U.S.$300,000,000 7.125 per cent. Senior Note Participation Notes due 2026

to be issued by, but with limited recourse to,

EBN FINANCE COMPANY B.V.

(incorporated with limited liability in the Netherlands)

for the sole purpose of financing the purchase of a Senior Note to be issued by

ECOBANK NIGERIA LIMITED

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

Issue Price: 100.000 per cent.

EBN Finance Company B.V. (the "**Issuer**"), a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands, registered with the Dutch Trade Register of the Chamber of Commerce under number 81674554 and having its registered office at Herikerbergweg 88, 1101 CM Amsterdam, the Netherlands, is issuing an aggregate principal amount of U.S.$300,000,000 7.125 per cent. Senior Note Participation Notes due 2026 (the "**Notes**") to be issued by, but with limited recourse to, the Issuer for the sole purpose of financing the purchase by the Issuer of a senior note (the "**Senior Note**") to be issued by Ecobank Nigeria Limited (the "**Bank**") on the issue date of the Notes. The Notes are constituted by, are subject to, and have the benefit of, a trust deed to be dated on or around 16 February 2021 (the "**Trust Deed**") between the Issuer and Citibank, N.A., London Branch as trustee (the "**Trustee**") for the benefit of the Noteholders (as defined in the "*Terms and Conditions of the Notes*"). Under the Trust Deed, the Issuer will charge, in favour of the Trustee, by way of a first fixed charge as security for its payment obligations in respect of the Notes and under the Trust Deed, certain of its rights and interests under the Senior Note and the Account (as defined in the Trust Deed). In addition, the Issuer will assign absolutely certain of its administrative rights under the Senior Note to the Trustee.

The Notes are limited recourse obligations of the Issuer. In each case where amounts of principal, interest and additional amounts (if any) are stated to be payable in respect of the Notes, the obligation of the Issuer to make any such payment shall constitute an obligation only to account to the Noteholders, on each date upon which such amounts of principal, interest and additional amounts (if any) are due in respect of the Notes, for an amount equivalent to all principal, interest and additional amounts (if any) actually received and retained (net of tax) from the Bank by, or for the account of, the Issuer pursuant to the Senior Note. The Issuer will have no other financial obligation under the Notes.

Subject to the terms of the Trust Deed, no Noteholder will have any entitlement to enforce any of the provisions in the Senior Note or have direct recourse to the Bank except through action by the Trustee under any of the Security Interests (as defined in the "*Terms and Conditions of the Notes*").

This Prospectus has been approved as a prospectus by the United Kingdom Financial Conduct Authority (the "**FCA**"), as competent authority under Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**") (the "**UK Prospectus Regulation**"). The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer, the Bank or the quality of the Notes that are subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes.

Application has been made to the FCA for the Notes to be admitted to the Official List of the FCA (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for the Notes to be admitted to trading on its main market. The London Stock Exchange's main market is a United Kingdom regulated market for the purposes of Regulation EU No. 600/2014 on markets in financial instruments as it forms part of domestic law by virtue of the EUWA ("**UK MiFIR**").

This Prospectus is valid for 12 months. The obligation to supplement this Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply once the Notes are admitted to the Official List and to trading on the main market of the London Stock Exchange.

Investing in the Notes involves a high degree of risk. See "*Risk Factors*" beginning on page 8. Interest on the Notes is payable semi-annually in arrear on 16 February and 16 August in each year, commencing on 16 August 2021. Payments on the Notes will, subject to the exceptions set out in the terms and conditions of the Notes, be made free and clear of any withholding taxes in the Netherlands or Nigeria and *provided however that* the Issuer shall account to the Noteholders for an amount equivalent to amounts of interest actually received and retained by or for the account of the Issuer pursuant to the Senior Note, which interest is equal to 7.125 per cent. per annum.

NEITHER THE NOTES NOR THE SENIOR NOTE HAVE BEEN, OR WILL BE, REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR THE SECURITIES LAWS OF ANY STATE OR TERRITORY OF THE UNITED STATES OR ANY OTHER JURISDICTION. ACCORDINGLY, THE NOTES ARE BEING OFFERED AND SOLD ONLY TO (I) QUALIFIED INSTITUTIONAL BUYERS ("QIBS") AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") THAT ARE ALSO QUALIFIED PURCHASERS ("QPS") (WITHIN THE MEANING OF SECTION 2(A)(51) OF THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED) OR PURSUANT TO ANOTHER EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND (II) PERSONS THAT ARE NOT "U.S. PERSONS" (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) LOCATED OUTSIDE THE UNITED STATES IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT ("REGULATION S"). SEE "*TRANSFER RESTRICTIONS*".

