses increased 61.2 per cent. to ₦32.7 billion for the financial year ended 29 February 2008 from ₦20.3 billion for the financial year ended 28 February 2007, which in turn was an increase of 48.3 per cent. from ₦13.7 billion for the financial year ended 28 February 2006. The increase in operating expenses largely reflects the Group's expansion through the opening of new branches and the commencement of new initiatives to attract additional customers.

Personnel Expenses

Personnel expense accounted for 33.8 per cent. of operating expenses for the financial year ended 29 February 2008, compared to 30.1 per cent. for the financial year ended 28 February 2007 and 28.9 per cent. for the financial year ended 28 February 2006.

The following table sets out details of the Group's personnel expenses for the periods indicated.

	Financial year ended 28 February						Variation	
	2008[(1)]	% of Total	2007	% of total	2006	% of total	2008/ 2007	2007/ 2006
	(₦ millions, except percentages)						(%)	(%)
Wages and salaries	(8,648)	78.2	(5,181)	84.6	(3,474)	87.8	66.9	49.1
Contributions to defined contribution plans	(309)	2.8	(197)	3.2	(165)	4.2	57.3	18.8
Cash-settled share based payments	(360)	3.3	(79)	1.3	(313)	7.9	353.6	(74.8)
Decrease/(increase) in liability for defined benefit plans	724	(6.5)	500	(8.2)	(3)	0.1	44.9	(16,766.7)
Other staff costs	(2,471)	(22.3)	(1,166)	19.0	–	–	112.0	100.0
Total personal expenses	(11,064)	100.0	(6,123)	100.0	(3,954)	100.0	80.7	54.8

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

Personnel expenses increased by 80.7 per cent. to ₦11.1 billion for the financial year ended 29 February 2008 from ₦6.1 billion for the financial year ended 28 February 2007 and by 54.8 per cent. from ₦4 billion for the financial year ended 28 February 2006. The primary reason for the increase in personnel expenses was an increase in the number of employees as the Group expanded its products and services range and grew the number of branches. The number of Group employees increased by 32.1 per cent. to 2,477 as at 29 February 2008 from 1,875 as at 28 February 2007, which in turn was an increase of 47.8 per cent. compared to 1,269 as at 28 February 2006. Also contributing to the increase in personnel expenses was an increase in the average annual salaries of the Group's employees and a higher proportion of higher-earning employees. Such increases were in line with wage increases in the industry following an increase in competition for skilled employees, resulting in a higher than average inflation in wages.

The Group operates a non-contributory, funded lump sum defined benefit gratuity scheme. Pursuant to this plan, employees are entitled to join the scheme after completing 10 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.

	Financial year ended 28 February		
	2008[(1)]	2007	2006
		(₦ millions)	
Present value of unfunded obligations	–	–	–
Present value of funded obligations	(1,135)	(950)	(748)
Total present value of obligations	(1,135)	(950)	(748)
Fair value of plan assets	2,636	2,390	1,338
Present value of net obligations	1,501	1,440	590
Unrecognised actuarial gains and losses	–	–	–
Recognised asset/(liability) for defined benefit obligations	1,501	1,440	590

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

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 based 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.

	Financial year ended 28 February		
	2008[(1)]	2007	2006
	(₦ millions, except as indicated)		
SARs granted to senior management (number of shares)	220	149	104
Expense arising from SARs	2,471	1,166	52
Total expense recognised as employee cost	2,471	1,166	52
Total carrying amount of liabilities for cash-settlement arrangements	4,157	1,686	520

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 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 costs increased by 60.4 per cent. to ₦3.6 billion for the financial year ended 29 February 2008, compared to ₦2.3 billion for the financial year ended 28 February 2007, primarily due to the Group's investment in new branches and the increased costs associated therewith. The value of the Group's property and equipment increased by 67.6 per cent. to ₦29.6 billion as at 29 February 2008, compared to ₦17.6 billion as at 28 February 2007. As at 28 February 2007, depreciation and amortisation costs have increased by 35.1 per cent. to ₦2.3 billion, from ₦1.7 billion as at 28 February 2006.

Other Expenses

Other expenses increased 49.7 by per cent. to ₦17.6 billion for the financial year ended 29 February 2008, compared to ₦11.8 billion for the financial year ended 28 February 2007, which in turn increased 47.5 per cent. from ₦8.0 billion for the financial year ended 28 February 2006.

The following table sets out details with respect to the Group's other expenses for the periods indicated.

	Financial year ended 28 February		
	2008[(1)]	2007	2006
	(₦ millions)		
Operating lease rentals	434	247	167
Other premises and equipment costs	1,093	700	586
General administrative expenses	16,131	10,848	7,246
Total	17,658	11,795	7,999

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

General administrative expenses consist of various items, including diesel fuel costs to operate the Group's generators and costs to maintain the Group's communication networks. Also included in general administrative expenses are other general administrative expenses, which also increased as a result of the Group's branch and product expansion. The increases in general administrative expenses throughout the period 2006 to 2008 can largely be attributed to the widespread deterioration of Nigeria's infrastructure, in particular the power industry, which necessitated the increased use of diesel fuel by the Group to self-supply and sustain its business operations, the price of which has risen dramatically over the period as fuel prices have hit global all-time highs in late 2007 and through 2008. With continued strain on the country's infrastructure and high fuel prices, the Group's general administrative expenses are expected to continue to increase. See *"Risk*

Factors – Nigeria's infrastructure is in a poor state and there are numerous interruptions to power and communication systems."

Taxation

The statutory corporate tax rate in Nigeria is 30.0 per cent. and an additional 2.0 per cent. educational levy is charged to Nigerian corporate entities. Tax expense for the financial year ended 29 February 2008 increased by 203.8 per cent. to ₦6.5 billion from ₦2.1 billion as at 28 February 2007. In 2007 compared to 2006, the Group's tax expense remained almost flat at ₦2.1 billion and ₦2.2 billion, respectively, despite the 31.5 per cent. increase in profit before tax in 2007 over 2006, primarily due to certain income that was exempt from tax. The Group's effective tax rate for the financial year ended 29 February 2008 was 23.9 per cent., compared to 14.5 per cent. for the financial year ended 28 February 2007 and 20.3 per cent. for the financial year ended 28 February 2006. The higher effective tax rate as at 29 February 2008 resulted primarily from certain amendments to the Company Income Tax Act that came into effect during April 2007. These amendments prohibit the Group from claiming certain investment tax credits usually granted to companies in respect of new additions to computer and plant and equipment acquired within the same tax year. This credit was equal to 15.0 per cent. of the Group's capital expenditure incurred in respect of plant and equipment items. In addition, certain tax credits previously granted to companies which filed their annual tax returns within six months from the end of the tax year, have also been disallowed with effect from April 2007 (this credit was equal to 1.0 per cent. of the Group's tax liability). As a result of these recent changes, the Group's effective tax rate is likely to be in the range of 22.0 to 25.0 per cent. in future periods.

Investment allowance claimed coupled with exemptions granted on interest income earned on agriculture loans and export loans contributed significantly to the low effective tax rate as at 28 February 2007. Investment allowances are allowances granted to taxpayers in the first year following the purchase of plant, machinery and equipment, in addition to the normal initial and annual allowances, and are claimed once in the life of the underlying assets.

The Group expects that the change in its fiscal year end from 28 February to 31 December will result in an effective increase in the cumulative amount of income tax payable in the first three years commencing from the year of change. This is due to a provision of the Nigerian tax laws which gives the tax authority the power to elect the higher of the tax computations of both the old and the new year ends. The two computations are based on a preceding year basis.

By way of example, the cumulative taxable profit for the first three years under the old accounting year end, following the preceding year basis rule, will be for the period covering 1 March 2006 to 28 February 2009. The same period under the new accounting year end will commence from 1 January 2007 to 31 December 2009. Given that the Group taxable profit has historically increased year on year, the new accounting year end basis has the bulk of its coverage in periods of higher taxable profit. Hence the tax authority will likely exercise its power of election and choose the higher tax liability.

Financial Condition as at 29 February 2008 and 28 February 2007 and 2006

Total Assets

The following table presents data regarding the Group's assets as at the dates indicated.

	As at 28 February					
	2008(1)	% of total	2007	% of total	2006	% of total
	(₦ millions, except percentages)					
Assets:						
Cash and cash equivalents	110,594	15.1	112,321	23.6	60,034	19.6
Trading assets	156,880	21.4	8,663	1.8	–	–
Pledged assets	91,128	12.4	55,533	11.6	33,687	11.0
Derivative assets held for risk management	2,332	0.3	–	–	–	–
Loans and advances to banks	8	–	106	0.02	886	0.3
Loans and advances to customers	291,341	39.8	116,843	24.5	84,588	27.6
Investment securities	9,924	1.4	132,633	27.8	94,634	30.9
Inventory	12,063	1.6	–	–	–	–
Property and equipment	29,583	4.0	17,647	3.7	10,612	3.5
Intangible assets	2,091	0.3	1,501	0.3	345	0.1
Deferred tax assets	21	–	50	0.01	–	–
Other assets	26,687	3.6	31,535	6.6	21,144	6.9
Total assets	732,653	100.0	476,832	100.0	305,930	100.0

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

As at 29 February 2008, the Group had total assets of ₦732.7 billion, an increase of 53.7 per cent. from ₦476.8 billion as at 28 February 2007, which in turn was an increase of 55.9 per cent. from ₦306.0 billion as at 28 February 2006. The increase in total assets was largely attributable to an increase in the Group's loan portfolio, property and equipment, trading assets and pledged assets.

Cash and Cash Equivalents

The following table sets out details of the Group's cash and cash equivalents for the periods indicated.

	As at 28 February						Variation	
	2008(1)	% of total	2007	% of total	2006	% of total	2008/ 2007	2007/ 2006
	(₦ millions, except percentages)						(%)	(%)
Cash and balances with banks	40,294	36.4	37,012	33.0	20,885	34.8	8.9	77.2
Unrestricted balances with central banks	24,459	22.1	10,942	9.7	13,052	21.7	123.5	(16.2)
Money market placements	45,841	41.5	64,367	57.3	26,097	43.5	(28.8)	146.6
Total cash and cash equivalents	110,594	100.0	112,321	100.0	60,034	100.0	(1.5)	87.1

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

The Group's cash and cash equivalents, consisting of cash balances with banks, deposits with the CBN and money market placements, decreased slightly by 1.5 per cent. to ₦110.6 billion as at 29 February 2008 from ₦112.3 billion as at 28 February 2007, which in turn was an increase of 87.1 per cent. from ₦60 billion as at 28 February 2006. Money market placements constituted 41.4 per cent. of cash and cash equivalents in 2008, compared to 57.3 per cent. in 2007 and 43.5 per cent. in 2006. As at 29 February 2008 the balance of unrestricted balances with central banks had increased 123.5 per cent. to ₦24.5 billion compared to ₦10.9 billion at 28 February 2007, primarily due to growth in the volume of inter-bank transactions. Inter-bank deposits grew from ₦34.3 billion as at 29 February 2007 to ₦75.7 billion as at 29 February 2008. The primary reason for the increase in cash and cash equivalents as at 28 February 2007 was the extra liquidity from the 2007 Eurobond offering completed in January 2007, which the Group had not fully utilised prior to the financial year end. In addition to cash held in cash and cash equivalents, as at 28 February 2008 the Group included in "other assets" approximately ₦8.7 billion of cash to meet the CBN's required minimum cash requirement.

Trading Assets

Also contributing to the increase in total assets was a significant increase in trading assets to ₦156.9 billion as at 29 February 2008, from ₦8.7 billion as at 28 February 2007, although this was in part due to a reclassification of the Bank's securities portfolio. The Group's trading assets consist primarily of Nigerian 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. Equities largely comprise securities of listed companies held through GT Assurance. The significant increase in the Group's trading assets as at 29 February 2008 was primarily due to a reclassification of these assets from investment securities to trading assets in accordance with certain guidelines on money market dealership operational procedures introduced by the CBN in April 2007. These guidelines correspond in all material respects with similar provisions contained in IFRS. In September 2006, the Group was appointed by the Nigerian government as a primary dealer and began trading Nigerian government bonds on the recently established Federal Government of Nigeria Bond Market. Prior to the establishment of the Nigerian Bond Market, the Group did not hold trading securities. Additionally, the Group commenced trading in treasury bills following the opening of the Nigerian Treasury Bills Market in August 2007. The Group is required to maintain coverage of 40.0 per cent. of its deposit in liquid assets, which the Group principally comes through its investment portfolio. Furthermore, the Group increased its investments in treasury bills and bonds because it had excess liquidity from the USD350.0 million Eurobond and USD824.2 million GDR proceeds and an increase in deposits and insufficient quality risk assets in which the Group could redeploy the funds.

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.

	Financial year ended 28 February		
	2008[(1)]	**2007**	**2006**
		(₦ millions)	
Treasury bills	84,819	48,134	33,688
Bonds	6,310	7,399	–
Total pledged assets	91,128	55,533	33,688

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

Loans and Advances to Banks

The following table sets out details of the Group's loans and advances to banks as at the dates indicated.

	Financial year ended 28 February		
	2008[(1)]	**2007**	**2006**
		(₦ millions)	
Loans and advances to banks	98	106	915
Less specific allowances for impairment	(90)	–	(28)
Collective allowances for impairment	–	–	–
Total loans and advances to banks	8	106	886

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

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 at 29 February 2008. 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 are now fully liquid and realisable, and the Bank expects that the impairment provision will be reversed in the fiscal year ending 31 December 2008.

Loans and Advances to Customers

The main factor contributing to the increase in total assets was an increase in loans and advances to customers of 149.3 per cent. to ₦291.3 billion as at 29 February 2008, compared to ₦116.8 billion as at 28 February 2007, which in turn represented a 38.1 per cent. increase over 2006.

The following table sets out details of the Group's loans and advances to customers as at 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.

	As at 29 February 2008			As at 28 February 2007			As at 28 February 2006		
	Gross amount	Impairment allowance	Net amount	Gross amount	Impairment allowance	Net amount	Gross amount	Impairment allowance	Net amount
					(₦ millions)				
Individuals	1,867	–	1,867	3,391	(84)	3,307	2,545	(38)	2,506
Corporate entities and other organisations	291,332	(1,858)	289,474	114,841	(1,305)	113,536	83,461	(1,380)	82,082
Total	293,199	(1,858)	291,341	118,233	(1,390)	116,843	86,006	(1,418)	84,588

Following the significant increase in the Group's total loans, allowances for impairment losses increased by 33.7 per cent. to ₦1.9 billion as at 29 February 2008 from ₦1.39 billion as at 28 February 2007, although, as a percentage of total loans, impairment losses grew proportionally slower. Whilst this may indicate an improvement in the credit quality of the Bank's loan portfolio, given the significant growth of the loan portfolio in the year ended 28 February 2008, many of these loan credits are new and untested, therefore it may be too early to draw any conclusions about the quality of the loan portfolio. See *"Risk Factors – The Group may not be able to sustain its current level of growth in its loan book, and may difficulty maintaining credit quality, which could impact its profitability".*

Loans and advances to customers increased due to an increase in loans to corporate customers, which constituted 99.3 per cent. of the Group's loan portfolio as at 29 February 2008, compared to 97.1 per cent. as at 28 February 2007 and 97.0 per cent. as at 28 February 2006. Loans and advances to corporate customers increased primarily because the Group was able to utilise the proceeds from the USD350.0 million Eurobond and USD824.2 million GDR offerings in January and July 2007, respectively, as well as an increase in deposits, which allowed the Group to actively target corporate customers. Loans and advances to individuals decreased by 45.0 per cent. to ₦1.9 billion as at 29 February 2008 from ₦3.4 billion as at 28 February 2007, which in turn represented an increase of 33.3 per cent. from 2006. Although in the short to medium term the Bank still expects the composition of its loan book to comprise mainly corporate customers (to enhance its credit quality), loans to individuals are likely to increase as the Group will continue to target the retail segment with its marketing campaign.

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.

Investment Securities

Investment securities decreased by 92.5 per cent. to ₦9.9 billion as at 29 February 2008, compared to ₦132.6 billion as at 28 February 2007 and ₦94.6 billion as at 28 February 2006. Prior to the CBN's guidelines on money market dealership operational procedures issued in April 2007, investment securities constituted the majority of the Group's investment portfolio, consisting of all Nigerian treasury bills, government bonds and equity securities that are classified as either held for trading (fair value through profit or loss) available for sale (fair value through reserves) or held to maturity. However, following the new guidelines, the Group had to reclassify many of its treasury bills and government bonds separately as trading assets. Now investment securities consist of treasury bills, Nigerian government bonds and equity securities that are classified as either held for trading and available for sale (fair value through profit or loss) or held to maturity (fair value through reserves). Following the classification of ₦4.7 billion treasury bills and government bonds as at 29 February 2008 as investment securities in line with the CBN's guidelines, the remainder of treasury bills and government bonds were reclassified as trading assets.

The following table sets out details of the Group's investment securities as at the dates indicated.

	Financial year ended 28 February		
	2008[(1)]	2007	2006
		(₦ millions)	
Available for sale investment securities:			
Treasury bills	2,437	106,793	80,630
Bonds	2,254	22,383	12,362
Equity securities	5,233	3,482	1,642
Less specific allowances for impairment	–	(26)	–
Total investment securities	9,924	132,633	94,634

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

Treasury bills constituted 24.6 per cent. of the Group's total investment securities as at 29 February 2008, compared to 80.5 per cent. in 2007 and 85.2 per cent. in 2006. Nigerian government bonds constituted 22.7 per cent. of total investment securities as at 29 February 2008, compared to 16.9 per cent. in 2007 and 13.1 per cent. in 2006. The significant reduction in investment securities in 2007 was the result of the reclassification of most of these securities as trading assets.

Total Liabilities

The following table presents data regarding the Group's liabilities as at the dates indicated.

	Financial year ended 28 February					
	2008[(1)]	% of total	2007	% of total	2006	% of total
			(₦ millions, except percentages)			
Liabilities:						
Deposits from banks	75,655	13.3	34,260	8.0	10,957	4.2
Deposits from customers	373,727	65.5	309,167	72.3	228,386	86.7
Debt securities issued	40,698	7.1	44,968	10.5	–	
Other borrowed funds	15,401	2.7	13,380	3.1	9,364	3.5
Current tax liabilities	5,851	1.0	3,486	0.8	2,207	0.8
Deferred tax liabilities	1,992	0.3	0		1,644	0.6
Other liabilities	57,675	10.1	22,218	5.2	10,972	4.2
Total liabilities	**571,001**	**100.0**	**427,479**	**100.0**	**263,530**	**100.0**

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

As at 29 February 2008, the Group's total liabilities increased 33.6 per cent. to ₦571.0 billion from ₦427.5 billion as at 28 February 2007, which in turn represented an increase of 62.2 per cent. compared to ₦263.5 billion as at 28 February 2006. Contributing to the increase in total liabilities is the Bank's USD350.0 million Eurobond offering in January 2007.

Deposits from Customers

Deposits from customers constituted 65.5 per cent. of total liabilities as at 29 February 2008, 72.3 per cent. as at 28 February 2007 and 86.7 per cent. as at 28 February 2006.

The following table sets out details of the Group's deposits from customers as at the dates indicated.

	Financial year ended 28 February					
	2008[(1)]	% of total	2007	% of total	2006	% of total
	(₦ millions, except percentages)					
Retail customers:						
Term deposits	32,051	8.6	33,956	11.0	27,360	12.0
Current deposits	51,784	13.9	34,741	11.2	23,298	10.2
Savings deposits	28,966	7.8	12,780	4.1	6,405	2.8
Corporate customers:						
Term deposits	88,380	23.6	108,523	35.1	101,516	44.4
Current deposits	163,274	43.7	117,072	37.9	68,582	30.0
Other deposits	9,273	2.5	2,095	0.7	1,225	0.5
Total deposits	373,727	100.0	309,167	100.0	228,386	100.0

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

Deposits from customers increased 20.9 per cent. to ₦373.3 billion as at 29 February 2008 from ₦309.2 billion as at 28 February 2007, which in turn represented an increase of 35.4 per cent. compared to ₦228.4 billion as at 28 February 2006. Deposits from retail customers constituted 30.2 per cent. of total deposits as at 29 February 2008, 26.3 per cent. as at 28 February 2007 and 25.0 per cent. as at 28 February 2006. The increase in retail deposits in absolute terms is a result of the Group's campaign to increase its emerging retail banking business. In addition, the Bank also changed the structure of its deposit base, increasing the volume of lower cost on-demand deposits over term deposits. The increase in corporate deposits can primarily be attributed the Group's branch expansion, which has increased the Group's presence in additional regions where its corporate customers are present.

Debt Securities Issued

Debt securities issued represent the USD350.0 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.

Other Borrowed Funds

Other borrowed funds increased 15.1 per cent. to ₦15.4 billion as at 29 February 2008 from ₦13.4 billion as at 28 February 2007, which in turn represented an increase of 42.9 per cent. compared to ₦9.4billion as at 28 February 2007. Other borrowed funds consist of the Group's borrowings from major international development banks, the International Finance Corporation ("IFC"), The Netherlands Development Finance Company ("FMO"), the European Investment Bank ("EIB") and the African Development Bank ("ADB"). Borrowings increased in 2007 because in May 2006 the Group was granted a USD36.7 million facility from the ADB.

Other Liabilities

Other liabilities increased 159.6 per cent. to ₦57.7 billion as at 29 February 2008 from ₦22.2 billion as at 28 February 2007, which in turn represented an increase of 102.5 per cent. compared to ₦11.0 billion as at 28 February 2006.

The following table sets out details of the Group's other liabilities as at the dates indicated.

	Financial year ended 28 February					
	2008[1]	% of total	2007	% of total	2006	% of total
	(₦ millions, except percentages)					
Cash-settled-based payment liability	782	1.4	687	3.1	452	4.1
Short-term employee benefits	4,157	7.2	1,686	7.6	521	4.7
Financial guarantee contracts issued	2,778	4.8	892	4.0	476	4.4
Certified cheques	15,167	26.3	11,205	50.4	7,712	70.3
Other current liabilities[2]	34,791	60.3	7,748	34.9	1,811	16.5
Total	57,703	100.0	22,218	100.0	10,972	100.0

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

(2) Other current liabilities include cash margins letters of credit, withholding taxes, VAT and sundry creditors.

Equity and Capital Ratios

The Group's shareholders' equity increased 227.3 per cent. to ₦161.7 billion as at 29 February 2008 compared to ₦49.4 billion as at 28 February 2007, which in turn represented a 16.4 per cent. increase from ₦42.4 billion as at 28 February 2006. The increase in equity from 2007 to 2008 is substantially due to an increase in the Bank's share capital and share premium accounts pursuant to its USD824.2 million GDR offering in July 2007, represented by 3,679,415,650 underlying shares with a nominal value of 50 Kobo each. In addition there was a year on year increase in other reserves, due to higher profits, which resulted in higher appropriation to statutory reserves in line with regulatory requirements. Also contributing to the increase in 2007, was a 429.6 per cent. increase in minority interests from ₦503.0 million as at 28 February 2006 to ₦2.7 billion as at 28 February 2007. The increase in minority interests resulted, primarily, from the consolidation of GTB Ghana in 2007.

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 at 28 February 2008[7]	2007	2006
Statutory minimum capital base	Not less than ₦25 billion	₦160.0 billion	₦50.0 billion	₦40.8 billion
Capital adequacy ratios				
Cash reserve requirement[1]	3.0%	3.0%	3.0 %	5.0 %
Specified liquidity ratio[2]	40.0%	64.4%	70.0 %	69.4 %
Specified capital adequacy ratio[3]	10.0%	27.8%	16.6 %	22.4 %
Guaranteed BAS/CPS to shareholders' funds[4]	Not more than 150.0%	62.2%	67.3 %	60.0 %
Loans to deposits ratio[5]	Not more than 80.0%	70.0%	39.3 %	39.2 %
Prudential guidelines[6]	Substandard (10.0%), doubtful (50.0%) and lost (100.0%)	Complied	Complied	Complied

(1) 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.

(2) The specified liquidity ratio refers to the ratio of a bank's liquid assets to its total deposit liabilities.

(3) The specified capital adequacy ratio refers to the ratio of a bank's qualifying capital to its risk weighted assets.

(4) 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.

(5) The loans to deposits ratio refers to the maximum allowable proportion of a bank's loans to its total deposit liabilities.

(6) 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.

(7) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

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 40.0 per cent. of its deposits in liquid assets, which further boosts liquidity.

As at 29 February 2008, the Group's funding base consisted of demand, time and savings deposits (51.0 per cent.), debt securities issues (5.6 per cent.), deposits from banks (10.3 per cent.), other borrowed funds (2.1 per cent.), other liabilities (8.9 per cent.) and equities (22.1 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 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 USD20.0 million facility for a period of seven years, with an additional USD20.0 million granted in October 2004 for 10 years, an additional USD20.0 million granted in July 2005 for seven years and an additional USD15.0 million representing the first tranche of a USD30.0 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 at 29 February 2008, there was ₦8.3 billion (USD70.8 million) outstanding under these facilities.

In December 2004, the FMO granted the Group a USD20.0 million facility for four years, with interest payable semi-annually at 3.0 per cent. above LIBOR. As at 29 February 2008, all of the principal amount of the loan remained outstanding at ₦2.3 billion (USD20.0 million).

In June 2005, the EIB granted the Group a USD3.8 million facility for four years, with interest payable semi-annually at 2.5 per cent. above LIBOR. As at 29 February 2008, ₦0.4 billion (USD3.1 million) of the loan remained outstanding.

In May 2006, the ADB granted the Group a USD40.0 million facility for seven years, with interest payable semi-annually at 2.5 per cent. above LIBOR. As at 29 February 2008, ₦4.4 billion (USD37.2 million) of the loan remained outstanding.

In addition to its borrowings with international development banks and in response to demand from institutional banking clients for loans in denominations other than Naira, the Group accessed the international capital markets for the first time in January 2007 through its USD350.0 million Eurobond offering and for the second time in July 2007 through its USD824.2 million offering of global depositary receipts. The USD350.0 million Eurobond issued in January 2007 is due in 2012, and pays interest at 8.5 per cent. per annum. As at 29 February 2008, all of the principal amount of the USD350.0 million Eurobond remained outstanding at ₦40.7 billion (USD350.0 million). The amount raised under the USD824.2 million GDR issued in July 2007, amounted to ₦104.0 billion (USD824.2 million).

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.

Further, in September 2007 and as a result of the continued appreciation of the Naira against the U.S. dollar, management made a decision to convert the remaining U.S. dollar proceeds from the

USD824.2 million GDR offering to Naira, recognising a one-time loss of ₦761.6 million (USD6.1 million). See note 12 of the Financial Statements for the year ended 29 February 2008.

The following table sets out certain liquidity ratios for the Group:

	Financial year ended 28 February		
	2008[(1)]	2007	2006
		(%)	
Liquid assets/total assets	38.3	56.0	55.3
Liquid assets/total deposits	62.4	77.7	70.7
Liquid assets/liabilities up to one month	62.5	82.4	78.2
Loans to customers, net/total assets	39.8	24.5	27.7
Loans to customers, net/customer accounts	78.0	37.8	37.0
Loans to customers, net/total equity	180.2	236.8	199.5

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

Foreign Currency Positions

The following table sets out the net open foreign currency position of the Group as at the dates indicated.

	Financial year ended 28 February		
	2008[(1)]	2007	2006
Net long/(short) position (USD millions)	(52.8)	17.8	4.1
As a percentage of shareholder's equity (%)	3.4	4.9	1.3
As a percentage of total liabilities (%)	1.1	0.5	0.3

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

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 at 29 February 2008, the Group: had issued outstanding guarantees totalling ₦166.9 billion, compared to ₦60.0 billion as at 28 February 2007 and ₦38.6 billion as at 28 February 2006; had outstanding open letters of credit totalling ₦51.1 billion, compared to ₦23.8 billion as at 28 February 2007 and ₦20.0 billion as at 28 February 2006; and had outstanding commercial paper and bankers acceptances totalling ₦101.5 billion, compared to ₦31.9 billion as at 28 February 2007 and ₦21.9 billion as at 28 February 2006.

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, which as at 29 February 2008 was 62.8 per cent.

Contractual Commitments

The following table sets out the commitments and contingent liabilities of the Group in Naira, by contractual maturity, as at 29 February 2008.

	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	10,417	14,024	73,983	41,679	26,834	166,937
Letters of credit	–	–	51,084	–	–	51,084
Commercial paper and bankers acceptances	113	39,690	13,645	40,070	7,955	101,473
Contractual commitments	–	–	5,902	–	–	5,902
Total	10,530	53,714	144,614	81,749	34,789	325,396

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 year ended 29 February 2008 and the financial years ended 28 February 2007 and 2006 on a consolidated basis. However, the Bank does not prepare interim financial statements other than on a stand-alone basis. Therefore, although financial year-end information included in this section of the Offering Circular is for the Group on a consolidated basis, certain average financial information and data that require historical monthly data for more accurate presentation, such as balances at the beginning and end of each month, was prepared using the historical financial information of the Bank only. 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 income operating 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.

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.

Historically, in line with the requirements of the CBN, the Bank has prepared its financial statements in accordance with Nigerian GAAP. The results of operations and financial condition for the Group may be materially different when prepared in accordance with either Nigerian GAAP or IFRS. 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 Prudential Guidelines and capital requirements. Accordingly, unless otherwise stated, financial information herein relating to the Bank's compliance with the CBN Prudential Guidelines and capital requirements has been prepared in accordance with Nigerian GAAP.

Investors should be aware of recent changes introduced by the CBN in January 2008, requiring all Nigerian banks, where applicable, to change their financial year-end to 31 December, with effect from 31 December 2008. The new policy is aimed at bringing Nigerian banks' financial reporting in line with international standards, assisting rating agencies in their assessment and ranking of Nigerian banks and creating a uniform basis for the comparison of profits and size between, and the performance of, Nigerian banks in general. As a consequence, the Bank's financial year-end will change from 28 February to 31 December, resulting in a 10-month financial reporting period from 1 March 2008 to 31 December 2008. For a discussion of the risks involved in a change of the Bank's financial year-end, see "Risk Factors – The Bank's audited consolidated and unconsolidated financial statements for the 2008 financial year will not be directly comparable to prior accounting periods."

Average Balances

The following tables set forth the average balances of assets and liabilities of the Bank for the financial years ended 29 February 2008 and 28 February 2007 and 2006, respectively. For purposes of the following tables, the average balances have been calculated on the basis of monthly averages.

	Financial year ended 28 February								
	2008[1]			2007			2006		
	Average volume	Interest	Average rate	Average volume	Interest	Average rate	Average volume	Interest	Average rate
	(₦ millions, except percentages)								
Assets:									
Interest-earning assets									
Cash and cash equivalents	84,600	2,733	3.23%	75,096	1,494	1.99%	43,588	795	1.82%
Trading assets	93,434	9,680	10.36	7,833	1,032	13.17	–	–	–
Investment securities	78,402	6,194	7.90	115,033	12,669	11.01	61,683	5,405	8.76
Loans and advances	201,312	35,068	17.42	84,972	16,260	19.13	73,499	16,401	22.31
Total interest-earning assets	457,748	53,675	11.73%	282,934	31,455	11.12%	178,770	22,601	12.64%

	Financial year ended 28 February								
	2008[1]			2007			2006		
	Average volume	Interest	Average rate	Average volume	Interest	Average rate	Average volume	Interest	Average rate
	(₦ millions, except percentages)								
Non-interest earning assets									
Property, plant and equipment	20,822	–	–	15,769	–	–	8,958	–	–
Intangible assets	1,977	–	–	573	–	–	115	–	–
Other assets	41,852	–	–	17,087	–	–	14,281	–	–
Equity investments	10,040	–	–	7,036	–	–	2,908	–	–
Total non interest-earning assets	74,691	–	–	40,465	–	–	26,262	–	–
Total assets	532,439	53,675	10.08%	323,399	31,455	9.73%	205,032	22,601	11.02%
Liabilities:									
Interest-bearing liabilities									
Deposits	299,543	12,850	4.29%	222,432	11,191	5.03%	125,614	6,865	5.47%
Debt securities	43,769	3,764	8.60	7,471	314	4.20	–	–	–
Other borrowings	13,597	1,195	8.79	11,025	1,006	9.13	8,857	745	8.41
Total interest-bearing liabilities	356,909	17,810	4.99	240,928	12,511	5.19	134,471	7,610	5.66
Non-interest bearing liabilities									
Other liabilities	57,164	–	–	41,803	–	–	34,822	–	–
Total liabilities	414,073	17,810	4.30	282,731	12,511	4.42	169,293	7,610	4.50
Shareholders' funds	118,366	–	–	40,668	–	–	35,739	–	–
Total liabilities and equity	532,439	17,810	3.35%	323,399	12,511	3.87%	205,032	7,610	3.71%

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

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.

	Financial year ended 28 February											
	2008[1]/2007				2007/2006				2006/2005			
	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 percentages)											
Interest-earning assets:												
Cash and cash equivalents	189	931	118%	1,238	575	72	52%	699	228	140	96%	464
Investment securities	(4,035)	(3,582)	1,141	(6,476)	4,674	1,389	1,201	7,264	4,141	(1,546)	(1,490)	1,105
Trading assets	11,274	(220)	(2,406)	8,648	–	–	1,032	1,032	–	–	–	–
Loans and advances	22,262	(1,457)	(1,995)	18,810	2,560	(2,337)	(365)	(142)	4,831	(79)	(32)	4,720
Total	29,690	(4,328)	(3,142)%	22,220	7,809	(876)	1,920%	8,853	9,200	(1,485)	(1,426)%	6,289
Interest-bearing liabilities:												
Deposits	3,880	(1,648)	(572)%	1,660	5,292	(546)	(420)%	4,326	3,934	(1,891)	(1,229)%	814
Debt securities	1,524	329	1,597	3,450	–	–	314	314	–	–	–	–
Other borrowings	235	(37)	(9)	189	182	64	15	261	349	20	19	388
Total	5,638	1,356	1,018%	5,299	5,474	(482)	(91)%	4,901	4,283	(1,871)	(1,210)%	1,202

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

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 ended 29 February 2008 and 28 February 2007 and 2006, respectively:

	Financial year ended 28 February		
	2008[4]	2007	2006
	(₦ millions, except percentages)		
Average interest-earning assets:			
Naira	399,476	266,856	173,429
International	58,272	16,078	5,341
Total	457,748	282,934	178,770
Interest income:			
Naira	51,415	30,681	22,350
International	2,259	774	251
Total	53,675	31,455	22,601
Net interest income:			
Naira	36,578	19,490	15,485
International	(713)	(546)	(494)
Total	35,865	18,944	14,991
Yield[1]:			
Naira	12.87%	11.50%	12.89%
International	3.88%	4.82%	4.69%
Total	11.73%	11.12%	12.64%
Margin[2]:			
Naira	9.16%	7.30%	8.93%
International	(1.22)%	(3.39)%	(9.25)%
Total	7.84%	6.70%	8.39%
Spread[3]:			
Naira	7.92%	6.47%	7.42%
International	(1.30)%	(2.32)%	(3.71)%
Total	6.74%	5.92%	6.98%

(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.

(4) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

Return on Assets and Equity

The following table shows the Bank's return on assets and equity for the financial years ended 29 February 2008 and 28 February 2007 and 2006, respectively.