Notes which are offered and sold in reliance on Regulation S will be represented by beneficial interests in a global Note certificate (the "**Unrestricted Global Note**") in registered form, without interest coupons attached, which will be registered in the name of Citibank Europe plc as nominee for, and shall be deposited on or about the Closing Date (as defined below) with, a common depository for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Notes which are offered and sold in reliance on Rule 144A will be represented by beneficial interests in a global Note certificate (the "**Restricted Global Note**" and, together with the Unrestricted Global Note, the "**Global Notes**") in registered form, without interest coupons attached, which will be deposited on or about the Closing Date with a custodian for, and registered in the name of Cede & Co. as nominee for, The Depository Trust Company ("**DTC**"). Notes will be issued in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. See "*Terms and Conditions of the Notes—Form and Denomination*". Interests in the Restricted Global Note will be subject to certain restrictions on transfer. See "*Transfer Restrictions*". Beneficial interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg and their participants. Except as described herein, certificates for Notes will not be issued in exchange for beneficial interests in the Global Notes.

The Notes are expected to be rated B- by S&P Global Ratings Europe Limited ("**S&P**") and B- by Fitch Ratings Limited ("**Fitch**"). The Bank's current long term rating is B- (stable) by S&P and B- (stable) by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. S&P is established in the European Union and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended (the "**CRA Regulation**"). Fitch is registered in the United Kingdom and registered under the CRA Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK CRA Regulation**"). The ratings issued by Fitch have been endorsed by Fitch Ratings Ireland Limited in accordance with the CRA Regulation. Each of S&P and Fitch Ratings Ireland Limited is included in the list of credit rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website (http://www.esma.europa.eu/page/list-registered-and-certified-CRAs) (last updated 4 January 2021) in accordance with the CRA Regulation.

Joint Lead Managers

CITIGROUP **MASHREQBANK PSC** **RENAISSANCE CAPITAL** **STANDARD CHARTERED BANK**

PROSPECTUS DATED 15 FEBRUARY 2021

This Prospectus constitutes a prospectus for the purpose of the UK Prospectus Regulation and for the purpose of giving information with regard to the Bank, the Issuer, the Notes and the Senior Note. Each of the Issuer and the Bank (the "**Responsible Persons**"), accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer and the Bank the information contained in this Prospectus is in accordance with the facts and the Prospectus does not omit anything likely to affect the import of such information.

None of (i) the Trustee, (ii) Citigroup Global Markets Europe AG, Mashreqbank psc, Renaissance Securities (Cyprus) Limited and Standard Chartered Bank (together, the "**Joint Lead Managers**"), and (iii) the Agents (as defined below) has independently verified the information contained herein. No representation or warranty, express or implied, is made by the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, affiliates, advisers or agents with respect to the accuracy or completeness of such information. Nothing contained in this Prospectus is, is to be construed as, or shall be relied upon as, a promise, warranty or representation, whether to the past or the future, by the Joint Lead Managers, the Trustee or any of their respective directors, affiliates, advisers or agents in any respect. The contents of this Prospectus are not, are not to be construed as, and should not be relied on as, legal, business or tax advice and each prospective investor should consult its own legal and other advisers for any such advice relevant to it.

None of the Issuer and the Bank intends to provide any post-issuance transaction information regarding the Notes or the Senior Note. No person is authorised to give any information or make any representation not contained in this Prospectus in connection with the issue and offering of the Notes and any information or representation not so contained must not be relied upon as having been authorised by any of the Issuer, the Bank, the Trustee, the Agents or the Joint Lead Managers or any of their directors, affiliates, advisers or agents. The delivery of this Prospectus at any time does not imply that the information contained in it is correct as at any time subsequent to its date, and neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no change, or any event reasonably likely to involve any change, in the condition (financial or otherwise), assets and liabilities, financial position, profit and losses and prospects of the Issuer, the Bank or the Ecobank Group (as defined below) after the date of this Prospectus.

This Prospectus does not constitute an offer to sell or a solicitation of an offer to subscribe for or purchase any Notes by any person in any jurisdiction where it is unlawful to make such an offer or solicitation. The distribution of this Prospectus and the offer or sale of the Notes in certain jurisdictions is restricted by law. This Prospectus may not be used for, or in connection with, and does not constitute, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstance in which such offer or solicitation is not authorised or is unlawful.