	2008	2007	2006
	(₦ millions, except percentages)		
Profit for the period	20,691	12,507	8,889
Average total assets	532,439	323,399	205,032
Average shareholders' equity	118,365	40,668	35,738
Net income as a percentage of:			
Average total assets	3.89%	3.87%	4.34%
Average shareholders' equity	17.48%	30.75%	24.87%
Declared cash dividends	12,995	6,200	4,200
Dividend payout ratio (%)	62.81%	49.57%	47.25%
Average shareholders' equity as a percentage of average total assets	22.23%	12.58%	17.43%

Interest Earning Deposits with Other Banks

The following table shows the Group's interest earning deposits with other banks as at 29 February 2008 and 28 February 2007 and 2006, respectively:

	As at 28 February		
	2008[(1)]	2007	2006
		(₦ millions)	
Naira	42,005	26,772	17,225
Foreign currency:			
U.S. Dollar	32,510	36,458	8,248
Euro	5,001	203	38
Pounds	5,929	388	191
Cedis	807	547	–
Dalassi	–	–	64
Leone	–	–	331
Total foreign currency	44,281	37,596	8,872
Total	86,286	64,368	26,097

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

Total Investment Portfolio

The following table shows the Group's investment portfolio (including investment securities, trading assets and pledged assets) as at 29 February 2008 and 28 February 2007 and 2006, respectively:

	As at 28 February		
	2008[(1)]	2007	2006
		(₦ millions)	
Treasury bills	140,222	154,927	114,317
Bonds	110,557	38,241	12,362
Equity investments	7,153	3,661	1,642
Total investment portfolio	257,932	196,829	128,321

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

Investment Concentration

The following table shows the concentration of the Group's investment portfolio (including investment securities, trading assets and pledged assets) as at 29 February 2008 and 28 February 2007 and 2006, respectively:

	As at 29 February 2008	
	Amount of investments	Percentage of shareholders' equity of the Bank (Group)
	(₦ millions)	(%)
Treasury bills	140,222	87
Bonds	110,557	68
Equity investments	7,153	4
Total	257,932	

	As at 28 February 2007	
	Amount of investments	Percentage of shareholders' equity of the Bank (Group)
	(₦ millions)	(%)
Treasury bills	154,927	314
Bonds	38,241	77
Equity investments	3,661	7
Total	196,829	

	As at 28 February 2006	
	Amount of investments	Percentage of shareholders' equity of the Bank (Group)
	(₦ millions)	(%)
Treasury bills	114,317	270
Bonds	12,362	29
Equity investments	1,642	4
Total	128,321	

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 at 29 February 2008 and 28 February 2007 and 2006, respectively:

	As at 29 February 2008			
	One year or less	One to five years	More than five years	Total
	(₦ millions)			
Treasury bills	140,222	–	–	140,222
Bonds	11,306	86,576	12,675	110,557
Equity securities with readily determinable fair values	1,920	–	5,233	7,153
Total	153,448	86,576	17,908	257,932

	As at 28 February 2007			
	One year or less	One to five years	More than five years	Total
	(₦ millions)			
Treasury bills	154,927	–	–	154,927
Bonds	16,971	21,269	–	38,241
Equity securities with readily determinable fair values	204	–	3,457	3,661
Total	172,103	21,269	3,457	196,829

	As at 28 February 2006			
	One year or less	One to five years	More than five years	Total
	(₦ millions)			
Treasury bills	114,317	–	–	114,317
Bonds	–	12,362	–	12,362
Equity Securities with readily determinable fair values	–	–	1,642	1,642
Total	114,317	12,362	1,642	128,321

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 at 29 February 2008 and 28 February 2007 and 2006, respectively:

	As at 28 February					
	2008[(1)]	% of total	2007	% of total	2006	% of total
	(₦ millions, except percentages)					
Geographic area:						
Abuja & North Central	23,988	8.2	3,317	2.8	5,216	6.0
Lagos	213,901	72.9	80,118	67.7	61,930	71.3
North-East	20,420	7.0	17,932	15.2	6,422	7.4
North-West	4,425	1.5	2,022	1.7	1,908	2.2
South-East	13,298	4.5	9,516	8.0	7,772	8.9
South-West	12,046	4.1	3,294	2.8	2,861	3.3
Unallocated	5,223	1.8	2,140	1.8	812	0.9
Total	293,301	100.0	118,339	100.0	86,921	100.0

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

The following table shows the composition of the Group's contingent liabilities exposure by geographic area as at 29 February 2008 and 28 February 2007 and 2006, respectively:

	As at 28 February					
	2008[(1)]	% of total	2007	% of total	2006	% of total
	(₦ millions, except percentages)					
Geographic area:						
Abuja & North Central	55,374	20.6	24,746	25.7	10,434	16.1
Lagos	203,032	75.6	61,986	64.3	39,880	61.4
North-East	768	0.3	369	0.4	8,184	12.6
North-West	3,312	1.2	4,187	4.3	4,655	7.2
South-East	3,740	1.4	2,714	2.8	1,324	2.0
South-West	1,126	0.4	2,271	2.4	371	0.6
Unallocated	1,058	0.4	188	0.2	95	0.1
Total	268,409	100.0	96,461	100.0	64,943	100.0

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

Loans

The following table shows the composition of the Group's total loans to customers by industry sector as at 29 February 2008 and 28 February 2007 and 2006, respectively:

	As at 28 February					
	2008[(1)]	% of total	2007	% of total	2006	% of total
	(₦ millions, except percentages)					
Category:						
Commercial	97,136	33.1	38,606	32.6	34,833	40.1
Manufacturing	36,223	12.4	26,782	22.6	22,392	25.8
Oil & gas	44,561	15.2	25,306	21.4	13,563	15.6
Construction	15,821	5.4	16,051	13.6	9,993	11.5
Financial institutions	51,966	17.7	5,191	4.4	1,321	1.5
Retail	42,371	14.5	4,263	3.6	4,007	4.6
Unallocated	5,223	1.8	2,140	1.8	812	0.9
Total	293,301	100.0	118,339	100.0	86,921	100.0

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

The following table shows the composition of the Group's loans to customers in Naira by industry sector as at 29 February 2008 and 28 February 2007 and 2006, respectively:

	As at 28 February					
	2008[(1)]	% of total	2007	% of total	2006	% of total
	(₦ millions, except percentages)					
Category:						
Commercial	74,527	34.3	29,749	38.8	32,509	45.8
Manufacturing	19,825	9.1	17,360	22.6	19,156	27.0
Oil & gas	24,391	11.2	6,963	9.1	5,571	7.9
Construction	8,326	3.8	13,283	17.3	8,415	11.9
Financial institutions	51,418	23.7	5,191	6.8	1,321	1.9
Retail	38,676	17.8	4,216	5.5	3,984	5.6
Total	217,163	100.0	76,762	100.0	70,956	100.0

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

The following table shows the composition of the Group's loans to customers in foreign currencies by industry sector as at 29 February 2008 and 28 February 2007 and 2006, respectively:

	As at 28 February					
	2008[(1)]	% of total	2007	% of total	2006	% of total
	(₦ millions equivalent of foreign currencies, except percentages)					
Category:						
Commercial	22,609	29.7	8,857	21.3	2,324	14.6
Manufacturing	16,398	21.5	9,422	22.7	3,236	20.2
Oil & gas	20,170	26.5	18,343	44.1	7,992	50.1
Construction	7,495	9.8	2,768	6.7	1,578	9.9
Financial institutions	547	0.7	–	–	–	–
Retail	3,695	4.9	47	0.1	23	0.1
Unallocated	5,223	6.9	2,140	5.2	812	5.1
Total	76,137	100.0	41,577	100.0	15,965	100.0

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

Contingent Liabilities

The following table shows the composition of the Group's total contingent liabilities exposure in Naira and foreign currencies by industry sector as at 29 February 2008 and 28 February 2007 and 2006, respectively:

	As at 28 February					
	2008[(1)]	% of total	2007	% of total	2006	% of total
	(₦ millions, except percentages)					
Category:						
Commercial	53,878	20.1	24,415	25.3	18,432	28.4
Manufacturing	32,155	12.0	12,968	13.4	12,818	19.7
Oil & gas	57,835	21.6	44,962	46.6	25,334	39.0
Construction	98,942	36.9	120	0.1	43	0.1
Financial institutions	4,537	1.7	7,846	8.1	4,409	6.8
Retail	20,003	7.5	5,963	6.2	3,812	5.9
Unallocated	1,058	0.4	187	0.2	95	0.1
Total	268,408	100.0	96,461	100.0	64,943	100.0

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

The following table shows the composition of the Group's contingent liabilities exposure in Naira by industry sector as at 29 February 2008 and 28 February 2007 and 2006, respectively:

	As at 28 February					
	2008[(1)]	% of total	2007	% of total	2006	% of total
	(₦ millions, except percentages)					
Category:						
Commercial	34,039	15.8	21,636	26.1	16,690	31.2
Manufacturing	19,393	9.0	8,377	10.1	5,978	11.2
Oil & gas	42,300	19.7	40,771	49.1	23,210	43.4
Construction	98,862	46.0	78	0.1	43	0.1
Financial institutions	4,458	2.1	7,846	9.5	4,337	8.1
Retail	15,856	7.4	4,335	5.2	3,195	6.0
Total	214,907	100.0	83,043	100.0	53,453	100.0

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

The following table shows the composition of the Group's contingent liabilities exposure in foreign currencies by industry sector as at 29 February 2008 and 28 February 2007 and 2006, respectively:

	As at 28 February					
	2008[(1)]	% of total	2007	% of total	2006	% of total
	(₦ millions equivalent, of foreign currencies except percentages)					
Category:						
Commercial	19,840	37.1	2,779	20.7	1,742	15.2
Manufacturing	12,762	23.9	4,591	34.2	6,840	59.5
Oil & gas	15,535	29.0	4,191	31.2	2,124	18.5
Construction	80	0.2	42	0.3	–	–
Financial institutions	79	0.2	–	–	72	0.6
Retail	4,147	7.8	1,628	12.1	617	5.4
Unallocated	1,058	2.0	187	1.4	95	0.8
Total	53,501	100.0	13,418	100.0	11,490	100.0

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

Maturity Profile of Loan Portfolio

The following tables show certain information as to the maturity of the Group's loan portfolio as at 29 February 2008 and 28 February 2007 and 2006, respectively:

	As at 29 February 2008					
	One Month or Less	One to five months	Five to ten months	More than ten months	Unallocated	Total
	(₦ millions)					
Category:						
Commercial	8,603	25,090	20,950	42,493	–	97,136
Construction	1,037	2,004	1,814	10,966	–	15,821
Financial institutions	13,074	12,440	15,291	11,161	–	51,966
Manufacturing	5,829	6,461	14,488	9,445	–	36,223
Oil & gas	16,463	1,869	7,050	19,178	–	44,561
Retail	4,915	5,910	6,150	25,396	–	42,371
Unallocated	–	–	–	–	5,223	5,223
Total	49,921	53,775	65,743	118,639	5,223	293,301

	As at 28 February 2007					
	One Month or Less	One to five months	Five to ten months	More than ten months	Unallocated	Total
	(₦ millions)					
Category:						
Commercial	19,608	9,069	2,670	7,260	–	38,607
Construction	3,781	8,584	603	3,084	–	16,052
Financial institutions	832	1,695	120	2,544	–	5,191
Manufacturing	13,281	7,299	1,889	4,312	–	26,781
Oil & gas	4,419	17,659	204	3,023	–	25,305
Retail	1,808	349	177	1,929	–	4,263
Unallocated	–		–	–	2,140	2,140
Total	43,729	44,655	5,663	22,152	2,140	118,339

	As at 28 February 2006					
	One Month or Less	More than ten months	One to five months	Five to ten months	Unallocated	Total
	(₦ millions)					
Category:						
Commercial	13,825	7,404	7,021	6,583	–	34,833
Construction	2,417	6,244	94	1,239	–	9,994
Financial institutions	1,061	–	200	60	–	1,321
Manufacturing	15,144	3,589	1,847	1,811	–	22,391
Oil & gas	3,920	3,644	3,131	2,868	–	13,563
Retail	2,216	1,188	255	348	–	4,007
Unallocated	–	–	–	–	812	812
Total	38,583	22,069	12,548	12,909	812	86,921

The following tables set forth contingent liability exposure information as to the maturity of the Group's contingent liabilities as at 29 February 2008 and 28 February 2007 and 2006, respectively:

	As at 29 February 2008					
	Under one month	One to five months	Five to ten months	More than ten months	Unallocated	Total
	(₦ millions)					
Category:						
Commercial	3,256	10,438	21,953	18,231	–	53,878
Financial institutions	52	562	15	3,908	–	4,537
Manufacturing	1,957	4,525	13,090	12,584	–	32,155
Oil & gas	481	20,028	22,653	14,673	–	57,835
Real estate and construction	2,656	6,725	2,931	86,630	–	98,942
Retail	682	10,474	6,076	2,771	–	20,003
Unallocated	–	–	–	–	1,058	1,058
Total	9,084	52,752	66,717	138,797	1,058	268,409

	As at 28 February 2007					
	Under one month	One to five months	Five to ten months	More than ten months	Unallocated	Total
	(₦ millions)					
Category:						
Commercial	228	1,625	234	22,328	–	24,415
Financial institutions	–	3	38	78	–	119
Manufacturing	300	418	–	7,129	–	7,847
Oil & gas	25	4,702	15	8,226	–	12,968
Real estate and construction	345	248	1,302	43,067	–	44,962
Retail	461	518	238	4,746	–	5,963
Unallocated		–	–	–	187	187
Total	1,359	7,514	1,827	85,574	187	96,461

	As at 28 February 2006					
	Under one month	One to five months	Five to ten months	More than ten months	Unallocated	Total
			(₦ millions)			
Category:						
Commercial	733	5,376	5,485	6,838	–	18,432
Financial institutions	1	1	41	–	–	43
Manufacturing	10	1,674	2,145	581	–	4,410
Oil & gas	–	3,599	2,040	7,178	–	12,817
Real estate and construction	1,976	8,710	5,193	9,455	–	25,334
Retail	179	1,979	1,015	639	–	3,812
Unallocated	–	–	–	–	95	95
Total	2,899	21,339	15,919	24,691	95	64,943

The following tables show certain information as to the interest rate sensitivity of the Group's loan portfolio as at 29 February 2008 and 28 February 2007 and 2006, respectively. The Group does not have any fixed rate loans.

	As at 28 February		
	2008[(1)]	2007	2006
		(₦ millions)	
Variable rate loans:			
Commercial	97,136	38,606	34,833
Construction	15,821	16,052	9,994
Financial institutions	51,966	5,191	1,321
Manufacturing	36,223	26,781	22,391
Oil & gas	44,561	25,306	13,563
Retail	42,371	4,263	4,007
Unallocated	5,223	2,140	812
Total	293,301	118,339	86,921

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

The following tables show contingent liability exposure as to the interest rate sensitivity of the Group's contingent liabilities as at 29 February 2008 and 28 February 2007 and 2006, respectively:

	As at 28 February		
	2008[(1)]	2007	2006
		(₦ millions)	
Category:			
Commercial	53,878	24,415	18,432
Construction	98,942	120	43
Financial institutions	4,537	7,846	4,410
Manufacturing	32,155	12,968	12,817
Oil & gas	57,835	44,962	25,334
Retail	20,003	5,963	3,812
Unallocated	1,058	187	95
Total	268,409	96,461	64,943

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

The following table shows the composition of the Group's loans to customers by currency exposure as at 29 February 2008 and 28 February 2007 and 2006, respectively:

	As at 28 February		
	2008[(1)]	2007	2006
		(₦ millions)	
Loans:			
Naira	217,163	76,761	70,956
U.S. Dollar	70,795	39,437	15,152
Euro	102	1	1
Unallocated	5,223	2,140	812
Pound Sterling	–	–	–
Japanese Yen	17	–	–
Total	293,301	118,339	86,921

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

The following table shows the composition of the Group's contingent liability exposure by currency exposure as at 29 February 2008 and 28 February 2007 and 2006, respectively:

	As at 28 February		
	2008[(1)]	2007	2006
		(₦ millions)	
Contingent liabilities:			
Naira	214,704	83,044	53,453
U.S. Dollar	50,363	10,128	9,015
Euro	–	3,102	2,380
Other	3,341	187	95
Total	268,409	96,461	64,943

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

The following table shows the composition of the Group's loans to customers by size as at 29 February 2008 and 28 February 2007 and 2006, respectively:

	As at 28 February		
	2008[(1)]	2007	2006
		(₦ millions)	
Loans:			
Greater than ₦500 million	169,764	47,638	35,780
Greater than ₦100 million but less than ₦500 million	68,562	37,925	30,935
Greater than ₦50 million but less than ₦100 million	16,222	13,122	7,626
Greater than ₦15 million but less than ₦50 million	19,768	12,066	8,063
Greater than ₦5 million but less than ₦15 million	8,568	3,192	2,284
Less than ₦5 million	5,194	2,256	1,420
Unallocated	5,223	2,140	813
Total	293,301	118,339	86,921

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

The following table shows the composition of the Group's contingent liability exposure by size as at 29 February 2008:

	As at 29 February 2008	
	Amount	% of total
	(₦ millions, except percentages)	
Contingent liabilities:		
Greater than ₦500 million	233,529	87.01
Greater than ₦100 million but less than ₦500 million	22,059	8.22
Greater than ₦50 million but less than ₦100 million	5,317	1.98
Greater than ₦15 million but less than ₦50 million	3,398	1.27
Greater than ₦5 million but less than ₦15 million	739	0.28
Less than ₦5 million	229	0.09
Unallocated	3,138	1.17
Total	268,409	100.00

Outstanding Foreign Currency Loans to Borrowers Outside Nigeria

The Bank did not have any outstanding foreign currency loans to borrowers outside Nigeria as at 29 February 2008.

Loan Losses

The following table shows the movements in allowance for loan losses of the Group as at 29 February 2008 and 28 February 2007 and 2006, respectively:

	As at 28 February		
	2008[(1)]	2007	2006
	(₦ millions, except percentages)		
Balance at beginning of period:			
Commercial	164	623	361
Construction	185	185	312
Financial institutions	49	37	7
Manufacturing	600	241	228
Oil & gas	227	227	161
Retail	165	134	11
Total	1,390	1,447	1,080
Charge for the year:			
Commercial	849	854	1,055
Construction	3	–	–
Financial institutions	132	173	31
Manufacturing	587	397	13
Oil & gas	9	–	66
Retail	113	125	156
Unallocated	131	24	14
Total	1,824	1,573	1,335
Recoveries:			
Commercial	59	310	4
Construction	–	–	–
Financial institutions	90	161	–
Manufacturing	114	–	–
Oil & gas	–	–	–
Retail	34	36	–
Unallocated	–	18	–
Total	297	525	4
Charge for the year less recoveries	1,527	1,048	1,331

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

	As at 28 February		
	2008[(1)]	2007	2006
	(₦ millions, except percentages)		
Write-offs:			
Commercial	311	1,003	797
Construction	–	–	87
Financial institutions	–	–	–
Manufacturing	591	34	–
Oil & gas	–	–	–
Retail	65	58	32
Unallocated	–	6	14
Total	967	1,101	930
Effect of foreign exchange	(2)	(4)	(34)
Balance at the end of period	1,948	1,390	1,447
Gross loans	293,301	118,339	86,921
Average loans	201,347	84,972	73,499
Ratio of net charge-offs during the period to average loans outstanding during the period	0.76%	1.23%	1.81%

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

The following table shows an analysis of allowance for loan losses of the Group by industry sector as at 29 February 2008 and 28 February 2007 and 2006, respectively:

	As at 28 February		
	2008[(1)]	2007	2006
	(₦ millions)		
Charge for the year:			
Commercial	849	853	1,055
Construction	3	–	–
Financial institutions	132	173	31
Manufacturing	587	398	13
Oil & gas	9	–	66
Retail	113	125	156
Unallocated	132	24	14
Total	1,824	1,573	1,335
Recoveries:			
Commercial	59	310	4
Construction	–	–	–
Financial institutions	90	161	–
Manufacturing	114	–	–
Oil & gas	–	–	–
Retail	34	36	–
Unallocated	–	18	–
Total	297	525	4

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

The following table sets forth an analysis of allowance for loan losses of the Group by amount and percentage as at 29 February 2008 and 28 February 2007 and 2006, respectively:

	As at 28 February					
	2008[(1)]		2007		2006	
	Amount	% of total	Amount	% of total	Amount	% of total
	(₦ millions, except percentages)					
Retail customers:						
Mortgage lending	62	3.0	30	2.2	69	4.8
Personal loans	96	5.0	60	4.3	222	15.3
Corporate customers:						
Finance leases	–	–	–	–	–	–
Other secured lending	1,791	92.0	1,300	93.5	1,127	77.9
Unallocated	–	–	–	–	29	2.0
Total loans	1,948	100.0	1,390	100.0	1,447	100.0

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

Loans by Credit Quality Classification

The following table shows the Group's loans by credit quality classification as at 29 February 2008 and 28 February 2007 and 2006, respectively:

	As at 28 February					
	2008[(1)]		2007		2006	
	Amount	% of total	Amount	% of total	Amount	% of total
	(₦ millions, except percentages)					
Non-performing loans classification (Number of days past due)						
Substandard (90 to 180 days)	100	20.1	–	–	248	38.0
Doubtful (180 to 360 days)	93	18.7	581	63.3	315	48.1
Lost (above 360 days)	304	61.0	337	36.7	91	13.9
Total non-performing loans	497	100.0	918	100.0	654	100.0
Total loans	293,301		118,233		86,006	

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

The following table shows the non-performing loans held by the Group, by domicile and type of customer:

	As at 28 February		
	2008[(1)]	2007	2006
	(₦ millions, except percentages)		
Domestic:			
Commercial	93	206	209
Construction	–	–	148
Financial institutions	90	–	248
Manufacturing	254	581	–
Oil & gas	–	–	–
Retail	60	131	49
Total domestic	497	918	654
International	–	–	–
Total	497	918	654
Gross loans	293,301	118,233	86,006
Non-performing loans as a percentage of total loans	0.2%	0.8%	0.8%

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

The following table shows the interest collected and included in income of the Group on non-accruing loans as at 29 February 2008 and 28 February 2007 and 2006, respectively:

	As at 28 February		
	2008[(1)]	2007	2006
		(₦ millions)	
Interest accrued in accordance with contractual terms in prior years	429	550	392
Interest accrued in accordance with contractual terms in current years	196	429	550

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

The following table shows the composition of the Bank's average deposits by amount for the financial years ended 29 February 2008 and 28 February 2007 and 2006, respectively:

	Year ended 28 February		
	2008[(1)]	2007	2006
		(₦ millions)	
Domestic branches:			
Non-interest bearing demand deposit	133,754	77,783	42,117
Interest bearing demand deposit	26,132	33,903	22,053
Saving deposit	21,436	10,655	5,348
Time deposit	118,222	100,091	56,096
Total domestic deposit	299,543	222,432	125,614
Foreign branches	–	–	–
Total deposits	299,543	222,432	125,614

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

The following table shows the types of customer deposits and interest-bearing liabilities of the Group as at 29 February 2008 and 28 February 2007 and 2006, respectively:

	As at 28 February											
	2008[(1)]				2007				2006			
	Demand	Time	Total	%	Demand	Time	Total	%	Demand	Time	Total	%
	(=N Millions, except percentages)											
Foreign currency deposits	27,020	8,676	35,696	7.9	26,959	7,862	34,821	10.1	17,709	7,444	25,153	10.5
Savings deposits	28,966	–	28,966	6.5	12,780	–	12,780	3.7	6,405	–	6,405	2.7
Demand deposits	179,361	–	179,361	39.9	124,854		124,854	36.4	74,171		74,171	31.0
Time deposits	–	120,431	120,431	26.8		134,617	134,617	39.2		121,432	121,432	50.7
Interbank deposits	–	75,293	75,293	16.8	–	34,259	34,259	10.0	–	10,957	10,957	4.6
Other	9,636	–	9,636	2.2	2,096	–	2,096	0.6	1,225	–	1,225	0.6
Total	244,983	204,399	449,382	100.0	166,689	176,738	343,427	100.0	99,510	139,833	239,343	100.0

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

Maturity of Time Deposits by Amount

The following table shows the maturity of time deposits by amount of the Group as at 29 February 2008 and 28 February 2007 and 2006, respectively:

	As at 29 February 2008	
	Issued by domestic offices	Issued by foreign offices
	(₦ millions)	
Three months or less	198,781	–
From over three months to six months	2,732	–
From over six months to 12 months	2,764	–
Over 12 months	122	–
Total	204,399	–

	As at 28 February 2007	
	Issued by domestic offices	Issued by foreign offices
	(₦ millions)	
Three months or less	176,615	–
From over three months to six months	117	–
From over six months to 12 months	6	–
Over 12 months	–	–
Total	176,738	–

	As at 28 February 2006	
	Issued by domestic offices	Issued by foreign offices
	(₦ millions)	
Three months or less	139,748	–
From over three months to six months	58	–
From over six months to 12 months	27	–
Over 12 months	–	–
Total	139,833	–

The following tables show the Group's balance sheet maturity profile as at 29 February 2008 and 28 February 2007:

	As at 29 February 2008		
	0 to three months	Three to 12 months	More than one year
		(₦ millions)	
Assets:			
Cash and cash equivalents	64,754	–	–
Banks and other financial institutions	45,841	–	–
Pledged assets	55,244	35,885	–
Marketable securities	156,880	–	–
Investment securities	2,149	2,541	5,233
Loans	75,611	125,626	90,112
Interest and other income accruals	–	–	–
Reserve requirements	–	–	8,668
	400,479	166,384	104,013
Liabilities:			
Deposits	372,663	1,064	–
Interbank money market	75,655	–	–
Borrowings	–	2,362	13,040
Debt securities issued	–	–	40,698
Interest and expense accruals	–	–	–
Tax and other duties payable	–	–	5,851
Total	448,318	3,426	59,589

	As at 28 February 2007		
	0 to three months	Three to 12 months	More than one year
		(₦ millions)	
Assets:			
Cash and cash equivalents	47,954	–	–
Banks and other financial institutions	64,368	–	–
Pledged assets	25,748	22,387	7,399
Marketable securities	8,663	–	–
Investment securities	27,992	79,914	24,726
Loans	36,652	49,313	30,984
Interest and other income accruals	225	–	–
Reserve requirements	–	–	7,843
	211,602	151,614	70,952

	As at 28 February 2007		
	0 to three months	Three to 12 months	More than one year
		(₦ millions)	
Liabilities:			
Deposits	309,044	123	–
Interbank money market	34,260	–	–
Borrowings	–	521	12,859
Debt securities issued	–	–	44,968
Interest and expense accruals	371	–	–
Tax and other duties payable	–	–	3,486
Total	343,675	644	61,313

Interest Rate Gap Analysis

The following tables indicate the periods in which the Group's financial assets and liabilities reprice as at 29 February 2008 and 28 February 2007:

		Fixed rate instruments				
		As at 29 February 2008				
	Floating rate instruments	Less than three months	Between three months and one year	Between one and two years	Between two and five years	More than five years
	(₦ millions)			(₦ millions)		
Financial assets:						
Cash and balances with the Central Bank	–	31,834	–	–	–	–
Money market placements	–	45,841	–	–	–	–
Marketable securities	–	156,880	–	–	–	–
Pledged assets	–	55,244	35,885	–	–	–
Derivative assets held for risk management	–	–	2,332	–	–	2,332
Investment	–	2,149	2,541	–	–	5,233
Loans and advances to customers	291,341	–	–	–	–	–
Loans and advances to banks	8	–	–	–	–	–
Total	291,349	300,616	40,758	–	5,233	637,956
Financial liabilities:						
Deposits from banks	–	75,655	–	–	–	–
Deposits from customers	–	372,663	1,064	–	–	–
Funds borrowed	–	–	2,362	–	8,683	4,356
Debt securities issued	–	–	–	–	40,698	–
Total	–	448,318	3,426	49,381	4,356	505,482
Difference	291,349	(147,702)	37,332	(49,381)	876	132,474

	Floating rate instruments	Less than three months	Between three months and one year	Between one and two years	Between two and five years	More than five years
		Fixed rate instruments				
	As at 29 February 2007					
	(₦ millions)			**(₦ millions)**		
Financial assets:						
Cash and balances with the Central Bank	–	47,954	–	–	–	–
Money market placements	–	64,368	–	–	–	–
Marketable securities	–	8,663	–	–	–	–
Pledged assets	–	25,748	22,387	7,399	–	–
investment securities	–	27,992	79,914	1,040	20,229	3,457
Loans and advances to customers	116,843	–	–	–	–	–
Loans and advances to banks	106	–	–	–	–	–
Financial liabilities:						
Deposits from banks	–	34,260	–	–	–	–
Deposits from customers	–	309,045	123	–	–	–
Funds borrowed	–	–	521	2,590	498	9,771
Debt securities issued	–	–	–	–	44,968	–

The following table shows the Bank's net short (long) position in foreign currencies as at 29 February 2008 and 28 February 2007 and 2006, respectively:

	2008[1]	2007	2006
	As at 28 February		
	(₦ millions equivalent of foreign currencies, except percentages)		
Average net short/(long) position	(52.8)	17.8	4.1
As a percentage of average foreign currency liabilities	7.41%	9.88%	14.88%
As a percentage of average shareholder's equity	5.18%	3.62%	1.47%
As a percentage of average total assets	1.16%	0.71%	0.26%

(1) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

Capital Adequacy

The following table sets forth the Group's capital adequacy as at 29 February 2008 and 28 February 2007 and 2006, respectively, prepared in accordance with IFRS:

	As at 28 February		
	2008[(2)]	2007	2006
	(₦ millions, except percentages)		
Tier 1:			
Share capital and premium	125,916	25,392	24,392
Other reserves	28,100	19,195	12,323
Retained earnings[(1)]	4,301	2,150	3,585
Minority interest	3,335	2,662	503
Less:			
Fair value reserves	128	–	–
Goodwill and intangible assets	(2,091)	(1,501)	(345)
Total Tier 1 capital	159,689	47,898	40,458
Tier 2:			
Fair value reserves	(128)	(46)	1,597
Collective allowance for impairment	1,475	563	1,187
Total qualifying capital	161,037	48,415	43,242
Risk weighted assets:			
20 percentage risk	8,727	16,732	7,396
50 percentage risk	111,962	31,273	29,260
100 percentage risk	461,956	199,204	143,881
Total risk weighted assets	582,645	247,209	180,537
Capital adequacy ratios:			
Total regulatory capital/total risk-weighted assets	27.6%	19.6%	24.0%
Total tier 1 capital/total risk-weighted assets	27.4%	19.4%	22.4%

(1) Retained earnings have been adjusted for allocation and distribution of net profits in accordance with the requirements of Nigeria banking laws.

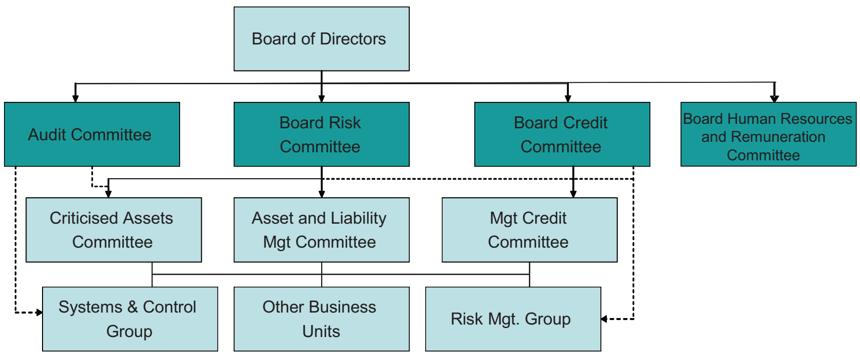
(2) The information in this column relates to a 366-day financial year commencing on 1 March 2007 and ending on 29 February 2008.

DIRECTORS AND SENIOR MANAGEMENT

Overview of Nigerian Company Law

The CAMA regulates the affairs of companies in Nigeria and the BOFIA, in addition to regulating the conduct of banking business, regulates the operations of banking companies. Under Nigerian law, a company acts directly through its shareholders or its board of directors ("Board" or "Directors") or indirectly through officers or agents appointed by, or under the authority derived from, the shareholders or the Board. 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 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 are contained in the Articles of Association of the company. Except as otherwise contained in the articles, the business of a company is to be managed by the Board, who may in turn delegate its powers to Board committees or the Managing Director. The Articles of Association should prescribe the regulations of the company.

The Bank's management structure is as follows:



The Board of Directors

The Board is made up of experienced professionals who have worked in various sectors including banking, oil and gas, law and engineering. The Bank's Articles of Association specify that the number of Directors (unless otherwise determined by an ordinary resolution of the Bank) shall not be less than 5 (five) or more than 13 (thirteen). It is the Bank's policy to have a balance between Executive and Non-Executive Directors, with the aim of having a majority of Non-Executive Directors. The CBN Code requires at least two Non-Executive Directors to be 'Independent Directors'. During October 2007, a CBN circular was issued, containing certain guidelines with respect to the interpretation of the term, "Independent Director", for purposes of compliance with the CBN Code. The Bank currently has two Independent Directors on its Board, both of whom comply with these requirements.

The size and composition of the Board may be revised from time to time to reflect the changing needs of the business. The maximum number of directors on the Board was recently increased to 20. Under the existing CBN Corporate Governance Code for Directors, the position of Chairman cannot be filled by the person who is Chief Executive Officer of the Bank. In addition, the Chairman of the Board does not serve simultaneously as a member of any of the Board Committees. This ensures transparency, independence, accountability and a separation of the various responsibilities among the Directors, management and officers of the Bank.

In addition, the Bank recently submitted its new 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, which 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, 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.

Responsibilities of the Board

The Board is responsible to shareholders for creating and delivering sustainable shareholder value through the management of the Bank's business. The Board accordingly determines overall strategic direction and is the decision-making body for the Bank for all other significant matters. The Board also ensures that management strikes an appropriate balance between promoting long-term growth and delivering short-term objectives. The Board 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 law and regulations.

Powers reserved for the Board 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 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's Code of Corporate Governance and the Group's Code of Corporate Governance, the core values expected to be displayed by Directors in exercising their duties include:

- exercising reasonable skill and care. Directors shall also act in good faith and honestly in carrying out their duties;
- avoiding a conflict of interest between their personal interests and their duties to the Bank;
- at all times acting 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;
- acting with due skill, care and attention and 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 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. In reviewing Board composition, the Board ensures a mix with representatives from different industry sectors.

Director Profiles

Owelle Gilbert P.O.Chikelu, CON, Chairman of the Board of Directors

Mr. Chikelu was appointed to the Board in June 2005. He holds a B.Sc in Economics and a Masters degree from the London School of Economics and Political Science, University of London. His work experience spans over 30 years, beginning with the Federal Civil Service, where he held positions as Permanent Secretary of the Ministry of Mines and Power, Permanent Secretary for Economic Development/National Planning, Employment Labour and Productivity, and the Director General of the Ministry of Petroleum. He was thereafter appointed Chairman of the Nigerian National Petroleum Corporation and later served as Honourable Minister of Establishments and Management Services. Prior to joining the Bank, Mr. Chikelu was Chairman of the National Salaries and Wages Commission. Mr. Chikelu is also a Commander of the Order of the Niger and a Fellow of the Nigerian Economic Society.

Olutayo Aderinokun, MFR, Managing Director - Chief Executive Officer

Mr. Aderinokun co-founded the Bank with Mr. Fola Adeola in 1990. After serving as Deputy Managing Director for 12 years, he became the Managing Director and Chief Executive Officer of the Bank in August 2002. He holds a B.Sc in Business Administration from the University of Lagos and an MBA specialising in International Business from the Graduate School of Management, University of California, Los Angeles. Mr. Aderinokun's work experience spans a broad spectrum of financial institutions. He commenced his professional career with the CBN in Calabar where he served his National Youth Service from 1977 to 1978. He worked with Chase Merchant Bank Nigeria Ltd (later renamed Continental Merchant Bank) 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, USA (1982-1983). He held the position of Assistant General Manager and Head of the Financial Services Division at Prime Merchant Bank Ltd between 1988 and 1989. In 1989, he established a non-banking financial institution, First Marina Trust Ltd., which he managed for a year before co-founding the Bank. Mr. Aderinokun is directly responsible for the effective implementation of the Bank's corporate policy and strategy and the general management of the Bank's operations with particular responsibility for asset management and liability generation. He is also the Divisional Head of the Bank's Corporate Services Division, which covers 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. He is also a Member of the Federal Republic of Nigeria.

J.K. Olusegun Agbaje, Deputy Managing Director - Chief Operating Officer

Mr. Agbaje is the Deputy Managing Director of the Bank and has been a staff member since the Bank's foundation. He is an alumnus of the Harvard Business School and holds a Bachelor's degree in Science and an MBA from the University of San Francisco. Prior to joining the Bank, Mr. Agbaje worked with Ernst and Young, San Francisco, California. He subsequently joined the Bank in 1991 and became an Executive Director in January 2000 and Deputy Managing Director in August 2002. As the Chief Operating Officer, Mr. Agbaje has primary responsibility for the Institutional Banking Division, credit monitoring and profitability reporting. Mr. Agbaje serves on the board of directors of several of the Bank's subsidiaries, including GT Assurance, GTB Ghana and GTB Gambia.

Michael B. Ogundare, Executive Director - Divisional Head, Abuja and North Central Division

Mr. Ogundare is a founding member of the Bank and was appointed as an Executive Director in March 2002. He holds a first degree from the School of Oriental and African Studies, University of London, obtained his LLB (Honours) and was called to the Nigerian Bar in 1987 and obtained an MBA from the Cardiff Business School, Cardiff University in 1990. As the Divisional Head of Abuja and the North Central Division, he assists the Managing Director in strategy formulation and manages the Bank's Commercial & Public Sector Banking relationships in this region. In addition, Mr. Ogundare is responsible for the Division's risk asset and workforce management. He served as a founding Director on the board of Guaranty Trust Bank (Sierra Leone) and was appointed its Chairman in 2006.

Cathy Echeozo, Executive Director – Group Head of Corporate Banking

Ms. Echeozo was appointed as an Executive Director in March 2005. She holds a B.Sc in Accountancy from the University of Nigeria (1984) and an MBA from the University of Maryland, University College, USA (2003). She is a Fellow of the Institute of Chartered Accountants of Nigeria and a Certified Information Systems Auditor, being a member of the international body of the Information Systems Audit and Control Association, USA. Prior to joining the Bank, Ms. Echeozo worked with Chase Merchant Bank 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 Group Head of Corporate Banking, Ms. Echeoza is responsible for strategy determination and the general supervision of the Corporate Banking Group.

Alhaji Habib Abba, Executive Director – Divisional Head of North East Division

Mr. Abba, who joined the Bank in 1993, was appointed as an Executive Director in March 2005. He holds a B.SC in Agricultural Science from the University of Maiduguri and a Masters degree in Banking and Finance from Bayero University, Kano. Mr. Abba has attended various professional courses including Change Management (IMD, 2000), Risk Management in Banking (INSEAD, 1998) and Bank Trainers Programme (Africa Development Bank, Ghana 1991), Harvard Business School (Private Enterprise Programme, 2003), University of Witwatersrand, South Africa (Executive Management programme 2005) and the Fundamentals of Islamic finance and banking programme at Euromoney training, U.K., 2006. Mr. Abba has worked in both the Institutional and Commercial Banking groups of the Bank. He was a member of the strategic planning committee of the Bank in 1994 and 1997 and helped establish the Bank's Kaduna Branch, the second branch in the north of Nigeria, as branch manager. He was also the first regional head of the Institutional Banking Group (North). Prior to joining the Bank, he worked for the University of Maiduguri (1987 to 1988), Continental Merchant Bank (1988 to 1991) and Liberty Merchant Bank (1991 to 1992). As the Divisional Head of the North East Division, Mr. Abba is responsible for managing all marketing operations within the division.

Victor G. Osibodu, MFR, Non-Executive Director

Mr. Osibodu is a Non-Executive Director and founding member of the Bank. He holds a Bachelor of Pharmaceutical Science from the University of Ile Ife (now, the Obafemi Awolowo University), Nigeria and is an alumnus of the Harvard Business School. Mr. Osibodu started his career at the Lagos State Health Management Board (1977 to 1978) and subsequently joined Boots Company Nigeria Limited in 1979. In 1981 he joined BODNAT International Company Limited and in 1985, established Vigeo Limited, a corporate promotions and marketing venture where he currently serves as Chairman and Chief Executive Officer. Over the last 20 years, Vigeo Holdings Limited has grown into a multi-business enterprise with interests covering the oil and gas, power, banking and financial services, maritime, hospitality and real estate, telecommunications, marketing and distribution sectors. Mr. Osibodu also serves as Country Chairman for the Special Olympics in Nigeria and is the Chairman of GT Assurance.

Alhaji Mohammed K. Jada, Non-Executive Director

Mr. Jada is a Non-Executive Director and a founding member of the Bank. He holds a Diploma in Law from the Ahmadu Bello University, Zaria. He started his career in the Federal Civil Service as an Assistant Superintendent of Prisons in June 1971, before moving to take charge of Potiskum and Biu prisons. He was appointed Deputy Superintendent of Prisons in 1975, and was subsequently transferred to Bauchi State as Superintendent of Prisons. In 1979, he served as Area Representative of Yakon Enterprises Nigeria Limited. He subsequently established a construction company before he was appointed Special Assistant on Parastatals to the Gongola State Government in 1983. He is currently a Director of several companies in the construction, shipping and oil industries.

Adetokunbo B. Adesanya, Non-Executive Director

Mr. Adesanya was appointed to the Board in June 1995. He is a legal practitioner, having graduated with an LLB (Honours) degree from the University, Ile Ife, Nigeria in 1976 and obtained a B.L. at the Nigerian Law School whereafter he was called to the Nigerian Bar in 1977. He is the Managing Partner of Adesanya and Akisanya, a leading commercial law firm in Nigeria. He is a member of the Nigerian Bar Association (NBA), the International Bar Association and the Musical Society of Nigeria. He is also a Director of The Rock Trusts Limited and Babiyom Investment Limited.

Oluwole Oduyemi, Non-Executive Director

Mr. Oduyemi was appointed to the Board in June 2005. He is also a member of the Bank's Audit Committee and Chairman of the Board Credit Committee. Mr. Oduyemi holds a B.Sc in Accounting from the University of Lagos (1967) and a Masters degree in International Banking and Finance from the Herriot Watt University, Edinburgh, Scotland (1980). He is also an Associate of the Chartered Institute of Bankers, U.K. and a Fellow of the Nigerian Institute of Bankers. Mr. Oduyemi is an accountant and banker by profession. After working for Barclays Bank DCO (now known as Union Bank of Nigeria plc), he joined the CBN in 1964 where he eventually became Deputy Governor in charge of foreign operations in 1990, a position he held for 14 years. At the CBN, Mr. Oduyemi played a key role in the resolution of distress in the country's financial services industry. His other contributions to the Nigerian financial sector include the establishment of the Nigerian Inter-Bank Settlement System, the introduction of the Open Market Operations for Liquidity Management and the introduction of Magnetic Ink Character Recognition technology in clearing operations. He is also the Chairman of Mayfield Investment Limited, a company listed on the Nigerian Stock Exchange and Mayfield Finance Limited which is licensed with the CBN.

Egbert Imomoh, Non-Executive Director

Mr. Imomoh has more than 30 years' experience with the Shell group of companies. Trained in mechanical and petroleum engineering, he joined Shell Petroleum Development Company (Nigeria) Ltd. (the "SPDC") in 1968 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 (the "SPE") and has served on the SPE board of directors as regional director for Africa. In addition to serving as a director of Afren plc ("Afren"), an African independent oil and gas exploration and production company, Mr. Imomoh is also Managing Director of Afren's Nigerian subsidiary, Afren Energy Resources Limited.

The business address of each of the members of the Board is the Bank's registered office. There are no potential conflicts of interest between any duties of a member of the Bank's Board towards the Bank and the Director's private interests and/or other duties.

Board Committees

Under the Bank's Articles of Association, Directors may from time to time appoint committees consisting of such members of their body and such other persons as they think fit and may delegate any of their powers to such committee. Any committee shall use its delegated powers to conform with the Regulations laid down by the Board. Committee members are expected to attend each committee meeting, unless exceptional circumstances prevent them from doing so. In order for the Board to be more risk-sensitive, the following committees are currently operating at the Board level:

- Audit Committee;
- Board Risk Committee (formerly known as the "Board Credit Examiners' Committee");
- Board Credit Committee; and
- Board Human Resources and Remuneration Committee.

Each committee has its own terms of reference and reports to the Board at quarterly meetings.

Audit Committee

This committee is established under section 357 of the CAMA, which requires every listed company to have an audit committee. Generally speaking, this committee is tasked with the responsibility of ensuring that the Bank complies with all the relevant policies and procedures from the regulators and as established by the Board. Its major functions include approval of the annual audit plan of the internal auditor, review and recommend to the Board 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 carried out 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 Annual General Meeting. 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 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.

As of the date of this Offering Circular, the Non-Executive Directors serving on the Audit Committee are:

Alhaji M.K. Jada;

Mr. A.B. Adesanya; and

Mr. O.S. Oduyemi.

The Chairman of the Audit Committee is 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 Committee

The Board Risk 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 Board Risk Committee'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 Committee, which comprises two Non-Executive Directors, presents quarterly reports to the Board and meets as and when required. The Non Executive Directors serving on the Board Risk Committee are:

Mr. A.B. Adesanya; and

Mr. E.U. Imomoh.

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 Risk Committee are:

Alhaji M.K. Jada;

Mr. V.G. Osibodu; and

Mr. O.S. Oduyemi.

Board Human Resources and Remuneration Committee

This Committee was recently established to consider the remuneration payable to Executive Directors and provide guidance and strategic oversight in respect of human resources activities and senior management development. The committee's principle 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.

The Non-Executive Directors serving on the Human Resources and Remuneration Committee are:

Alhaji M.K. Jada;

Mr. V.G. Osibodu;

Mr. O.S. Odujenni; and

Mr. E.U. Imomoh.

The Management Team

The Managing Director

The Board 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, is also the Chief Marketing Officer and ensures that the Bank complies strictly with regulations and policies of both the Board and the Regulatory Authorities. The current Managing Director of the Bank is Mr. Olutayo Aderinokun.

Access to Senior Management

Directors have full access to Senior Management staff and other employees of the Bank, although it is expected that either the Chief Executive, the relevant Executive Director or the Company Secretary would be informed in advance of such contact.

Reporting Relationship

Officers in the Bank are held accountable for the duties and responsibilities attached to their respective offices, which are clearly defined in the Bank's organogram and reporting structure.