In particular, this Prospectus, the Notes and the Senior Note have not been and will not be registered with the Nigerian Securities and Exchange Commission (the "**Nigerian SEC**") or under the Nigerian Investment and Securities Act, No. 29 of 2007, as amended (the "**Nigerian ISA**") and the Nigerian SEC has not approved or recommended an investment in the Notes or the Senior Note. This Prospectus may not be utilised in connection with any offering to the public within the Federal Republic of Nigeria ("**Nigeria**"). The Notes may, however, be offered and sold in Nigeria in certain transactions exempt from the registration requirements of the Nigerian ISA. Accordingly, this Prospectus 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 Prospectus has been addressed as a private sale, or domestic concern, within the exemption and meaning of Section 69(2) of the Nigerian ISA.

In addition, this Prospectus does not constitute an offer of securities to the public in the United Kingdom. Consequently this document is being distributed only to, and is directed at (a) persons who have professional experience in matters relating to investments falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**") or (b) high net worth entities falling within article 49(2)(a) to (d) of the Order, and other persons to whom it may be lawfully communicated (all such persons together being referred to as "**relevant persons**"). Any person who is not a relevant person should not act or rely on this document or any of its contents. Persons into whose possession this Prospectus may come are required by the Issuer, the Bank and the Joint Lead Managers to inform themselves about and to observe such restrictions. Any consents or approvals that are needed in order to purchase any Notes must be obtained. The Bank, the Issuer and the Joint Lead Managers are not responsible for compliance with these legal requirements. The appropriate characterisation of any Notes under various legal investment restrictions, and thus the ability of investors subject to these restrictions to purchase such Notes, is subject to significant interpretative uncertainties. None of the Issuer, the Bank, the Trustee, the Joint Lead Managers and their respective representatives is making any representation to any offeree or purchaser of the Notes regarding the legality of an investment by such offeree or purchaser under relevant legal investment or similar laws. Such investors should consult their legal advisers regarding such matters. The Notes have not been, and will not be, registered under the Securities Act. The Notes may not be offered or sold, directly or indirectly, into or within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S and within the United States to QIBs that are also QPs in reliance on the exemption from registration under the Securities Act provided by Rule 144A. Further information with regard to restrictions on offers, sales and deliveries of the Notes and the distribution of this Prospectus and other offering material relating to the Notes is set out under "*Subscription and Sale*" and "*Transfer Restrictions*".

The Notes may not be a suitable investment for all investors

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:

(i) 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 Prospectus or any applicable supplement;

(ii) 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;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and

(v) 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.

The Notes are complex financial instruments. A potential investor should not invest in the Notes 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.

NOTICE TO PROSPECTIVE UNITED STATES INVESTORS

The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission, any state securities commission in the United States or any other regulatory authority in the United States, nor have the foregoing authorities reviewed or passed upon or endorsed the merits of the offering of the Notes or the accuracy or the adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

This offering is being made in the United States in reliance upon an exemption from registration under the Securities Act for an offer and sale of the Notes which does not involve a public offering. Each purchaser or holder of interests in the Notes will be deemed, by its acceptance or purchase of any such Notes, to have made certain acknowledgements, representations, warranties and agreements as set out in "*Subscription and Sale*" and "*Transfer Restrictions*".

This Prospectus is being furnished on a confidential basis in the United States to a limited number of QIBs that are also QPs for informational use solely in connection with the consideration of the purchase of the Notes. This Prospectus is being furnished only (1) to a limited number of investors in the United States reasonably believed to be QIBs that are also QPs and (2) to non-U.S. persons located outside the United States. Any reproduction or distribution of this Prospectus, in whole or in part, into or within the United States and any disclosure of its contents or use of any information herein in the United States for any purpose, other than in considering an investment by the recipient in the Notes, is prohibited. Each potential investor in the Notes, by accepting delivery of this Prospectus, agrees to the foregoing.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**"). For these purposes, a "**retail investor**" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**EU MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UNITED KINGDOM RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For these purposes, a "**retail investor**" means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the United Kingdom has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.

EU MiFID II product governance / Professional investors and eligible counterparties only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in EU MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' type of clients assessment) and determining appropriate distribution channels.

UK MiFIR product governance / Professional investors and eligible counterparties only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in UK MiFIR; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

SINGAPORE SECURITIES AND FUTURES ACT PRODUCT CLASSIFICATION

Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Regulation 3(b) of the Securities and Futures (Capital Markets Products) Regulations 2018 (the "**SF (CMP) Regulations**") that the Notes are "prescribed capital markets products" (as defined in the SF (CMP) Regulations) and "Excluded Investment Products" (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

AVAILABLE INFORMATION

Neither the Issuer nor the Bank is currently required to file periodic reports under Sections 13 or 15 of the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**") with the U.S. Securities and Exchange Commission. To permit compliance with Rule 144A in connection with resales and transfers of Notes, the Issuer and the Bank have agreed that, for so long as any of the Notes are "**restricted securities**" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer and the Bank will provide to any holder or beneficial owner of such restricted securities, or to any prospective purchaser of such restricted securities designated by a holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act, if at the time of such request the Issuer or the Bank, as the case may be, is not a reporting company under Section 13 or Section 15(d) of the Exchange Act or exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act. See "*Terms and Conditions of the Notes—Provision of Information*".

STABILISATION

IN CONNECTION WITH THE ISSUE OF THE NOTES, STANDARD CHARTERED BANK (THE "STABILISATION MANAGER") (OR ANY PERSON ACTING ON BEHALF OF THE STABILISATION MANAGER) 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, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISATION MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

FORWARD LOOKING STATEMENTS

Certain statements included herein may constitute forward looking statements that involve a number of risks and uncertainties. They may also constitute "forward looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act; however, this Prospectus is not entitled to the benefit of the safe harbour created thereby. Such statements, certain of which can be identified by the use of forward looking terminology such as "believes", "expects", "may", "are expected to", "intends", "will", "will continue", "should", "could", "would be", "seeks", "approximately", "estimates", "predicts", "projects", "aims" or "anticipates", or similar expressions or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy, plans or intentions, involve a number of risks and uncertainties. Such forward looking statements include all matters that are not historical facts and are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise and that may be incapable of being realised. They appear in a number of places throughout this Prospectus and include statements regarding the Bank's intentions, beliefs or current expectations concerning, amongst other things, the Bank'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. See "*Risk Factors*". Prospective investors should be aware that forward looking statements are not guarantees of future performance and that the Bank'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 Prospectus. In addition, even if the Bank'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 Prospectus, 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:

- overall political, economic and business conditions in Nigeria;
- interest rate and exchange rate fluctuations, currency shortages of foreign currencies and other capital market conditions;
- the uncertain regulatory environment of the Nigerian banking sector and policy changes of the Central Bank of Nigeria ("**CBN**");
- the Bank's highly concentrated investment and loan portfolios and deposit base;
- the Bank's high levels of non-performing loans;
- the Bank's ability to grow its loan portfolio in line with previously achieved rates, or at all;
- the on-going impact of COVID-19 and potential for global recession;
- competitive factors in the industries in which the Bank and its customers compete;
- the Bank's ability to successfully pursue its strategies;
- the effectiveness of the Bank's risk management and internal control policies and procedures;
- the Bank's significant off-balance sheet credit-related commitments such as letters of credits, bonds and guarantees, foreign exchange transactions and banker's acceptances;
- the demand for the Bank's services;
- the Bank's dependency on key management and internal control policies and procedures;
- the Bank's risks to its information technology systems and its ability to remain competitive depends on its ability to continue to develop and innovate its digital platforms and services;
- the Bank's ability to manage liquidity risk;
- the Bank's ability to prevent corrupt behaviour and comply with anti-money laundering regulations;

- the Bank's ability to recruit and retain qualified personnel;
- changes in government regulations applicable to the Bank's activities;
- changes in tax requirements, including tax rate changes, new tax laws and revised tax law interpretations;
- economic, political and military instability and conditions in international markets, including governmental changes;
- restrictions on the ability to transfer capital across borders; and
- the timing, impact and other uncertainties of future actions.

The sections of this Prospectus titled "*Risk Factors*", "*Management's Discussion and Analysis of Results of Operations and Financial Condition*", "*Business Description*" and "*Selected Statistical and Other Information*" contain a more complete discussion of the factors that could affect the Bank'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 Prospectus may not occur.

These forward-looking statements are made only as at the date of this Prospectus. Accordingly, except as required under the UK Prospectus Regulation, neither the Issuer nor the Bank undertake any obligation to update or revise any forward looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward looking statements attributable to the Issuer or the Bank, or to persons acting on their behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Prospectus. As a result of these risks, uncertainties and assumptions, a prospective purchaser of the Notes should not place undue reliance on these forward looking statements.