Members of the Management Team (Non-Directors)

Demola Odeyemi, General Manager and Head of Corporate Planning Strategy and Group Coordination

Mr. Odeyemi is responsible for the general co-ordination of the Bank's Corporate Planning, Strategy, Financial Control and Group Coordination groups. He holds an Honours degree and Masters degree from the Obafemi Awolowo University (previously, the University of Ile Ife), Nigeria. He is a

Chartered Accountant, graduate member of the Chartered Institute of Stockbrokers of Nigeria and member of the Institute of Taxation in Nigeria. In addition, he is a Director of GTB Ghana, GTB Registrars and GT Assurance, including certain companies in which the Bank holds equity investments under the SMIEIS scheme, including, Hygiea Health Management Limited, Terra Kulture Nigeria Limited, Iscare Nigeria Limited (Fertility Clinic) and Sokoa Chair Centre. 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 in 1992 where he became Senior Consultant in 1996. In 1997, he joined the Bank for the first time and was responsible for managing the Financial Control Department. He moved to First City Monument Bank (FCMB) in 2000 where he was responsible for the financial control and strategy of the bank. In 2002, he was appointed as Chief Operating Officer of four of the companies in the FCMB Capital Markets Group. He also briefly worked at Platinum Bank 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 to take up his current position as Head of the Corporate Planning, Strategy, Financial Control and Group Coordination groups.

Aku Pauline Odinkemelu, General Manager and Head of South East Division

Ms. Odinkemelu 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 an LLB from the University of Nigeria, Enugu Campus and was called to the Nigerian Bar in 1987. Ms. Odinkemelu began her banking career at Continental Merchant Bank Plc (formerly Chase Manhattan) where she completed her mandatory National Youth Service in 1987. She subsequently joined Continental Merchant 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. In January 1994 she joined the Bank as a Banking Officer in Consumer Banking and was later appointed Senior Manager of Commercial Banking. Ms. Odinkemelu thereafter left the Bank to join Equatorial Bank as Assistant General Manager, East and in February 2000 joined Access Bank Plc where she was appointed Deputy General Manager. She returned to the Bank as General Manager and Head of the South East Division in 2004.

Titi Osuntoki, General Manager and Divisional Head of Lagos Division

Ms. Osuntoki is a founding member of the Bank and became a member of the Bank's senior management team in 1995. She is responsible for all marketing operations in the Lagos Division, strategy formulation and assisting in the day-to-day management of the Bank. Ms. Osuntoki holds a B.Sc in Civil Engineering and an MBA from the University of Lagos. She has also attended a number of executive management programmes, including INSEAD, France, IMD and Switzerland and is an alumnus of the Cranfield University School of Management, U.K. She has worked in various units of the Bank, including Currency Trading, Corporate Finance, Treasury, Financial Control, and Strategic Planning. She 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 lead the team that introduced the Balanced Score Card approach to business performance measurement in the Bank. Ms. Osuntoki also serves as a member of the Non-Oil/Non Agric Policy Commission of the Nigerian Economic Summit Group and in her capacity as director, represents the Bank's interests on the Board of Directors of the Private Credit Bureau in Nigeria, Credit-Reference Company and GTB Sierra Leone. In addition, she is also a director of the Patrick Learning & Speech Centre Ikeja, Lagos.

Kafilat Ayodeji Araoye, General Manager of the Settlement Group

Ms. Araoye is responsible for all domestic and international settlement operations of the Bank. She holds a B.A. in History from the Obafemi Awolowo University (previously, the University of Ile Ife), Nigeria (1985) and an M.Sc in Industrial Relations and Personnel Management from the University of Lagos (1987). She worked with the National Oil and Chemicals Marketing Company prior to joining the Bank as a founding member in 1990. She set up the Human Resources Unit of the Bank and thereafter moved to the Foreign Operations Unit in 1992. In addition, she was part of the project team who went to Amman in Jordan as part of the development of the Bank's BASIS software.

Abubakar Sadiq Bello, General Manager and Group Head of the Transaction Services Group

Mr. Bello, Head of the Transaction Services Group, is responsible for all customer transaction processes. He has a degree in Business Management from the University of Maiduguri and an MBA from the University of Benin. He has served in various departments of the Bank including branch operations, financial institutions, commercial banking, domestic operations and corporate banking (oil and gas). He played a major role in the Bank's migration from SBS to BASIS software. He has attended various courses including the Leading Corporate Renewal Programme at IMD, Switzerland in 2000 and the Cranfield University General Management Programme 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 Environment and Development.

Siraj Abdullahi, Divisional Head of the 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 holds an LLB from the University of Sokoto and was called to the Nigerian Bar in 1987. He also holds a Postgraduate Diploma in Management Sciences and an MBA from the Bayero University. 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 where he worked in the Credit and Marketing Department and was the pioneer Branch Manager of one of Broad Bank's new 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, Group Head of the Energy Group

Mr. Ogunbiyi is responsible for the general co-ordination of the Bank's Energy Group. He joined the Bank in March 2004. Mr. Ogunbiyi holds a Higher National Diploma from London Guildhall University (1982), a Postgraduate Diploma from Derby University (1983) and an MBA 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 (which subsequently became Fountain Trust Bank Limited) as Chief Inspector. In 1994, Mr. Ogunbiyi joined the stockbroking firm, Cash Craft Asset Management Limited and later worked with Magnum Trust Bank Plc between 1997 to 2004 where he was appointed Group Head Public Sector before joining the Bank in 2004.

George Maduabuchi Uwakwe, Group Head of the Systems and Control Group

Mr. Uwakwe is responsible for evaluating the controls, operational performance and risks inherent in the Bank's business, including the internal audit of all the Bank's branches and its subsidiaries. He holds a B.Sc in Accounting from the University of Port Harcourt, Nigeria and an MBA from the University of Nigeria, Nsukka. He is also a member of the Institute of Chartered Accountants of Nigeria. Mr. Uwakwe has served in various departments in the Bank including transaction services, financial institutions, and corporate banking.

Jubril Mobolaji Lawal, Group Head of the Corporate Finance Group

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 an MBA from Oxford University (2002), a B.L. from the Nigerian Law

School and an LLB from Obafemi Awolowo University (previously, the University of Ile Ife), Nigeria (1990). He has also attended courses at various institutions, including Citibank School of Banking, New York, Venture Capital Institute, Atlanta and Harvard Business School. Mr. Lawal has over 10 years of managerial experience covering, among other things, Corporate Banking, Commercial Banking and Risk Management.

Adebowale Adedapo Oyedeji, Deputy General Manager and Group Head of the Commercial Banking Group, Lagos Island

Mr. Oyedeji holds a B.Sc in Agricultural Economics from the University of Ibadan (1990) and an M.Sc in Financial Economics from the University of London (2001). He is also an associate member of the Institute of Chartered Accountants of Nigeria and attended various courses including Citibank School of Banking, Harvard Business School and IMD. Mr. Oyedeji has more than 12 years of banking experience in corporate banking, treasury and commercial banking. Prior to joining the Bank in 1994, he worked with Ernst and Young, Lagos for two years.

Modupe Oludare Adeyeri, Chief Information Officer

Mr. Adeyeri, an information technology specialist and certified database administrator, is responsible for managing and improving the Bank's information technology platform. He joined the Bank in 2005. Mr. Adeyeri holds a B.Sc in Computer Science and Economics from the Obafemi Awolowo University (previously, the University of Ile Ife), Nigeria (1988). Prior to joining the Bank, Mr. Adeyeri was the Group Chief Information Officer at Standard Trust Bank (now UBA). He also worked as a Consultant and Senior Database Analyst with the Canadian Institute for Health Information at FSB International 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, Deputy General Manager, Group Head, E-Business & Card Services

Ms. Kuye initially joined the Bank in 1996 and is responsible for the general co-ordination of the Bank's E-Business and Card Services Unit. She holds a Masters degree in Shipping, Trade and Finance from the City University Business School, London (now CASS) and is an Associate of the Chartered Institute of Bankers, United Kingdom (ACIB, U.K.). She is also an alumnus of Liverpool John Moores University, England, where she studied Banking and Finance. In addition 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 Chicago, USA. After completing her studies in the U.K., Ms. Kuye worked in the Financial Control Department of the Sheraton Park Tower Hotel in London for two years, before she returned to Nigeria in 1990. She started her banking career at Midas Merchant Bank where she subsequently became the Head of Foreign Operations Department. In 1996 she joined the Bank where she worked in the Institutional Banking Group and the Payments Systems Group (in particular on the Valucard initiative). In 2001 she left the Bank to join Fountain Trust Bank as Group Head of Consumer and Commercial Banking and was subsequently seconded to NSL Lotteries Management Company, the first On-Line Lottery in Nigeria, as Chief Sales Officer. Ms. Kuye also worked at the United Bank of Africa (UBA) Plc where she headed the Cards and Merchant POS Division, before returning to the Bank in June 2006. Ms. Kuye's banking experience in Nigeria spans over fifteen years and covers Foreign Operations, Institutional banking, Commercial banking, Consumer banking, E Business & Card Services.

Olutola Omotola, Company Secretary and 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 an LLB from the University of Ile Ife, Nigeria (now Obafemi Awolowo University) and was called to the Nigerian Bar in 1988 after obtaining a B.L. from the Nigerian Law School. She also holds a Masters degree in Law and Business Administration from the University of Lagos and an MBA 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 Head of Corporate Affairs where she was responsible for designing an image strategy for the Bank. Mrs. Omotola joined Universal Trust Bank in 1999 and became Company Secretary/Legal Adviser in 2000 before joining the Bank in 2006.

Alhaji Farouk Bello, Head of Retail Division

Mr. Farouk Bello, Head of the Bank's Retail Division, is responsible for formulating and implementing the Bank's retail strategy. He holds a B.Sc in Economics from the Usman Dan Fodio University of Sokoto (1987) and a M.Sc in Economics from the University of Lagos (1990). He served as an Executive Director of the Bank for ten years, working in several sectors of the Bank, including Commercial Banking, Institutional Banking and the Public Sector Group. He left the Bank to serve in the Nigerian Senate, from 2003 to 2007, and returned to the Bank in June 2007 to assist with the Bank's retail expansion.

Business Address of Management Team

The business address of each of the 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 member of the Bank's management team towards the Bank and the member's private interests and/or other duties.

Information Flows

It is the responsibility of the 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 it to carry out its responsibilities.

The Company Secretary

The Company Secretary provides a point of reference and support for all Directors and consults regularly with Directors to ensure that they receive any necessary information.

Management Committees

Management committees are comprised of Senior Management of the Bank and have been established to identify, analyse, and make recommendations on risks arising from the 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 make contributions to 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 actions and decisions within their powers. The major management committees in the Bank are the:

- Management Risk Committee;
- Management Credit Committee;
- Criticised Assets Committee; and
- Assets and Liabilities Management 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 Credit Audit Department serves as the secretary of this committee.

Management Credit Committee (MCC)

The MCC is responsible for ensuring that the Bank complies with the Credit Policy Guide as established by the Board. 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 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. The members of the committee include the Managing Director, Deputy Managing Director and all Divisional and Group Heads, including the 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. The secretary of the committee is the Head of Credit Administration Department.

Criticised Assets Committee (CAC)

The CAC 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.

Assets and Liability Management Committee (ALMAC)

The ALMAC 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 Financial Control, Group Head of Risk Management and a representative of the Assets and Liability Management Unit. A representative of the Asset and Liability Management Department serves as the secretary of this committee.

The following table sets out the principal amounts of loans outstanding to, and outstanding guarantees issued on behalf of, members of the Board and the Management team as at 29 February 2008:

Director name	**Amount of insider credits outstanding as at 29 February 2008**
	(₦ thousands)
V.G. Osibodu	530,377
J.K. Agbaje	107,408
O. Aderinokun	352,068
A.B. Adesanya	5,244,785
M. Jada	10,000
P.O. Gilbert	636,667
E.U. Imomoh	1,004,998
O.S. Oduyemi	197,489
B. Ogundare	14,128
C.N. Echeozo	14,809

There are no other outstanding loans or guarantees granted by the Bank to any member of the Board or of the Management team or to any parties related to them. All loans to members of the Board and the Management team set out above have been approved by the Board as related party transactions and bear interest at rates from 16.0 to 19.0 per cent. per annum.

Corporate Governance

As an overseas company with GDRs admitted to the Official List, the Bank will not be required to comply with the provisions of the U.K. Combined Code on Corporate Governance (the "Combined Code"). In addition, it is not required to disclose in its annual report whether or not it complies with the corporate governance regime in Nigeria or the significant ways in which its actual governance practices differ from those set out in the Combined Code.

Corporate governance best practice in Nigeria was originally set forth in the Code of Corporate Governance as adopted by the Nigerian SEC in October 2003 (the "Corporate Code"). The Corporate Code enumerates best practices for the boards of directors of public and privately-owned companies. In the financial services industry, the Corporate Code was further emphasised by a new set of rules by the CBN in effect from April 2006, entitled "Code of Corporate Governance for Banks in Nigeria Post Consolidation (the "CBN Code"). The Bank currently complies with the provisions of the Corporate Code and the CBN Code and its own Corporate Governance Framework in all material aspects.

The Bank recently revised its Corporate Governance Framework and has adopted a new Code of Professional Conduct which defines the Bank's mission within a corporate governance framework. The Code, which was approved by the Board 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 the committee members. Employees of the Group are required to execute an acceptance letter, confirming their commitment to comply with the Code. Employees are also required to report instances of improper conduct under the Code, and disciplinary action can be taken against violating employees or their supervisors.

SHARE CAPITAL AND SHARE OWNERSHIP

As at 29 February 2008, the Bank's issued and fully paid share capital was ₦6.84 billion, comprising 13,679,415,650 ordinary shares with a nominal value of 50 kobo each. The Bank's authorised share capital as at 29 February 2008 was ₦7.5 billion, comprising 15 billion ordinary shares with a nominal value of 50 kobo each. At an Annual General Meeting held in June 2008, the Bank's shareholders approved the increase of the Bank's authorised share capital from ₦7.5 billion to ₦15.0 billion, comprising 30 billion ordinary shares of 50 kobo each.

As at 29 February 2008 the Bank had more than 300,000 shareholders, with only three shareholders owning more than a 2.0 per cent. shareholding.

The following table lists the Bank's shareholders of record, as indicated on its share register, as at 29 February 2008, that held 2.0 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)	2,653,438,330	19.4
GTB Staff Investment Trust Scheme	505,403,190	3.69
Kanali Investments Ltd(2)	299,375,000	2.19

(1) Stanbic Nominees Nigeria Limited holds the shares in its capacity as custodian for the underlying shares representing the USD824.2 million global depositary receipts or GDRs that were issued by the Bank in July 2007.

(2) Kanali Investments Ltd. is beneficially owned and controlled by the Bank's Managing Director, Olutayo Adenirokun. Mr. Adenirokun also owns an additional 0.11 per cent. of the Bank's ordinary shares in his own name.

To the Bank's knowledge, no other person or entity controls more than 2.0 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, such as the CBN, the International Monetary Fund ("IMF") and Agusto & Co., as indicated herein. There is not necessarily any uniformity of views among such sources as to such information provided. We have not independently verified the information included in this section. The information in this section has been derived substantially from publicly available information, such as annual reports, official data published by the Nigerian government or regional agencies or other third party sources as indicated in the text. The Bank has accurately reproduced such information and, so far as the Bank is aware and is able to ascertain, no facts have been omitted that would render the reproduced information inaccurate or misleading. The Bank has relied on the accuracy of this information without independent verification.

Introduction

Nigeria is the largest economy in the West African sub-region. It is the world's twelfth largest oil producing country, with an estimated nominal GDP of USD212.7 billion in 2008. Nigeria is also a significant exporter of cocoa and rubber, and has significant other natural resources.

Due in part to Nigeria's multi-ethnic and multi-religious population, the country has experienced numerous political changes since independence in 1960. Widespread poverty, environmental issues and ethnic and religious tensions have been exacerbated by the mismanagement of the economy that occurred during successive military dictatorships since 1966. In 1999, following many years of military rule, a new constitution was adopted, and a peaceful transition to civilian government was completed under the leadership of President Olusegun Obasanjo, the first democratically-elected civilian since the end of the last democratic rule from 1979 to 1983.

Since 1999, the Nigerian government has attempted, with some success, to reconstruct Nigeria's political institutions, improve its international image, reform the economy, manage its oil wealth in a more sustainable way and diversify the economy beyond the oil industry. As a result, real GDP in Nigeria grew by 5.4 per cent. in 2005 and by 6.2 per cent. in 2006. The IMF forecasts real GDP growth to have reached 6.4 per cent. in 2007 and to reach 9.0 per cent. in 2008. Average annual consumer price inflation slowed to an estimated average 5.4 per cent in 2007 from 8.3 per cent. in 2006, compared to an average of 17.8 per cent. in 2005. IMF statistics project consumer price inflation to increase again to 7.3 per cent. in 2008 and 8.5 per cent. in 2009.

Alhaji Musa Yar'Adua was elected President in the April 2007 elections. Despite allegations that the elections were irregularly held and attempts by opposition parties to have the elections set aside, President Musa Yar'Adua remains in office following a decision, in February 2008, by the Presidential Election Tribunal (the "Tribunal") to uphold his election. However his election continues to be challenged. While the present government, under leadership of President Musa Yar'Adua, is committed to continuing the reforms, Nigeria continues to face complex challenges including, most notably, the sporadic violence in the Niger Delta, religious and ethnic tensions in the central and northern parts of the country, corruption and widespread infrastructure decay.

Area, Population and Infrastructure

Nigeria is situated in the West African sub-region and is bordered to the north by the Republics of Niger and Chad and to the west by the Republic of Benin. It shares the eastern borders with the Republic of Cameroon right down to the shores of the Atlantic Ocean forming the southern limits of the Nigerian Territory. The capital, Abuja, is located in central Nigeria, but Lagos, which is situated in the south west, is the principal commercial centre and main port in the country. According to the IMF, the estimated population, which currently stands at approximately 154 million, is expected to reach 157 million people in 2008, making Nigeria the most populous country in Africa.

The country covers an area of 923,768 square kilometres. Topography and vegetation vary considerably, and includes swamps and tropical rain forests in the south, and savannah and open woodland in the central part of the country. The northern part of the country borders the Sahara Desert.

The official language in Nigeria is English. There are three main indigenous languages spoken by the three predominant ethnic groups in the country. These ethnic groups are the Yorubas in the west, Hausa-Fulani in the North and the Igbos in the East. There is also a vernacular known as "broken/pidgin English" which is spoken and understood by almost all Nigerians. It is a Nigerian adaptation of the English language. There are also over 250 other ethnic groups' languages including Urhobo, Efik, Ijaw, and Kanuri and over 500 dialects within the ethnic groups.

According to the World Bank's World Development Indicators, Nigeria currently ranks 158 out of 177 countries in terms of overall development. The CBN has calculated an adult literacy rate of 62.0 per cent. and an average life expectancy of 54 years.

Nigeria lacks stable power supply, adequate roads, railway and other infrastructure. The government has committed to and already started an ambitious investment programme to address the needs in these areas, and the authorities see a role for both the private and public sectors in addressing the infrastructure deficit. In addition, President Musa Yar'Adua, on 19 February 2008, established a presidential committee for the accelerated expansion of Nigeria's power infrastructure. The committee will be responsible for delivering, within an 18 month period, the increased generation, transmission and distribution capacity targeted under the National Integrated Power Project ("NIPP"). However, increased power interruptions and power failures continue to impact negatively on the country and its business sector, with most businesses seeking alternative and more expensive means of power-supply, including self-generation, resulting in increased operating costs. The following table sets out the impact of large infrastructure projects on the consolidated government non-oil primary balance:

	2005	**2006**	**2007**	**2008**	**2009**
			(₦ billions)		
Rail projects	–	–	64	163	217
Power projects	50	296	280	208	188
NIPP	50	270	204	–	–
Mambila	–	26	76	122	102
PHCN plants	–	–	–	86	86
Total projects	50	296	344	371	405

Source: IMF

Constitution, Government and Political Parties

Introduction

Elections in February 1999 introduced President Olusegun Obasanjo's government. After peaceful elections in April 2003, he was re-elected for a second and final four-year term. The second term was marked by particular efforts to improve governance and promote economic stability. President Obasanjo's People's Democratic Party, or PDP, again increased its majority position and control across all tiers of government in the April 2007 elections, this time led by presidential candidate Umaru Musa Yar'Adua. President Musa Yar'Adua, who took office on 29 May 2007, has stated that he is committed to continuing the reforms instituted by the Obasanjo administration.

Economic reform was one of the hallmarks of the Obasanjo-led administration. The Obasanjo reform agenda also created a poverty reduction strategy, the National Economic Empowerment and Development Strategy ("NEEDS"). The NEEDS is a domestically designed and run programme modelled on the IMF's Poverty Reduction and Growth Facility for fiscal and monetary management. The State Economic Empowerment and Development Strategy ("SEEDS") was developed to compliment NEEDS at the state level.

The reform agenda included the introduction in 2004 of a bank capitalisation and consolidation programme which increased the minimum capital base for banks from ₦2.0 billion (USD15.7 million) to ₦25.0 billion (USD196.7 million) by the end of 2005. The purpose of the increase was to help achieve a diversified, stable financial sector that would ensure the safety of deposits, while at the same time contributing more to economic development via intermediation.

Another key aspect of this economic reform agenda was the privatisation of public enterprises. This policy led to the privatisation of a number of enterprises engaged in different sectors of the economy including the agriculture, oil and gas, ports, telecoms, banking and insurance sectors. The current administration is also seeking to commercialise significant sectors of the economy such as the power industry, airports, agriculture, railways and steel mills.

Constitution

Nigeria is a federation made up of three tiers of government – federal, state and local governments. The Constitution of the Federal Republic of Nigeria (the "Constitution") was adopted in May 1999. It was modelled on the U.S. constitution and it provides for a tripartite structure of government in which power is divided among the executive, legislative and judicial branches. It establishes and sets out the powers and functions of the President (executive), the National Assembly (legislative) and an independent judicial system (judicial).

In terms of the government's 7-point agenda, which is aimed at accelerating Nigeria's development and focuses, among other things, on education, land use reform, power and energy, food security, wealth creation, transportation and security, certain amendments to the Land Use Act, Cap L5 LFN 2004 (incorporated by reference in the Constitution), which vests ownership of all land title in the government, have been proposed. These amendments aim to liberalise the acquisition and ownership of land in Nigeria. It is however believed that this process will take substantial time to be completed and implemented.

Executive Branch

Nigeria has adopted a presidential system of government with the executive powers of the federal government vested in the President. Such executive powers, subject to the provisions of the Constitution and of any law made by the National Assembly, may be exercised by the President directly or through the Vice-President and ministers of the government or officers in the public service of the federal government. The President has the power to appoint ministers and such appointment shall be effective if confirmed by the Senate. In appointing ministers, the President shall appoint at least one minister native to each state. The executive is accountable to the bicameral National Assembly, comprised of a Senate and a House of Representatives. The President is elected by popular vote for a four-year term and is eligible to be elected to a second (and final) term. In addition to being the head of government, the President is also the Head of State and the Commander-in-Chief of the armed forces of the country.

The President's role includes overseeing the day-to-day running of the affairs of the nation assisted by the Vice President, ministers, special assistants, special advisers and other relevant government functionaries with supervisory roles over areas of government.

The President may, in his discretion and in addition to any duties prescribed under the Constitution and other legislation, assign to the Vice-President or any Minister of the federal government, responsibility for any business of the federal government, including the administration of any department of government.

Legislative Branch

The legislative powers of the federal government are vested in the National Assembly which consists of a Senate and a House of Representatives.

The current House of Representatives, formed following elections held on 21 April 2007, has 360 members who are elected in single member constituencies. Members serve four-year terms. The number of seats per state is based on the population of each state. The Head of the House of Representatives is called the Honourable Speaker.

The Senate is made up of members elected into that upper house for a four-year term. Each Nigerian state elects three senators while the federal capital territory, Abuja, elects one (109 seats in total). The Head of the Senate is referred to as the Senate President.

The two houses work in collaboration with the executive branch in areas such as budgetary appropriation and the enactment of laws. A bill for a law may originate from either of the houses but for it to be assented to by the President, both Houses have to pass it.

Judicial Branch

In accordance with the Constitution, judicial authority is vested mainly in the following courts: the Supreme Court; the Court of Appeal; the Federal High Court; the High Court, Sharia Court of Appeal and Customary Court of Appeal of the Federal Capital Territory, Abuja; the High Court, Sharia Court of Appeal and Customary Court of Appeal of each state; and such other court as may be authorised by law to exercise jurisdiction over matters with respect to which the National Assembly may make laws or at first instance or on appeal over matters with respect to which a House of Assembly may make laws.

Nigerian courts are empowered to entertain and determine disputes between private parties, disputes between a private party and any of the three tiers of government in the country or their agencies or disputes between government bodies. Thus, the courts have the power to review statutes and executive actions to ensure that they conform to the Constitution and other laws in force in Nigeria. The courts also have the power to adjudicate disputes between government bodies.

The courts with jurisdiction and power to deal with commercial, civil, criminal and constitutional matters, mentioned above, are described as follows:

Supreme Court of Nigeria – The Supreme Court is the highest court in Nigeria. It exercises original jurisdiction in respect of disputes between the federal government and the states; between two states and between the National Assembly and a State House of Assembly. An appeal lies from decisions of the Court of Appeal to the Supreme Court. The Supreme Court judges are appointed by the President on the recommendation of the National Judicial Council subject to confirmation of such appointment by the Senate.

Court of Appeal – The Court of Appeal ranks immediately below the Supreme Court. It exercises original jurisdiction in respect of the election to the office of the President or Vice President of Nigeria, the term of those offices, and in relation to the question whether those offices have become vacant. The Court of Appeal has the exclusive jurisdiction to entertain appeals from the Federal High Court, the High Courts, the Sharia Courts of Appeal, and the Customary Courts of Appeal of each state and the Federal Capital, Abuja, as well as decisions of any court martial or any other tribunal established pursuant to the Act of the National Assembly. The President of the Court of Appeal is appointed by the President on the recommendation of the National Judicial Council subject to confirmation by the Senate. Justices of the Court of Appeal are appointed by the President on recommendation of the National Judicial Council.

Federal High Court – The Federal High Court is a specialised court, which hears and determines civil cases and matters arising from a number of areas including (but not limited to): the operation of the Companies and Allied Matters Act, Cap C20 LFN 2004; bankruptcy and insolvency; the taxation of companies (and other bodies established or carrying on business in Nigeria); and all other persons subject to federal taxation; banking and securities regulation; foreign investments and foreign exchange.

High Court – There is a High Court for each state and the Federal Capital Territory, Abuja. Subject to the jurisdiction of the Federal High Court as stipulated in the Constitution, the High Court has jurisdiction to determine civil and criminal proceedings which originate in the High Court and those brought before the Court in the exercise of its appellate and supervisory jurisdiction. The High Court exercises common law jurisdiction over matters pertaining to contract, tort and negligence among other things.

The Constitution also establishes the election tribunals and authorises the National Assembly to constitute other tribunals as may be required. The more prominent of these special "courts" are the Investment Securities Tribunal, which handles disputes in relation to capital market activities, and the National Industrial Court, which deals with labour matters.

State and Local Government

Each state is governed by a Chief Executive (known as the Governor) who is elected to a four-year term of office and is eligible for a second (and final) term. The Governor is assisted in carrying out his or her functions by a Deputy Governor. The Governor is empowered to appoint Commissioners and Advisers and to assign responsibilities to them.

The legislative powers of a state are vested in a unicameral legislative body called the House of Assembly. It is made up of representatives from all the local government areas within the state and exercises identical functions at the state level with those of the National Assembly at the federal level. A state House of Assembly shall consist of not less than twenty-four and not more than forty members.

State governments are vested with the power to collect personal income of its residents, impose sales tax and to impose and collect certain forms of stamp duties among others.

There are 774 local government councils in Nigeria. Each local government area is administered under a local government council consisting of a Chairman who is the Chief Executive of the local government area and other elected members who are referred to as Councillors. The functions of local governments include the consideration and the making of recommendations to a state commission on economic, administrative and urban planning issues including the economic development of the state, collection of rates, radio and television licenses and establishment and maintenance of cemeteries, burial grounds and homes for the destitute or infirm, naming of roads and streets and numbering of houses and such other functions as may be conferred on a local government council by the State House of Assembly.

Political Parties

Thirty seven political parties are currently registered in Nigeria. In addition to the ruling PDP, the main political parties include the Action Congress, the All Nigeria People's Party, the Democratic People's Party, the Alliance for Democracy, the All Progressives Grand Alliance and the National Democratic Party.

April 2007 Elections

The April 2007 elections marked the first time in Nigeria's history that a civilian government has handed over power to another civilian government. Although the elections were marred by irregularities, the new administration has stated that it is committed to maintaining the recent climate of economic reform and political stability. As President Obasanjo and a majority of the former state governors were ineligible to run in the April 2007 elections due to term limits, there is new leadership at the federal level of government and in many of the states in Nigeria, although political control is still maintained by the PDP.

Following the presidential elections in 2007, over 1000 petitions were filed by losing candidates in protest against the results. The former military President, Muhammadu Buhari, and the former Vice-President, Atiku Abubakar (who both lost to the current President Musa Yar'Adua) subsequently instituted proceedings in the Tribunal for the invalidation of the April 2007 presidential elections, based on irregularities. Hearings before the Tribunal, which commenced in October 2007, came to an end on 26 February 2008 when the Tribunal decided to uphold President Musa Yar'Adua's election. Notwithstanding this, Alhaji Buhari, on 29 February 2008 and Alhaji Atiku Abubakar, on 15 March 2008, filed their respective appeals with the Supreme Court, challenging the Tribunal's judgment.

The Nigerian Economy

Overview

Nigeria has the second largest economy in Sub-Saharan Africa (behind the Republic of South Africa) ("South Africa") and is the most populous country in Africa. Nigeria has experienced steady growth in GDP over the last few years, and although historically growth was driven by oil and gas and agriculture, in recent years the economy has been diversifying into other areas such as telecoms, manufacturing and finance. Nigeria has been rated "BB-" by Fitch and Standard & Poor's, the same country-risk rating given to Turkey and Venezuela. Despite this, Nigeria remains a low-income country, with nominal GDP per capita estimated at USD1,158 in 2007 and projected at USD1,427 in 2008 and USD1,557 in 2009. Nigeria has suffered from chronic underinvestment in basic infrastructure and human resources, impeding economic diversification. Financial dependence on oil revenues, together with poor quality and corrupt fiscal management led to considerable budget deficits in periods when oil prices were low, resulting in an unsustainable debt burden that further impeded the possibility of spending on the country's development.

The Obasanjo government recognised these challenges, and in 2004 initiated a wide range of reforms under NEEDS that received the blessing of the IMF, which carries out quarterly staff visits and makes bi-annual staff reports for the Executive Board of the IMF. The programme targets a number of key areas including:

- public service reforms aimed at strengthening transparency, governance, institutions and public expenditure management;
- developing the non-oil sector by way of privatisation, banking system reform, broad economic liberalisation and investment in economic infrastructure; and
- enhancing social services delivery through strengthening infrastructure and the rule of law.

NEEDS has cascaded down to the state level in the form of SEEDS. The SEEDS process was launched in early 2004 and a SEEDS Manual designed by the National Planning Commission setting out the required contents and process for an effective SEEDS was disseminated to all states via a national dissemination process involving representatives of government.

Budget and Fiscal Policy

Notable progress has been made in budgetary management, saving windfall oil revenue and pushing through radical restructuring of the banking sector. Under the 2008 federal budget, revenues derived from oil prices above USD53.8 per barrel will be saved in the government's Excess Crude Account, which has previously been used to discharge external debt and which stood at around USD3.4 billion as at 30 September 2007 according to the Debt Management Office ("DMO"). It is, however, likely that some of the oil-revenue savings will also be used to fund expenditure in future. In addition, the statutory limit on the federal government's overdraft account with the CBN has been reduced from 12.5 per cent. to 5.0 per cent. of current projected revenue.

The Fiscal Responsibility Act 2007 was recently enacted by the federal legislature to regulate, and provide for, greater accountability and transparency in fiscal operations. The new Act provides for the prudent management of resources under the control of federal, state and local governments. It is believed that fiscal reform on state level is essential for the continued economic reform of Nigeria. The state level reforms introduced by the Act therefore seek to impose upon states fiscal discipline that is similar to that applicable to federal government. State level finances are therefore likely to remain a source of potential fiscal stress until further reforms are implemented.

A Fiscal Responsibility Committee was also established under the new Act. This committee has the authority to compel any person or government institution to disclose information relating to public revenues and expenditure and to investigate any circumstances involving non-compliance with the provisions of the Act.

External Debt

Nigeria became the first African nation to fully repay its Paris Club debt in April 2006, after years of economic mismanagement and profligate spending leading to gross external debt escalating to over USD30.0 billion by the late 1990s. In 2006, Nigeria's external debt was estimated at USD3.5 billion. In a first serious attempt at restructuring and reducing the country's debt overhang, the federal government concluded negotiations leading in 1992 to a "Brady Bond" exchange with Nigeria's commercial bank creditors, and at the same time reducing their claims by 60.0 per cent. With the return of civilian rule in 1999, the government launched a bid for debt relief, but as Nigeria is an oil rich nation, it did not qualify for the IMF and World Bank's heavily indebted poor countries (HIPC) debt relief programme. In 2000, the Paris Club of Creditors agreed to a restructuring of their 85.0 per cent. portion of the outstanding debt. The clearance of USD6.3 billion in arrears and the 50.0 per cent. Naples Terms debt relief in the first stage of the Paris Club deal saw gross external debt fall from 41.3 per cent. to 18.2 per cent. of GDP and from 89.0 per cent. to 40.0 per cent. of current account receipts ("CA Receipts") for 2004 and 2005, respectively. Nigeria continued intensive negotiations with the Paris Club creditors and at the G8 summit in the summer of 2005, it was announced that Nigeria was successful in negotiating a special debt reduction deal. The repayment plan saw Nigeria pay the Paris Club group of creditors USD12.5 billion in exchange for the remainder of its official debt, USD30.9 billion, being written off.

	2004	2005	2006	2007(1)	2008(2)	2009(2)
			(USD billions)			
Gross External Debt (3)	35.9	20.5	3.5	3.3	3.4	4.2
% of GDP(3)	41.3	18.2	2.4	2.0	1.6	1.8
% of Gross Exports(3)	93.1	39.2	5.7	5.1	4.2	5.1
External debt service due (%of Gross Exports)	7.9	20.8	27.7	1.9	0.7	0.5

Source: IMF, January 2007.

(1) Estimated.

(2) Projected.

(3) Nominal public sector short and long-term debt, end of period. In 2005 (2006) reflecting also a U.S.$7.1 billion (USD7.2 billion) write-off of Paris Club debt and in 2006, reflecting the discount (U.S.$2.7 billion) on the U.S.$7.0 billion buy-back of remaining Paris Club debt.

Following the success of the Paris Club repayment, the then Nigerian Finance Minister, Nenadi Usman, announced in July 2006 the intention to work towards the restructuring of Nigeria's debt of USD2.5 billion owed to the London Club of Creditors (the remaining USD2.5 billion being owed to the African Development Bank). Nigeria's Brady debt has effectively been paid down, after responsibility for future payments on Promissory Notes was transferred to Merrill Lynch in March 2007.

According to the IMF, Nigeria's projected external debt for 2008 is approximately USD3.4 billion, with gross international reserves of USD73.2 billion.

Sovereign Credit Rating

In the final quarter of 2007, Fitch and Standard & Poor's assigned a "BB-" country-risk rating to Nigeria, with an outlook of 'Stable'. In its rating report, Fitch stated that the ratings were constrained by the legacy of economic mismanagement and political volatility that will take years to overcome. These ratings were affirmed by Fitch and Standard & Poor's in the first half of 2008.

Principal Sectors of the Economy and Gross Domestic Product

The Nigerian economy is mainly driven by oil and gas, but is becoming increasingly more diversified, with strong growth in agriculture and other non-oil sectors. Oil and gas accounts for a significant portion of Nigeria's exports and revenue, contributing to about 25.0 per cent. of exports and 90.0 per cent. of revenue. Nigerian oil and gas is an integral component of the U.S. and European energy supply chain. About 8.0 per cent. of U.S. gross crude oil imports amounting to 1.1 million barrels per day originated from Nigeria in 2006. The country also exported 457,000 barrels per day of crude oil to Europe in 2006, and as of 2005 was the second largest LNG supplier to Europe, with 25.0 per cent. of all European LNG originating from Nigeria.

For 2007, the average volume of crude oil output is estimated at 2.2 million barrels per day, with crude oil prices at USD73.00 per barrel and for 2008, the projected average volume is 2.4 million barrels per day at USD88.5 per barrel.

In addition to oil and gas, there has been strong growth in non-oil GDP, at an annual average rate of 6.4 per cent. so far this decade. In particular, there has been significant growth in the agriculture sector, which is the largest contributor to Nigeria's GDP, accounting for 41.0 per cent. of total GDP in 2005 and 2006. Non-oil growth accelerated to 8.6 per cent. in 2005 and reached 9.4 per cent. in 2006 compared to a decline of 4.5 per cent. in the oil sector for the same year. While further growth is estimated at 9.6 per cent. in 2007, the IMF projects non-oil growth to slow down to 9.0 per cent. in 2008.

The following table sets forth certain information on Nigeria's GDP for the periods indicated:

	2004(1)	**2005(1)**	**2006(2)**	**2007(3)**	**2008(3)**
GDP at market price (₦ billions)	11,674	14,735	18,710	20,845	24,893
GDP (USD billions)	99.8	125.9	159.9	178.1	212.7
Real GDP growth (%)	10.6	5.4	6.2	6.4	9.0
Population (millions)	n/a	n/a	149.9	153.6	n/a

Source: 2007 IMF Report.

(1) Actual.

(2) Estimated.

(3) Forecasted.

According to the IMF's 2007 statistics, nominal GDP is forecasted to reach USD212.7 billion in 2008, with real GDP growth at 9.0 per cent. and the population totalling approximately 158 million people.

The following table sets forth the composition of GDP by source for the periods indicated:

	2003(1)	**2004(1)**	**2005(1)**	**2006(2)**
	(₦ billions, except percentages; 1990 constant prices unless otherwise indicated)			
Agriculture	203.0	216.2	230.9	248.0
Crop production	180.7	192.5	205.7	221.1
Industry	150.3	156.5	159.1	155.0
Crude petroleum	131.3	135.7	136.4	129.9
Manufacturing	17.7	19.4	21.3	23.3
Building and construction	6.9	7.6	8.5	9.6
Wholesale and retail trade	62.1	68.1	76.5	87.9
Services	72.8	79.2	85.4	93.0
Communication	5.2	6.7	8.6	11.2
Transport	13.2	14.0	14.9	15.9
Utilities	17.0	18.9	20.1	21.5
Finance and insurance	21.0	21.5	22.1	22.8
Total	495.0	527.6	560.4	593.6
GDP (% change)	9.6	6.6	6.2	5.6
Oil GDP (% change)	23.9	3.3	0.5	(4.6)
Non-oil GDP (% change)	5.2	7.8	8.2	8.9

(1) *Source:* CBN, Annual Report and Statement of Accounts, 2005.

(2) *Source:* CBN, Annual Report and Statement of Accounts, 2006.

While, historically, agriculture was the principal sector of the economy in Nigeria, today the country displays the characteristics of a dual economy: a modern sector heavily dependent on oil earnings and a traditional agricultural and trading economy. Prior to independence, cash crops were introduced, harbours, railways and roads were developed, and a market for consumer goods began to emerge. At the time of independence in 1960, agriculture accounted for well over half of GDP, and was the main source of export earnings and public revenue. Today, oil and gas is a major feature in Nigeria's GDP and export figures but other sectors are gaining increasing importance.

The following table sets forth certain information as to the origin of Nigeria's GDP in 2005 and 2006:

	2005[1]	2006[2]
	(% of total)	
Origins of gross domestic product:		
Agriculture (excluding livestock)	41	41
Oil and gas	25	22
Manufacturing	13	n/a
Wholesale and retail trade	14	n/a
Finance and real estate	5	n/a

Source:

[1] CBN, Annual Report and Statement of Accounts, 2005.

[2] CBN, Annual Report and Statement of Accounts, 2006.

The table below details some key data on Nigeria's imports and exports:

	2005[1]
	(USD millions)
Principal Exports:	
Oil	43,787
Gas	4,831

	2005[1]
	(USD millions)
Principal Imports:	
Manufactured goods	7,490
Machinery and transport	4,980
Chemicals	5,294
Food and live animals	4,420

	2005[1]	2006[2]
	(% of total)	(% of total)
Main destinations of exports:		
U.S.	54.0	58.4
Brazil	10.4	7.4
Spain	8.3	9.5
France	3.2	5.0

	2005[1]	2006[2]
	(% of total)	(% of total)
Main origins of imports:		
China	10.5	10.6
U.S.	7.4	8.3
U.K.	6.9	5.7
The Netherlands	6.2	5.9

[1] CBN data, Country Report, August 2007.

[2] Derived from partners' trade returns; subject to a wide margin of error.

According to the EIU's April 2007 report, oil and gas exports (at the end of April 2007) amounted to USD44.1 million and USD79.6 million, respectively.

Oil Production

Nigeria is the world's twelfth largest producer of crude oil, with oil reserves at approximately 36.2 billion barrels, and has been producing oil for about 50 years.

A divide between the oil producing states and the non-oil producing states has arisen over how the oil revenues should be distributed between the federal government and the states. The oil-producing states (which are predominantly situated in the southern region of the country) believe they are entitled to a greater share of revenue by virtue of the fact that the oil is produced in their region and they suffer the consequences of oil pollution. A National Political Reform Conference convened by President Obasanjo in 2005 failed to reach an agreement on this issue.

In the Niger Delta region, sporadic violence has been a longstanding problem that the oil multinationals operating in the Niger Delta have faced and worked around for a number of years. However, recently violence has escalated due to a number of factors, including the deployment of more military forces to the Niger Delta and the desire to pressure the government into increasing the derivation revenue allocation for the Niger Delta states.

Significant efforts have been made by the government to tackle the problems in the Niger Delta. For example, the Niger Delta Development Commission was established to, amongst other things, (i) develop the infrastructural needs of the Niger Delta; (ii) manage the sums received from upstream oil companies, and the allocation of the Federation Account for tackling ecological problems which arise from the exploration of oil minerals in the Niger Delta area; and (iii) alleviate the plight of local inhabitants. The government has also built power plants and is working to create more jobs and improve infrastructure in the area. Most recently, the election of the new vice-president, a Niger Delta native, is seen as an attempt by the new government to quell violence in the region.

As a result of militant activity in the Niger Delta, oil production has been adversely affected in the past few years and continues to be affected as a result of recent militant attacks. However, recent IMF statistics projected an increase in crude oil output from 2.2 million barrels per day in 2007 (estimated), to 2.4 million barrels per day in 2008. Additionally, the IMF believes that the oil and gas sector will benefit from the recently completed West African pipeline, with crude oil output projected to increase to 2.4 million and 2.6 million barrels per day in 2009 and 2010, respectively.

Currently only 25.0 per cent. of Nigeria's refining capacity is actually running. This underperformance is largely attributable to the poor maintenance of the country's four refineries.

Gas Production

The government aspires to grow the gas industry such that gas revenues (due to recent domestic demand driven by Power Sector reforms and the relocation of gas intensive industries to Nigeria from higher priced locations) are comparable to oil. In late November 2007 Alhaji Musa Yar'Adua outlined plans for the far-reaching reform of the country's gas sector, aiming to increase the availability of gas for power generation and local industries. Under the reform plans, gas producers will be obliged to sell a portion of their output to the local market at regulated prices. The President, confirmed however, that, although the new policy is aimed at prioritizing gas supply for domestic use, his administration will nevertheless seek to maximize the country's gas export potential.

Gas reserves in Nigeria totalled 184 trillion cubic feet at the beginning of 2007, ranking tenth in the world and one of the largest in Africa. This sector is expected to expand very rapidly due to the federal government's 1999 policy prescribing that there must be an end to routine gas flaring by 2008, on pain of punitive sanctions, and the benefit of significant tax incentives for gas gathering and utilisation companies under Part Six of the Companies Income Tax Act, Cap C21 LFN 2004. At a recent public hearing at the National Assembly, oil firms in Nigeria complained that this deadline is unrealistic, given that as much as 36.0 per cent. of Nigeria's gas output is still burnt off as a result of a lack of infrastructure allowing the utilisation of gas associated with oil extraction. The gas flaring and other federal government gas policies, through the imposition of certain domestic gas supply obligations on licensed petroleum producers, also promote greater use of gas locally. As a result only about 40.0 per cent. of produced gas was flared in 2005, a reduction from nearly 60.0 per cent. six years ago. The main thrust of elimination of gas flaring by IOCs by 2008 is the conversion of gas into liquid and other forms for export, and for domestic use. A number of major oil companies are involved in the production of liquefied natural gas (LNG) or in the establishment of LNG plants or gas-powered independent power stations.

Agriculture

In the non-oil sector, agriculture in particular is important in lowering poverty levels. The agricultural sector was the largest contributor to Nigeria's overall GDP at 41.0 per cent. of GDP in 2006 according to the CBN. Endowed with abundant land and water resources, Nigeria's agricultural sector has a continued potential for growth. Its highly diversified agricultural and ecological conditions could potentially allow production of a wide range of agricultural products including both tropical and more temperate products. Nigeria's cash crops include groundnuts, palm oil, cocoa beans, rubber, coconut, soybean, tobacco, and cashew nuts. The cotton farms, orange plantations, tea plantations and coconut groves are all sources of raw materials for Nigerian industries.

In July 2006, Nigeria's first commodity exchange opened trading in Abuja. Ongoing reforms and better economic policies and high oil prices should continue to support growth in the non-oil sector. According to the IMF, the main obstacle to non oil growth is the infrastructure gap, specifically the lack of electricity. The IMF reported a figure of 9.4 per cent. for non-oil growth in 2006, of which agriculture constituted 7.4 per cent.

Solid Minerals

Another area of significant opportunity for the country is that of solid minerals. After several attempts by previous military governments to energise this sector of the economy, the Obasanjo administration in its second term turned its attention to this sector, and it is expected that 34 solid minerals of abundant commercial quantities will soon be subject to bidding rounds for prospecting and exploration.

Manufacturing

Nigeria's manufacturing sector has strong potential for growth, and as at 2005 accounted for 21.3 per cent. of combined GDP compared to 17.7 per cent. in 2003. The main products manufactured in Nigeria are beverages, cement, textiles, detergents and cigarettes.

The manufacturing sector benefited from the economic reforms undertaken by the government aimed at diversifying the economy away from the oil sector. Several large investments in the real sector have been made by Nigerian and foreign corporates. For instance, Dangote Industries Limited built one of the world's largest sugar refineries in the Apapa Port with a capacity of 1.3 million tonnes per annum. The same group also invested in the construction of a 4.5 million tonnes per annum cement production plant in Obajana.

Financial Services

The financial sector has experienced significant growth following the banking reforms of 2004. While the number of banks has been reduced, total banking assets have increased. The number of individuals with access to financial services has grown considerably over this period though the number of bank accounts is estimated at less than 15 million.

Telecoms

The telecommunications industry in Nigeria is dominated by mobile telephones as opposed to fixed line use. The country has experienced rapid growth from 0.4 million mobile subscribers in January 2001 to more than 30 million in May 2007. According to the CIA Factbook, approximately 32.3 million Nigerians had mobile phones in 2006 compared to an estimated 1.7 million fixed lines. The industry is currently dominated by two players, MTN Nigeria and Globacom, who have a combined market share of 74.0 per cent. (based on number of subscribers for May 2007). With a bulk of the growth having already occurred in the telecommunications industry, growth is expected to continue at a slower pace.

Current account

In 2006, Nigeria's current account surplus was 9.4 per cent. of GDP compared to an estimated 0.8 per cent. in 2007 and a projected 4.7 per cent. in 2008. Nigeria traditionally runs a trade surplus, bolstered by high oil prices, and although vulnerable in its dependency on oil exports (which account for around 98.0 per cent. of total goods exports) and offset by a deficit in the services account, the current account balance consistently remains in surplus. For 2009 and 2010, the IMF projects the current account surplus to reach 2.4 per cent. and 3.1 per cent. of GDP, respectively. This has resulted in substantial recent gains in foreign exchange reserves, from USD17.0 billion in 2004 to USD52.1 billion in 2006 and an estimated USD73.2 billion in 2007. Additionally, this figure is projected to increase further in 2008 to USD91.0 billion.

Capital and Financial Account

The CBN has announced that foreign direct investment amounted to USD2.3 billion in 2005, helped by increased investment in the non-oil sector. Net portfolio investments jumped from USD177.0 million in 2004 to USD2.9 billion in 2005, as a result of foreign equity investment in the banking sector following on from the increase in the minimum capital requirements. In 2006 this number fell to USD919.0 million.

	2001	2002	2003	2004	2005	2006
			(USD millions, net value)			
Foreign direct investment	1,183.5	1,868.0	2,004.1	1,866.4	2,303.9	4,500.1
Portfolio	235.1	205.6	182.7	177.0	2,860.2	919.3

Source: CBN, Annual Report and Statement of Accounts, 2006.

Domestic Debt

Domestic debt in Nigeria is mainly short-term, with treasury bills accounting for 57.0 per cent. of the total. The former Obasanjo administration took steps to address the post-1980s legacy of exposure to local contractors and to unfunded pension liabilities of the government and several of its agencies. Reforms in this regard include the introduction of the DMO, and the Pensions Reform Act 2004 which seeks to ensure that all employers of labour have a fully funded pension scheme. The management of domestic public debt has also been improved by lengthening maturities to reduce rollover risks. Given the vast restructuring of Nigeria's external debt, the country's debt-to-GDP ratio dropped significantly from 41.3 per cent. in 2004 to 2.4 per cent. at the end of 2006. The estimated debt-to-GDP ratio further dropped to approximately 2.0 per cent. in 2007.

THE NIGERIAN BANKING SECTOR

Pursuant to the its 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 by 31 December 2005. Following the implementation of the reforms, 25 banking institutions emerged out of the 89 that existed in July 2004. A number of banks merged and 14 had their licenses revoked. 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. Other possible mergers are also under discussion.

Afrinvest (West Africa), in its January 2008 report, forecasted that the second phase of consolidation may lead to a further reduction in the number of surviving banks to 15, by the end of 2009.

The banking industry, measured in asset size, grew by approximately 25.0 per cent. annually from 2001 to 2005. According to the CBN, total assets increased by 88.0 per cent. from USD34 billion in 2006 to USD64 billion in 2007. Total industry loans and advances during this time grew by 33.0 per cent. to USD16 billion, a significant improvement over the 14.0 per cent. increase in the previous year. Notably, this growth did not occur at the expense of asset quality, as non performing loans, as a proportion of total loans declined from 16.0 per cent. in 2005 to 10.0 per cent. in 2006, and further down to approximately 8.0 per cent. in 2007. Despite this growth, banking penetration remains low with total loans to GDP estimated at 10.9 per cent. in 2006 compared to 50.0 per cent. in Ukraine and Kazakhstan and 75.0 per cent. in South Africa. Retail loans remain significantly low at only 0.1 per cent. of GDP. Management estimates that less than 10.0 per cent. of the Nigerian population of approximately 140 million people has a bank account.

Management believes that key areas of growth in the banking industry relate to the financing of infrastructure and project finance projects, capital investments by corporates and increased penetration in retail lending.

Nigeria's underdeveloped retail market is, however, considered to be the primary, long term market opportunity and many industry players have shifted their focus to establishing consumer risk assets with higher yields. In order to finance this growth, extensive capital raising was undertaken in 2007, with 13 banks having raised over USD12 billion from the capital markets as at 31 December 2007.

Supervision and Regulation of Banks in Nigeria

The major regulators of Nigeria's financial sector are the CBN, and the NDIC. Since January 1999, the CBN has had autonomy from its previous supervision by the Federal Ministry of Finance ("FMF") and now has the power to formulate and implement monetary and exchange rate policies. In the same year the NDIC came under the direct control of the CBN to carry out the supervision, examination and liquidation of banks.

The principal governing body of the CBN is the Board of Directors which consists of the Governor of the CBN, who acts as Chairman, four Deputy Governors, the Accountant General of the Federation, the Permanent Secretary of the FMF and five Directors. Each Deputy Governor overlooks one of the four directorates of the CBN namely: Operations, Corporate Services, Financial Sector Surveillance and Economic Policy.

Under the remit of the Financial Sector Surveillance Directorate is the supervision of banks, and this includes on-site examination of banks especially in relation to their financial condition, internal control systems, reliability of information provided and compliance with corporate governance codes. The CBN also monitors trends in the banking sector, and generates industry reports on a monthly and quarterly basis, in addition to evaluating the development finance sector and monitoring other financial institutions. Activities such as change of auditors, announcement of audited financial statements, opening of branches, change in control and appointment of directors by banks are subject to the prior approval of the CBN.

The CBN's monetary policy mandate encompasses the issuance of legal tender currency (Naira and kobo), the maintenance of Nigeria's external reserves, the promotion and maintenance of monetary stability and a sound and efficient financial system, and acts as both banker and financial adviser to the federal government and the 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 licenses authorised dealers who are licensed banks which may 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 foreign exchange.

The NDIC, established by statute in 1988, insures all deposit liabilities of licensed 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 financial institutions up to the maximum amount of ₦50,000.0 per depositor. The NDIC is also mandated to assist monetary authorities in the formulation and implementation of banking policy in Nigeria so as to ensure sound banking practice and fair competition among banks in Nigeria. It also plays a major role in co ordinating with the CBN in the liquidation of banks in Nigeria. In the last quarter of 2006 NDIC announced that it will change its premium rate calculation in accordance with dictates of the market.

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.

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 recently introduced a new framework for monetary policy implementation in the marketplace using the short-term interest rate as its Operating Target. The Operating Target also called the Monetary Policy Rate (or the MPR, as defined elsewhere in this Offering Circular) serves as an indicative rate for transactions in the inter-bank money market as well as money market rates. The ultimate goal of the new framework is to achieve a stable value of the Naira through stability in short-term interest rates around the MPR which will be determined and operated by the CBN.

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 an active inter-bank 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.

In December 2006, the MPR replaced the existing Minimum Rediscount Rate (or the MRR, as defined elsewhere in this Offering Circular) 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. In June 2007, the MPR was reduced from 10.0 per cent. to 8.0 per cent., but raised again to 9.0 per cent. in October 2007. The CBN stated that the reduction in rate was an effort to curtail the inflationary impact of the possible increase in liquidity in the Nigerian economy following the passage of the supplementary budgets of the Federal and State governments. In November 2007 the CBN, signalling a tightening of policy stance, raised the MPR further and as at 1 June 2008, the MPR was 10.25 per cent.

Although the new regime of MPR has been in operation for some time, the CBN on 25 February 2008 formally announced the removal of the MRR based framework, intended to confirm to banks that the previous policy restriction in bank lending rates has come to an end.

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 the new Capital Accord (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*".

In addition, although there has been no official announcement from the CBN, the Bank has heard rumours that the CBN is considering proposals to restrict foreign investment in Nigerian banks. Such restrictions could include a limitation on ownership of share capital by foreign institutions. Because no official announcement has been made, the Bank cannot speculate on the form or extent of such restrictions and limitations.

Prudential Guidelines

In a bid to ensure Nigerian banks' adherence to international banking standards and best practices, the CBN issued the CBN Prudential Guidelines in November 1990. 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	3.0 per cent. of deposits to be held at the CBN.
Specified Liquidity Ratio	40.0 per cent. of deposits.
Specified Capital Adequacy Ratio	10.0 per cent. of risk weighted assets.
Guaranteed BAS/CPS to Shareholders funds	150.0 per cent. of shareholder's funds.
Loans to Deposits Ratio	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.
Large exposure limit	Total of all large exposures cannot exceed 8 times shareholders' funds.
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.

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 licensed banks to review their credit portfolios at least once every quarter, 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 protracted litigation must also be properly appraised to determine the extent of any likely loss arising from them.

The Small and Medium Industries Equity Investment Scheme

Small and Medium-sized Enterprises (SMEs) present many economic benefits, particularly the creation of jobs at relatively low capital cost, encouragement of the use of local raw materials and technology, developing a pool of skilled and semi-skilled workers as a basis for future industrial expansion and improving the links between economically, socially and geographically diverse sectors of Nigeria.

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 licensed 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.

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 ordinary shares with a par value of €100 each. As at the date of this Offering Circular, the Issuer's issued share capital is €18,000, consisting of 180 ordinary shares 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 at 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.

Financial Statements

Since the date of its incorporation, being 15 December 2006, and as at the date of this Offering Circular, the Issuer has published audited financial statements for the financial year ended 31 December 2007. The auditors of the Issuer are HLB Schippers, Accountants Fiscalisten Juristen, The Netherlands, 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 Issuer is not required to, and does not intend to, produce interim financial statements.

Management

The Issuer has two managing directors, Mr. Julius Kosebinu Olusegun Agbaje, who is also a deputy managing director of the Bank, and Fortis Intertrust (Netherlands) B.V. ("Fortis Intertrust"), a company with limited liability incorporated in the Netherlands.

The business address for the managing directors and the directors of Fortis Intertrust is Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands. The managing directors of Fortis 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 Fortis Intertrust as a managing director of the Issuer. Fortis Intertrust as managing director of the Issuer may also be represented by two of its registered proxyholders (procuratiehouders), including Mr. David Jaarsma, or by a managing director and a registered proxyholder jointly.

Except for Mr. Julius Kosebiau Olusegun Agbaye, 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 directors of Fortis Intertrust towards either the Issuer or Fortis Intertrust and their private interests and/or other duties.

The directors of Fortis Intertrust perform no principal activities outside Fortis Intertrust, which are significant with respect to either Fortis 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 Fortis 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 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. In view of its general nature, it should be treated with corresponding caution. Holders of Notes should consult with their tax advisers with regard to the tax consequences of investing in the Notes. The discussion below is included for general information purposes only.

Except as otherwise indicated, this summary only addresses Dutch tax legislation, as in effect and in force at the date hereof, as interpreted in published case law, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect.

Withholding tax

All payments 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, *provided that* the Notes are not re characterised as equity for tax purposes.

Taxes on income and capital gains

This paragraph does not describe the Dutch tax consequences of the acquisition, holding and disposal of the Notes if a holder of Notes or, in the event the holder is an individual, individuals related to such holder (statutorily defined term) and certain of their relatives by blood or marriage in the direct line (including foster children) have a substantial interest or deemed substantial interest (statutorily defined terms) in the Issuer.

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 (a statutorily defined term), directly or indirectly, 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 holds rights to acquire, directly or indirectly, such interest; or 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) has been disposed of, or is deemed to have been disposed of, on a non recognition basis.

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 realised on the disposal or deemed disposal of the Notes is subject to corporate income tax. A corporate income tax rate of 20.0 per cent. applies with respect to taxable profits up to €40,000 (the first bracket for 2008). Profits between €40,000 and €200,000 are taxed at a rate of 23.0 per cent. (the second bracket for 2008) and profits exceeding €200,000 (the third bracket for 2008) are taxed at a rate of 25.5 per cent.

A Dutch qualifying pension fund (*vrijgestelde beleggingsinstelling*) and a Netherlands qualifying tax exempt investment fund (*uitgestelde beleggingsinstelling*) are in principle not subject to Dutch corporate income tax. A qualifying Dutch investment fund (*fiscale beleggingsinstelling*) is subject to corporate income tax at a special rate of zero per cent.

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 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 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 average of the fair market value of the investment assets less the allowable liabilities at the beginning of that year and the fair market value of the investment assets less the allowable liabilities at the end of that year. The Notes are included as investment assets. A tax free allowance may be available. Actual benefits derived from the Notes are as such not subject to Dutch income tax.

Non residents of the Netherlands

A holder of Notes 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 realised on the disposal or deemed disposal of the Notes, *provided that*:

(i) such holder 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; and

(ii) such holder does not have an interest in an enterprise or deemed enterprise (statutorily defined term) 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

(iii) 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 active asset management (*normaal vermogensbeheer*) and does not derive benefits from the Notes that are (otherwise) taxable as benefits from other activities in the Netherlands (*resultaat uit overige werkzaamheden*).

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 estate taxes

Residents of the Netherlands

Gift, estate 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, estate 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:

(i) such holder at the time of the gift has or at the time of his/her death had an enterprise or an interest in an enterprise that, in whole or in part, is or was either effectively managed in the Netherlands or carried on through a permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise the Notes are or were attributable; or

(ii) in the case of a gift of a Note by an individual who at the date of the gift was neither resident nor deemed to be resident in the Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in the Netherlands.

For the purposes of Dutch gift, estate and inheritance taxes, amongst others, a person that holds the Dutch nationality will be deemed to be resident in the Netherlands if he 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 the purposes of Dutch gift tax, amongst others, a person not holding the Dutch nationality will be deemed to be resident in the Netherlands if he 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.

Other taxes and duties

No Dutch registration tax, customs duty, stamp duty or any other similar documentary tax or duty, other than court fees, 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.

There is no Dutch value added tax (BTW) payable in respect of payments in consideration for the issue of the Notes, in respect of the payment by the Issuer of interest or principal under the Notes or the transfer of the Notes.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

Nigeria

General

The following is a general summary of Nigerian tax consequences as at 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 nonresident 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 Federal Inland Revenue Service ("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 at 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

It is unclear whether the Trust Deed or the Agency Agreement will be liable to stamp duty in Nigeria under the Stamp Duties Act, Cap S8 LFN 2004 and, if so liable, what the rate of any such stamp duty may be. The documentation relating to the loan between the Issuer and the Bank will be liable to stamp duty in Nigeria but again it is unclear what the rate of any such stamp duty may be. Stamp duty is payable in Nigeria either on a flat rate or *ad valorem* basis. The maximum rate of stamp duty payable in Nigeria is 3.0 per cent. levied on an *ad valorem* basis on the value of the underlying transaction provided for by the dutiable document, which in the case of the Guarantee and the loan between the Issuer and the Bank could be the aggregate principal amount of the Notes or such loan, as the case may be. However, provided documents that would otherwise be dutiable are executed outside of Nigeria, the parties have 30 days from when the documents are brought into Nigeria to arrange for payment of stamp duty. Accordingly, it is intended that the Trust Deed, Agency Agreement and the documentation relating to the loan between the Issuer and the Guarantor will all be executed and held outside of Nigeria. However, if it is necessary to bring any such documentation into Nigeria for the purposes of enforcement and admissibility of such documents as evidence in Nigerian Courts, such enforcement may be subject to the payment of the relevant rate of stamp duty, as assessed by the Nigerian Commissioner for Stamp Duties. See "Risk Factors – Risks Related to the Offering – Factors which are material for the purposes of assessing the market risks associated with the Notes – 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 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 organized 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 (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.

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 recognized 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 recognized 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 characterized 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 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 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.

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 realized 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 realized.

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 recognized 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 "Original Issue Discount—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 under "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 realized on the sale or other disposition and the tax basis of the Note. The amount realized 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 recognized 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 recognized 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 realized 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 recognized 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 accruals 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 (including, among others, corporations) 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.

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 programme agreement (the "Programme Agreement") dated 1 July 2008, 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 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, 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 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 REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (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, AS AMENDED (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 in reliance upon the exemption from registration provided by Regulation D of the Securities Act 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

The Notes have not been and will not be registered under the Securities Act 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 under 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).

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 legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) 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 (d) 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 in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

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 & Exchange Commission, or under the Nigerian Investment Securities Act No. 29 of 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 or to, or for the account or benefit of, persons resident in Nigeria, except 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 of 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 Law 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 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 FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

The Netherlands

Zero Coupon Notes or other Notes that qualify as savings certificates as defined in the Savings Certificates Act (*Wet inzake spaarbewijzen*) will be transferred or accepted only through the mediation of either the Issuer or a member of Euronext Amsterdam N.V. and with due observance of the Savings Certificates Act and its implementing regulations, *provided that* no such mediation is required in respect of (a) the initial issue of those Notes to the first holders thereof, (b) any transfer and delivery by individuals who do not act in the conduct of a profession or trade, and (c) the issue and trading of those Notes, if they are physically issued outside the Netherlands and not distributed in the Netherlands in the course of primary trading or immediately thereafter; in addition, certain identification requirements in relation to the issue and transfer of, and payments on those Notes have to be complied with, and any reference in publications concerning those Notes to the words "to bearer" is prohibited, and, if those Notes are not listed on the stock market of Euronext Amsterdam N.V., each transaction concerning those Notes must be recorded in a transaction note, stating the name and address of the other party to the transaction, the nature of the transaction and details, including the number and serial numbers, of the Notes concerned, which requirement must be indicated in a legend printed on those Notes.

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 establishment of the Programme has been duly authorised by a resolution of the Board of Directors of the Issuer dated 4 April 2008 and the giving of the Guarantee has been duly authorised by a resolution of the Board of Directors of the Guarantor dated 26 March 2008.

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. The listing of the Programme in respect of Notes is expected to be granted on or before 3 July 2008.

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 from 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 years ended 28 February 2007 and 29 February 2008, 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 Programme Agreement, the Trust Deed, the Agency Agreement and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;

(v) a copy of 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; and

(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).

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 Bank 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, except for the "Underwriting Agreement" relating to an international offering, and the "Domestic Underwriting Agreement" relating to an offering in Nigeria, of global depositary receipts, or GDRs, as described in the Prospectus dated 23 July 2007 (relating to the offering by the Bank of 66,960,000 global depositary receipts to investors at an offer price of USD11.20 per global depositary receipt) and the Programme Agreement as described under "Subscription and Sale and Transfer and Selling Restrictions".

Significant or Material Change

There has been no significant change in the financial or trading position of the Issuer since 31 December 2007 or the Guarantor or the Group since 29 February 2008 and there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2007 or the Guarantor or the Group since 29 February 2008.

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 HLB Schippers, Accountants Fiscalisten Juristen Alkmaar, the Netherlands, 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*) and have audited the Issuer's accounts, without qualification, in accordance with Part 9 of Book 2 of the Netherlands Civil Code for the financial year ended 31 December 2007.

The auditors of the Guarantor are KPMG, member of the Institute of Chartered Accountants of Nigeria ("ICAN"), who have audited the Guarantor's accounts, without qualification, in accordance with IFRS for each of the three financial years ended 28 February 2006, 28 February 2007 and 29 February 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.

ANNEX A:

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN NIGERIAN GAAP AND IFRS

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB") and in addition to the Group's statutory financial statements, prepared in accordance with Statements of Accounting Standards applicable in Nigeria ("Nigerian GAAP"), which differ in certain significant respects from financial statements that have been prepared in accordance with IFRS.

Significant differences between Nigerian GAAP and IFRS relevant to the Group's financial statements are summarised below. This summary should not be considered as exhaustive. Investors must rely on their own examination of the Group and its financial information and should consult their own professional advisors for an understanding of the differences between Nigerian GAAP and IFRS and how these differences might affect the financial results of the Group.

The impact of significant differences between Nigerian GAAP and IFRS on the Group's financial statements are summarised in Appendix 1 to the Group's consolidated financial statements prepared in accordance with IFRS. No attempt has been made to identify or quantify all differences between Nigerian GAAP and IFRS that would affect the manner in which transactions and events are presented in the financial statements or notes thereto.

No attempt has been made to identify future differences between Nigerian GAAP and IFRS as a result of prescribed changes in standards and regulations or any other events that may occur. Also, regulatory bodies that promulgate Nigerian GAAP and IFRS have proposed standards in exposure drafts that could affect future comparisons between Nigerian GAAP and IFRS.

1. Basis of Preparation of Financial statements

Under Nigerian GAAP, financial statements are prepared under historical cost.

Under IFRS, there are exemptions from the historical cost measurements which are required to be measured at fair value including, but not limited to the following:

- Derivative financial instruments which are measured at fair value;
- Financial instruments at fair value through income statement which are measured at fair value;
- Available for sale financial assets which are measured at fair value;
- Investment properties are measured at fair values; and
- Liabilities for cash-settled share-based payment arrangement which are measured at fair value.

2. Classification of Investments

Classification:

Under Nigerian GAAP, investments are classified as short-term, long-term or investment properties. However, under IFRS investments are classified as:

- Held for trading;
- Fair value through the income statement;
- Available for sale; or
- Held to maturity.

The measurement requirements under Nigerian GAAP classification are stated below:

Short-term Investments

Under Nigerian GAAP, short-term investments are valued at the lower of cost and market value. The carrying amount is determined on an item-by-item basis.

The amount by which cost exceeds market value (unrealised loss) is charged to the income statement. Realised gain and losses on disposal of short-term investments are taken to the income statement.

Long-term Investments

Under Nigerian GAAP, long-term investments are carried at cost or at a revalued amount. When there has been a permanent decline (impairment) in the value of an investment, the carrying amount of the investment is written down to recognise the loss. Such a reduction is charged to the income statement.

Reductions in carrying amount may be reversed when there is an increase, other than temporary, in the value of the investment, or if the reasons for the reduction no longer exist.

An increase in carrying amount arising from the revaluation of long-term investments is credited to owners' equity as a revaluation surplus. To the extent that a decrease in carrying amount offsets a previous increase, for the same investment that has been credited as a revaluation surplus and not subsequently reversed or utilised, it is charged against that revaluation surplus rather than to the income statement.

An increase on revaluation which is directly related to a previous decrease in carrying amount for the same investment that was charged to income, is credited to the extent that it offsets the previously recorded decrease.

Marketable Securities (Long-term and Short-term)

Under Nigerian GAAP, long-term investments in marketable securities are stated at the lower of cost and net realisable value (sale price less costs incurred on realisation). Short-term investments in marketable securities are stated at net realisable value while investments with no active market are stated at the lower of cost and net realisable value.

Government Securities (Short-term)

Under Nigerian GAAP, short-term investments in government securities are stated at face value. Unearned income is deferred and amortised as earned. Any diminution in value is recognised as appropriate.

Trading Securities (Short-term)

Under Nigerian GAAP, trading Securities comprise of government bonds and other securities held primarily for trading purposes and are stated at net realisable value. Tradable investments with a fixed redemption date, held as part of trading securities are stated at cost where applicable. Premiums and discounts arising on purchase are amortised on the yield to redemption.

Under IFRS, IAS 39 Financial Instruments: Recognition and Measurement governs the recognition and measurement of financial instruments. On initial recognition both financial assets and liabilities are measured at fair value plus, in the case of a financial asset or financial liability not at fair value through the income statement, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets are classified into different categories defined in IFRS. Classification is not necessarily a free choice but is based on facts and circumstances and the intent of management at the date of purchase. The classification dictates how the financial assets are subsequently measured in the financial statements. The following represents the four categories of financial assets (and subsequent measurement):

- Financial assets at fair value through income statement (recognised at fair value);
- Held-to-maturity investments (recognised at amortised cost using the effective interest rate method);
- Loans and receivables (recognised at amortised cost using the effective interest rate method); and
- Available-for-sale (recognised at fair value) with changes in fair value added directly to equity net of income taxes.

Most financial assets, subsequent to initial recognition, are re-measured to fair value at each balance sheet date under IFRS. There are two classes of assets that are carried at amortised cost subject to a test for impairment (i.e. loans and receivables and held-to-maturity investments). There is also an exception to the fair value measurement requirement for investments in equity instruments that do not have a quoted market price in an active market that cannot be reliably measured and for derivatives that are linked to and must be settled by delivery of such unquoted equity instruments. These instruments are measured at cost, subject to a test for impairment. This exception is expected to be used rarely, in most cases an entity will be able to reliably measure the fair value of unquoted equity instruments and derivatives on them. Equity investments, which by nature are not held to maturity would have to be revalued to be stated at fair value.

3. Loans and Advances

Under Nigerian GAAP, loans and advances are measured at cost net of provisions for bad and doubtful debts. A specific risk allowance is established to provide for management's estimate of credit losses as soon as the recovery of an exposure is identified as doubtful. This allowance is determined in accordance with the Central Bank of Nigeria's Prudential Guidelines from a specific assessment of each customer's account that is not performing in line with the terms of the related facility. The basis is as follows:

Interest and/or principal outstanding over	Classification	Provision required
90 days but less than 180 days	Substandard	10.0%
180 but less than 360 days	Doubtful	50.0%
360 days	Lost	100.0%

A general provision of at least 1.0 per cent., is made on all risk assets, which have not been specifically provided.

For a credit exposure where principal is due and unpaid for over 6 months (which should be provided for at 100.0 per cent.) but which has a perfected legal charge over a tangible property, allowance should take into account 50.0 per cent, of the net realisable value of the security. However, if the facility is due and unpaid for over 1 year, no consideration is made for the pledged security.

Where a loan is deemed not collectible it is written off against the related risk allowance previously established and subsequent recoveries are credited to the income statement on a cash basis.

Under IFRS, loans and advances are classified as loans and receivables, which are stated at amortised cost using the effective interest rate method, or are classified upon initial recognition as; held for trading; fair value through the income statement or available for sale in which case the fair value is assessed on an annual basis.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period using the effective interest rate.

Under IFRS, impairment of financial assets should be assessed for different categories of financial assets as the measurement of impairment losses differences between financial assets carried at amortised cost, financial assets carried at cost (rare exceptions) and available-for-sale financial assets. A financial asset measured at amortised cost (e.g. loans and receivables and held-to-maturity investments) is impaired when its carrying value exceeds the present value of the future cash flows discounted at the financial asset's original effective interest rate. A financial asset carried at fair value through profit and loss does not give rise to any impairment issues as diminution in value due to impairment is already reflected in the fair value and, hence, in profit or loss. It follows therefore that impairment issues are only relevant to financial assets carried at amortised cost and available-for-sale financial assets whose fair value changes are recognised in equity.

An entity is required under IFRS to carry out an impairment review of its financial assets at each balance sheet date to determine whether there is objective evidence of impairment. If there is such evidence, the entity should measure and record the impairment loss in the reporting period.

An impairment loss can only be accounted for if there is objective evidence that a loss event has occurred after the initial recognition but before the balance sheet date and the loss event has an impact on the estimated future cash flows of the loan that can be reliably estimated. IFRS also allows for the creation of impairment allowance for incurred but not reported losses in order to provide latent losses in a portfolio of loans that have not yet been individually identified as impaired.

General allowance are not allowed under IFRS, they are replaced with portfolio impairment, based on historical probability of default ("PD") and loss given defaults ("LGD"), with additional allowance for specifically identified loss events which have incurred. Accordingly, amounts that an entity might want to set aside for additional possible impairment in financial assets, such as reserves that cannot be supported by objective evidence about impairment, are not recognised as impairment or bad debt losses under IFRS. Impairment loss is made using the incurred loss method and any shortfall to regulatory requirements is accounted for in a statutory credit risk reserve as a separate component of equity.

Impairment losses incurred on loans and receivables or held-to-maturity investments carried at amortised costs are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in the income statement.

Impairments recorded on assets carried at amortised cost may be reversed in subsequent periods if specific criteria are met. The reversal of the impairment shall not result in the financial asset being carried at a value in excess of what the amortised cost would have been at the date the impairment is reversed. The reversal is recognised in profit or loss.

Reversals of impairments on available for sale debt securities are treated in a similar way as those for assets carried at amortised cost. The impairment is reversed if the fair value or recoverable amount increases and the increase can be related to an observable event occurring after the impairment loss was recognised. The reversal of impairment, up to the value originally recognised, is recorded in the income statement. Impairment losses recognised in profit or loss for an available for sale equity security cannot be reversed through profit or loss.

4. Property and equipment

Software

Under Nigerian GAAP, software is treated as an item of fixed assets. Under IFRS, software is accounted for as intangible assets, unless it is an integral part of the hardware in which case such software should be treated as tangible assets under IAS16 Property, Plant and equipment.

Land and Buildings

In Nigeria, The Land Use Act Cap L5 LFN 2004 ("the Act") vested the ownership of land in various tiers of governments. Individual and corporate entities are provided the land for use under a 99-year lease arrangement. These types of land are called leasehold land. All lands acquired before the Act came into effect are held as freehold.

Under Nigerian GAAP, land and buildings including leasehold lands are classified as fixed assets. IFRS requires that the land and building components should be evaluated separately for the purpose of lease classification. IFRS generally requires that leasehold land should be classified as an operating lease unless title is expected to pass to the lessee at the end of the lease term.

Under Nigerian GAAP, no depreciation is charged until the assets are put into use. IFRS requires an entity to start depreciating an asset when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating manner intended by management. Therefore, depreciation should commence when available for use and continue even if there is no usage.

5. Other Assets

The Central Bank of Nigeria's Prudential Guidelines and Nigerian GAAP describe "Other Assets" as those items (of various descriptions) not separately shown on the face of the balance sheet. Loss allowance are made for such items as follows:

Sub-standard

Cheques purchased and uncleared effects (i.e. cheques sent for clearing) outstanding after the specified clearing period; Fraud cases of up to 6 months old; Inter-branch items of between 2 to 3 months; All other intangible Other Assets accounts existing in the books for up to 3 months; and receivables due but outstanding over 3 to 6 months.

A minimum provision of 10.0 per cent., is made for items classified as sub-standard.

Doubtful

Cheques purchased and uncleared effects (i.e. cheques sent for clearing) outstanding for between 3-6 months; Fraud cases of up to 6 to 12 months old; Inter-branch items of between 3 to 6 months; All other intangible other assets accounts existing in the books for between 6 to 12 months, and receivables due but outstanding over 6 to 12 months (reasonable judgment is applied).

A minimum provision of 50.0 per cent., is made for items classified as doubtful.

Loss

Cheques purchased and uncleared effects (i.e. cheques sent for clearing) outstanding over 6 months old; Fraud cases over 12 months old; Inter-branch items over 6 months old; All other intangible other assets accounts existing in the books over 6 months old; and receivables due but outstanding over 6 months old (reasonable judgment is applied).

A minimum provision of 100.0 per cent., is made for "Other Assets" items classified as lost or unsubstantiated (such as unsubstantiated prepayments etc.).

Under IFRS, specific assessment of impairment is carried out on each asset category on an incurred loss basis and an impairment allowance is made. Refer to "Loans and Advances" above for a discussion of the impairment considerations under IFRS.

6. Income Recognition

Under Nigerian GAAP, the basis of income recognition is provided as follows:

- Interest income is recognised on an accrual basis over the life of the credit, except for interests on non-performing credit facilities, which are overdue by more than 90 days, which are suspended and subsequently recognised on a cash basis;
- Non-credit related fee income charged to customers for services rendered is recognised at the time the service or transaction is considered substantially completed;
- Credit relate fee income where material (considered material, if at least 10.0 per cent., of projected average annual yield of the facility) is systematically spread over the lifespan of the facility or otherwise credited to income on occurrence;

- Commissions and fees charged to customers for services rendered are recognised at the time the transaction is effected; and
- Investment income is recognised on an accrual basis and credited to the income statement.

Substantial directly related (origination) costs are deducted from related fee income before deferral and amortised over the lifespan of the facility.

Under IFRS, interest income is recognised 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, when appropriate a shorter period to the net carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of effective interest rate includes all fees and points paid or received (fees and commission), transaction costs and discounts or premiums that are an integral part of the effective interest rate. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

7. Extraordinary income/ exceptional items

Under Nigerian GAAP, extraordinary items are reported separately in the appropriate section of the income statement, net of their taxes. Such taxes, where material, are disclosed in the notes to the accounts.

Exceptional items are separately reported as part of ordinary activities. IFRS prohibits the disclosure of “extraordinary items” in financial statements either in the face of the income statement or in the notes.

8. Employee benefits

Pension and retirement benefits

Under Nigerian GAAP, retirement benefit costs are accrued and charged to the income statement as incurred. Past service costs arising from modification of existing retirement benefit schemes are deferred and charged to the income statement over a maximum period of five years beginning with the year in which the modification is made.

Retirement benefit costs are split into current costs and past service costs.

Under IFRS, an entity classifies retirement plans as either defined contribution or defined benefit plans. A defined contribution plan is a post-employment benefit plan whereby an employer pays fixed contributions into a separate entity (fund) and has no legal or constructive obligation to pay further contributions. All other plans are classified as defined benefit plans.

If classified as a defined benefit plan, the net obligation in respect of defined pension plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. That benefit is then discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet on AAA credit rated bonds that have maturity dates approximating to the terms of a company’s obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to the past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

INDEX TO FINANCIAL STATEMENTS OF THE BANK AND THE ISSUER

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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 balance sheet as at 29 February 2008, the consolidated income statement, the statement of recognized income and expense, the consolidated cash flow statement for the year then ended and notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages 1 to 72.

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 and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the financial position of Guaranty Trust Bank Plc and its subsidiaries ("the Group") as at 29 February 2008 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(b) to the consolidated financial statements.

KPMG

4 June 2008
Lagos, Nigeria

Consolidated balance sheet

As at 29 February

In thousands of Nigerian Naira	*Notes*	2008	2007
Assets			
Cash and cash equivalents	4, 18	110,594,499	112,321,378
Trading assets	7, 19	156,880,152	8,663,110
Pledged assets	7, 20	91,128,364	55,532,740
Derivative assets held for risk management	7, 11	2,332,281	-
Loans and advances to banks	4, 7, 21	8,166	105,710
Loans and advances to customers	4, 7, 22	291,341,275	116,843,027
Investment securities	4, 7, 23	9,923,743	132,632,773
Trading properties under development	24	12,062,730	-
Property and equipment	25	29,582,942	17,647,141
Intangible assets	26	2,091,238	1,501,292
Deferred tax assets	27	20,649	49,874
Other assets	28	26,687,388	31,535,276
Total assets		732,653,427	476,832,321
Liabilities			
Deposits from banks	4, 7, 29	75,655,473	34,259,548
Deposits from customers	4, 7, 30	373,727,004	309,167,352
Debt securities issued	4, 7, 31	40,698,171	44,967,782
Current tax liabilities		5,851,198	3,486,165
Deferred tax liabilities	27	1,992,477	-
Other liabilities	32	57,675,150	22,218,429
Other borrowed funds	4, 7, 33	15,401,436	13,380,054
Total liabilities		571,000,909	427,479,330
Equity			
Share capital and share premium	35	125,916,273	25,391,928
Retained earnings	35	4,300,755	2,150,460
Other reserves		28,100,415	19,149,072
Total equity attributable to equity holders of the Bank		158,317,443	46,691,460
Minority interest	35	3,335,075	2,661,531
Total equity		161,652,518	49,352,991
Total liabilities and equity		732,653,427	476,832,321

The notes on pages 5 to 72 are an integral part of these consolidated financial statements.