ENFORCEMENT OF FOREIGN JUDGMENTS

The Netherlands

The Issuer is a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands and its Managing Director (as defined in "*Description of the Issuer – Management*") and its supervisory directors are residents of the Netherlands. As a result, save as provided below, it may not be possible for investors to (a) effect service of process upon the Issuer or any such person outside the Netherlands, (b) enforce against any of them, in courts of jurisdictions other than the Netherlands, judgments obtained in such courts that are predicated upon the laws of such other jurisdictions or (c) enforce against any of them, in the courts of the Netherlands, judgments obtained in jurisdictions other than the Netherlands.

The Netherlands does not currently have a treaty with the United Kingdom providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any UK court based on civil liability, whether or not predicated solely upon securities laws of the United Kingdom, would not automatically be recognised or enforceable in the Netherlands. In order to obtain a judgment that is enforceable in the Netherlands, the claim must be relitigated before a competent Dutch court and the judgment rendered by the foreign court must be submitted in the course of such proceedings, in which case the Dutch court will have to decide whether and to what extent it, given the circumstances of the case, will recognise the foreign judgment. A Dutch court will, under current practice, generally grant the same judgment without relitigation analysis on the merits if (i) the foreign court rendering that judgment has jurisdiction over the matter on internationally acceptable grounds and (ii) has conducted the proceedings in accordance with generally accepted principles of fair trial (*behoorlijke rechtspleging*), (iii) that judgment does not contravene public policy (*openbare orde*) of the Netherlands, (iv) the foreign judgment is not in conflict with a decision rendered by a Dutch court between the same parties, or with an earlier judgment rendered by a foreign court in proceedings involving the same cause of action and between the same parties, provided that the earlier decision can be recognised in the Netherlands, and (v) the foreign judgment is—according to the law of its country of origin—formally capable of being enforced (e.g. is readily enforceable, has not been annulled in appeal or its enforceability has not been subject to a certain time frame). Subject to the foregoing and provided that service of process occurs in accordance with applicable treaties, investors may be able to enforce in the Netherlands judgments in civil and commercial matters obtained from UK courts. Moreover, a Dutch court may reduce the amount of damages granted by a UK court and recognise damages only to the extent that they are necessary to compensate actual losses or damages. The enforcement and recognition of judgments of UK courts in the Netherlands are subject to the Dutch rules of civil procedure.

Subject to the foregoing and service of process in accordance with applicable treaties, judgments in civil and commercial matters obtained from UK courts may be enforceable in the Netherlands. No assurance can be given, however, that these judgments will be enforceable. In addition, it is doubtful whether a Dutch court would accept jurisdiction and impose civil liability in an original action commenced in the Netherlands and predicated solely upon securities laws of the United Kingdom.

Nigeria

The Bank is incorporated under the laws of Nigeria and all of its operations are located in Nigeria. 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 direct service of process within the United States or the United Kingdom upon the Bank or its Directors and executive officers, or to enforce United States or United Kingdom court judgments obtained against the Bank or its Directors and executive officers in jurisdictions outside the United States and the United Kingdom, including actions under the civil liability provisions of United States securities laws. In addition, it may be difficult for investors to enforce, in original actions brought in courts in jurisdictions outside the United States and the United Kingdom, liabilities predicated upon United States or the United Kingdom securities laws.

There are two regimes for the enforcement of foreign judgments in Nigeria: the Reciprocal Enforcement of Judgment Ordinance, 1922 (Cap 175, Laws of the Federation of Nigeria and Lagos, 1958) (the "**Reciprocal Enforcement Ordinance**") and part 1 of the Foreign Judgments (Reciprocal Enforcement) Act, 1961 (Cap F35 LFN 2004) (the "**Reciprocal Enforcement Act**").

The Reciprocal Enforcement Ordinance applies to judgments obtained in the High Court in England or Ireland, or in the Court of Session in Scotland or in any territory under Her Majesty's protection to which the Reciprocal Enforcement Ordinance is extended by proclamation, while the Reciprocal Enforcement Act applies to judgments from any superior court of any foreign country which accords reciprocal treatment to judgments given in Nigeria. Subject to certain exceptions, judgments obtained in these jurisdictions are enforceable by registration under the Reciprocal Enforcement Ordinance and by virtue of section 10(a) of the Reciprocal Enforcement Act. To be enforceable, such judgments must be registered within 12 months after the date of the judgment or such longer period as may be allowed by the courts. The judgment must (i) be monetary and derive from civil proceedings; (ii) be final and capable of execution in the country of delivery; (iii) must not have been wholly satisfied; and (iv) not suffer from want of jurisdiction, lack of fair hearing or fraud, be contrary to public policy or have been discontinued because the issue had already been decided by another competent court before its determination by the foreign court.