Consolidated income statement

For the year ended 29 February

In thousands of Nigerian Naira	*Note*	2008	2007
Interest income	8	54,167,811	32,305,655
Interest expense	8	(18,804,917)	(12,940,938)
Net interest income		35,362,894	19,364,717
Fee and commission income	9	17,755,661	13,584,375
Net trading income	10	6,085,959	1,650,488
Net gain from derivative financial instruments at fair value	11	2,332,281	-
Other operating (expenses)/income	12	(1,305,114)	803,152
Premium from insurance contracts		1,851,440	1,067,486
Premium ceded to re-insurers		(681,388)	(456,470)
		26,038,839	16,649,031
Operating income		61,401,733	36,013,748
Net impairment loss on financial assets	13	(1,526,685)	(1,073,584)
Personnel expenses	14	(11,064,478)	(6,122,701)
Claims and benefits incurred on insurance contracts		(362,741)	(118,443)
Depreciation and amortisation		(3,644,466)	(2,272,769)
Other operating expenses	15	(17,657,939)	(11,794,748)
Profit before income tax		27,145,424	14,631,503
Income tax expense	16	(6,454,919)	(2,124,410)
Profit for the period		20,690,505	12,507,093
Attributable to:			
Equity holders of the Bank		20,321,475	12,306,386
Minority interest		369,030	200,707
		20,690,505	**12,507,093**
Basic earnings per share (Naira)	17	**1.63**	**1.23**

The notes on pages 5 to 72 are an integral part of these consolidated financial statements.

Consolidated statement of recognised income and expense

For the year ended 29 February *In thousand of Nigerian Naira*	***Note***	**2008**	**2007**
Foreign currency translation differences for foreign operations		(296,604)	(47,926)
Net change in fair value of available for sale investments recognised in equity		(116,398)	(2,910,768)
Taxation on items recognised directly in equity	27	34,919	1,266,969
Other		-	(76,484)
Income and expense recognised directly in equity		(378,083)	(1,768,209)
Profit for the period		20,690,505	12,507,093
Total recognised income and expense for the period	35	20,312,422	10,738,884
Attributable to:			
Equity holders of the Bank		19,943,392	10,538,177
Minority interest		369,030	200,707
Total recognised income and expense for the period		20,312,422	10,738,884

The notes on pages 5 to 72 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows
For the year ended 29 February

In thousand of Naira	*Note*	2008	2007
Cash flows from operating activities			
Profit for the period		20,690,505	12,507,093
Adjustments for:			
Depreciation of property and equipment and amortisation	*25, 26*	3,644,466	2,272,769
(Gain)/loss on disposal of property and equipment		(82,410)	(35,332)
Impairment on financial assets		1,526,685	1,073,584
Foreign exchange gains	*12*	1,646,591	-
Income tax expense	*16*	6,454,919	2,124,410
		33,880,756	17,942,524
Change in trading assets		(149,910,193)	(8,663,110)
Change in pledged assets		(35,595,624)	(21,845,589)
Change in assets held for risk management		(2,332,281)	-
Change in loans and advances to banks and customers		(175,927,389)	(32,504,666)
Change in other assets		4,887,832	(10,281,583)
Change in deposits from banks		41,395,925	23,302,544
Change in deposits from customers		64,559,652	80,780,975
Change in other liabilities		34,262,906	11,246,876
		(184,778,416)	59,977,971
Interest and dividends received		338,762	69,727
Income tax paid		(2,103,103)	(1,272,826)
Net cash provided by/(used in) operating activities		(186,542,757)	58,774,872
Cash flows from investing activities			
Net sale/(purchase) of investment securities		122,370,268	(40,935,104)
Finance lease repayments		(194,690)	-
Purchase of property and equipment	*25*	(15,438,239)	(9,378,352)
Proceeds from the sale of property and equipment		356,837	88,394
Purchase of intangible assets	*26*	(1,112,959)	(1,311,889)
Purchase of trading properties under development	*24*	(12,062,730)	-
Net cash provided by/(used in) investing activities		93,918,487	(51,536,951)
Cash flows from financing activities			
Increase in debt securities issued	31	(4,269,611)	44,967,782
Repayment of long term borrowings		(979,617)	(512,983)
Increase in long term borrowings		4,154,686	4,528,997
Net proceeds from issue of GDR		99,524,345	-
Purchase of own shares net of exercise of share options	*35*	(719,134)	70,887
Dividends paid	*35*	(7,122,620)	(6,200,000)
Increase in minority interest		304,514	2,252,347
Net cash provided by/(used in) financing activities		90,892,563	45,107,030
Net increase / (decrease) in cash and cash equivalents		(1,731,707)	52,344,951
Cash and cash equivalents at 1 March		112,321,378	60,034,166
Effect of exchange rate fluctuations on cash held		4,828	(57,739)
Cash and cash equivalents at 29 February	18	110,594,499	112,321,378

The notes on pages 5 to 72 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 of the Bank for the year ended 29 February 2008 comprise the Bank and its subsidiaries (together referred to as "the Group"). The Group is primarily involved in investment, corporate and retail banking, mortgage finance, insurance and asset management services.

2 Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). 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).

The financial statements were authorised for issue by the directors on 4 June 2008.

(b) Functional and presentation currency

The financial statements are presented in Nigerian Naira which is the Bank's functional currency. Except as indicated, financial information presented in Naira has been rounded to the nearest thousand.

(c) Basis of measurement

These consolidated financial statements are prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value
- 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.

Notes to the consolidated financial statements

(d) Use of estimates and judgements

The preparation of financial statements 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.

In particular, 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 note (5). Judgements made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment are discussed in note (5).

3 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.

(ii) Special purpose entities

Special purpose entities are entities that are created to accomplish a narrow and well-defined objective such as the execution of specific borrowings or lending transactions or the provision of certain benefits to employees. The financial statements of special purpose entities are included in the Group's consolidated financial statements, where the substance of the relationship is that the Group controls the special purpose entity.

Notes to the consolidated financial statements

(iii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses 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 to 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 the exchange rates 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, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. 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.

Foreign currency differences are recognised directly in equity. Since 1 March 2004, the Group's date of transition to IFRS, such differences have been recognised in the foreign currency translation reserve. 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.

(c) Interest

Interest income and expense are recognised in the income statement 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. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received, 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.

Notes to the consolidated financial statements

Interest income and expense presented in the income statement include:

interest on financial assets and liabilities at amortised cost on an effective interest rate basis
interest on available-for-sale investment securities on an effective interest basis

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Fair value changes on other financial assets and liabilities carried at fair value through profit or loss, are presented in trading income in the income statement.

(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, interest, dividends and foreign exchange differences.

(g) Dividends

Dividend income is recognised when the right to receive income is established. Dividends 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.

Notes to the consolidated financial statements

(h) Lease payments made

Payments made under operating leases are recognised in the income statement 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.

(i) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet 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 are recognised at the same time as the liability to pay the related dividend is recognised.

(j) 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 the income statement) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Notes to the consolidated financial statements

(ii) 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 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 balance sheet, but retains either all 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 balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

In transactions where 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 also derecognises certain assets when it charges off balances pertaining to the assets deemed to be uncollectible.

(iii) Offsetting

Financial assets and liabilities are set off and the net amount presented in the balance sheet 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 by accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(iv) Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') remain on the balance sheet; 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 loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

Notes to the consolidated financial statements

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.

(v) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which value of 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.

(vi) Fair value measurement

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments, fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments. For these common and more simple financial instruments, inputs into models are market observable.

For more complex financial instruments which are not traded in an active markets, the value produced by a model or other valuation technique is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Valuation adjustments are recorded to allow for model risks, bid-ask spreads, liquidity risks, as well as other factors. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value on the balance sheet.

(vii) Identification and measurement of impairment

At each balance sheet date the Group assesses whether there is objective evidence that financial assets not carried at fair value through the income statement 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.

Notes to the consolidated financial statements

The Group considers evidence of impairment at both a specific asset and collective level. Assets showing signs of deterioration are assessed for individual impairment. All significant assets 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 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 the income statement 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 directly in equity.

(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

Notes to the consolidated financial statements

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 balance sheet.

(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 balance sheet with transaction costs taken directly to the income statement. All changes in fair value are recognised as part of net trading income in the income statement. Trading assets and liabilities are not reclassified subsequent to their initial recognition.

(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 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.

(o) Investment securities

Investment securities are initially measured at fair value 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.

Notes to the consolidated financial statements

(ii) 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 the income statement using the effective interest method. Dividend income is recognised in the income statement 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 equity until the investment is sold or impaired and the balance in equity is recognised in profit or loss.

(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 and liabilities. Derivatives held for risk management purposes are measured at fair value in the balance sheet.

These non trading derivatives are carried at fair value and the changes in its fair value are recognised in profit or loss as a separate component of net income on other financial instruments carried at fair value.

(q) Trading properties under development

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 costs of the day-to-day servicing of property and equipment are recognised in the income statement as incurred.

(iii) Depreciation

Depreciation is charged to the income statement 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 are depreciated over the shorter of the lease term and

Notes to the consolidated financial statements

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 corresponding periods are as follows:

Leasehold improvements	Over the shorter of the useful life of the item or lease period.
Buildings	50 years
Computer hardware	3 years
Furniture and equipment	5 years
Motor vehicles	4 years
Other transportation equipment	10 years

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 the income statement in the year the asset is derecognised.

(s) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries.

Acquisitions prior to 1 March 2004

As part of its transition to IFRSs, the Group elected to restate only those business combinations that occurred on or after 1 March 2004, its date of transition to IFRSs. In respect of acquisitions prior to 1 March 2004, goodwill represents the amount recognised under the Group's previous accounting framework, Nigerian GAAP.

Acquisitions on or after 1 March 2004

For acquisitions on or after 1 March 2004, 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 minority interests

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

Notes to the consolidated financial statements

(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 the income statement 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 balance sheet.

(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 the income statement. 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.

Notes to the consolidated financial statements

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. Recoveries of impairment losses are written back to the income statement.

(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, debt securities issued and subordinated liabilities 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.

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.

Notes to the consolidated financial statements

(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 plans are recognised as an expense in the profit or loss when they are due.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit 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 balance sheet 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 income statement.

(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.

(z) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

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.

Notes to the consolidated financial statements

(aa) Share-based payment transactions

The Bank operates 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 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.

(ab)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 in the period in which they are paid or, if earlier, 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.

(ac) 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. Adjusted EPS is determined by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares adjusted for the bonus shares issued.

(ad) Fiduciary activities

The Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group. The Group earns fees for the provision of this service.

(ae) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to

Notes to the consolidated financial statements

risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on geographic and business segments.

(af) 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 29 February 2008, and have not been applied in preparing these consolidated financial statements:

- IAS- 1 *Presentation of Financial Statements* is a revised standard applicable to annual periods beginning on 1 January 2009. The amendments affect the presentation of owner changes in equity and of comprehensive income. They do not change the recognition, measurement or disclosure of specific transactions and events required by other standards.

- An amendment to IFRS 2 *Share-based Payments* was issued in January 2008 that clarifies that vesting conditions are service conditions and performance conditions only. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment, which results in the acceleration of charge. The Group is considering the implications of the amendment, particularly to the Staff Investment Trust Scheme, and any resulting change in accounting policy would be accounted for in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* in 2009.

- IFRS 3- *Business Combinations and IAS 27- Consolidated and Separate Financial Statements* are revised standards issued in January 2008. The revised IFRS 3 applies prospectively to business combinations first accounted for in accounting periods beginning on or after 1 July 2009 and the amendments to IAS 27 apply to periods beginning on or after 1 July 2009. The main changes in existing practice resulting from the revision to IFRS 3 affect acquisitions that are achieved in stages and acquisitions where less than 100% of the acquiree is acquired. In addition, acquisition related costs- such as fees paid to advisers- must be accounted for separately from the business combination, which means that they will be recognised as expenses unless they are directly connected with the issue of debt or equity securities. The revisions to IAS 27 specify that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. This is not expected to have any effect on the consolidated financial statements.

- IFRS 8- *Operating Segments* was issued in November 2006 and would first be required to be applied to Group accounting period beginning on 1 January 2009. The standard replaces IAS 14- *Segmental Reporting* and would align operating segmental reporting with segments reported to senior management as well as requiring amendments and additions to the existing segmental reporting disclosures. The standard does not change the recognition, measurement or disclosure of specific transactions in the consolidated financial statements. This is not expected to have any effect on the consolidated financial statements.

- IAS 23- *Borrowing Costs* is a revised standard applicable to annual periods beginning on 1 January 2009. The revision removes the option not to capitalise borrowing costs on

Notes to the consolidated financial statements

qualifying assets that take a substantial period of time to get ready for their intended use or sale. This is not expected to have any effect on the consolidated financial statements.

- Amendments to IAS 32 *Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements* were issued in February 2008 that require some puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. The amendments, which are applicable to annual periods beginning on 1 January 2009, will not impact the consolidated financial statements.

- IFRIC 12 *Service Concession Arrangements* was issued on 30 November 2006 and is effective for annual periods beginning on or after 1 January 2008. IFRIC 12 provides guidance on service concession arrangements by which a government or other public sector entity grants contracts for the supply of public services to private sector operators. IFRIC 12 addresses how service concession operators should apply existing IFRSs to account for the obligations they receive in service concession arrangements. This is not expected to have any effect on the consolidated financial statements.

- IFRIC 13**-** *Customer Loyalty Programs* addresses accounting by entities that grant loyalty award credits to customers who buy other goods or services. It requires entities to allocate some of the proceeds of the initial sale to the award credits and recognise these proceeds as revenue only when they have fulfilled their obligations. This is not expected to have any effect on the consolidated financial statements.

- IFRIC14 *IAS 19 - Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* was issued on 5 July 2007 and is effective for annual periods beginning on or after 1 January 2008. IFRIC 14 provides guidance regarding the circumstances under which refunds and future reductions in contributions from a defined benefit plan can be regarded as available to an entity for the purpose of recognising a net defined benefit asset. Additionally, in jurisdictions where there is both a minimum funding requirement and restrictions over the amounts that companies can recover from the plan, either as refunds or reductions in contributions, additional liabilities may need to be recognised. The Group is currently assessing the effect of this interpretation on the consolidated financial statements.

Notes to the consolidated financial statements

4. 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 and report regularly to the Board of Directors on their activities.

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

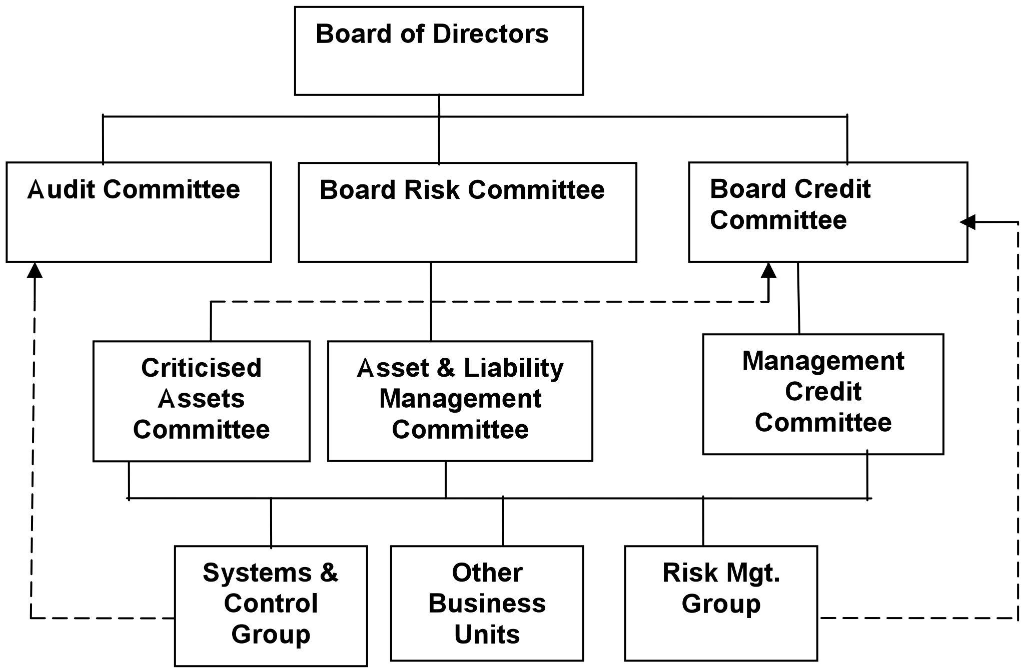
Notes to the consolidated financial statements

- Asset and Liability Management Committee (ALMAC)
- IT Steering Committee
- Other Ad-hoc Committees

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. Membership of all committees includes senior management staff of the Bank.

The Risk Management Organogram of the Bank is as follows:



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. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. 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.

Notes to the consolidated financial statements

The Group Audit Committee is responsible for monitoring compliance with the Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in these functions by Internal Audit. 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.

(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 will continue to focus attention on intrinsic and concentration risks inherent in its business to manage the Group's portfolio risk. It will set portfolio concentration limits to be measured under the following parameters: concentration limits per obligor, industry, sector, rating grade and geographical area. Sector limits will reflect the risk appetite of the Bank.

The Group will drive 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.

Notes to the consolidated financial statements

Financial risk management (continued)

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:

- *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 gradings* 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.

Notes to the consolidated financial statements

Financial risk management (continued)
Credit risk (continued)
Exposure to credit risk

		Loans and advances to customers		Loans and advances to banks		Investment securities	
In thousands of Nigerian Naira	***Note***	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Carrying amount	21, 22, 23	291,341,275	116,843,027	8,166	105,710	9,923,743	132,632,773
Individually impaired							
Grade 6: Impaired		406,584	918,351	90,212	-	-	25,500
Gross amount		406,584	918,351	90,212	-	-	25,500
Allowance for impairment		(382,332)	(826,743)	(90,212)	-	-	(25,500)
Carrying amount		24,252	91,608	-	-	-	-
Collectively impaired							
Grade 1-3: Low-fair risk		268,750,031	75,776,186	8,244	106,076	-	-
Grade 4-5: Watch list		3,262,117	1,350,264	-	-	-	-
Gross amount		272,012,148	77,126,450	8,244	106,076	-	-
Allowance for impairment		(1,475,363)	(562,778)	(78)	(366)	-	-
Carrying amount		270,536,785	76,563,672	8,166	105,710	-	-
Past due but not impaired							
Grade 1-3: Low-fair risk		272,079	23,238	-	-	-	-
Carrying amount		272,079	23,238	-	-	-	-
Past due comprises:							
90 -180 days		216,467	23,238	-	-	-	-
180 days +		55,612	-	-	-	-	-
Carrying amount		272,079	23,238	-	-	-	-
Neither past due nor impaired							
Grade 1-3: Low-fair risk		20,508,159	40,164,509	-	-	9,923,743	132,632,773
Carrying amount		20,508,159	40,164,509	-	-	9,923,743	132,632,773
Total carrying amount		291,341,275	116,843,027	8,166	105,710	9,923,743	132,632,773

Notes to the consolidated financial statements

Financial risk management (continued)
Credit risk (continued)

(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.

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 Credit 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.

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 banks**		**Investment securities**	
In thousands of Nigerian Naira	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
28 February 2008						
Grade 6: Individually impaired	406,584	24,252	90,212	-	-	-
Total	406,584	24,252	90,212	-	-	-
28 February 2007						
Grade 6: Individually impaired	918,351	91,608	-	-	25,500	-
Total	918,351	91,608	-	-	25,500	-

Notes to the consolidated financial statements

Financial risk management (continued)

(v) Credit collateral

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. 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 usually is not held against investment securities, and no such collateral was held at 29 February 2008 or 2007.

An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below:

	Loans and advances to customers		Loans and advances to Banks	
In thousands of Nigerian Naira	**2008**	**2007**	**2008**	**2007**
Against individually impaired	5,070,411	182,800	-	-
Against collectively impaired	698,941,744	274,635,806	18,656	-
Against past due but not impaired	2,109,219	189,858	-	-
Against neither past due nor impaired	206,492,784	230,503,699	-	-
Total	912,614,158	505,512,163	18,656	-

Notes to the consolidated financial statements

Financial risk management (continued)
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		2008	2007	2008	2007	2008	2007
Carrying amount	21, 22, 23	291,341,275	116,843,027	8,166	105,710	9,923,743	132,632,773
Concentration by sector							
Corporate		135,485,882	74,217,537	-	-	-	-
Commercial		113,684,377	38,442,567	-	-	9,923,743	132,632,773
Bank		-	-	8,166	105,710	-	-
Retail		42,171,016	4,182,923	-	-	-	-
Equity		-	-	-	-	-	-
		291,341,275	116,843,027	8,166	105,710	9,923,743	132,632,773
Concentration by location							
Nigeria		286,294,616	114,702,945	8,166	105,710	7,756,082	130,627,420
Rest of West Africa		5,046,659	2,140,082	-	-	2,167,661	2,005,353
		291,341,275	116,843,027	8,166	105,710	9,923,743	132,632,773

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.

4 (c) Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities.

(i) Management of liquidity risk
The Group's approach to managing liquidity is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Group's reputation.

- 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%.

Notes to the consolidated financial statements

Financial risk management (continued)

(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 Group'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:

	2008	**2007**
At 29 February	62.37%	70.0%
Average for the period	71.0%	69.0%
Maximum for the period	90.1%	78.0%
Minimum for the period	58.1%	58.0%

Notes to the consolidated financial statements

Financial risk management (continued)

The table shows the undiscounted cash flows on the Group's financial 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 liabilities

In thousands of Nigerian Naira	***Note***	**Carrying amount**	**Gross nominal inflow / (outflow)**	**Less than 1 month**	**1-3 months**	**3 months to 1 year**	**1-5 years**	**More than 5 years**
29 February 2008								
Non-derivative liabilities								
Deposits from banks	29	75,655,473	74,872,955	74,872,955	-	-	-	-
Deposits from customers	30	373,727,004	364,640,899	354,223,012	4,972,486	5,323,815	121,586	-
Debt securities issued	31	40,698,171	40,960,500	-		-	40,960,500	-
Other borrowed funds	33	15,401,436	15,182,076	-	-	2,340,600	8,550,376	4,291,100
		505,482,084	495,656,430	429,095,967	4,972,486	7,664,415	49,632,462	4,291,100
28 February 2007								
Non-derivative liabilities								
Deposits from banks	29	34,259,548	34,206,118	34,206,118	-	-	-	-
Deposits from customers	30	309,167,352	294,545,903	289,703,019	4,789,403	53,481	-	-
Debt securities issued	31	44,967,782	44,886,048	-	-	-	44,886,048	-
Other borrowed funds	33	13,380,054	13,177,322	-	-	513,100	3,045,835	9,618,387
		401,774,736	386,815,391	323,909,137	4,789,403	566,581	47,931,883	9,618,387

Notes to the consolidated financial statements

Financial risk management (continued)

4(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.

4(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 mainly are 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 ALMAC. Group Risk Management unit is responsible for the development of detailed risk management policies (subject to review and approval by ALMAC) 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 to.

Exposure to interest rate risk – 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 non-trading portfolios is as follows:

Notes to the consolidated financial statements Financial risk management (continued)
Market risks

			Repricing period				
In thousands of naira	*Note*	Carrying` amount	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years
29 February 2008							
Cash and cash equivalents	18	110,594,499	110,594,499	-	-	-	-
Pledged assets	20	91,128,364	55,243,820	12,771,847	23,112,697	-	-
Derivative assets held for risk management	11	2,332,281	-	-	-	2,332,281	-
Loans and advances to banks	21	8,166	8,166	-	-	-	-
Loans and advances to customers	21	291,341,275	75,602,516	57,447,228	68,179,198	76,942,958	13,169,375
Investment Securities	23	9,923,743	2,149,498	2,113,931	427,226	-	5,233,088
		505,328,328	243,598,499	72,333,006	91,719,121	79,275,239	18,402,463
Deposits from banks	29	(75,655,473)	(75,655,473)	-	-	-	-
Deposits from customers	30	(373, 727,004)	(372,662,554)	(1,064,344)	(106)	-	-
Debt securities issued	31	(40,698,171)	-	-	-	(40,698,171)	-
Other borrowed funds	33	(15,401,436)	-	-	(2,361,834)	(8,683,215)	(4,356,387)
		(505,482,084)	(448,318,027)	(1,064,344)	(2,361,940)	(49,381,386)	(4,356,387)
		(153,756)	(204,719,528)	71,268,662	89,357,181	29,893,853	14,046,076
28 February 2007							
Cash and cash equivalents	18	112,321,378	112,321,378	-	-	-	-
Pledged assets	20	55,532,740	55,532,740	-	-	-	-
Loans and advances to banks	21	105,710	105,710	-	-	-	-
Loans and advances to customers	21	116,843,027	36,546,072	11,969,991	37,342,983	28,775,040	2,208,941
Investment securities	23	132,632,773	104,961,087	-	1,034,007	26,637,679	-
		417,435,628	309,466,987	11,969,991	38,376,990	55,412,719	2,208,941
Deposits from banks	29	(34,259,548)	(34,259,548)	-	-	-	-
Deposits from customers	30	(309,167,352)	(309,044,516)	(116,807)	(6,029)	-	-
Debt securities issued	31	(44,967,782)	-	-	-	(44,967,782)	-
Other borrowed funds	33	(13,380,054)	-	-	(520,850)	(3,088,204)	(9,771,000)
		(401,774,736)	(343,304,064)	(116,807)	(526,879)	(48,055,986)	(9,771,000)
		15,660,892	(33,837,077)	11,853,184	37,850,111	7,356,733	(7,562,059)

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 Treasury and equity price risk is subject to regular monitoring by Group Risk, but is not currently significant in relation to the overall results and financial position of the Group.

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.

4(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 the reconciliation 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 the reporting of 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.

Notes to the consolidated financial statements

4(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.

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 minority interests after deductions for goodwill and intangible assets, and other regulatory 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.

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.

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-balance sheet 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 millions of naira	*Note*	**2008**	**2007**
Tier 1 capital			
Ordinary share capital	35	6,839,708	4,000,000
Share premium	35	119,076,565	21,391,928
Retained earnings	35	4,300,755	2,150,460
Other reserves		28,100,415	19,149,072
Minority interests	35	3,335,075	2,661,531
Shareholders' Fund		161,652,518	49,352,991
Add/(Less):			
Fair value reserve for available-for-sale securities		127,869	46,390
Intangible assets		(2,091,238)	(1,501,292)
Shareholders' Funds		159,689,149	47,898,089
Tier 2 capital			
Fair value reserve for available-for-sale securities		(127,869)	(46,390)
Collective allowances for impairment		1,475,441	563,143
Total		1,347,572	516,753
Total regulatory capital		161,036,721	48,414,842
Risk-weighted assets		582,644,956	247,209,252
Capital ratios			
Total regulatory capital expressed as a percentage of total risk-weighted assets		27.64%	19.58%
Total tier 1 capital expressed as a percentage of risk-weighted assets		27.41%	19.38%

Notes to the consolidated financial statements

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 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.

5 Use of estimates and judgements

These disclosures supplement the commentary on financial risk management (see note 4).

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 3(j)(vii).

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 claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, 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 these estimate future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

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 3(j)(vi). For financial instruments that trade infrequently and have little price transparency, fair value is less

Notes to the consolidated financial statements

objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

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:

- 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 3(m).
- In designating financial assets or liabilities at fair value through profit or loss, the Group has determined that it has met one of the criteria for this designation set out in accounting policy 3(j)(vi).
- 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 3(o)(i).

Details of the Group's classification of financial assets and liabilities are given in note 7.

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 impairments 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.

Notes to the consolidated financial statements

6. Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Business segments charge and earn interest among themselves on a transfer pricing arrangement to reflect the allocation of assets and liabilities.

Business Segments

The Group operates the following main business segments:

Corporate Banking **-**	Includes loans, deposits and other transactions and balances with corporate customers
Commercial Banking **-**	Includes loans, deposits and other transactions and balances with medium-sized companies
Retail Banking **-**	Includes loans, deposits and other transactions and balances with retail customers
Insurance **-**	Includes insurance transactions with individual and corporate customers

Geographical Segments

The Group operates in four geographic regions, being:

- Nigeria
- Rest of West Africa (comprising Ghana, Gambia and Sierra Leone)
- Europe

Notes to the consolidated financial statements

6 Segment reporting
Business reporting

2008

	Corporate	Retail	Commercial	Insurance	Total
	N'000	N'000	N'000	N'000	N'000
Revenue:					
Derived from external customers	43,751,112	21,041,379	12,689,136	2,725,023	80,206,650
Derived from other business segments	(7,278,508)	4,033,339	3,245,169	-	-
Total Revenue	**36,472,604**	**25,074,718**	**15,934,305**	**2,725,023**	**80,206,650**
Interest expenses	(10,249,680)	(5,192,545)	(3,343,321)	(19,371)	(18,804,917)
	26,222,924	**19,882,173**	**12,590,984**	**2,705,652**	**61,401,733**
Expense:					
Operating expenses	(6,116,294)	(16,774,967)	(4,796,915)	(1,396,982)	(29,085,158)
Loan loss expenses	(769,154)	(322,763)	(416,984)	(17,784)	(1,526,685)
Depreciation	(541,509)	(2,232,346)	(804,067)	(66,544)	(3,644,466)
Total Cost	**(7,426,957)**	**(19,330,076)**	**(6,017,966)**	**(1,481,310)**	**(34,256,309)**
Profit on Ordinary Activities before Taxation	**18,795,967**	**552,097**	**6,573,018**	**1,224,342**	**27,145,424**
Assets and Liabilities:					
Total assets	379,819,861	175,540,968	166,736,376	10,556,222	732,653,427
Total liabilities	(252,324,064)	(234,548,383)	(82,451,176)	(1,677,286)	(571,000,909)
Net Assets/ (Liabilities)	**127,495,797**	**(59,007,415)**	**84,285,200**	**8,878,936**	**161,652,518**

Notes to the consolidated financial statements

6 Segment reporting (contd)
Business reporting

2007

	Corporate	Retail	Commercial	Insurance	Total
	N'000	N'000	N'000	N'000	N'000
Revenue:					
Derived from external customers	14,519,986	23,375,457	9,546,747	1,512,496	48,954,686
Derived from other business segments	(200,697)	6,787	193,910	-	-
Total Revenue	**14,319,289**	**23,382,244**	**9,740,657**	**1,512,496**	**48,954,686**
Interest expenses	(3,853,504)	(6,406,251)	(2,681,183)	-	(12,940,938)
	10,465,785	**16,975,993**	**7,059,474**	**1,512,496**	**36,013,748**
Expense:					
Operating expenses	(2,233,211)	(11,953,025)	(2,774,667)	(1,074,989)	(18,035,892)
Loan loss expenses	(264,263)	(440,880)	(361,705)	(6,736)	(1,073,584)
Depreciation	(602,511)	(1,052,212)	(570,938)	(47,108)	(2,272,769)
Total Cost	**(3,099,985)**	**(13,446,117)**	**(3,707,310)**	**(1,128,833)**	**(21,382,245)**
Profit on Ordinary Activities before Taxation	**7,365,800**	**3,529,876**	**3,352,164**	**383,663**	**14,631,503**
Assets and Liabilities:					
Total assets	251,956,105	126,456,982	92,237,592	6,181,642	476,832,321
Total liabilities	(186,249,384)	(170,738,313)	(69,645,783)	(845,850)	(427,479,330)
Net Assets/ (Liabilities)	**65,706,721**	**(44,281,330)**	**22,591,808**	**5,335,792**	**49,352,991**

Notes to the consolidated financial statements

2008	**Nigeria**	**Rest of West Africa**	**Europe**	**Total**
Net interest income	34,674,865	652,590	35,439	35,362,894
Net fees and commission income	16,974,191	781,470	-	17,755,661
Net trading income	5,813,450	272,509	-	6,085,959
Other operating (expenses)/ income	(1,303,562)	(1,330)	(222)	(1,305,114)
Net income from other financial instruments at fair value	2,332,281			2,332,281
Premium from insurance contracts	1,851,440	-	-	1,851,440
Premium ceded to re-insurers	(681,388)	-	-	(681,388)
Operating income	59,661,277	1,705,239	35,217	61,401,733
Operating expense	(31,109,685)	(1,344,817)	(275,122)	(32,729,624)
Operating profit before impairment losses and taxation	28,551,592	360,422	(239,905)	28,672,109
Impairment losses on loans and advances and other risk assets	(1,437,926)	(88,759)	-	(1,526,685)
Profit before taxation	27,113,666	271,663	(239,905)	27,145,424
Loans and advances to customers	286,319,153	5,022,122	-	291,341,275
Loans and advances to banks	8,166	-	-	8,166
Debt securities issued	-	-	40,698,171	40,698,171
Other borrowed funds	15,410,436	-	-	15,410,436
Total assets employed	711,696,126	15,844,820	5,112,481	732,653,427
Capital expenditure	15,175,540	48,236	214,463	15,438,239

Notes to the consolidated financial statements

6 Segment reporting (contd)

2007	**Nigeria**	**Rest of West Africa**	**Europe**	**Total**
Net interest income	18,893,178	439,259	32,280	19,364,717
Net fees and commission income	13,208,803	375,572	-	13,584,375
Net trading income	1,515,223	135,265	-	1,650,488
Other operating income	803,152	-	-	803,152
Premium from insurance contracts	1,067,486	-	-	1,067,486
Premium ceded to re-insurers	(456,470)	-	-	(456,470)
Operating income	35,031,372	950,096	32,280	36,013,748
Operating expense	(19,348,667)	(956,944)	(3,050)	(20,308,661)
Operating profit before impairment losses and taxation	15,682,705	(6,848)	29,230	15,705,087
Impairment losses on loans and advances and other risk assets	(1,053,599)	(19,985)	-	(1,073,584)
Profit before taxation	14,629,106	(26,833)	29,230	14,631,503
Loans and advances to customers	114,707,428	2,135,599	-	116,843,027
Loans and advances to banks	105,710	-	-	105,710
Debt securities issued	-	-	44,967,782	44,967,782
Other borrowed funds	13,380,054	-	-	13,380,054
Total assets employed	423,092,208	8,501,779	45,238,334	476,832,321
Capital expenditure	8,901,794	476,558	-	9,378,352

Notes to the consolidated financial statements

7 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 and receivables	Available-for-sale	Amortised cost	Total carrying amount	Fair value
28 February 2008									
Cash and cash equivalents	18	-	-	-	110,594,499	-	-	110,594,499	110,594,499
Trading assets	19	156,880,152	-	-	-	-	-	156,880,152	156,880,152
Pledged assets	20	80,793,728	-	-	-	10,334,636	-	91,128,364	91,128,364
Derivative assets held for risk management	11	-	2,332,281	-	-	-	-	2,332,281	2,332,281
Loans and advances to banks	21	-	-	-	8,166	-	-	8,166	8,166
Loans and advances to customers	21	-	-	-	291,341,275	-	-	291,341,275	291,341,275
Investment securities	23	-	-	-	-	9,923,743	-	9,923,743	9,923,743
		237,673,880	2,332,281	-	401,943,940	20,258,379	-	662,208,480	662,208,408
Deposits from banks	29	-	-	-	-	-	75,655,473	75,655,473	75,655,473
Deposits from customers	30	-	-	-	-	-	373,727,004	373,727,004	373,727,004
Debt securities issued	31	-	-	-	-	-	40,698,171	40,698,171	39,150,046
Other borrowed funds	*32*	-	-	-	-	-	15,401,436	15,401,436	15,401,436
		-	-	-	-	-	505,482,084	505,482,084	503,933,959
28 February 2007									
Cash and cash equivalents	17	-	-	-	112,321,378	-	-	112,321,378	114,470,910
Trading assets	18	8,663,110	-	-	-	-	-	8,663,110	8,663,110
Pledged assets	19	-	-	-	-	55,532,740	-	55,532,740	55,532,740
Loans and advances to banks	20	-	-	-	105,710	-	-	105,710	109,259
Loans and advances to customers	21	-	-	-	116,843,027	-	-	116,843,027	119,726,086
Investment securities	*22*	-	-	-	-	132,632,773	-	132,632,773	132,632,773
		8,663,110	-	-	229,270,115	188,165,513	-	426,098,738	431,134,878
Deposits from banks	29	-	-	-	-	-	34,259,548	34,259,548	34,259,548
Deposits from customers	30	-	-	-	-	-	309,167,352	309,167,352	306,382,445
Debt securities issued	31	-	-	-	-	-	44,967,782	44,967,782	45,780,183
Other borrowed funds	*33*	-	-	-	-	-	13,380,054	13,380,054	13,443,320
		-	-	-	-	-	401,774,736	401,774,736	399,865,496

Notes to the consolidated financial statements

Accounting classification measurement basis and fair values (contd)
Fair value approximates carrying value due to the minimal credit losses and effect of changes in interest rates which reprices frequently. 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.

8 Net interest income

In thousands of Nigerian Naira	***Note***	**2008**	**2007**
Interest income			
Cash and cash equivalents		2,765,274	1,146,419
Loans and advances to banks and customers		35,153,659	16,417,012
Investment securities		16,248,878	14,742,224
Total interest income		54,167,811	32,305,655
Interest expense			
Deposits from banks		1,887,302	439,359
Deposits from customers		11,354,284	11,155,533
Securities trading		604,042	26,123
Other borrowed funds		1,195,206	1,006,258
Debt securities issued		3,764,083	313,665
Total interest expense		18,804,917	12,940,938
Net interest income		35,362,894	19,364,717

Interest income for the year ended 29 February 2008 includes ₦445,916,000 (2007: ₦429,328,000) accrued on impaired financial assets.

9 Fee and commission income

In thousands of Nigerian Naira	**2008**	**2007**
Fee and commission income		
Retail banking customer fees & commissions	2,998,960	2,055,307
Corporate banking credit related fees & commissions	4,580,359	3,812,180
Investment banking fees	524,446	660,384
Brokerage	137,073	1,174
Financial guarantee contracts issued	2,743,842	157,008
Other fees and charges	6,770,981	6,898,322
Total fee and commission income	17,755,661	13,584,375

Notes to the consolidated financial statements

Corporate banking credit related fees and commissions relate to fees charged to corporate and blue chip customers other than fees included in determining the effective interest rates relating to loans and advances carried at amortized costs.

10. Net trading income

In thousands of Nigerian Naira	*Note*	2008	2007
Fixed income		2,541,222	763,192
Treasury bills		505,405	-
Equities		1,142,699	5,147
Foreign exchange		1,896,633	882,149
Net trading income		6,085,959	1,650,488

11. Net gains from other financial instruments carried at fair value

In thousands of Nigerian Naira	*Note*	2008	2007
		2,332,281	-

Net gains from other financial instruments carried at fair value represents the gain arising from the revaluation to market value of the Bank's interest rate swap.

12. Other operating (expenses)/income

In thousands of Nigerian naira	2008	2007
Gain on sale of available-for-sale securities:		
Equities	-	801,869
Dividend income	338,762	69,727
Foreign exchange losses	(1,646,591)	(69,976)
Rental income	2,715	1,532
	(1,305,114)	803,152

13. Impairment charges

In thousands of Nigerian naira	2008	2007
Impairment charges on loans and advances	1,526,685	1,048,084
Impairment charges on available for sale assets	-	25,500
	1,526,685	1,073,584

Notes to the consolidated financial statements

14. Personnel expenses

In thousands of Nigerian Naira	*Note*	2008	2007
Wages and salaries		8,648,371	5,180,750
Contributions to defined contribution plans		309,025	196,439
Cash-settled share-based payments		359,987	79,367
Decrease in liability for defined benefit plans	34	(723,979)	(499,540)
Other staff cost		2,471,074	1,165,685
		11,064,478	6,122,701

Personnel expenses

Cash settled share-based payments

The Bank operates 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 balance sheet date is provided below:

	Shares
SARs granted to senior management employees at 29 February 2008	219,501
SARs granted to senior management employees at 28 February 2007	149,363

Personnel expenses (continued)

In thousands of Nigerian Naira	*Note*	2008	2007
Expense arising from SARs granted		2,471,074	1,165,684
Total expense recognised as employee costs		2,471,074	1,165,684
Total carrying amount of liabilities for cash-settled arrangements		4,157,103	1,686,029

15. Other operating expenses

In thousands of Nigerian Naira	*Note*	2008	2007
General administrative expenses		16,131,217	10,847,402
Premises and equipment expenses:			
- Operating lease rentals		434,009	246,952
- Other premises and equipment costs		1,092,713	700,394
		17,657,939	11,794,748

Notes to the consolidated financial statements

16. Income tax expense
Recognised in the income statement

In thousands of Nigerian Naira	*Note*	2008	2007
Current tax expense			
Current year		4,468,136	2,552,287
Adjustments for prior years		-	(967)
		4,468,136	2,551,320
Deferred tax expense			
Origination and reversal of temporary differences		1,986,783	(426,910)
Total income tax expense		6,454,919	2,124,410

Reconciliation of effective tax rate

In thousands of Nigerian Naira	2008	2008	2007	2007
Profit before income tax		27,145,424		14,631,503
Income tax using the domestic corporation tax rate	30.0%	8,143,627	30.0%	4,389,451
Effect of tax rates in foreign jurisdictions	0.0%	966	0.2%	21,626
Non-deductible expenses	1.8%	478,379	0.5%	68,070
Education tax levy	1.5%	406,067	1.9%	282,948
Tax exempt income	(9.7%)	(2,623,521)	(8.3%)	(1,219,846)
Tax incentives	0.0%	-	(4.6%)	(675,918)
Tax loss effect	0.2%	49,401	-	-
(Over)/under provided in prior years	-	-	(5.1%)	(741,921)
Total income tax expense in income statement	23.8%	6,454,919	14.6%	2,124,410

Income tax expense (continued)
Income tax recognised directly in equity

In thousands of Nigerian Naira	*Note*	2008	2007
Available-for-sale investment securities		34,919	1,266,969
		34,919	1,266,969

Notes to the consolidated financial statements

17. Basic earnings per share

The calculation of basic earnings per share at 29 February 2008 was based on the profit attributable to ordinary shareholders of ₦20,321,475,000 (2007: ₦12,306,386,000) and a weighted average number of ordinary shares outstanding of 12,452,944,000 (2007: 10,000,000,000), calculated as follows:

Weighted average number of ordinary shares

In millions of shares	**2008**	**2007**
Issued ordinary shares at 1 March	8,000	6,000
Effect of bonus issue	2,000	4,000
Effect of GDR issued	2,453	-
Weighted average number of ordinary shares at 29 February	12,453	10,000

Profit attributable to ordinary shareholders

In thousands of Nigerian Naira	**2008**	**2007**
Net profit for the period attributable to equity holders of the Bank	20,321,475	12,306,386

Number of ordinary shares

In millions of shares	**2008**	**2007**
Issued ordinary shares at 29 February	13,679	8,000

In July 2007, the Bank issued 80,000,000 units of Global Depository Receipt (GDR) to both foreign and local investors. The GDR was issued at $11.2 per GDR and 1 GDR is equivalent to 50 units of the Bank's ordinary shares. Foreign investors subscribed to a total of 46,248,313 units of GDR, while local investors subscribed to a total of 33,751,687 units of GDR. The net proceeds of ₦99,524,345,000 received by the Bank have been accounted in the reconciliation of movement in Capital and Reserves (See Note 35).

18. Cash and cash equivalents

In thousands of Nigerian Naira	**2008**	**2007**
Cash and balances with banks	40,293,985	37,012,056
Unrestricted balances with central banks	24,459,549	10,941,679
Money market placements	45,840,965	64,367,643
	110,594,499	112,321,378

Notes to the consolidated financial statements

19. Trading assets

In thousands of Nigerian Naira	**2008**	**2007**
Government bonds	101,993,512	8,459,056
Treasury bills	52,966,437	-
Equities	1,920,203	204,054
	156,880,152	8,663,110

20. Pledged assets

In thousands of Nigerian Naira	**2008**	**2007**
Treasury bills	84,818,764	48,133,821
Bonds	6,309,600	7,398,919
	91,128,364	55,532,740

Included in pledged assets are treasury bills of ₦72,704,989,000 (2007: ₦34,189,848,000) on repurchase agreements to secure inter-bank takings from other banks which have been included in deposits from banks in Note 29. These transactions have been conducted under terms that are usual and customary to standard lending and repurchase activities.

21. Loans and advances to banks

In thousands of Nigerian Naira	**2008**	**2007**
Loans and advances to banks	98,456	106,076
Less specific allowances for impairment	(90,212)	-
Less collective allowances for impairment	(78)	(366)
	8,166	105,710

22. Loans and advances to customers at amortised cost

In thousands of Nigerian Naira

2008

	Gross amount	**Specific Impairment**	**Portfolio Impairment**	**Total Impairment**	**Carrying Amount**
Loans to Individuals	1,866,801	-	-	-	1,866,801
Loans to corporate entities and other organizations	291,332,169	(382,332)	(1,475,363)	(1,857,695)	289,474,474
	293,198,970	(382,332)	(1,475,363)	(1,857,695)	291,341,275

Notes to the consolidated financial statements

Loans and advances to customers at amortised cost
In thousands of Nigerian Naira
2007

	Gross amount	Specific Impairment	Portfolio Impairment	Total Impairment	Carrying Amount
Loans to individuals	3,391,347	(58,866)	(25,283)	(84,149)	3,307,198
Loans to corporate entities and other organizations	114,841,201	(767,878)	(537,494)	(1,305,372)	113,535,829
	118,232,548	(826,744)	(562,777)	(1,389,521)	116,843,027

Impairment allowance on loans and advances to banks and customers

In thousands of naira	2008	2007
Balance at 1 March	1,389,887	1,446,769
Impairment loss for the year:		
-Charge for the year	1,823,868	1,572,999
-Recoveries	(297,183)	(524,915)
Net impairment for the year	1,526,685	1,048,084
Effect of foreign currency movements	(1,849)	(3,544)
Write-offs	(966,738)	(1,101,422)
Balance at 28 February	1,947,985	1,389,887

The impairment allowance on loans and advances to banks and customers is analysed as follows:

In thousands of Nigerian Naira **2008**	Loans &Advances to banks	Loans & Advances to customers	Total
Specific impairment	90,212	382,332	472,544
Portfolio impairment	78	1,475,363	1,475,441
Balance at 28 February 2007	90,290	1,857,695	1,947,985

In thousands of Nigerian Naira **2007**	Loans &Advances to banks	Loans & Advances to customers	Total
Specific impairment	-	826,744	826,744
Portfolio impairment	366	562,777	563,143
Balance at 28 February 2007	366	1,389,521	1,389,887

Notes to the consolidated financial statements

23. Investment securities

In thousands of Nigerian Naira	**2008**	**2007**
Available-for-sale investment securities	9,923,743	132,632,773
Available-for-sale investment securities		
Treasury bills	2,436,881	106,793,302
Bonds	2,253,774	22,382,526
Equity securities with readily determinable fair values	5,233,088	3,482,445
Less specific allowances for impairment	-	(25,500)
	9,923,743	132,632,773

Specific allowances for impairment	**2008**	**2007**
Balance at 1 March	25,500	-
Charge for the year	-	25,500
Allowance no longer required	(25,500)	-
Balance at 29 February	-	25,500

24. Trading properties under development

In thousands of Nigerian Naira	**2008**	**2007**
Balance at 29 February	12,062,730	-

Trading properties under development represents the cost of a 99 less 1 year development lease designated for resale to customers by subsidiary.

Notes to the consolidated financial statements

25 Property and equipment

In thousands of Nigerian Naira

Cost	Motor vehicle	Leasehold improvement & building	Furniture & Equipment	Leased Asset	Work-in-Progress	Total
Balance at 1 March 2006	2,030,968	5,498,844	9,810,063	-	36,774	17,376,649
Exchange difference on translation of opening balances	(1,759)	(7,743)	(8,821)	-	-	(18,323)
Additions	1,007,329	671,975	1,817,482	-	5,881,566	9,378,352
Disposals	(265,900)	(12,604)	(36,596)	-	-	(315,100)
Transfers	-	2,222,801	819,324	-	(3,042,125)	-
Reclassifications	-	14,122	(14,150)	-	(159,252)	(159,280)
Balance at 28 February 2007	2,770,638	8,387,395	12,387,302	-	2,716,963	26,262,298
Balance at 1 March 2007	2,770,637	8,387,395	12,387,302	-	2,716,963	26,262,298
Exchange difference on translation of opening balances	1,790	(47,851)	(15,080)	-	(1,566)	(62,707)
Additions	1,014,580	214,252	592,966	2,545,136	11,071,305	15,438,239
Disposals	(273,763)	(242,688)	(82,630)	-	-	(599,081)
Transfers	-	2,489,671	959,159	-	(3,448,830)	-
Reclassifications	-	-	(19,940)	-	-	(19,940)
Balance at 29 February 2008	3,513,244	10,800,780	13,821,777	2,545,136	10,337,872	41,018,809

Notes to the consolidated financial statements

Depreciation and impairment losses						
Balance at 1 March 2006	881,868	731,926	5,151,022	-	-	6,764,816
Exchange difference on translation of opening balances	(1,178)	(444)	(5,022)	-	-	(6,644)
Charge for the year	576,397	280,170	1,262,456	-	-	2,119,023
Disposal	(228,391)	(296)	(33,351)	-	-	(262,038)
Balance at 28 February 2007	1,228,696	1,011,356	6,375,105	-	-	8,615,157
Depreciation and impairment losses						
Balance at 1 March 2007	1,228,696	1,011,356	6,375,105	-	-	8,615,157
Exchange difference on translation of opening balances	1,905	116	1,888	-	-	3,909
Charge for the year	736,251	343,679	1,828,221	233,304	-	3,141,455
Disposal	(221,921)	(21,055)	(81,678)	-		(324,654)
Balance at 29 February 2008	1,744,931	1,334,096	8,123,536	233,304	-	11,435,867
Carrying amounts						
Balance at 28 February 2007	1,541,941	7,376,039	6,012,198	-	2,716,963	17,647,141
Balance at 29 February 2008	1,768,313	9,466,684	5,698,241	2,311,832	10,337,872	29,582,942

Notes to the consolidated financial statements

26. Intangible assets

In thousands of Nigerian Naira	Goodwill	Purchased software	Total
Cost			
2007			
Balance at 1 March 2006	132,181	503,314	635,495
Additions	31,946	1,279,943	1,311,889
Exchange translation differences	-	(1,522)	(1,522)
Balance at 28 February 2007	164,127	1,781,735	1,945,862
2008			
Balance at 1 March 2007	164,127	1,781,735	1,945,862
Additions	25,690	1,087,269	1,112,959
Reclassifications	-	(8,799)	(8,799)
Balance at 29 February 2008	189,817	2,860,205	3,050,022
Amortisation			
Balance at 1 March 2006	-	290,824	290,824
Amortisation for the period	-	153,746	153,746
Balance at 28 February 2007	-	444,570	444,570
Balance at 1 March 2007	-	444,570	444,570
Amortisation for the period	-	503,010	503,010
Reclassifications		11,204	11,204
Balance at 29 February 2008	-	958,784	958,784
Carrying amounts			
Balance at 28 February 2007	164,127	1,337,165	1,501,292
Balance at 29 February 2008	189,817	1,901,421	2,091,238

27. Deferred tax assets and liabilities

The movement in deferred tax assets and liabilities are attributable to the following items

In thousands of Nigerian Naira	**2008**	**2007**
Deferred tax assets		
Property, equipment and software	-	-
Available-for-sale securities	-	955,685
Allowances for loan losses	372,293	501,095
Tax loss carry forward	175,995	-
Employee benefits	263,190	146,264
Others	-	184,808
Net tax assets	811,478	1,787,852
Deferred tax liabilities		
Property, equipment and software	(2,334,039)	1,737,978
Available-for-sale securities	(86,928)	-
Others assets	(361,737)	-
Others	(602)	-
Net tax liabilities	(2,783,306)	(1,737,978)
Net deferred tax (liabilities)/assets	(1,971,828)	49,874
Disclosed as deferred tax assets	20,649	1,787,852
Disclosed as deferred tax liabilities	(1,992,477)	(1,737,978)
Net tax (liabilities)/ assets	(1,971,828)	49,874

There were no unrecognised deferred tax assets or liabilities as at 28 February 2008 (2007: nil).

Deferred tax assets and liabilities
Movements in temporary differences during the year

In thousands of Nigerian Naira	**Opening balance**	**Recognised in profit or loss**	**Recognised in equity**	**Closing balance**
Property and equipment, and software	(1,737,978)	(596,061)	-	(2,334,039)
Available-for-sale securities	955,685	(1,007,694)	(34,919)	(86,928)
Allowances for loan losses	501,095	(128,802)	-	372,293
Tax loss carry forward	-	175,995	-	175,995
Employee benefits	146,264	116,926	-	263,190
Other assets	-	(361,737)	-	(361,737)
Others	184,808	(185,410)	-	(602)
	49,874	(1,986,783)	(34,919)	(1,971,828)

Notes to the consolidated financial statements

Deferred tax assets and liabilities (continued)
Movements in temporary differences during the year

In thousands of Nigerian Naira	**Opening balance**	**Recognised in profit or loss**	**Recognised in equity**	**Closing balance**
2007				
Property and equipment, and software	(1,649,815)	(88,163)	-	(1,737,978)
Available-for-sale securities	(311,284)	-	1,266,969	955,685
Allowances for loan losses	43,768	457,327	-	501,095
Share-based payments	66,983	79,281	-	146,264
Other	206,344	(21,536)	-	184,808
	(1,644,004)	426,909	1,266,969	49,874

28. Other assets

In thousands of Nigerian Naira	**2008**	**2007**
Due from banks	38,110	6,718,027
Accounts receivable and prepayments	16,389,714	8,097,248
Restricted deposits with central banks	8,667,522	15,146,807
Stock/stationery	27,166	21,443
Pre-licensing fees	-	572
Recognised assets for defined benefit obligations	1,501,265	1,439,820
Others	63,611	111,359
	26,687,388	31,535,276

Restricted deposits with central banks are not available for use in the Group's day-to-day operations.

The Bank had restricted balances of ₦8,667,522,000 with the Central Bank of Nigeria (CBN) as at 29 February 2008 (2007: ₦15,146,807,000). This balance is made up of CBN cash reserve requirement. The cash reserve ratio represents a mandatory 5% cash deposit which should be held with the Central Bank of Nigeria as a regulatory requirement.

Notes to the consolidated financial statements

29. Deposits from banks

In thousands of Nigerian Naira	**2008**	**2007**
Money market deposits	75,292,518	34,207,994
Other deposits from banks	362,955	51,554
	75,655,473	34,259,548

30. Deposits from customers

In thousands of Nigerian Naira	**2008**	**2007**
Retail customers:		
Term deposits	32,050,592	33,956,179
Current deposits	51,783,523	34,740,862
Savings	28,965,526	12,780,101
Corporate customers:		
Term deposits	88,380,462	108,522,654
Current deposits	163,273,678	117,072,285
Others	9,273,223	2,095,271
	373,727,004	309,167,352

31. Debt securities issued

In thousands of Nigerian Naira	**2008**	**2007**
Debt securities issued at amortised cost	40,698,171	44,967,782
	40,698,171	44,967,782

Debt securities balance of ₦40,698,171,000 (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 arm's length margin of 10.7 basis points (0.1% per annum).

32. Other liabilities

In thousands of Nigerian Naira	***Note***	**2008**	**2007**
Cash-settled share-based payment liability		782,095	686,670
Short-term employee benefits		4,157,103	1,686,029
Financial guarantee contracts issued		2,778,023	892,196
Certified cheques		15,166,598	11,205,109
Obligations under finance lease (See note (b) below)		2,350,447	-
Due from foreign banks (See note (a) below)		23,693,835	2,211,202
Other current liabilities		8,747,049	5,537,223
		57,675,150	22,218,429

(a) Amount represents obligations in respect of various letters of credit settled by correspondent banks on behalf of the bank's customers. The corresponding balance is included in loans to customers.

Notes to the consolidated financial statements

(b) As at 29 February 2008, the group was obligated under a non-cancellable finance lease for other transportation equipment on which the future minimum lease payments extend over a number of years. This is analysed as follows:

	2008	2007
Not more than one year	608,534	-
Over one year but less than five years	2,434,135	-
Over five years	659,260	-
Less future finance charges	(1,351,482)	-
	2,350,447	-

33. Other borrowed funds

In thousands of Nigerian Naira	2008	2007
Due to IFC (see note (i) below)	8,318,909	7,680,863
Due to FMO Netherlands (see note (ii) below)	2,361,834	2,589,747
Due to EIB (see note (iii) below)	364,306	498,456
Due to ADB (see note (iv) below)	4,356,387	2,610,988
	15,401,436	13,380,054

(i) The amount of ₦8,318,909,000 (USD 70,000,000) represents outstanding balance of various facilities granted by 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 ₦2,361,834,000 (USD 20,000,000) represents the dollar facility granted by Netherlandse Financierings Maatschappy Voor Ontwikkeimgsladen N.V (FMO) in December 2004 for a period of 4 years. Interest is payable half yearly at 3% above LIBOR rates.

(iii) The amount of ₦364,306,000 (USD 3,061,406) represents the dollar facility granted by European Investment Bank (EIB) in June 2005 for a period of 4 years. Interest is payable half yearly at 2.5% above LIBOR rates.

(iv) The amount of ₦4,356,387,000 (USD 36,666,667) represents the dollar facility granted by African Development Bank (ADB) in May 2006 for a period of 7 years. 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

34. Defined benefit assets

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. Employee's terminal benefits are calculated based on number of continuous service years, limited to a maximum of 10 years.

The amounts recognised in the balance sheet are as follows:

In thousands of Nigerian Naira	2008	2007
Present value of unfunded obligations	-	-
Present value of funded obligations	(1,135,223)	(950,210)
Total present value of obligations	(1,135,223)	(950,210)
Fair value of plan assets	2,636,488	2,390,030
Present value of net obligations	1,501,265	1,439,820
Unrecognised actuarial gains and losses	-	-
Recognised asset for defined benefit obligations	1,501,265	1,439,820

Defined benefit assets

Plan assets consist of the following:

In thousands of Nigerian Naira	2008	2007
Equity securities	2,061,173	1,788,341
Government bonds	238,890	238,890
Offshore Investments	300,129	331,249
Treasury bills	-	19,542
Cash and bank balances	36,296	12,008
	2,636,488	2,390,030

i. Movement in the liability for defined benefit obligations

In thousands of Nigerian Naira	2008	2007
Surplus on defined benefit obligations at 1 March	1,439,820	590,280
Interest costs	(114,025)	(89,777)
Current service cost	(65,030)	(49,340)
Expected return on planned assets	286,804	181,765
Actuarial (loss)/gain for the year- obligation	(13,179)	72,711
Actuarial gain/(loss) for the year- plan assets	629,409	(529,603)
Contributions paid	(662,534)	350,000
Surplus on defined benefit obligations at 29 February	1,501,265	1,439,820

Notes to the consolidated financial statements

ii. Movement in plan assets

In thousands of Nigerian Naira	**2008**	**2007**
Fair value of plan assets at 1 March	2,390,030	1,338,421
Contributions paid/(withdrawn) into the plan	(662,534)	350,000
Benefits paid by the plan	(7,221)	(9,758)
Actuarial gain	629,409	529,603
Expected return on plan assets	286,804	181,764
Fair value of plan assets at 29 February	2,636,488	2,390,030

iii. Expense recognised in Income statement

In thousands of Nigerian Naira	***Note***	**2008**	**2007**
Current service costs		65,030	49,340
Interest on obligations		114,025	89,777
Expected return on planned assets		(286,804)	(181,765)
Net actuarial gain recognised in the year		(616,230)	(456,892)
To profit and loss	14	(723,979)	(499,540)
Actual return on plan assets		916,213	688,699

Defined benefit assets

Actuarial assumptions
Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2008	**2007**
Expected return on plan assets at 1 March	12%	12%
Future salary increases	12%	12%
Retirement age for both male and female	60 years	60 years

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 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*	**2008**	**2007**	**2006**	**2005**	**2004**
Present value of the defined benefit obligation	1,135,223	950,210	748,140	704,860	680,670
Fair value of plan assets	(2,636,488)	(2,390,030)	(1,338,420)	(1,171,805)	(1,168,168)
Surplus/(deficit)	(1,501,265)	(1,439,820)	(590,280)	(466,945)	(487,498)

Notes to the consolidated financial statements

35. Capital and reserves
Reconciliation of movement in capital and reserves
Attributable to equity holders of the Bank

In thousands of Nigerian Naira

	Share Capital	Share premium	Other Regulatory reserves	Treasury Shares	Bonus Reserve	Fair value reserve	Regulatory Risk reserve	Retained Earnings	Minority interest	Total equity
Balance at 1 March 2006	(3,000,000)	(21,391,928)	(9,823,768)	623,627	(1,000,000)	(1,597,409)	(2,123,114)	(3,585,341)	(502,573)	(42,400,506)
Total recognized income and expense	-	-	-		-	1,643,799	-	(12,181,976)	(200,707)	(10,738,884)
Bonus shares issued during the year	(1,000,000)	-	-	-	1,000,000	-	-	-	-	-
Increase in minority interest – Subsidiary	-	-	-	-	-	-	-	-	(2,251,759)	(2,251,759)
Transfers for the year	-	-	(7,242,993)	-	(1,000,000)	-	441,673	7,801,320	-	-
Previously unconsolidated entity – Subsidiary	-	-	-	-	-	-	-	(293,508)	293,508	-
Net own shares adjusted	-	-	-	(70,887)	-	-	-	-	-	(70,887)
Dividend to equity holders	-	-	-	-	-	-	-	6,200,000	-	6,200,000
Dividend on own share adjusted	-	-	-	-	-	-	-	(90,955)	-	(90,955)
Balance at 28 February 2007	(4,000,000)	(21,391,928)	(17,066,761)	552,740	(1,000,000)	46,390	(1,681,441)	(2,150,460)	(2,661,531)	(49,352,991)
Balance at 1 March 2007	(4,000,000)	(21,391,928)	(17,066,761)	552,740	(1,000,000)	46,390	(1,681,441)	(2,150,460)	(2,661,531)	(49,352,991)
Total recognized income and expense		-	-	-	-	81,479	-	(20,024,871)	(369,030)	(20,312,422)
Bonus shares issued during the year	(1,000,000)	-	-	-	1,000,000	-	-	-	-	-
Ordinary shares issued	(1,839,708)	(97,684,637)	-	-	-	-	-	-	-	(99,524,345)
Transfers for the year	-	-	(7,521,458)	-	(621,792)	-	(2,608,706)	10,751,956	-	-
Previously unconsolidated entity – Subsidiaries	-	-	-	-	-	-	-	-	(304,514)-	(304,514)
Net own shares adjusted	-	-	-	719,134	-	-	-	-	-	719,134
Dividend to equity holders	-	-	-	-	-	-	-	7,419,854	-	7,419,854
Dividend on own share adjusted	-	-	-	-	-	-	-	(297,234)	-	(297,234)
Balance at 29 February 2008	(6,839,708)	(119,076,565)	(24,588,219)	1,271,874	(621,792)	127,869	(4,290,147)	(4,300,755)	(3,335,075)	(161,652,518)

Notes to the consolidated financial statements

Share capital
The Bank at its seventeenth Annual General Meeting held on 24 May, 2007, increased its authorised share capital from ₦5 billion to ₦7.5billion by creation of additional 5 billion ordinary shares of 50k each, ranking pari passu in all respect with the existing ordinary shares of the Bank. Regulatory approvals have been obtained.

In thousands of Nigerian Naira	**2008**	**2007**
(a) Authorised - 15,000,000,000 Ordinary shares of 50k each (2007: 10,000,000,000 of 50k each)	7,500,000	5,000,000

In thousands of Nigerian Naira	**2008**	**2007**
(b) Issued and fully paid - 13,679,416 Ordinary shares of 50k each (2007: 8,000,000,000 of 50k each)	6,839,708	4,000,000

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 Scale Industries Reserve.
(i) In accordance with existing legislation, the Bank transferred 30% (2007: 45.7%) of its profit after taxation to statutory reserves.
(ii) The Bank voluntarily transferred 5% of its profit after taxation for the year ended 29 February 2008 to the Small Scale Industries Reserves. This is subsequent to suspension of further appropriation by the Central Bank of Nigeria during the Bankers' Committee meeting in 2007.

Treasury shares
Treasury Shares represent the Bank's shares of N1,271,8740,000 (2007: ₦404,322,552) held by the Staff Investment Trust and a subsidiary company as at 29 February, 2008.

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 Central Bank of Nigeria prudential guidelines compared with the loss incurred model used in calculating the impairment balance under IFRS.

Notes to the consolidated financial statements

Retained earnings
Retained earnings are the carried forward recognised income net of expenses plus current period profit attributable to shareholders.

36. Leasing

The Group acts as lessee under operating and finance leases, 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 (Note 32)

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.

37. Contingencies

Claims and Litigation
The Bank in its ordinary course of business is presently involved in 82 (2007: 50) cases as a defendant and 32 (2007: 49) cases as a plaintiff. The total amount claimed in the 82 cases against the Bank is estimated at ₦9,107,830,748 (2007: ₦1,214,127,121) while the total amount claimed in the 32 cases instituted by the Bank is ₦710,300,178 (2007: ₦1,778,324,985). The Directors having sought the opinion of the Bank's solicitors are of the opinion that none of the aforementioned cases is likely to have material adverse effect on the Bank and are not aware of any other pending and or threatened claims or litigation which may be material to the 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 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

Notes to the consolidated financial statements

immediately by customers. The following tables summarise the nominal principal amount of contingent liabilities and commitments with off-balance sheet risk.

Acceptances, Bonds, Guarantees and other Obligations for the account of customers:

a. These comprise:

In thousands of Nigerian Naira	*Note*	**2008**	**2007**
Contingent liabilities:			
Acceptances and guaranteed commercial paper		101,472,670	31,861,476
Transaction related bonds and guarantees (See (b) below)		166,936,166	60,021,388
Guaranteed facilities		-	4,578,108
		268,408,836	96,460,972
Commitments:			
Short term foreign currency related transactions		55,025,587	21,301,810
Clean line facilities for letters of credit (See (c) below)		1,961,973	2,525,910
		56,987,560	23,827,720

b. During the period, the Bank issued bonds and guarantees amounting to ₦10,945,321,000 (2007: ₦11,234,327,057) which were required to be cash collaterised. ₦9,204,430,000 (2007: ₦5,489,004,510) out of the cash collaterised bonds and guarantees had been received as at period end and disclosed as part of other deposits.

c. The Bank granted clean line facilities for letters of credit during the period to guarantee the performance of customers to third parties.

38. Group entities

i. Significant subsidiaries

	Country of incorporation	**Ownership**	**interest**
		2008	**2007**
Guaranty Trust Bank Gambia	Gambia	78.29%	78.1%
Guaranty Trust Bank Sierra Leone	Sierra Leone	87.56%	87%
Guaranty Trust Assurance Limited	Nigeria	53.98%	55.7%
Guaranty Trust Bank Ghana	Ghana	70%	78.1%
Guaranty Trust Registrars	Nigeria	99.9%	-
Guaranty Trust Homes	Nigeria	100%	-
Guaranty Trust Bank UK Limited	United Kingdom	100%	-

ii. Special purpose entities:

Staff Investment Trust	Nigeria	100%	100%
Guaranty Trust Bank Finance BV	Netherlands	100%	100%

Notes to the consolidated financial statements

39. 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 other persons.

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 the subsidiaries also meet the definition of related party transactions. Where these are eliminated on consolidation, they are not disclosed in the Group 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 for disclosure purposes. 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.

Key management personnel and their immediate relatives engaged in the following transactions with the Group during the year

Loans *and Advances:* *In thousands of naira*	**2008 Closing Balance**	**2007 Closing Balance**
Secured loans	8,133,632	1,529,830
	8,133,632	1,529,830

Deposits: -

In thousands of naira	**2008 Closing Balance**	**2007 Closing Balance**
Total deposits	427,060	89,927

Notes to the consolidated financial statements

Related parties (Continued)
Interest rates charged on balances outstanding are at rates that would be charged in an arm's length transaction. 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 comprised

In thousands of naira	**2008**	**2007**
Short-term employee benefits	197,746	399,014
Post-employment benefits	805,682	770,984
Share-based payments	45,856	392,448
	1,049,284	1,562,446

40. Subsequent events
There were no events subsequent to the balance sheet date which require adjustment to, or disclosure in these financial statements.

Notes to the consolidated financial statements

Appendix 1

The Group prepared its consolidated financial statements in accordance with IFRS for the year ended 29 February 2008. The accounting policies as set out in note 3 have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.
An explanation of how the transition from Nigerian GAAP to IFRS has affected the Group's financial position, pre-tax financial performance and cash flows is set out in the following tables and the notes accompanying the tables.

(a) Key impact analysis of IFRS on the financial position as at 29 February 2008.

(i) IAS 32, 39 and IFRS 7 Financial instruments

Under IFRS, financial assets and liabilities are required to be classified as held for trading, fair value through profit and loss, fair value through equity, loans and receivables and held to maturity financial assets and liabilities. Nigerian GAAP does not require such classification measurement of financial instruments. The basis of classification and valuation of individual instrument is provided in the accompanying statement of accounting policy in Note 3j.

- **Available-for- sale**
  At 29 February 2008, the effect of measuring available-for-sale investments at fair value through equity is a net debit in the fair value reserve amounting to ₦81,479,000 (2007: ₦2,910,768,000).

- **Assets held for trading:**
  The net effect of measuring the financial instruments classified as held for trading resulted in an increase in profit for the period and net assets reported for the year ended 29 February 2008 of ₦123,886 (2007: ₦592,341,000)

- **Impairment of loans and advances:**
  Under Nigerian GAAP, loans and advances are measured at costs net of impairment losses. A specific risk provision for loan impairment is established to provide for management's estimate of credit losses as soon as the recovery of an exposure is identified as doubtful. This provision is made for each account that is not performing in accordance with the terms of the related facility. A general reserve of at least 1% is made for all performing accounts to recognize losses in respect of risks inherent in any credit portfolio. Under IFRS, the incurred loss model was applied in the determination of impairment losses and the general reserve was reversed.

  The difference in the measurement basis of impairment loss assessment between IFRS and Nigerian GAAP reduced the net impairment allowance required by the Group as at 28 February 2008 and resulted in a increase in the profit for the period of the Group by ₦2,608,706,000 (2007: reduction in profit for the period by ₦441,673,000) and an increase in the net assets of the Group by ₦2,608,706,000 (2007: reduction of ₦441,673,000).

(ii) Business combinations

The Group has applied IFRS 3 to all business combinations that occurred with effect from 1 March 2004 (the date of transition to IFRS). The Group has elected, as permitted by IFRS 1, not to restate any business combination that occurred before 1 March 2004.

From 1 March 2004 goodwill is no longer amortised under IFRS, but is tested at least annually for impairment at the cash-generating unit level by applying a fair-value-based test as described in IAS 36, Impairment of Assets. There was no impairment on transition or in any subsequent period. Retained earnings increased by ₦43,454,000 on 1 March 2004, 28 February 2005 and 28 February 2006 respectively as a result off negative goodwill on the IFRS transition date of 1 March 2004 that was written back. The carrying

Notes to the consolidated financial statements

amount of goodwill increased by ₦25,690,000 for the year ended 29 February 2008 (2007: ₦23,385,000) as a result of the additional goodwill arising from the consolidation of new entities.

As at 29 February 2008, the Staff Investment Trust (also refer note 3aii) was the only material entity not previously consolidated under Nigeria GAAP. The pre-tax effect of consolidating the results of the Staff Investment Trust at 29 February 2008 resulted in an increase in the liabilities to employees in respect of the staff investment trust and a decrease in retained earnings by ₦4,575,962 (2007: ₦1,165,684,000).

(iii) Property and equipment and leases (lessee)
Under Nigerian GAAP, landed properties acquired under a 99 year lease agreement were capitalised as land and buildings and depreciated over a period of 50 years. IFRS requires that the land and building components should be evaluated separately for the purpose of lease classification. IFRS generally requires that leasehold land should be classified as an operating lease unless title is expected to pass to the lessee at the end of the lease term.

The effect of the classification of landed properties as operating leases at 29 February 2008 decreased the balance of property and equipment by ₦2,328,709,000 (2007: ₦1,895,945,000). The depreciation charge for the year ended 29 February 2008 was adjusted based on the outstanding period of the lease on land by ₦40,456,000(2007: ₦35,580,000)and recognised in lease rental expense.

The Group previously reported equipment on lease as a separate line item on the balance sheet. These items were, under IFRS reclassified, as property and equipment. This had no impact on the income statement and reserves of the Group.

(iv) IAS 19 Employee benefits
Under Nigerian GAAP defined benefit obligations were determined with reference to actuarial valuations in line with IAS 19 which requires pension fund assets and obligations to be assessed at fair value and liabilities on the basis of current actuarial assumptions using the projected unit credit method.

As at 29 February 2008, liability for employee benefits increased by ₦185,013,000 (2007: ₦202,072,000). Employee cost recognised in the income statement for the year ended 29 February 2008 decreased by ₦224,439,000 (2007: ₦117,296,000).

(v) IFRS 2 Share based payments
The Bank granted share appreciation rights (SARs) to senior management employees that entitle the employees to a cash payment on resignation or retirement from the Bank. The amount of the cash payment is determined based on the market price of the shares of the Bank. The Group applied IFRS 2 to its cash settled share based payment arrangements at 1 March 2004. IFRS 2 requires a company to adopt a fair-value-based method to account for share based payments. Compensation cost is measured at the date of the grant based on the assessed value of the award and is recognised over the service period. An estimate is made, at grant date, of the number of share appreciation rights that will lapse before they vest.
Adjustments to this estimate are made over the service period. The Group did not account for these transactions under Nigerian GAAP. The effect of accounting for the share appreciation rights at 29 February 2008 was to decrease net assets of the Group by ₦2,471,074,000 (2007: ₦1,165,686,000).

(vi) IAS 12 Income taxes
As at 29 February 2008, additional deferred taxation liabilities resulting from adjustments to the carrying value of assets and liabilities, based on IFRS valuation was ₦450,519,000 (2007: ₦1,677,616,000).

(vii) Explanation of material adjustments to cash and cash equivalent at 29 February 2008 and 2007
The net impact of application of IFRS on cash and cash equivalents of the Group is a decrease in cash and cash equivalents at 29 February 2008 of ₦8,611,572,000 (2007: ₦15,059,985,000).

Notes to the consolidated financial statements

(b) Explanation of material changes to income statement items

(i) Interest income and expense
Under IFRS, interest income and expense are recognised in the income statement 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. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently. The calculation of the effective interest rate includes all fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Under Nigerian GAAP, interest income and expense are recognised in accordance with the terms of the related facility on an accrual basis.

The effect of accounting for interest income and expense using the effective interest rate method resulted in a reclassification of ₦4,403,161,000 from fees and commission income to interest income (2007: ₦1,542,316,000).

(ii) Net premium and claims from insurance contract
Under IFRS, net premium and claims on insurance contract is required to be presented separately on the income statement. Net premium and claims was previously reported in other income.

(iii) Impairment loss
The loan loss expense of ₦1,526,685,000 (2007: ₦1,073,584,000) under Nigerian GAAP is recorded under impairment in the IFRS financial statements. The calculation of the impairment of assets is now based on the incurred rather than expected loss model.

(iv) Operating expenses
Net claims and benefits incurred on insurance contracts of ₦362,742,000 (2007: ₦118,443,000) are now disclosed separately as part of operating expenses.

Guaranty Trust Bank Plc
Reconciliation of equity - 2008 IFRS Financial Statements
In thousands of Naira

	Note	Previous GAAP	Effect of transition to IFRS	IFRS	Previous GAAP	Effect of transition to IFRS	IFRS
		29 February 2008			28 February 2007		
Assets							
Cash and cash equivalents (short term funds)		119,206,071	(8,611,572)	110,594,499	127,381,363	(15,059,985)	112,321,378
Short term investment		179,585,974	(179,585,974)	-	-	-	-
Trading assets (securities)		-	156,880,152	156,880,152	8,070,768	592,342	8,663,110
Pledged assets		-	91,128,364	91,128,364	-	49,054,848	49,054,848
Derivative assets held for risk management		-	2,332,281	2,332,281			
Loans and advances (banks and customers)		288,152,339	3,197,102	291,349,441	115,746,009	1,202,728	116,948,737
Advances under finance leases		18,091	(18,091)	-	-	-	-
Investment Securities		-	9,923,743	9,923,743	158,254,442	(19,143,777)	139,110,665
Investment properties under development		12,062,730	(12,062,730)	-	-	-	-
Trading properties under development		-	12,062,730	12,062,730	-	-	-
Long term investment		7,408,498	(7,408,498)	-	-	-	-
Property and equipment (Fixed assets)		33,969,536	(4,386,594)	29,582,942	20,880,251	(3,280,708)	17,599,543
Intangible assets		166,432	1,924,806	2,091,238	140,742	1,360,550	1,501,292
Deffered tax assets		20,649	-	20,649	28,769	21,105	49,874
Other facilities		-	-	-	4,443,719	(4,443,719)	-
Other assets		95,102,586	(68,415,198)	26,687,388	51,545,016	(21,401,962)	30,143,054
Total assets		735,692,906	(3,039,479)	732,653,427	486,491,079	(11,098,578)	475,392,501
Liabilities							
Deposits (banks and customers)		364,640,898	84,741,579	449,382,477	294,545,903	48,880,997	343,426,900
Debt securities issued		-	40,698,171	40,698,171	-	44,967,782	44,967,782
Other borrowed funds		-	15,401,436	15,401,436	-	13,380,054	13,380,054
Current tax liabilities (taxation payable)		5,851,198	-	5,851,198	3,486,165	-	3,486,165
Deferred tax liabilities		2,808,927	(816,450)	1,992,477	1,086,322	(1,086,322)	-
Other liabilities		142,905,366	(85,230,216)	57,675,150	74,835,066	(54,056,457)	20,778,609
Other facilities		-	-	-	4,488,605	(4,488,605)	-
Long term borrowings		56,142,576	(56,142,576)	-	58,063,369	(58,063,369)	-
Total liabilities		572,348,965	(1,348,056)	571,000,909	436,505,430	(10,465,920)	426,039,510
Equity							
Share capital and share premium		125,916,273	-	125,916,273	25,391,928	-	25,391,928
Retained earnings		-	4,300,755	4,300,755	-	4,196,143	4,196,143
Other reserves		34,092,593	(5,992,178)	28,100,415	21,932,190	(4,828,801)	17,103,389
Total equity attributable to equity holders of the Bank		160,008,866	(1,691,423)	158,317,443	47,324,118	(632,658)	46,691,460
Minority interest		3,335,075	-	3,335,075	2,661,531	-	2,661,531
Total equity		163,343,941	(1,691,423)	161,652,518	49,985,649	(632,658)	49,352,991
Total liabilities and equity		735,692,906	(3,039,479)	732,653,427	486,491,079	(11,098,578)	475,392,501

Reconciliation of profit for the 2008 and 2007 financial years
In thousands of Niara

	Note	Previous GAAP	Effect of transition to IFRS	IFRS	Previous GAAP	Effect of transition to IFRS	IFRS
			29 February 2008			28 February 2007	
Interest (and discount) income		51,585,963	2,581,848	54,167,811	32,016,282	289,373	32,305,655
Lease finance income		2,715	(2,715)	-	-	-	-
Interest expense		(16,746,243)	(2,058,674)	(18,804,917)	(13,272,295)	331,357	(12,940,938)
Net interest income (Interest margin)		34,842,435	520,459	35,362,894	18,743,987	620,730	19,364,717
Loan loss expense		(3,934,017)	3,934,017	-	(737,371)	737,371	-
Net interest margin		30,908,418	4,454,476	35,362,894	18,006,616	1,358,101	19,364,717
Net fees and commission income		-	17,755,661	17,755,661		13,584,375	13,584,375
Net trading income		-	6,085,959	6,085,959		1,650,488	1,650,488
Net income from other instrument at fair value		-	2,332,281	2,332,281			
Premium from insurance contracts		-	1,851,440	1,851,440		1,067,486	1,067,486
Premium ceded to re-insurers		-	(681,388)	(681,388)		(456,470)	(456,470)
Exceptional income		-	-	-	1,206,879	(1,206,879)	-
Other operating income (banking income)		27,237,113	(28,542,227)	(1,305,114)	15,828,048	(15,024,896)	803,152
		27,237,113	(1,198,274)	26,038,839	17,034,927	(385,896)	16,649,031
Operating income		58,145,531	3,256,202	61,401,733	35,041,543	972,205	36,013,748
Operating expenses		30,777,193	3,479,116	34,256,309	19,325,234	2,090,525	21,415,759
Net impairment loss on financial assets		-	1,526,685	1,526,685	-	1,073,584	1,073,584
Personnel expenses		8,957,396	2,107,082	11,064,478	5,377,190	745,511	6,122,701
Net claims and benefits incurred on insurance contracts		362,742	(1)	362,741	-	118,443	118,443
Depreciation and amortization		3,684,922	(40,456)	3,644,466	2,307,099	(816)	2,306,283
Other expenses		17,772,133	(114,194)	17,657,939	11,640,945	153,803	11,794,748
Profit before income tax		27,368,338	(222,914)	27,145,424	15,716,309	(1,118,320)	14,597,989
Income tax expense		6,198,861	256,058	6,454,919	2,522,550	(398,140)	2,124,410
Profit for the year		21,169,477	(478,972)	20,690,505	13,193,759	(720,180)	12,473,579
Attributable to:							
Equity holders of the Bank		20,906,073	(596,073)	20,310,000	12,993,052	(686,666)	12,306,386
Minority interest		369,030	-	369,030	200,707	-	200,707
		21,275,103	(596,073)	20,679,030	13,193,759	(686,666)	12,507,093
Basic and diluted earnings per share (Naira)		**1.67**		**1.63**	**1.42**		**1.23**

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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 balance sheet as at 28 February, 2007 and the consolidated income statement, the statement of recognized income and expense, and consolidated cash flow statement for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages 1 to 62.

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 and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects the financial position of Guaranty Trust Bank Plc and its subsidiaries ("the Group") as at 28 February 2007 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 for the purpose described in the Note 2 to the financial statements.