Accordingly, under the first regime, foreign judgments relating to the Notes are registrable and enforceable in Nigeria if such judgments are obtained in the (a) High Courts of England or Ireland or in the Court of Session in Scotland or in other parts of Her Majesty's control to which the Reciprocal Enforcement Ordinance is extended by proclamation; or (b) the superior court of any of the countries covered by the Reciprocal Enforcement Ordinance. However, such judgments obtained are not registrable or enforceable in Nigeria where (i) the foreign court acted without jurisdiction; (ii) the judgment debtor, being a person who was neither carrying on business nor ordinarily resident within the jurisdiction of the foreign court, did not voluntarily appear or otherwise submit or agree to submit to the jurisdiction of that court; (iii) the judgment debtor was not duly served with the process of the foreign court; (iv) the judgment was obtained by fraud; (v) the judgment debtor satisfies the registering court that an appeal is pending against the judgment or that he is entitled to and intends to appeal against the judgment; (vi) the judgment was in respect of a cause of action which could not have been entertained by the registering court for reasons of public policy or for some other similar reason; or (vii) such judgment is not registered within 12 months after the date of the judgment or such longer period as may be allowed by a superior court in Nigeria. In this regard, notwithstanding that a judgment emanates from a jurisdiction to which the Reciprocal Enforcement Ordinance or the Reciprocal Enforcement Act applies, such judgment will not be registrable or enforceable in Nigeria if the judgment falls within any of the exceptions enumerated in (i) to (vii) above.

Furthermore, in the event that in the future the Minister of Justice of Nigeria (the "**Minister of Justice**") extends the Reciprocal Enforcement Act (discussed below) to apply to judgments from the High Court in England or Ireland, or in the Court of Session in Scotland or to other parts of Her Majesty's control, or from the superior court of any foreign country, then enforcement of such judgments will need to be in accordance with part 1 of the Reciprocal Enforcement Act.

The second regime for the enforcement of foreign judgments in Nigeria, part 1 of the Reciprocal Enforcement Act, applies to judgments obtained in the superior courts of any country (other than Nigeria) and registered within 6 years after the date of the judgment without an extension of time by a court for such registration, subject to the satisfaction of the following two conditions: (i) Nigerian judgments must be accorded substantial reciprocity of treatment in courts of the relevant foreign jurisdiction, and (ii) the Minister of Justice must have made an order extending the applicability of part 1 of the Reciprocal Enforcement Act to judgments obtained in such foreign jurisdiction. Where the above two conditions are satisfied in respect of any jurisdiction (whether or not covered by the Reciprocal Enforcement Ordinance), the Reciprocal Enforcement Act shall apply to the registration and enforcement in Nigeria of judgments of superior courts of those jurisdictions. To be enforceable, judgments from such jurisdictions must be registered within six years after the date of the judgment, or where the proceedings have been by way of appeal, within six years after the date of the last judgment given in those proceedings. Such judgments are only registrable where the judgment would have been enforceable by execution in the jurisdiction of the original court.

There is no treaty between the United States and Nigeria providing for reciprocal enforcement of judgments and the Minister of Justice has not directed the application of the Reciprocal Enforcement Act to judgments derived from US courts. Thus, enforcing a judgment from the United States by registration may be problematic. The interpretation of section 10(a) of the Reciprocal Enforcement Act is not settled. That section provides that before the commencement of the ministerial order envisaged under section 3(1) of the Reciprocal Enforcement Act, foreign judgments can only be enforced in Nigeria by registration under section 10(a) of the Reciprocal Enforcement Act if such judgments are registered within 12 months after the date of the judgment or such longer period as may be allowed by a superior court in Nigeria. However, to date, the Minister of Justice has not issued any order extending the application of part 1 of the Reciprocal Enforcement Act to judgments of superior courts of any country, and as such the commencement of such order is non-existent.