KPMG

6 June, 2007
Lagos, Nigeria

Consolidated balance sheet

As at 28 February

In thousands of Nigerian Naira	*Notes*	2007	2006
Assets			
Cash and cash equivalents	4, 17	112,321,378	60,034,166
Trading assets	7, 18	8,663,110	-
Pledged assets	7, 19	55,532,740	33,687,151
Loans and advances to banks	4, 7, 20	105,710	885,969
Loans and advances to customers	4, 7, 21	116,843,027	84,588,175
Investment securities	4, 7, 22	132,632,773	94,633,937
Property and equipment	23	17,647,141	10,611,833
Intangible assets	24	1,501,292	344,671
Deferred tax assets	25	49,874	-
Other assets	26	31,535,276	21,144,285
Total Assets		476,832,321	305,930,187
Liabilities			
Deposits from banks	4, 7, 27	34,259,548	10,957,004
Deposits from customers	4, 7, 28	309,167,352	228,386,377
Debt securities issued	4, 7, 29	44,967,782	-
Current tax liabilities		3,486,165	2,206,703
Deferred tax liabilities	25	-	1,644,004
Other liabilities	30	22,218,429	10,971,553
Other borrowed funds	4, 7, 31	13,380,054	9,364,040
Total liabilities		427,479,330	263,529,681
Equity			
Share capital and share premium	32	25,391,928	24,391,928
Retained earnings	32	2,150,460	3,585,341
Other reserves		19,149,072	13,920,664
Total equity attributable to equity holders of the Bank		46,691,460	41,897,933
Minority interest	32	2,661,531	502,573
Total equity		49,352,991	42,400,506
Total liabilities and equity		476,832,321	305,930,187

The notes on pages 5 to 63 are an integral part of these consolidated financial statements.

Consolidated income statement

For the year ended 28 February
In thousands of Nigerian Naira

	Note	2007	2006
Interest income	8	32,305,655	22,969,763
Interest expense	8	(12,940,938)	(8,042,556)
Net interest income		19,364,717	14,927,207
Net fees and commission income	9	13,584,375	9,213,658
Net trading income	10	1,650,488	1,202,514
Other operating income	11	803,152	485,845
Premium from insurance contracts		1,067,486	427,767
Premium ceded to re-insurers		(456,470)	(105,102)
		16,649,031	11,224,682
Operating income		36,013,748	26,151,889
Net impairment loss on financial assets	12	(1,073,584)	(1,330,716)
Personnel expenses	13	(6,122,701)	(3,954,427)
Claims and benefits incurred on insurance contracts		(118,443)	(58,529)
Depreciation and amortisation		(2,272,769)	(1,681,775)
Other expenses	14	(11,794,748)	(7,998,816)
Profit before income tax		14,631,503	11,127,626
Income tax expense	15	(2,124,410)	(2,238,339)
Profit for the period		12,507,093	8,889,287
Attributable to:			
Equity holders of the Bank		12,306,386	8,844,430
Minority interest		200,707	44,857
		12,507,093	**8,889,287**
Basic earnings per share (Naira)	16	**1.56**	**1.47**

The notes on pages 5 to 63 are an integral part of these consolidated financial statements.

Consolidated statement of recognised income and expense

For the year ended 28 February

In thousand of Nigerian Naira	***Note***	**2007**	**2006**
Foreign currency translation differences for foreign operations		(47,926)	39,267
Valuation (gains)/loss on available for sale investments recognised in equity		(2,910,768)	1,841,042
Taxation on items recognised directly in equity		1,266,969	(271,693)
Other		(76,484)	(43,455)
Net (Income)/ expense recognised directly in equity		(1,768,209)	1,565,161
Profit for the period		12,507,093	8,889,287
Total recognised income and expense for the period		10,738,884	10,454,448
Attributable to:			
Equity holders of the Bank		10,538,177	10,409,591
Minority interest		200,707	44,857
Total recognised income and expense for the period		10,738,884	10,454,448

The notes on pages 5 to 63 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 28 February *In thousand of Naira*	*Note*	**2007**	**2006**
Cash flows from operating activities			
Profit for the period		12,507,093	8,889,287
Adjustments for:			
Depreciation of property and equipment	*23*	2,272,769	1,681,775
(Gain)/loss on disposal of property and equipment		(35,332)	(32,444)
Impairment on financial assets	*20, 21, 22*	1,073,584	1,330,716
Income tax expense	*15*	2,124,410	2,238,339
		17,942,524	14,107,673
Change in trading assets		(8,663,110)	-
Change in pledged assets		(21,845,589)	(5,007,775)
Change in loans and advances to banks and customers		(32,504,666)	(20,425,898)
Change in other assets		(10,231,709)	(8,541,468)
Change in deferred tax assets		(49,874)	-
Change in deposits from banks		23,302,544	(1,012,427)
Change in deposits from customers		80,780,975	122,222,005
Change in other liabilities and provisions		11,246,876	4,280,615
		59,977,971	105,622,725
Interest and dividends received		69,727	-
Income tax paid		(1,272,826)	(1,766,890)
Net cash provided by/(used in) operating activities		58,774,872	103,855,835
Cash flows from investing activities			
Purchase of investment securities		(40,935,104)	(78,428,863)
Purchase of property and equipment	*23*	(9,378,352)	(4,994,600)
Proceeds from the sale of property and equipment	*23*	88,394	87,494
Purchase of intangible assets	*24*	(1,311,889)	(133,865)
Purchase of treasury shares	*32*	-	(350,000)
Net cash provided by/(used in) investing activities		(51,536,951)	(83,819,834)
Cash flows from financing activities			
Increase in debt securities issued	29	44,967,782	2,897,586
Repayment of long term borrowings		(512,983)	(514,961)
Increase in long term borrowings		4,528,997	-
Purchase of own shares net of exercise of share options	*32*	70,887	-
Dividends paid	*32*	(6,200,000)	(4,200,000)
Increase in minority interest		2,252,347	127,613
Net cash provided by/(used in) financing activities		45,107,030	(1,689,762)
Net increase / (decrease) in cash and cash equivalents		52,344,951	18,346,239
Cash and cash equivalents at 1 March		60,034,166	41,697,643
Effect of exchange rate fluctuations on cash held		(57,739)	(9,716)
Cash and cash equivalents at 28 February	*17*	112,321,378	60,034,166

The notes on pages 5 to 63 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Reporting entity

Guaranty Trust Bank Plc 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 of the Bank for the year ended 28 February 2007 comprise the Bank and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in investment, corporate and retail banking, insurance and asset management services.

2 Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations adopted by the International Accounting Standards Board (IASB) for the purpose of international offering of the Bank's shares. They have been prepared in addition to the Group's statutory financial statements, which were prepared in accordance with Statements of Accounting Standards applicable in Nigeria (Nigerian GAAP).

In preparing these consolidated financial statements, the Group has adopted IFRS 7 Financial Instruments: Disclosures and IAS 1 Presentation of Financial Statements – Capital Disclosures prior to their required application date of 1 January 2007. The adoption of IFRS 7 and the amendment to IAS 1 impacted the type and amount of disclosures made in these financial statements, but had no impact on the reported profits or financial position of the Group. In accordance with the transitional requirements of the standards, the Group has provided full comparative information.

The Group has adopted the amendments to IAS 19 Employee Benefits, which increased the level of disclosure in respect of defined benefit plans, but had no impact on the reported profits or financial position of the Group. In accordance with the transitional requirements of the amendments, the Group has provided full comparative information.

The financial statements were authorised for issue by the directors on 6 June 2007.

(b) Functional and presentation currency

The financial statements are presented in Nigerian Naira which is the Bank's functional currency. Except as indicated, financial information presented in Naira has been rounded to the nearest thousand.

(c) Basis of measurement

These consolidated financial statements are prepared on the historical cost basis except for the following:

- financial instruments at fair value through the income statement 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.

Notes to the consolidated financial statements

(d) Use of estimates and judgements

The preparation of financial statements 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.

In particular, 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 note (5). Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment are discussed in note (5).

3 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.

(ii) Special purpose entities

Special purpose entities are entities that are created to accomplish a narrow and well-defined objective such as the execution of specific borrowings or lending transactions or the provision of certain benefits to employee. The financial statements of special purpose entities are included in the Group's consolidated financial statements, where the substance of the relationship is that the Group controls the special purpose entity.

Notes to the consolidated financial statements

Interest income and expense presented in the income statement include:

- interest on financial assets and liabilities at amortised cost on an effective interest rate basis
- interest on available-for-sale investment securities on an effective interest basis

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Fair value changes on other financial assets and liabilities carried at fair value through income statement, are presented in trading income in the income statement.

(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, interest, dividends and foreign exchange differences.

(g) Dividends

Dividend income is recognised when the right to receive income is established. Dividends are reflected as a component of net trading income.

Notes to the consolidated financial statements

Interest income and expense presented in the income statement include:

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Notes to the consolidated financial statements

(h) Lease payments made

Payments made under operating leases are recognised in the income statement 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.

(i) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet 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 are recognised at the same time as the liability to pay the related dividend is recognised.

(j) Financial assets and liabilities

(i) Recognition

The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities at fair value. All other financial assets and liabilities (including assets and liabilities designated at fair value through the income statement) are

Notes to the consolidated financial statements

initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

(ii) 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 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 balance sheet, but retains either all 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 balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.
In transactions where 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 also derecognises certain assets when it charges off balances pertaining to the assets deemed to be uncollectible.

(iii) Offsetting

Financial assets and liabilities are set off and the net amount presented in the balance sheet 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 by accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(iv) Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') remain on the balance sheet; 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 loans and advances to other banks or

Notes to the consolidated financial statements

The Group considers evidence of impairment at both a specific asset and collective level. Assets showing signs of deterioration are assessed for individual impairment. All significant assets 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 default or delinquency by a borrower, 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 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 the income statement 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 the income statement.

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 the income statement. 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 the income statement.

However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in equity.

(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

Notes to the consolidated financial statements

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Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, 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.

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However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in equity.

(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

Notes to the consolidated financial statements

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 balance sheet.

(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 balance sheet with transaction costs taken directly to the income statement. All changes in fair value are recognised as part of net trading income in the income statement. Trading assets and liabilities are not reclassified subsequent to their initial recognition.

(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 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.

(o) Investment securities
Investment securities are initially measured at fair value and subsequently accounted for depending on their classification as either held for trading, held-to-maturity, fair value through the income statement 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 the income statement 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-

Notes to the consolidated financial statements

sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

(ii) 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 the income statement using the effective interest method. Dividend income is recognised in the income statement when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in the income statement.

Other fair value changes are recognised directly in equity until the investment is sold or impaired and the balance in equity is recognised in the income statement.

(p) 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 costs of the day-to-day servicing of property and equipment are recognised in the income statement as incurred.

(iii) Depreciation
Depreciation is charged to the income statement 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 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 (refer note 23 below).
The estimated useful lives for the current and corresponding periods are as follows:

Notes to the consolidated financial statements

Leasehold improvement lease period	Over the shorter of the useful life of the item or lease period.
Buildings	50 years
Equipment	5 years
Computer hardware	3 years
Furniture and fittings	5 years
Motor vehicles	4 years

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 the income statement in the year the asset is derecognised.

(q) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries.

Acquisitions prior to 1 March 2004

As part of its transition to IFRSs, the Group elected to restate only those business combinations that occurred on or after 1 March 2004, its date of transition to IFRSs. In respect of acquisitions prior to 1 March 2004, goodwill represents the amount recognised under the Group's previous accounting framework, [Nigerian GAAP].

Acquisitions on or after 1 March 2004

For acquisitions on or after 1 March 2004, 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 the income statement.

Acquisitions of minority interests

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

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.

Notes to the consolidated financial statements

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 the income statement 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.

(r) 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 balance sheet.

(s) 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 the income statement. 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.

Notes to the consolidated financial statements

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. Recoveries of impairment losses are written back to the income statement.

(t) 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, debt securities issued and subordinated liabilities 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 the income statement.

(u) 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.

(v) 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.

Notes to the consolidated financial statements

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.

(w) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement when they are due.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit 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 balance sheet 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 the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

(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.

(x) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

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.

Notes to the consolidated financial statements

(y) Share-based payment transactions

The Bank operates 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 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 the income statement.

(z) 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 in the period in which they are paid or, if earlier, 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.

(aa) Earnings per share

The Group presents basic earnings per share (EPS) data 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.

(ab) Fiduciary activities

The Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group. The Group earns fees for the provision of this service.

(ac) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are

different from those of other segments. The Group's primary format for segment reporting is based on geographic segments.

Notes to the consolidated financial statements

(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 28 February 2007, and have not been applied in preparing these consolidated financial statements:

- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies addresses the application of IAS 29 when an economy first becomes hyperinflationary and in particular the accounting for deferred tax. IFRIC 7, which becomes mandatory for the Group's 2008 financial statements, is not expected to have any impact on the consolidated financial statements.

- IFRIC 8 Scope of IFRS 2 Share-based Payment addresses the accounting for share-based payment transactions in which some or all of goods or services received cannot be specifically identified. IFRIC 8 will become mandatory for the Group's 2008 financial statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.

- IFRIC 9 Reassessment of Embedded Derivatives requires that a reassessment of whether embedded derivative should be separated from the underlying host contract should be made only when there are changes to the contract. IFRIC 9, which becomes mandatory for the Group's 2008 financial statements, is not expected to have any impact on the consolidated financial statements.

- IFRIC 10 Interim Financial Reporting and Impairment prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. IFRIC 10 will become mandatory for the Group's 2008 financial statements, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date that the Group first applied the measurement criteria of IAS 36 and IAS 39 respectively (i.e.1 March 2004). This is not expected to have any impact on the consolidated financial statements.

Notes to the consolidated financial statements

4. 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 framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Asset and Liability Management Committee (ALMAC) and Credit Risk committees, which are responsible for developing and monitoring risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

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. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. 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 Group Audit Committee is responsible for monitoring compliance with the Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in these functions by Internal Audit. 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.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers and other banks and investment securities. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure.

For risk management purposes, credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

Notes to the consolidated financial statements

Financial risk management (continued)

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:

- 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 gradings 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.

Notes to the consolidated financial statements

Financial risk management (continued)
Credit risk (continued)
Exposure to credit risk

		Loans and advances to customers		Loans and advances to banks		Investment securities	
In thousands of Nigerian Naira	*Note*	2007	2006	2007	2006	2007	2006
Carrying amount	20, 21	116,843,027	84,588,175	105,710	885,969	132,632,773	94,633,937
Individually impaired							
Grade 6: Impaired		918,351	405,709	-	248,236	25,500	-
Gross amount		918,351	405,709	-	248,236	25,500	-
Allowance for impairment		(826,743)	(232,105)	-	(28,236)	(25,500)	-
Carrying amount		91,608	173,604	-	220,000	-	-
Collectively impaired							
Grade 1-3: Low-fair risk		75,776,186	78,951,566	106,076	165,950	-	-
Grade 4-5: Watch list		1,350,264	168,822	-	-	-	-
Gross amount		77,126,450	79,120,388	106,076	165,950	-	-
Allowance for impairment		(562,778)	(1,185,945)	(366)	(483)	-	
Carrying amount		76,563,672	77,934,443	105,710	165,467	-	-
Past due but not impaired							
Grade 1-3: Low-fair risk		23,238	17,909	-	-	-	-
Carrying amount		23,238	17,909	-	-	-	-
Past due comprises:							
90 -180 days		23,238	17,909	-	-	-	-
180 days +		-	-	-	-	-	-
Carrying amount		23,238	17,909	-	-	-	-
Neither past due nor impaired							
Grade 1-3: Low-fair risk		40,164,509	6,462,219	-	500,502	132,632,773	94,633,937
Carrying amount		40,164,509	6,462,219	-	500,502	132,632,773	94,633,937
Total carrying amount		116,843,027	84,588,175	105,710	885,969	132,632,773	94,633,937

Notes to the consolidated financial statements

Financial risk management (continued)
Credit risk (continued)

(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.

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 Credit 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.

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 banks**		**Investment securities**	
In thousands of Nigerian Naira	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
28 February 2007						
Grade 6: Individually impaired	918,351	91,608	-	-	25,500	-
Total	918,351	91,608	-	-	25,500	-
28 February 2006						
Grade 6: Individually impaired	405,709	173,604	248,236	220,000	-	-
Total	405,709	173,604	248,236	220,000	-	-

Notes to the consolidated financial statements

Financial risk management (continued)

(v) Credit Collateral

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. 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 usually is not held against investment securities, and no such collateral was held at 28 February 2007 or 2006.

An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below:

	Loans and advances to customers		**Loans and advances to banks**	
In thousands of Nigerian Naira	**2007**	**2006**	**2007**	**2006**
Against individually impaired	182,800	105,000	-	-
Against collectively impaired	274,635,806	256,932,748	-	35,989,618
Against past due but not impaired	189,858	955	-	-
Against neither past due nor impaired	203,503,699	116,189,000		
Total	505,512,163	373,227,703	-	35,989,618

Notes to the consolidated financial statements

Financial risk management (continued)
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	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Carrying amount	116,843,027	84,588,175	105,710	885,969	132,632,773	94,633,937
Concentration by sector						
Corporate	74,217,537	46,464,461	-	-	-	-
Commercial	38,442,567	34,217,230	-	-	132,632,773	94,633,937
Bank	-	-	105,710	885,969	-	-
Retail	4,182,923	3,906,484	-	-	-	-
Equity	-	-	-	-	-	-
	116,843,027	84,588,175	105,710	885,969	132,632,773	94,633,937
Concentration by location						
Nigeria	114,702,945	83,775,814	105,710	885,969	130,627,420	93,804,110
Rest of West Africa	2,140,082	812,361	-	-	2,005,353	829,827
	116,843,027	84,588,175	105,710	885,969	132,632,773	94,633,937

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.

4(c) Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities.

(i) Management of liquidity risk
The Group's approach to managing liquidity is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due under both normal and stressed

Notes to the consolidated financial statements

Financial risk management (continued)

conditions without incurring unacceptable losses or risking damage to the Group's reputation.

- 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 unit 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 asset 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 Group's lead regulator (The Central Bank of Nigeria)
Details of the reported Group ratio of net liquid assets to deposits and customers at the reporting date and during the reporting period were as follows:

	2007	**2006**
At 28 February	70.0%	64.0%
Average for the period	69.0%	66.0%
Maximum for the period	78.0%	75.0%
Minimum for the period	58.0%	57.0%

Notes to the consolidated financial statements

Financial risk management (continued)

The table shows the undiscounted cash flows on the Group's financial 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 liabilities

In thousands of Nigerian Naira	*Note*	Carrying amount	Gross nominal inflow / (outflow)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
28 February 2007								
Non-derivative liabilities								
Deposits from banks	27	34,259,548	34,206,118	34,206,118	-	-	-	-
Deposits from customers	28	309,167,352	294,545,903	289,703,019	4,789,403	53,481	-	-
Debt Securities issued	29	44,967,782	44,886,048	-	-	-	44,886,048	-
Other borrowed funds	31	13,380,054	13,177,322	-	-	513,100	3,045,835	9,618,387
		401,774,736	386,815,391	323,909,137	4,789,403	566,581	47,933,883	9,618,387
28 February 2006								
Non-derivative liabilities								
Deposits from banks	27	10,957,004	10,956,429	10,956,429	-	-	-	-
Deposits from customers	28	228,386,377	215,773,715	205,508,216	10,186,465	79,034		
Other borrowed funds	31	9,364,040	9,237,585	-	-	-	4,087,973	5,149,612
		248,707,421	235,967,729	216,464,645	10,186,465	79,034	4,087,973	5,149,612

Notes to the consolidated financial statements

Financial risk management (continued)

4(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.

4(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 mainly are 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 risk 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 ALMAC. Group Risk Management unit is responsible for the development of detailed risk management policies (subject to review and approval by ALMAC) 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 Earning's at Risk approach. Specified limits have been set for open positions limits, which are the expected maximum exposure the Group is to be exposed to.

Exposure to interest rate risk – 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 non-trading portfolios is as follows

Notes to the consolidated financial statements
Financial risk management (continued)
Market Risks

			Repricing period				
In thousands of naira	*Note*	Carrying amount	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years
28 February 2007							
Cash and cash equivalents	17	112,321,378	112,321,378	-	-	-	-
Pledged assets	19	55,532,740	55,532,740	-	-	-	-
Loans and advances to banks	20	105,710	105,710	-	-	-	-
Loans and advances to customers	21	116,843,027	36,546,072	11,969,991	37,342,983	28,775,040	2,208,941
Investment securities	22	132,632,773	104,961,087	-	1,034,007	26,637,679	-
		417,435,628	309,466,987	11,969,991	38,376,990	55,412,719	2,208,941
Deposits from banks	27	(34,259,548)	(34,259,548)	-	-	-	-
Deposits from customers	28	(309,167,352)	(309,044,516)	(116,807)	(6,029)	-	-
Debt securities issued	29	(44,967,782)	-	-	-	(44,967,782)	-
Other borrowed funds	31	(13,380,054)	-	-	(520,851)	(3,088,203)	(9,771,000)
		(401,774,736)	(343,304,064)	(116,807)	(526,880)	(48,055,985)	(9,771,000)
		15,660,892	(33,837,077)	11,853,184	37,850,110	7,356,734	(7,562,059)
28 February 2006							
Cash and cash equivalents	17	60,034,166	60,034,166	-	-	-	-
Pledged assets	19	33,687,151	33,687,151	-	-	-	-
Loans and advances to banks	20	885,969	885,969	-	-	-	-
Loans and advances to customers	21	84,588,175	20,895,977	9,813,760	31,122,275	20,425,637	2,330,526
Investment securities	22	94,633,937	92,283,508	-	2,350,429	-	-
		273,829,398	207,786,771	9,813,760	33,472,704	20,425,637	2,330,526
Deposits from banks	27	(10,957,004)	(10,957,004)	-	-	-	-
Deposits from customers	28	(228,386,377)	(228,301,568)	(57,769)	(27,040)	-	
Debt securities issued	29	-	-	-	-	-	-
Other borrowed funds	31	(9,364,040)	-	-	(1,045,956)	(3,088,304)	(5,229,780)
		(248,707,421)	(239,258,572)	(57,769)	(1,072,996)	(3,088,304)	(5,229,780)
		25,121,977	(31,471,801)	9,755,991	32,399,708	17,337,333	(2,899,254)

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 Treasury and equity price risk is subject to regular monitoring by Group Risk, but is not currently significant in relation to the overall results and financial position of the Group.

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.

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 the reconciliation 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 the reporting of 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.

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.

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 minority interests after deductions for goodwill and intangible assets, and other regulatory 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.

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.

Banking operations are categorised mainly as 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-balance sheet 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 millions of naira	*Note*	2007	2006
Tier 1 capital			
Ordinary share capital	32	4,000,000	3,000,000
Share premium	32	21,391,928	21,391,928
Retained earnings		2,150,460	3,585,341
Retained earnings and reserves		19,149,072	13,920,664
Minority interests	32	2,661,531	502,573
Shareholders' Fund		49,352,991	42,400,506
Add/(Less):			
Fair value reserve for available for Sale securities		46,390	(1,597,409)
Intangible assets		(1,501,292)	(344,671)
Shareholders' Funds		47,898,089	40,458,426
Tier 2 capital			
Fair value reserve for available for Sale securities		(46,390)	1,597,409
Collective allowances for impairment		563,144	1,186,428
Total		516,754	2,783,837
Total regulatory capital		48,414,843	43,242,263
Risk-weighted assets		247,209,252	180,537,019
Capital ratios			
Total regulatory capital expressed as a percentage of total risk-weighted assets		19.58%	23.95%
Total tier 1 capital expressed as a percentage of risk-weighted assets		19.38%	23.41%

Notes to the consolidated financial statements

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 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.

5 Use of estimates and judgements (continued)
Management discussed with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates, and the application of these policies and estimates.

These disclosures supplement the commentary on financial risk management (see note 4).

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 3(j)(vii).

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 claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, 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 these estimate future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

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 3(j)(vii). For financial instruments that trade infrequently and have little price transparency, fair value is less

Notes to the consolidated financial statements

objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

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:

- 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 3(m).
- In designating financial assets or liabilities at fair value through the income statement, the Group has determined that it has met one of the criteria for this designation set out in accounting policy 3(j)(vi).
- 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 3(o)(i).

Details of the Group's classification of financial assets and liabilities are given in note 7.

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 impairments 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.

Notes to the consolidated financial statements

6 Segment reporting

Segment information is presented in respect of the Group's geographical segments based on the Group's management and internal reporting structure. The Group operates in three geographic regions, being Nigeria, rest of West Africa comprising; Ghana, Gambia and Sierra Leone and Europe

2007	Nigeria	Rest of West Africa	Europe	Total
Net interest income	18,893,178	439,259	32,280	19,364,717
Net fees and commission income	13,208,803	375,572	-	13,584,375
Net trading income	1,515,223	135,265	-	1,650,488
Net premium from Insurance contracts	512,560	-	-	512,560
Other operating income	803,152	-	-	803,152
Premium from insurance contracts	1,067,486	-	-	1,067,486
Premium ceded to re-insurers	(456,470)	-	-	(456,470)
Operating income	35,031,372	950,096	32,280	36,013,748
Operating expense	(19,348,667)	(956,944)	(3,050)	(20,308,661)
Operating profit before impairment losses and taxation	15,682,705	(6,848)	29,230	15,705,087
Impairment (losses)/ releases on loans and advances and other risk assets	(1,053,599)	(19,985)	-	(1,073,584)
Profit before taxation	14,629,106	26,833	29,230	14,631,503
Loans and advances to customers	114,707,428	2,135,599	-	116,843,027
Loans and advances to banks	105,710	-	-	105,710
Debt Securities Issued	-	-	44,967,782	44,967,782
Other borrowed funds	13,380,054	-	-	13,380,054
Total assets employed	423,092,208	8,501,779	45,238,334	476,832,321
Capital expenditure	8,901,794	476,558	-	9,378,352

Notes to the consolidated financial statements

6 Segment reporting (contd)

2006	**Nigeria**	**Rest of West Africa**	**Europe**	**Total**
Net interest income	14,727,406	199,801	-	14,927,207
Net fees and commission income	9,005,629	208,029	-	9,213,658
Net trading income	1,096,452	106,062	-	1,202,514
Other operating income	485,845	-	-	485,845
Premium from Insurance contracts	427,767	-	-	427,727
Premium Ceded to re-insurers	(105,102)	-	-	(105,102)
Operating income	25,637,997	513,892	-	26,151,889
Operating expense	(13,323,163)	(370,384)	-	(13,693,547)
Operating profit before impairment losses and taxation	12,314,834	143,508	-	12,458,342
Impairment (losses)/ releases on loans and advances and other risk assets	(1,311,091)	(19,625)	-	(1,330,716)
Profit before taxation	11,003,743	123,883	-	11,127,626
Loans and advances to customers	83,689,119	899,056	-	84,588,175
Loans and advances to banks	885,969	-	-	885,969
Other borrowed funds	9,364,040	-	-	9,364,040
Total assets employed	302,344,812	3,585,375	-	305,930,187
Capital expenditure	4,886,613	107,987	-	4,994,600

Notes to the consolidated financial statements

7. **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 and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
28 February 2007									
Cash and cash equivalents	*17*	-	-	-	112,321,378	-	-	112,321,378	114,470,910
Trading assets	*18*	8,663,110	-	-	-	-	-	8,663,110	8,663,110
Pledged assets	*19*	-	-	-	-	55,532,740	-	55,532,740	55,532,740
Loans and advances to banks	*20*	-	-	-	105,710	-	-	105,710	109,259
Loans and advances to customers	*21*	-	-	-	116,843,027	-	-	116,843,027	119,726,086
Investment securities	*22*	-	-	-	-	132,632,773	-	132,632,773	132,632,773
		8,663,110	-	-	229,270,115	188,165,513	-	426,098,738	431,134,878
Deposits from banks	*27*	-	-	-	-	-	34,259,548	34,259,548	34,259,548
Deposits from customers	*28*	-	-	-	-	-	309,167,352	309,167,352	306,382,445
Debt securities issued	*29*	-	-	-	-	-	44,967,782	44,967,782	45,780,183
Other Borrowed Funds	*31*	-	-	-	-	-	13,380,054	13,380,054	13,443,320
		-	-	-	-	-	401,774,736	401,774,736	399,865,496
28 February 2006									
Cash and cash equivalents	*17*	-	-	-	60,034,166	-	-	60,034,166	62,482,852
Pledged assets	*19*	-	-	-	-	33,687,151	-	33,687,151	33,687,151
Loans and advances to banks	*20*	-	-	-	885,969	-	-	885,969	926,926
Loans and advances to customers	*21*	-	-	-	84,588,175	-	-	84,588,175	86,870,732
Investment securities	*22*	-	-	-	-	94,633,937	-	94,633,937	94,633,937
		-	-	-	145,508,310	128,321,088	-	273,829,398	278,601,598
Deposits from banks	*27*	-	-	-	-	-	10,957,004	10,957,004	10,957,004
Deposits from customers	*28*	-	-	-	-	-	228,386,377	228,386,377	231,620,260
Other Borrowed Funds	*31*	-	-	-	-	-	9,364,040	9,364,040	9,423,028
		-	-	-	-	-	248,707,421	248,707,421	252,000,292

Notes to the consolidated financial statements

8. Net interest income

In thousands of Nigerian Naira	*Note*	2007	2006
Interest income			
Cash and cash equivalents		1,146,419	746,531
Loans and advances to banks and customers		16,417,012	16,655,173
Investment securities		14,742,224	5,568,059
Total interest income		32,305,655	22,969,763
Interest expense			
Deposits from banks		439,359	277,952
Deposits from customers		11,155,533	6,753,352
Securities trading		26,123	-
Other borrowed funds		1,319,923	1,011,252
Total interest expense		12,940,938	8,042,556
Net interest income		19,364,717	14,927,207

Interest income for the year ended 28 February 2007 includes N429,328,000 (2006: N549,598,000) accrued on impaired financial assets.

9. Net fee and commission income

In thousands of Nigerian Naira	2007	2006
Fee and commission income		
Retail banking customer fees & commissions	2,055,307	1,155,308
Corporate banking credit related fees & commissions	3,812,180	3,317,375
Investment banking fees	660,384	272,420
Brokerage	1,174	1,234
Asset management fees	-	368,756
Financial guarantee contracts issued	157,008	29,840
Other fees and charges	6,898,322	4,068,725
Total fee and commission income	13,584,375	9,213,658

Corporate banking credit related fees and commissions relate to fees charged to corporate and blue chip customers other than fees included in determining the effective interest rates relating to loans and advances carried at amortized costs.

Asset management fees relate to fees earned by the Group on trust and fiduciary activities where the Group holds or invests assets on behalf of its customers.

10. Net trading income

In thousands of Nigerian Naira	*Note*	2007	2006
Fixed income		763,192	-
Equities		5,147	-
Foreign exchange		882,149	1,202,514
Net trading income		1,650,488	1,202,514

Net trading income includes the profits and losses arising both on the purchase and sale of trading instruments and from the revaluation to market value.

Notes to the consolidated financial statements

11. Other operating income

In thousands of Nigerian naira	**2007**	**2006**
Gain on sale of available-for-sale securities:		
Equities	801,869	257,922
Dividends on available-for-sale equity securities	69,727	138,775
Foreign exchange losses	(69,976)	(221,117)
Rental income	1,532	310,233
Others	-	32
	803,152	485,845

12. Impairment charges

In thousands of Nigerian naira	**2007**	**2006**
Impairment charges on loans and advances	1,048,084	1,330,716
Impairment charges on available for sale assets	25,500	-
	1,073,584	1,330,716

13. Personnel expenses

In thousands of Nigerian Naira	***Note***	**2007**	**2006**
Wages and salaries		5,180,750	3,422,171
Contributions to defined contribution plans		196,439	164,629
Cash-settled share-based payments		79,367	313,049
Decrease/(Increase) in liability for defined benefit *plans*	30	(499,540)	2,965
Other staff cost		1,165,685	51,613
		6,122,701	3,954,427

Personnel expenses (continued)
Cash settled share-based payments

The Bank operates 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 balance sheet date is provided below:

	Shares
SARs granted to senior management employees at 28 February 2007	149,363
SARs granted to senior management employees at 28 February 2006	103,824

Notes to the consolidated financial statements

Personnel expenses (continued)

In thousands of Nigerian Naira	*Note*	2007	2006
Expense arising from SARs granted		1,165,684	51,613
Total expense recognised as employee costs		1,165,684	51,613
Total carrying amount of liabilities for cash-settled arrangements		1,686,029	520,345

14. Other expenses

In thousands of Nigerian Naira	*Note*	2007	2006
Premises and equipment expenses:			
Operating lease rentals		246,952	166,588
Other premises and equipment costs		700,394	586,091
General administrative expenses		10,847,402	7,246,137
		11,794,748	7,998,816

15. Income tax expense

Recognised in the income statement

In thousands of Nigerian Naira	*Note*	2007	2006
Current tax expense			
Current year		2,552,287	1,554,947
Adjustments for prior years		(967)	355,164
		2,551,320	1,910,111
Deferred tax expense			
Origination and reversal of temporary differences		(426,910)	328,228
Reduction in tax rate		-	-
Recognition of previously unrecognised tax losses		-	-
		(426,910)	328,228
Total income tax expense		2,124,410	2,238,339

Reconciliation of effective tax rate

In thousands of Nigerian Naira	2007	2007	2006	2006
Profit before income tax		14,631,503		11,127,626
Income tax using the domestic corporation tax rate	30.0%	4,389,451	30.0%	3,328,841
Effect of tax rates in foreign jurisdictions	0.2%	21,626	(0.1%)	(8,947)
Non-deductible expenses	0.5%	68,070	0.3%	27,471
Education tax levy	1.9%	282,948	1.5%	167,820
Tax exempt income	(8.3%)	(1,219,846)	(10.9%)	(1,214,948)
Tax incentives	(4.6)	(675,919)	(3.3%)	(362,087)
Effect of Tax losses utilized	-	-	-	-
(Over)/under provided in prior years	(5.1%)	(741,921)	2.7%	300,189
Total income tax expense in income statement	14.5%	2,124,409	20.3%	2,238,339

Notes to the consolidated financial statements

Income tax expense (continued)
Income tax recognised directly in equity

In thousands of Nigerian Naira	*Note*	2007	2006
Available-for-sale investment securities	25	1,266,969	(271,693)
		1,266,969	(271,693)

16. Basic earnings per share

The calculation of basic earnings per share at 28 February 2007 was based on the profit attributable to ordinary shareholders of N12,306,387,000 (2006: N8,884,430,000) and a of ordinary shares outstanding of 8,000,000,000 (2006: 6,000,000,000), calculated as follows:

Profit attributable to ordinary shareholders

In thousands of Nigerian Naira	2007	2006
Net profit for the period attributable to equity holders of the Bank	12,306,386	8,844,430

Number of ordinary shares

In millions of shares	2007	2006
Issued ordinary shares at 28 February	8,000,000	6,000,000

17. Cash and cash equivalents

In thousands of Nigerian Naira	2007	2006
Cash and balances with banks	37,012,056	20,885,454
Unrestricted balances with central banks	10,941,679	13,051,799
Money market placements	64,367,643	26,096,913
	112,321,378	60,034,166

18. Trading assets and liabilities

In thousands of Nigerian Naira	2007	2006
Trading assets		
Government Bonds	8,459,056	-
Equities	204,054	-
	8,663,110	-

Notes to the consolidated financial statements

19. Pledged assets

In thousands of Nigerian Naira	**2007**	**2006**
Treasury Bills	48,133,821	33,687,151
Bonds	7,398,919	-
	55,532,740	33,687,151

Included in pledged assets are treasury bills of N34,189,848,000 (2006: N10,096,184,000) on repurchase agreements to secure inter-bank takings from other banks which have been included in deposits from banks in Note 27. These transactions have been conducted under terms that are usual and customary to standard lending and repurchase activities.

20. Loans and advances to banks

In thousands of Nigerian Naira	**2007**	**2006**
Loans and advances to banks	106,076	914,688
Less Specific allowances for impairment	-	(28,236)
Collective allowances for impairment	(366)	(483)
	105,710	885,969

21. Loans and advances to customers at amortised cost

In thousands of Nigerian Naira

2007

	Gross amount	**Specific Impairment**	**Portfolio Impairment**	**Total Impairment**	**Carrying Amount**
Loans to Individuals	3,391,347	(58,866)	(25,283)	(84,149)	3,307,198
Loans to corporate entities and other organizations	114,841,201	(767,878)	(537,494)	(1,305,372)	113,535,829
	118,232,548	(826,744)	(562,777)	(1,389,521)	116,843,027

Loans and advances to customers at amortised cost

In thousands of Nigerian Naira

2006

	Gross amount	**Specific impairment**	**Portfolio impairment**	**Total impairment**	**Carrying amount**
Loans to Individuals	2,544,805	-	(38,453)	(38,453)	2,506,352
Loans to corporate entities and other organizations	83,461,420	(232,104)	(1,147,493)	(1,379,597)	82,081,823
	86,006,225	(232,104)	(1,185,946)	(1,418,050)	84,588,175

Notes to the consolidated financial statements

Impairment allowance on loans and advances to banks and customers

In thousands of naira	**2007**	**2006**
Balance at 1 March	1,446,769	1,080,038
Impairment loss for the year:		
Charge for the year	1,572,999	1,334,960
Recoveries	(524,915)	(4,244)
Net impairment for the year	1,048,084	1,330,716
Effect of foreign currency movements	(3,544)	(33,529)
Write-offs	(1,101,422)	(930,456)
Balance at 28 February	1,389,887	1,446,769

(ii) The allowance of N1,389,887,000 held as at 28 February 2007 (2006: N1,446,769,000) comprises N826,743,000 (2006: N260,341,000) specific impairment allowance, and N563,144,000 (2006: N1,186,428,000) portfolio impairment allowances.