Based on the provisions of the Reciprocal Enforcement Ordinance, foreign judgments can be enforced and recovered in foreign currency. In contrast, part 1 of the Reciprocal Enforcement Act provides that a foreign judgment to which part 1 of the Reciprocal Enforcement Act applies may only be enforceable in Nigeria in the local currency. However, the relevant provision of the Reciprocal Enforcement Act will only become effective if the Minister of Justice declares that part 1 of the Reciprocal Enforcement Act shall apply to judgments of superior courts of a particular country that accords reciprocal treatment to judgments of superior courts of Nigeria. In that event, judgments of superior courts of that country (whether or not previously covered by the Reciprocal Enforcement Ordinance), when registered and enforced in Nigeria, will be enforced only in Naira. One challenge presented by this is that the judgment creditor may be faced with significant exchange rate losses given that the judgment sum will be converted into the local currency on the basis of the rate of exchange on the date the judgment is sought to be enforced and is obtained. However, the CBN Foreign Exchange Manual will allow the purchase of foreign currency to pay the judgment sum.

Alternatively, foreign judgments can be enforced in Nigeria by commencing a fresh action by way of summary judgment proceedings in a superior court in Nigeria based on the judgment. This is allowed under Nigerian law and entails treating the foreign judgment as simply a debt owed to the judgment creditor.

LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE ISSUER

Set out below is a summary of certain limitations on the enforceability of the Notes in some of the jurisdictions in which Notes are being provided. It is a summary only, and bankruptcy or insolvency proceedings or similar events could be initiated in any of these jurisdictions. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply to a given situation and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes.

European Union

The Issuer is incorporated under the laws of the Netherlands, a Member State of the European Union.

Pursuant to Regulation (EU) no. 2015/848 of the European Parliament and of the Council of May 20, 2015 on insolvency proceedings (which entered into force on June 29, 2017 and applies to insolvency proceedings opened on or after that date) replacing Regulation (EC) 1346/2000 of May 28, 2000 (the "**EU Insolvency Regulation**"), which applies within the European Union, other than Denmark, the courts of the Member State in which a company's "centre of main interests" (which according to Article 3(1) of the EU Insolvency Regulation is "the place where the debtor conducts the administration of its interests on a regular basis and which is ascertainable by third parties") is situated have jurisdiction to open main insolvency proceedings. The determination of where a company has its "centre of main interests" is a question of fact on which the courts of the different Member States may have differing and even conflicting views.

Pursuant to Article 3(1) of the EU Insolvency Regulation the "centre of main interests" of a company is presumed to be in the Member State in which it has its registered office in the absence of proof to the contrary. This presumption only applies if the registered office has not been moved to another Member State within the three-month period prior to the request for the opening of insolvency proceedings. Furthermore, preamble 30 of the EU Insolvency Regulation states that "it should be possible to rebut this presumption where the company's central administration is located in a Member State other than that of its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company's actual center of management and supervision and of the management of its interests is located in that other Member State." Prior to June 26, 2017, the courts have taken into consideration a number of factors in determining the "centre of main interests" of a company, including in particular where board meetings are held, the location where the company conducts the majority of its business or has its head office and the location where the majority of the company's creditors are established. A company's "centre of main interests" may change from time to time but is determined for the purposes of deciding which courts have competent jurisdiction to open insolvency proceedings at the time of the filing of the insolvency petition unless (as set forth above) the registered office has been moved within the three-month period prior to the filing of the insolvency petition.

The EU Insolvency Regulation applies to insolvency proceedings which are collective insolvency proceedings of the types referred to in Annex A to the EU Insolvency Regulation.

If the "centre of main interests" of a company is in one Member State (other than Denmark), under Article 3(2) of the EU Insolvency Regulation the courts of another Member State (other than Denmark) have jurisdiction to open territorial insolvency proceedings against that company only if such company has an "establishment" in the territory of such other Member State. An "establishment" is defined to mean a place of operations where the company carries out or has carried out in the three-month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets. The effects of those insolvency proceedings opened in that other Member State are restricted to the assets of the company situated in such other Member State.

Where main proceedings in the Member State in which the company has its center of main interests have not yet been opened, territorial insolvency proceedings can be opened in another Member State where the company has an establishment only where either (a) insolvency proceedings cannot be opened in the Member State in which the company's center of main interests is situated under that Member State's law; or (b) the territorial insolvency proceedings are opened at the request of (i) a creditor whose claim arises from or is in connection with the operation of the establishment situated within the territory of the Member State where the opening of territorial proceedings is requested or (ii) a public authority which, under the law of the Member State within the territory of which the establishment is situated, has the right to request the opening of insolvency proceedings.