22. Investment securities

In thousands of Nigerian Naira	**2007**	**2006**
Available-for-sale investment securities	132,632,773	94,633,937
Available-for-sale investment securities		
Treasury Bills	106,793,302	80,629,699
Bonds	22,382,526	12,362,216
Equity securities with readily determinable fair values	3,482,445	1,642,022
Less specific allowances for impairment	(25,500)	-
	132,632,773	94,633,937

Specific allowances for impairment	**2007**	**2006**
Balance at 1 March	-	-
Charge for the year	25,500	-
Balance at 28 February	25,500	-

Notes to the consolidated financial statements

23. Property and equipment

In thousands of Nigerian Naira	Premises	Furniture & Equipment	Work in Progress	Total
Cost				
Balance at 1 March 2005	2,980,383	7,874,580	1,787,221	12,642,184
Exchange difference on translation of opening balances	(2,257)	(1,655)	-	(3,912)
Adjustment for opening balances of previously unconsolidated subsidiary	220,266	62,386	178,681	461,333
Adjustment for disposed subsidiary	(91,112)	(216,715)	-	(307,827)
Additions	633,174	4,361,426	-	4,994,600
Disposals	(7,242)	(348,347)	-	(355,589)
Transfers	1,782,724	146,404	(1,929,128)	-
Reclassifications	(17,092)	(37,048)	-	(54,140)
Balance at 28 February 2006	5,498,844	11,841,031	36,774	17,376,649
Balance at 1 March 2006	5,498,844	11,841,031	36,774	17,376,649
Exchange difference on translation of opening balances	(7,743)	(10,580)	-	(18,323)
Additions	671,975	2,824,811	5,881,566	9,378,352
Disposals	(12,604)	(302,496)	-	(315,100)
Transfers	2,222,801	819,324	(3,042,125)	-
Reclassifications	14,122	(14,150)	(159,252)	(159,280)
Balance at 28 February 2007	8,387,395	15,157,940	2,716,963	26,262,298
Depreciation and impairment losses				
Balance at 1 March 2005	567,351	5,005,833	-	5,573,184
Exchange difference on translation of opening balances	(465)	(6,085)	-	(6,550)
Adjustment for disposed subsidiary	(33,052)	(100,772)	-	(133,824)
Charge for the year	197,617	1,437,186	-	1,634,803
Disposals	-	(300,539)	-	(300,539)
Adjustments	475	(881)	-	(406)
Reclassification	-	(1,852)	-	(1,852)
Balance at 28 February 2006	731,926	6,032,890	-	6,764,816
Depreciation and impairment losses				
Balance at 1 March 2006	731,926	6,032,890	-	6,764,816
Exchange difference on translation of opening balances	(444)	(6,200)	-	(6,644)
Charge for the year	280,170	1,838,853	-	2,119,023
Disposals	(296)	(261,742)	-	(262,038)
Balance at 28 February 2007	1,011,356	7,603,801	-	8,615,157

Notes to the consolidated financial statements

Carrying amounts				
Balance at 1 March 2005	2,413,032	2,868,747	1,787,221	7,069,000
Balance at 28 February 2006	4,766,918	5,808,141	36,774	10,611,833
Balance at 28 February 2007	7,376,039	7,554,139	2,716,963	17,647,141

24. Intangible assets

In thousands of Nigerian Naira	**Goodwill**	**Purchased software**	**Total**
Cost			
2006			
Balance at 1 March 2005	132,181	332,400	464,581
Additions	-	133,865	133,865
Reclassifications	-	37,049	37,049
Balance at 28 February 2006	132,181	503,314	635,495
2007			
Balance at 1 March 2006	132,181	503,314	635,495
Additions	31,946	1,279,943	1,311,889
Exchange translation differences	-	(1,522)	(1,522)
Balance at 28 February 2007	164,127	1,781,735	1,945,862
Amortisation			
Balance at 1 March 2005	-	243,852	243,852
Amortisation for the period	-	46,972	46,972
Balance at 28 February 2006	-	290,824	290,824
Balance at 1 March 2006	-	290,824	290,824
Amortisation for the period	-	153,746	153,746
Balance at 28 February 2007	-	444,570	444,570
Carrying amounts			
Balance at 1 March 2005	132,181	88,548	220,729
Balance at 28 February 2006	132,181	212,490	344,671
Balance at 28 February 2007	164,127	1,337,165	1,501,292

Notes to the consolidated financial statements

25. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

In thousands of Nigerian Naira	Assets	Liabilities	Net	Assets	Liabilities	Net
	2007			**2006**		
Property, equipment and software	-	(1,737,978)	(1,737,978)	-	(1,649,815)	(1,649,815)
Available-for-sale securities	955,685	-	955,685	-	(311,284)	(311,284)
Allowances for loan losses	501,095	-	501,095	43,768	-	43,768
Employee benefits	146,264	-	146,264	66,983	-	66,983
Others	184,808	-	184,808	206,344	-	206,344
Net tax assets (liabilities)	1,787,852	(1,737,978)	49,874	317,095	(1,961,099)	(1,644,004)

Deferred tax assets and liabilities (continued)

Movements in temporary differences during the year

In thousands of Nigerian Naira	Opening Balance	Recognised in profit or loss	Recognised in equity	Closing balance
2007				
Property, equipment and software	(1,649,815)	(88,163)	-	(1,737,978)
Available-for-sale securities	(311,284)	-	1,266,969	955,685
Allowances for loan losses	43,768	457,327	-	501,095
Share-based payments	66,983	79,281	-	146,264
Other	206,344	(21,536)	-	184,808
	(1,644,004)	426,909	1,266,969	49,874

Notes to the consolidated financial statements

Deferred tax assets and liabilities (continued)
Movements in temporary differences during the year

In thousands of Nigerian Naira	Opening balance	Recognised in profit or loss	Recognised in equity	Closing balance
2006				
Property and equipment, and software	(1,255,924)	(393,890)	-	(1,649,814)
Available-for-sale securities	(39,591)	-	(271,693)	(311,284)
Allowances for loan losses	101,930	(58,162)	-	43,768
Tax losses carry-forwards	-	-	-	-
Employee benefits	15,280	51,703	-	66,983
Other	134,222	72,121	-	206,343
	(1,044,083)	(328,228)	(271,693)	(1,644,004)

26. Other assets

In thousands of Nigerian Naira	2007	2006
Due from banks	6,718,027	-
Accounts receivable and prepayments	8,097,248	5,809,266
Restricted deposits with central banks	15,146,807	14,641,285
Stock/stationery	21,443	-
Pre-licensing fees	572	-
Recognised assets for defined benefit obligations	1,439,820	590,280
Others	111,359	103,454
	31,535,276	21,144,285

Restricted deposits with central banks are not available for use in the Group's day-to-day operations.

The Bank had restricted balances of N15,146,807,000 with the Central Bank of Nigeria (CBN) as at 28th February 2007 (2006: N14,641,285,000). This balance is made up of CBN blocked funds and the CBN cash reserve requirement. Blocked funds represent amounts held with CBN and bear interest at 3%, while the cash reserve ratio represents a mandatory 5% cash deposit which should be held with the Central Bank of Nigeria as a regulatory requirement.

Notes to the consolidated financial statements

27. Deposits from banks

In thousands of Nigerian Naira	**2007**	**2006**
Money market deposits	34,207,994	10,100,575
Other deposits from banks	51,554	856,429
	34,259,548	10,957,004

28. Deposits from customers

In thousands of Nigerian Naira	**2007**	**2006**
Retail customers:		
Term deposits	33,956,179	27,360,349
Current deposits	34,740,862	23,297,935
Savings	12,780,101	6,405,236
Corporate customers:		
Term deposits	108,522,654	101,516,030
Current deposits	117,072,285	68,582,320
Others	2,095,271	1,224,507
	309,167,352	228,386,377

29. Debt securities issued

In thousands of Nigerian Naira	**2007**	**2006**
Debt securities issued at amortised cost	44,967,782	-
	44,967,782	-

Debt securities balance of N44,967,782,000 (USD 350,000,000 measured at amortised cost) represents US dollar denominated guaranteed notes issued by the Group in January 2007 with a tenure of 5 years. Interest on the notes is payable semi-annually at 8.5% per annum plus arm's length margin of 10.7 basis points (0.1% per annum).

30. Other liabilities

In thousands of Nigerian Naira	***Note***	**2007**	**2006**
Cash-settled share-based payment liability		686,670	452,075
Short-term employee benefits		1,686,029	520,345
Financial guarantee contracts issued		892,196	476,106
Creditors and accruals			
Certified cheques		11,205,109	7,711,743
Other current liabilities		7,748,425	1,811,284
		22,218,429	10,971,553

Notes to the consolidated financial statements

31. Other borrowed funds

In thousands of Nigerian Naira	**2007**	**2006**
Due to IFC	7,680,863	6,275,736
Due to FMO Netherlands	2,589,747	2,598,651
Due to EIB	498,456	489,653
Due to ADB	2,610,988	-
	3,380,054	9,364,040

(i) The amount of N7,680,863,000 (USD 63,000,000) represent outstanding balance of a $20,000,000 dollar facility granted by International Finance Corporation (IFC) in March 2001 for a period of 7 years, the outstanding of another $20,000,000 granted in October 2004 for 10 years, a $20,000,000 dollar facility granted in July 2005 for 7 years and an additional $15,000,000 representing the first tranche of a $30,000,000 construction finance and corporate medium facility granted in January 2007 for 9
years. Interest is payable quarterly on the first two facilities at 4.75% and 3.5% above LIBOR rates respectively, while interest on the additional facilities are payable half yearly at 3% and 2.75% above LIBOR rates respectively.

(ii) The amount of N2,589,747,000 (USD 20,000,000) represents the dollar facility granted by Netherlandse Financierings Maatschappy Voor Ontwikkeimgsladen N.V (FMO) in December 2004 for a period of 4 years. Interest is payable half yearly at 3% above LIBOR rates.

(iii) The amount of N498,458,000 (USD 3,750,000) represents the dollar facility granted by European Investment Bank (EIB) in June 2005 for a period of 4 years. Interest is payable half yearly at 2.5% above LIBOR rates.

(iv) The amount of N2,610,988,000 (USD 19,999,973) represents the dollar facility granted by African Development Bank (ADB) in May 2006 for a period of 7 years. 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.

32. Defined benefit assets

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. Employee's terminal benefits are calculated based on number of service years, limited to a maximum of 10 years.

The amounts recognised in the balance sheet are as follows:

In thousands of Nigerian Naira	**2007**	**2006**
Present value of unfunded obligations	-	-
Present value of funded obligations	950,210	748,141
Total present value of obligations	950,210	748,141
Fair value of plan assets	(2,390,030)	(1,338,421)
Present value of net obligations	(1,439,820)	(590,280)
Unrecognised actuarial gains and losses	-	-
Recognised asset for defined benefit obligations	(1,439,820)	(590,280)

Notes to the consolidated financial statements

Defined benefit assets (continued)

Plan assets consist of the following:

In thousands of Nigerian Naira	2007	2006
Equity securities	1,788,341	768,657
Government bonds	238,890	-
Offshore Investments	331,249	330,567
Treasury bills	19,542	-
Cash and bank balances	12,008	239,197
	2,390,030	1,338,421

i. Movement in the liability for defined benefit obligations

In thousands of Nigerian Naira	2007	2006
Surplus on for defined benefit obligations at 1 March	(590,280)	(466,945)
Interest costs	89,777	84,583
Current service cost	49,340	36,440
Expected return on planned assets	(181,765)	(147,490)
Net actuarial gain/(loss)	(456,892)	29,432
Contributions paid	(350,000)	(126,300)
Surplus on defined benefit obligations at 28 February	(1,439,820)	(590,280)

ii. Movement in plan assets

In thousands of Nigerian Naira	2007	2006
Fair value of plan assets at 1 March	1,338,421	1,171,806
Contributions paid into the plan	350,000	126,300
Benefits paid by the plan	(9,758)	(6,650)
Actuarial (gain)/loss	529,603	(100,525)
Expected return on plan assets	181,764	147,490
Fair value of plan assets at 28 February	2,390,030	1,338,421

iii. Expense recognised in Income statement

In thousands of Nigerian Naira	*Note*	2007	2006
Current service costs		49,340	36,440
Interest on obligations		89,777	84,583
Expected return on planned assets		(181,765)	(147,490)
Net actuarial (gain)/loss recognised in the year		(456,892)	29,432
To profit and loss		(499,540)	2,965
Actual return on plan assets		688,699	48,718

Notes to the consolidated financial statements

Defined benefit assets (continued)

Actuarial assumptions
Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2007	2006
Expected return on plan assets at 1 March	12%	12%
Future salary increases	12%	12%
Retirement age for both male and female	60 years	60 years

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 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*	**2007**	**2006**	**2005**	**2004**	**2003**
Present value of the defined benefit obligation	950,210	748,140	704,860	680,670	655,410
Fair value of plan assets	(2,390,030)	(1,338,420)	(1,171,805)	(1,168,168)	(638,682)
Surplus/(deficit)	(1,439,820)	(590,280)	(466,945)	(487,498)	16,728

Notes to the consolidated financial statements

32. Capital and reserves
Reconciliation of movement in capital and reserves
Attributable to equity holders of the Bank

In thousands of Nigerian Naira

	Share Capital	Share premium	Other Regulatory reserves	Treasury Shares	Bonus reserve	Fair value reserve	Regulatory Risk reserve	Retained Earnings	Total	Minority interest	Total equity
Balance at 1 March 2005	**(3,000,000)**	**(21,391,928)**	**(7,812,952)**	**273,627**	**--**	**(28,060)**	**(1,166,231)**	**(2,875,518)**	**(36,001,062)**	**(330,103)**	**(36,331,165)**
Total recognized income and expense	-	-	-	-	-	(1,569,349)	-	(8,840,242)	(10,409,591)	(44,857)	(10,454,448)
Net own shares adjusted	-	-	-	350,000	-	-	-	-	350,000	-	350,000
New Subsidiary – Ghana	-	-	-	-	-	-	-	-	-	(293,508)	(293,508)
Transfers for the year	-	-	(2,169,377)	-	(1,000,000)	-	(956,883)	4,126,260	-	-	-
Disposal of subsidiary	-	-	-	-	-	-	-	-	-	165,895	165,895
Disposal of subsidiary	-	-	158,561	-	-	-	-	-	158,561	--	158,561
Dividend to equity holders	-	-	-	-	-	-	-	4,200,000	4,200,000	-	4,200,000
Dividend on own share adjusted	-	-	-	-	-	-	-	(195,841)	(195,841)	-	(195,841)
Balance at 28 February 2006	**(3,000,000)**	**(21,391,928)**	**(9,823,768)**	**623,627**	**(1,000,000)**	**(1,597,409)**	**(2,123,114)**	**(3,585,341)**	**(41,897,933)**	**(502,573)**	**(42,400,506)**
			-	-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-	-
Balance at 1 March 2006	**(3,000,000)**	**(21,391,928)**	**(9,823,768)**	**623,627**	**(1,000,000)**	**(1,597,409)**	**(2,123,114)**	**(3,585,341)**	**(41,897,933)**	**(502,573)**	**(42,400,506)**
Total recognized income and expense	-	-	-	-	-	1,643,799	-	(12,181,976)	(10,538,177)	(200,707)	(10,738,884)
Bonus shares issued during the year	(1,000,000)	-	-	-	1,000,000	-	-	-	-	-	-
Increase in minority interest – GTA	-	-	-	-	-	-	-	-	-	(2,251,759)	(2,251,759)
Transfers for the year	-	-	(7,242,993)	-	(1,000,000)	-	441,673	7,801,320	-	-	-
Previously consolidated entity – Ghana	-	-	-	-	-	-	-	(293,508)	(293,508)	293,508	-
Net own shares adjusted	-	-	-	(70,887)	-	-	-	-	(70,887)	-	(70,887)
Dividend to equity holders	-	-	-	-	-	-	-	6,200,000	6,200,000	-	6,200,000
Dividend on own share adjusted	-	-	-	-	-	-	-	(90,955)	(90,955)	-	(90,955)
Balance at 28 February 2007	(4,000,000)	(21,391,928)	(17,066,761)	552,740	(1,000,000)	46,390	(1,681,441)	(2,150,460)	(46,691,460)	(2,661,531)	(49,352,991)

Notes to the consolidated financial statements

33. Treasury Shares

Treasury Shares represent the Bank's shares of 404,322,552 (2006: 332,044,604) held by the Staff Investment Trust as at 28 February, 2007.

34. Share Capital

At 28 February 2007, the authorised share capital of the Bank was 10,000,000,000 ordinary shares of 50k each and the issued share capital was 8,000,000,000 ordinary shares of 50k each.

35. Leasing

The Group acts as lessee under operating leases, leasing assets for their own use. In addition, assets leased by the Group may be sublet to other parties.

Operating lease commitments

The Group leases offices, branches and other premises under non-cancellable 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.

36. Contingencies

Claims and Litigation

The Bank in its ordinary course of business is presently involved in 50 cases as a defendant and 49 cases as a plaintiff. The total amount claimed in the 50 cases against the Bank is estimated at ₦949,042,949 and $2,067,000 while the total amount claimed in the 49 cases instituted by the Bank is ₦1,778,324,985. However, the Solicitors of the Bank are of the opinion that the contingent liability arising from the cases pending against the Bank is not likely to exceed ₦21,284,219. The Directors of the Bank are of the opinion that none of the aforementioned cases is likely to have material adverse effect on the Bank and are not aware of any other pending and or threatened claims or litigation which may be material to the 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.

Notes to the consolidated financial statements

Contingencies (continued)

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 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-balance sheet risk.

Acceptances, Bonds, Guarantees and other Obligations for the account of customers:

a. These comprise:

In thousands of Nigerian Naira	*Note*	**2007**	**2006**
Contingent liabilities:			
Acceptances and guaranteed commercial paper		31,861,476	21,851,213
Transaction related bonds and guarantees		60,021,388	38,585,473
Guaranteed facilities		4,578,108	4,505,911
		96,460,972	64,942,597
Commitments:			
Short term foreign currency related transactions		21,301,810	1,944,589
Clean line facilities for letters of credit		2,525,910	19,934,716
		23,827,720	21,879,305

b. During the period, the Bank issued bonds and guarantees amounting to N11,234,327,057 (February 2006: N18,379,027,415) which were required to be cash collaterised. N5,489,004,510 (February 2006: N1,310,249,200) out of the cash collaterised bonds and guarantees had been received as at period end and disclosed as part of other liabilities.

c. The Bank granted clean line facilities for letters of credit during the period to guarantee the performance of customers to third parties.

d. Guaranteed facilities represent USD 35,000,000 (2006: USD 35,000,000) disbursed to customers on behalf of Afrexim and on lending facilities disbursed to its customers on behalf of Nederlandse Financierings – Maatschappij voor Ontwikkelingsladen N.V. (FMO) for which the Bank serves as guarantor. N89,503,000 (USD 697,900) of the FMO facility totalling N2,564,917,000 (USD20 million) was guaranteed by the Bank. The unguaranteed portion is without recourse to the bank.

Notes to the consolidated financial statements

37. Group entities

i. Significant subsidiaries

	Country of incorporation	Ownership 2007	interest 2006
Guaranty Trust Bank Gambia	Gambia	78.1%	78.1%
Guaranty Trust Bank Sierra Leone	Sierra Leone	87%	90%
Guaranty Trust Assurance Limited	Nigeria	55.7%	72%
Guaranty Trust Bank Ghana	Ghana	78.1%	78.1%

Group entities (continued)

ii. Special purpose entities:

Staff Investment Trust	Nigeria	100%	100%
Guaranty Trust Bank Finance BV	Netherlands	100%	-

38. Related parties

ii. 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 other persons.

Parent

The parent company, which is also the ultimate party company, is Guaranty Trust Bank Plc (GTB Plc).

Subsidiaries

Transactions between Guaranty Trust Bank Plc and the subsidiaries also meet the definition of related party transactions. Where these are eliminated on consolidation, they are not disclosed in the Group 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 for disclosure purposes. 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.

Notes to the consolidated financial statements

Related parties (Continued)

Key management personnel and their immediate relatives engaged in the following transactions with the Group during the year

Loans *and Advances:* *In thousands of naira*	**2007 Closing Balance**	**2006 Closing Balance**
Secured loans	1,529,830	739,848
	1,529,830	739,848

Deposits: -

In thousands of naira	**2007 Closing Balance**	**2006 Closing Balance**
Total deposits	89,927	64,970
	89,927	64,970
	89,927	64,970

Interest rates charged on balances outstanding are rates that would be charged in an arm's length transaction. 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 comprised

In thousands of naira	**2007**	**2006**
Short-term employee benefits	399,014	300,698
Post-employment benefits	770,984	612,077
Share-based payments	392,448	176,766
	1,562,446	1,089,541

39. Subsequent event

There were no adjusting post balance sheet events.

Appendix 1

The Group prepared its first consolidated financial statements in accordance with IFRS for the year ended 28 February 2006. The accounting policies as set out in note 3 have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

Notes to the consolidated financial statements

An explanation of how the transition from Nigerian GAAP to IFRS has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes accompanying the tables.

(a) Key impact analysis of IFRS on the financial position as at 28 February 2006, 2007.

(i) IAS 32, 39 and IFRS 7 Financial instruments
Under IFRS, financial assets and liabilities are required to be classified as held for trading, fair value through the income statement, fair value through equity, loans and receivables and held to maturity financial assets and liabilities. Nigerian GAAP does not require such classification of financial instruments and measurement. The basis of classification and valuation of individual instrument is provided in the accompanying statement of accounting policy in Note 3j.

- **Available-for- sale**
  At 28 February 2007, the effect of measuring available-for-sale investments at fair value through equity is a net debit in the fair value reserve amounting to N2,910,768,000 (2006: N1,841,042,000 (credit)).

- **Assets held for trading:**
  The net effect of measuring the financial instruments classified as held for trading resulted in an increase in trading income reported for the year ended 28 February 2007 of N592,341,000 (2006:Nil)

- **Impairment of loans and advances:**
  Under Nigerian GAAP, loans and advances are measured at costs net of impairment losses. A specific risk provision for loan impairment is established to provide for management's estimate of credit losses as soon as the recovery of an exposure is identified as doubtful. This provision is made for each account that is not performing in accordance with the terms of the related facility. A general reserve of at least 1% is made for all performing accounts to recognize losses in respect of risks inherent in any credit portfolio. Under IFRS, the incurred loss model was applied in the determination of impairment losses and the general reserve was reversed.

  The difference in the measurement basis of impairment loss assessment between IFRS and Nigerian GAAP increased the net impairment allowance required by the Group as at 28 February 2007 and resulted in a reduction in the profit for the period of the Group by N441,673,000 (2006: increase in profit for the period by N956,883,000) and a reduction in the net assets of the Group by N441,673,000 (2006: N956,883,000).

(ii) Business combinations
The Group has applied IFRS 3 to all business combinations that occurred with effect from 1 March 2004 (the date of transition to IFRS). The Group has elected, as permitted by IFRS 1, not to restate any business combination that occurred before 1 March 2004.

From 1 March 2004 goodwill is no longer amortised under IFRS, but is tested at least annually for impairment at the cash-generating unit level by applying a fair-value-based test as described in IAS 36, Impairment of Assets. There was no impairment on transition or in any subsequent period. Retained earnings increased by N 43,454,000 on 1 March 2004, 28 February 2005 and 28 February 2006 respectively as a result off negative goodwill on the IFRS transition date of 1 March 2004 that was written back. The carrying amount of goodwill increased by N23,385,000 for the year ended 28 February 2007 (2006: N62,977,000) as a result of the goodwill amortisation charge that was reversed from the income statements under IFRS.

As at 28 February 2007, the Staff Investment Trust (also refer note 3aii) was the only material entity not previously consolidated. The effect of consolidating the results of the Staff Investment Trust at 28 February 2007 resulted in an increase in the liabilities to employees in respect of the staff investment trust and a decrease in retained earnings by N1,165,684,000 (2006: N654,554,000).

Notes to the consolidated financial statements

(iii) Property and equipment and leases (lessee)
Under Nigerian GAAP, landed properties acquired under a 99 year lease agreement were capitalised as land and buildings and depreciated over a period of 50 years. IFRS requires that the land and building components should be evaluated separately for the purpose of lease classification. IFRS generally requires that leasehold land should be classified as an operating lease unless title is expected to pass to the lessee at the end of the lease term.

The effect of the classification of landed properties as operating leases at 28 February 2007 decreased the balance of property and equipment by N1,895,945,000 (2006: N1,738,276,000). The depreciation charge for the year ended 28 February 2006 was adjusted based on the outstanding period of the lease on land by N35,580,000 (2006: N23,514,000)and recognised in lease rental expense.

The Group previously reported equipment on lease as a separate line item on the balance sheet. These items were, under IFRS reclassified, as property and equipment. This had no impact on the income statement and reserves of the Group.

(iv) IAS 19 Employee benefits
Under Nigerian GAAP defined benefit obligations were not determined with reference to actuarial valuations. IAS 19 requires pension fund assets and obligations to be assessed at fair value and liabilities on the basis of current actuarial assumptions using the projected unit credit method.

As at 28 February 2007, liability for employee benefits increased by N202,072,000 (2006: N43,200,000). Employee cost recognised in the income statement for the year ended 28 February 2007 decreased by N117,296,000 (2006: N 78 192 000).

(v) IFRS 2 Share based payments
The Bank granted share appreciation rights (SARs) to senior management employees that entitle the employees to a cash payment on resignation or retirement from the Bank. The amount of the cash payment is determined based on the market price of the shares of the Bank. The Group applied IFRS 2 to its cash settled share based payment arrangements at 1 March 2004. IFRS 2 requires a company to adopt a fair-value-based method to account for share based payments. Compensation cost is measured at the date of the grant based on the assessed value of the award and is recognised over the service period. An estimate is made, at grant date, of the number of share appreciation rights that will lapse before they vest.
Adjustments to this estimate are made over the service period. The Group did not account for these transactions under Nigerian GAAP. The effect of accounting for the share appreciation rights at 28 February 2007 was to decrease net assets of the Group by N1,165,686,000 (2006: N51,613,000).

(vi) IAS 12 Income taxes
As at 28 February 2007, additional deferred taxation assets resulting from adjustments to the carrying value of assets and liabilities, based on IFRS valuation was N1,677,616,000 (2006: N556,714,000).

(vii) Explanation of material adjustments to cash and cash equivalent at 28 February 2007 and 2006
The net impact of application of IFRS on the cash and cash equivalent of the Group is an increase of in cash and cash equivalents at 28 February 2007 of N15,059,985,000 (2006: N14,004,981,000).

Notes to the consolidated financial statements

(b) Explanation of material changes to income statement items

(i) Interest income and expense
Under IFRS, interest income and expense are recognised in the income statement 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. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently. The calculation of the effective interest rate includes all fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Under Nigerian GAAP, interest income and expense are recognised in accordance with the terms of the related facility on an accrual basis.

The effect of accounting for interest income and expense using the effective interest rate method resulted in a reclassification of N1,542,316,000 from fees and commission income to interest income (2006: N1,169,217,000).

(ii) Net premium and claims from insurance contract
Under IFRS, net premium and claims on insurance contract is required to be presented separately on the income statement. Net premium and claims was previously reported in other income.

(iii) Impairment loss
The loan loss expense of N1,073,584,000 (2006: N1,330,716,000) under Nigerian GAAP is recorded under impairment on the IFRS financial statements. The calculation of the impairment of assets is now based on the incurred rather than expected loss model.

(iv) Exceptional and extra-ordinary income
IFRS does not recognise the principles of exceptional and extra-ordinary income as defined under Nigerian GAAP. Consequently the exceptional income amount of N1,206,879,000 (2006: nil), in respect of realisation of gratuity scheme assets was reclassified to other Income in the IFRS financial statements. Other income is analysed in more detail in note 11 to the financial statements.

(v) Operating expenses
Net claims and benefits incurred on insurance contracts of N118,443,000 (2006: N58,529,000) are now disclosed separately as part of operating expenses.

(vi) Transfers to reserves and dividends paid
All transfers to reserves and dividends paid during the year are no longer recorded in the income statement, but are separately disclosed in the note on the reconciliation of capital and reserves.

Reconciliation of profit for the 2007 and 2006 financial years

In thousands of Niara

	Note	Previous GAAP	Effect of transition to IFRS	IFRS	Previous GAAP	Effect of transition to IFRS	IFRS
			28 February 2007			28 February 2006	
Interest (and discount) income		32,016,282	289,373	32,305,655	21,599,750	1,370,013	22,969,763
Lease finance income			0	0	32	(32)	0
Interest expense		(13,272,295)	331,357	(12,940,938)	(8,042,556)	0	(8,042,556)
Net interest income (Interest margin)		18,743,987	620,730	19,364,717	13,557,226	1,369,981	14,927,207
Loan loss expense		(737,371)	737,371	0	(1,783,516)	1,783,516	0
Net interest margin		18,006,616	1,358,101	19,364,717	11,773,710	3,153,497	14,927,207
Net fees and commission income			13,584,375	13,584,375		9,213,658	9,213,658
Net trading income			1,650,488	1,650,488		1,202,514	1,202,514
Premium from insurance contracts			1,067,486	1,067,486		427,767	427,767
Premium ceded to re-insurers		0	(456,470)	(456,470)	0	(105,102)	(105,102)
Exceptional income		1,206,879	(1,206,879)	0	0	0	0
Other operating income (banking income)		15,828,048	(15,024,896)	803,152	12,014,887	(11,529,042)	485,845
		17,034,927	(385,896)	16,649,031	12,014,887	(790,205)	11,224,682
Operating income		35,041,543	972,205	36,013,748	23,788,597	2,363,292	26,151,889
Operating expenses		19,325,234	2,090,525	21,415,759	13,300,038	1,724,225	15,024,263
Net impairment loss on financial assets		0	1,073,584	1,073,584	0	1,330,716	1,330,716
Personnel expenses		5,377,190	745,511	6,122,701	3,448,453	505,974	3,954,427
Net claims and benefits incurred on insurance contracts		0	118,443	118,443	0	58,529	58,529
Depreciation and amortization		2,307,099	(816)	2,306,283	1,703,435	(21,660)	1,681,775
Other expenses		11,640,945	153,803	11,794,748	8,148,150	(149,334)	7,998,816
Profit before income tax		15,716,309	(1,084,806)	14,631,503	10,488,559	639,067	11,127,626
Income tax expense		2,522,550	(398,140)	2,124,410	2,181,780	56,559	2,238,339
Profit for the year		13,193,759	(686,666)	12,507,093	8,306,779	582,508	8,889,287
Extra-ordinary incomes		0	0	0	283,487	(283,487)	0
Profit for the year		13,193,759	(686,666)	12,507,093	8,590,266	299,021	8,889,287
Attributable to:							
Equity holders of the Bank		12,993,052	(686,666)	12,306,386	8,545,997	298,433	8,844,430
Minority interest		200,707	0	200,707	44,269	588	44,857
		13,193,759	(686,666)	12,507,093	8,590,266	299,021	8,889,287
Basic and diluted earnings per share (Naira)		**1.62**		**1.56**	**1.42**		**1.47**

Guaranty Trust Bank Plc

Reconciliation of equity - 2007 IFRS Financial Statements

In thousands of Naira

	Note	Previous GAAP	Effect of transition to IFRS	IFRS	Previous GAAP	Effect of transition to IFRS	IFRS
		28 February 2007			28 February 2006		
Assets							
Cash and cash equivalents (short term funds)		127,381,363	(15,059,985)	112,321,378	74,039,147	(14,004,981)	60,034,166
Trading assets (securities)		8,070,768	592,342	8,663,110	25,000	(25,000)	0
Pledged assets			55,532,740	55,532,740	0	33,687,151	33,687,151
Loans and advances (banks and customers)		115,746,009	1,202,728	116,948,737	84,200,695	1,273,449	85,474,144
Advances under finance leases			0	0	0	0	0
Investment Securities		158,254,442	(25,621,669)	132,632,773	116,498,937	(21,865,000)	94,633,937
Property and equipment (Fixed assets)		20,880,251	(3,233,110)	17,647,141	12,100,006	(1,488,173)	10,611,833
Intangible assets		140,742	1,360,550	1,501,292	69,203	275,468	344,671
Deffered tax assets		28,769	21,105	49,874	0	0	0
Other facilities		4,443,719	(4,443,719)	0	4,460,852	(4,460,852)	0
Other assets		51,545,016	(20,009,740)	31,535,276	17,015,652	4,128,633	21,144,285
Equipment on lease			0	0	1,250	(1,250)	0
Total assets		486,491,079	(9,658,758)	476,832,321	308,410,742	(2,480,555)	305,930,187
Liabilities							
Deposits (banks and customers)		294,545,903	48,880,997	343,426,900	215,773,715	23,569,666	239,343,381
Debt securities issued			44,967,782	44,967,782	0	0	0
Other borrowed funds			13,380,054	13,380,054	0	9,364,040	9,364,040
Current tax liabilities (taxation payable)		3,486,165	0	3,486,165	2,206,703	0	2,206,703
Deferred tax liabilities		1,086,322	(1,086,322)	0	1,087,290	556,714	1,644,004
Other liabilities		74,835,066	(52,616,637)	22,218,429	34,841,228	(23,869,675)	10,971,553
Other facilities		4,488,605	(4,488,605)	0	4,505,911	(4,505,911)	0
Long term borrowings		58,063,369	(58,063,369)	0	9,237,585	(9,237,585)	0
Total liabilities		436,505,430	(9,026,100)	427,479,330	267,652,432	(4,122,751)	263,529,681
Equity							
Share capital and share premium		25,391,928	0	25,391,928	24,391,928	0	24,391,928
Retained earnings		0	4,215,753	4,215,753	0	5,182,750	5,182,750
Other reserves		21,932,190	(4,848,411)	17,083,779	16,157,905	(3,834,650)	12,323,255
Total equity attributable to equity holders of the Bank		47,324,118	(632,658)	46,691,460	40,549,833	1,348,100	41,897,933
Minority interest		2,661,531	0	2,661,531	208,477	294,096	502,573
Total equity		49,985,649	(632,658)	49,352,991	40,758,310	1,642,196	42,400,506

GTB Finance B.V.
Amsterdam

Annual report and accounts
for the year 2007

17/3/08

HLB Schippers Beheer B.V.
Postbus 3025
1801 GA Alkmaar

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HLB Schippers Beheer B.V.
Postbus 3025
1801 GA Alkmaar

Report of the management

The management herewith presents to the shareholder the annual accounts of GTB Finance B.V. (hereinafter: "the Company") for the year 2007.

General

The Company is a limited liability company incorporated under the laws of The Netherlands and acts as a finance company. The ultimate holding company is Guaranty Trust Bank Plc.

Overview of activities

During the year the Company has issued bonds in the amount of 350 million US Dollars and has given a 350 million US Dollar loan to its parent company. On January 25, 2007 the company received a share premium contribution in the amount of 2,608,001 US Dollars from the shareholder Guaranty Trust Bank Plc.

Results

The net asset value of the Company as at 31 December 2007 amounts to USD 3,082,638.
The result for the year 2007 amounts to a profit of USD 450,769.

Future outlook

The management is of the opinion that the present level of activities will be maintained during the next financial year.

Amsterdam, 17 March 2008
J.K.O. Agbaje

Fortis Intertrust (Netherlands) B.V.

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HLB Schippers Beheer B.V.
Postbus 3025
1801 GA Alkmaar

Balance sheet as at 31 December 2007
(Before the proposed appropriation of the result and expressed in US Dollars)

	Notes	2007	*)
Fixed assets			
Financial fixed assets			
Loans to group entities	1	352,608,001	-
Total fixed assets		352,608,001	-
Current assets			
Debtors			
Amounts owed by group entities	2	13,062,543	-
Other receivables	3	1,429,738	
Cash and cash equivalents	4	2	-
Total current assets		14,492,283	-
Current liabilities (due within one year)			
Amounts due to group entities	5	44,233	-
Amounts due to third parties	6	12,511,301	-
Accruals and deferred income	7	1,462,112	-
Total current liabilities		14,017,646	-
Current assets less current liabilities		474,637	-
Total assets less current liabilities		353,082,638	-
Long term liabilities (due after one year)			
Bond loans	8	350,000,000	-
Total long term liabilities		350,000,000	-
Net asset value		3,082,638	-
Capital and reserves	9		
Paid up and called up share capital		26,469	-
Share premium account		2,608,001	-
Other reserves		(2,601)	-
Unappropriated results		450,769	-
Total shareholder's equity		3,082,638	-

The accompanying notes form an integral part of these financial statements.
*) No comparative figures are available.

17/3/08

HLB Schippers Beheer B.V.
Postbus 3025
1801 GA Alkmaar

Profit and loss account for the period 15 December 2006 up to 31 December 2007

	Notes	2007	*)
(Expressed in US Dollars)			
Finance activities			
Interest on loans to group entities	10	30,202,749	-
Withholding taxes	11	(2,265,206)	-
Interest on loans from third parties	12	(27,386,301)	-
Result finance activities		551,242	-
Other financial income and expenses			
Other interest income and expenses	13	-	-
Currency exchange rate differences	14	(2,215)	-
Total other financial income and expenses		(2,215)	-
Other income and expenses			
General and administrative expenses	15	(98,258)	-
Total other income and expenses		(98,258)	-
Result before taxation		450,769	-
Result after taxation		450,769	-

The accompanying notes form an integral part of these financial statements.
*) No comparative figures are available.

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HLB Schippers Beheer B.V.
Postbus 3025
1801 GA Alkmaar

Notes to the annual accounts for the year ended 31 December 2007

General

The Company was incorporated as a limited liability company under the laws of The Netherlands on 15 December 2006 and has its statutory seat in Amsterdam. The ultimate holding company is Guarante Trust Bank Plc, Lagos, Nigeria. The principal activity of the Company is to act as a finance company. As per the incorporation of the company Mr JKO Agbaje and Fortis Intertrust (Netherlands) B.V. were appointed as managing directors of the Company.

Due to the fact that the majority of the operations consist of the USD, the company adopted the USD as its functional currency. Consequently in accordance with section 2:362 paragraph 7 of the Netherlands civil code the financial statements are expressed in USD.

Basis of presentation

The accompanying accounts have been prepared in accordance with accounting principles generally accepted in The Netherlands (part 9, Book 2 Dutch civil code), the most significant of which are as follows:
The financial year ended 31 December 2007 comprises the period from 15 December 2006 up to 31 December 2007. As this is the first financial year no comparative figures are available.

a. **Foreign currencies**

Assets and liabilities are translated into US dollar at their exchange rates prevailing on the balance sheet date. Transactions in foreign currencies are translated into US dollar at the exchange rates in effect at the time of the transactions. The resulting currency exchange rate differences are taken to the profit and loss account, with the exception of the restatement of the share capital, which is included in capital and reserves under translation reserve.

The exchange rates used in the annual accounts are:	31.12.2007
1 USD (US Dollar) = EUR	0.68004

b. **Assets and liabilities**

Assets and liabilities are shown at face value, unless stated otherwise in the notes.

c. **Recognition of income**

Income and expenses, including taxation, are recognised and reported on accrual basis.

d. **Corporate income tax**

Provisions for taxation have been made in accordance with the standard ruling practice for finance companies in The Netherlands.

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HLB Schippers Beheer B.V.
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			2007	*)
			USD	
1 Loans to group entities				
Guarante Bank Trust Plc.			352,608,001	-
			352,608,001	-

On January 29, 2007 the company has entered in an intercompany loan agreement. The loan has been secured, has a maturity date of 2012 and attract 8.6070 % (net of withholding tax) interest annually. USD 1,746,500 of the loan is deducted from the loan as a discount. The discount will be depreciated during the term of the loan.

Balance loan as per 1 January	-
Increase/(decrease)	352,608,001
Balance loan as per 31 December	352,608,001

2 Amounts owed by group entities				
Loan interest receivable			13,062,543	-
			13,062,543	
3 Other receivables				
Discount on issued bond loans *			1,425,129	-
Withholding tax receivable			-	-
VAT			4,609	-
			1,429,738	

An amount of USD 1,075,829 represents a term more than 1 year.

4 Cash and cash equivalents				
Current account	EUR	1	2	-
			2	-
5 Amounts due to group entities				
Shareholder			44,233	-
			44,233	-
6 Amounts due to third parties				
Bonds interest payable			12,511,301	-
			12,511,301	-

HLB Schippers Beheer B.V.
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	2007	*)
	USD	
7 Accruals and deferred income		
Recharged discount on loan to group entity *	1,425,129	-
Accruals	36,983	-
	1,462,112	-

An amount of USD 1,075,829 represents a term more than 1 year.

	2007	*)
8 Bond loans		
Bonds issued	350,000,000	-
	350,000,000	-

The bonds have been secured, have a maturity of 2012 and attract 8.50% interest annually. The bonds has been issued against a rate of 99.501% which results in a discount of US$ 1,746,500. The discount related to the issuance have been activated and will be depreciated during the term of the bond loan.

Increase/(decrease)	350,000,000
Balance as per 31 December	350,000,000

9 Capital and reserves

The authorised share capital of the Company amounts to EUR 90,000 divided into 900 shares of EUR 100 each. Issued and paid up are 180 shares of EUR 100.

	Share capital	Share premium	Translation reserve	Unappr.results	Total
Incorporation / Paid-in	26,469	2,608,001	-	-	2,634,470
Transfer	-	-	-	-	-
Other movements	-	-	(2,601)	-	(2,601)
Result for the period	-	-	-	450,769	450,769
Balance as per 31.12.2007	26,469	2,608,001	(2,601)	450,769	3,082,638

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HLB Schippers Beheer B.V.
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	2007 USD	*)

Profit and loss account

	2007 USD	*)
10 Interest on loans to group entities		
Gurante Bank Trust Plc	30,202,749	-
	30,202,749	-
11 Withholding taxes		
Withholding taxes on Nigerian interest payments	(2,265,206)	-
	(2,265,206)	-
12 Interest on loans from third parties		
Interest payable on bonds	27,386,301	-
	27,386,301	-
13 Other interest income and expenses		
Interest on bank accounts / deposits	5,950	-
Discount and penalties	(5,950)	-
Issuance fee income	4,349,897	
Issuance fee expenses	(4,349,897)	
Depreciation discount on loans	321,371	-
Release discount on bonds	(321,371)	-
	-	-
14 Currency exchange rate differences		
On finance activities	2,215	-
	2,215	-
15 General and administrative expenses		
Administration	64,913	-
Audit expenses	20,231	-
Tax advice	1,962	-
Bank charges	642	-
Other professional fees	10,159	-
General expenses	351	-
	98,258	-

HLB Schippers Beheer B.V.
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Staff numbers and employment costs
The Company has no employees and hence incurred no wages, salaries or related social security charges during the reporting period.

Directors
The Company has two managing director, who receives no remuneration.
The Company has no supervisory directors.

Amsterdam, 17 March 2008
J.K.O. Agbaje

Fortis Intertrust (Netherlands) B.V.

17/3/08

HLB Schippers Beheer B.V.
Postbus 3025
1801 GA Alkmaar

Other information

Appropriation of results

Subject to the provisions under Dutch law that no dividends can be declared until all losses have been recovered, other reserves and unappropriated results are at the disposal of the shareholder in accordance with the Company's articles of association.
Furthermore, Dutch law prescribes that any profit distribution may only be made to the extent that the shareholder's equity exceeds the amount of the issued capital and the legal reserves.

The management proposes to the shareholder to add the result for the year to the other reserves.

Subsequent events

No events have occurred since balance sheet date, which would change the financial position of the Company and which would require adjustment of or disclosure in the annual accounts now presented.

Auditor's report

The auditor's report is set on the next page.

HLB Schippers Beheer B.V.
Postbus 3025
1801 GA Alkmaar

HLB Schippers

Accountants Fiscalisten Juristen

To: GTB Finance B.V
Prins Bernhardplein 200
1097 JB AMSTERDAM

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements 2007 of GTB Finance B.V., Amsterdam, which comprise the balance sheet as at 31 December, 2007, the profit and loss account for the period 15 December 2006 up to 31 December 2007 and the notes.

Management's responsibility
Management is responsible for the preparation and fair presentation of the financial statements and for the preparation of the management board report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law 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 the auditor's judgment, 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of GTB Finance B.V. as at 31 December, 2007, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

HLB Schippers

Accountants Fiscalisten Juristen

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Alkmaar, 17 March, 2008

HLB Schippers Beheer B.V.

A.J. Dobbe
Registeraccountant

ISSUER

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