The courts of all Member States (other than Denmark) must recognise the judgment of the court opening the main proceedings, which will be given the same effect in the other Member States so long as no secondary proceedings have been opened there. The insolvency practitioner appointed by a court in a Member State which has jurisdiction to open main proceedings (because the company's center of main interests is there) may exercise the powers conferred on him by the law of that Member State in another Member State (such as to remove assets of the company from that other Member State) subject to certain limitations so long as no insolvency proceedings have been opened in that other Member State or any preservation measure taken to the contrary further to a request to open insolvency proceedings in that other Member State where the company has assets.

The Netherlands

Insolvency

Where a company (incorporated in the Netherlands or elsewhere) has its "centre of main interests" or an "establishment" in the Netherlands, it may be subjected to Dutch insolvency proceedings governed by Dutch insolvency laws, subject to certain exceptions provided for in the EU Insolvency Regulation. See "*European Union*" above. This is particularly relevant for the Issuer, which has its corporate seat (*statutaire zetel*) in Amsterdam, the Netherlands, and it is therefore presumed (subject to proof to the contrary) that it has its "centre of main interests" in the Netherlands.

Dutch insolvency law differs significantly from insolvency proceedings in the United Kingdom and other jurisdictions, and may make it more difficult for holders of Notes to recover the amount they would normally expect to recover in a liquidation or bankruptcy proceeding in the United Kingdom or another jurisdiction.

Any insolvency proceedings applicable to the Issuer may be commenced in the Netherlands and be governed by Dutch insolvency laws. There are two insolvency regimes under Dutch law applicable to legal entities such as the Issuer. The first, a suspension of payments (*surseance van betaling*), is intended to facilitate the reorganization of a debtor's indebtedness and enable the debtor to continue as a going concern. The second, bankruptcy (*faillissement*), is primarily designed to liquidate the assets of a debtor and distribute the proceeds thereof to its creditors. In practice, a suspension of payments often results in the bankruptcy of the debtor. Both insolvency regimes are set forth in the Dutch Bankruptcy Act (*Faillissementswet*).

Only the debtor can make an application for a suspension of payments, and only if it foresees that it will be unable to continue to pay its debts as they fall due. Once the application has been filed, a court will immediately (*dadelijk*) grant a provisional suspension of payments and appoint one or more administrators (*bewindvoerders*). It will also set a date for a meeting of creditors, which is required to decide on the definitive suspension of payments. If a draft composition (*ontwerpakkoord)* is filed simultaneously with the application for a moratorium of payments, the court can order that the composition will be processed before a decision about a definitive moratorium. If the composition is accepted and subsequently ratified by the court (*gehomologeerd*), the provisional moratorium ends. The definitive moratorium will generally be granted, unless (i) a qualified minority (*i.e.*, more than one-quarter of the amount of claims held by creditors represented at the creditors' meeting or more than one-third of the number of creditors of the amount of claims held by creditors) of the unsecured, non-preferential, creditors declare against it or (ii) if there is a valid fear that the debtor will try to prejudice the creditors during a suspension of payments or if there is no prospect that the debtor will be able to satisfy its creditors in the (near) future. That the debtor must be able to satisfy its creditors does not mean that they must be paid in full. It suffices that creditors can be satisfied to some extent (for example, by receiving a percentage of their claims within the framework of a composition). Other than in the case of the ordering by a competent court of a statutory stay of execution of up to two months (extendable by another period of up to two months) imposed by court order pursuant to Article 241a of the Dutch Bankruptcy Act (*afkoelingsperiode*), a suspension of payments will only affect unsecured, non-preferential creditors. During such stay of execution, a secured creditor may not, without the court's consent (i) claim the asset subject to the security right if it is under the control of (*in de macht van*) the debtor subject to a suspension of payments or (ii) seek recourse against the asset.

Under Dutch law, a debtor can be declared bankrupt when it has ceased to pay its debts. Bankruptcy can be requested by a creditor of the debtor or the holder of a security interest over a claim from such creditor, when there is at least one other creditor. At least one of the claims (of the creditor requesting bankruptcy or the other creditor) needs to be due and payable. Bankruptcy can also be declared in certain circumstances when a debtor is subject to a suspension of payments. The debtor can also request the application of bankruptcy proceedings itself. Furthermore, the Public Prosecution Service (*het Openbaar Ministerie*) can request the application of bankruptcy proceedings for reasons of public interest (*openbaar belang*). The general principle of Dutch bankruptcy law is the so-called *paritas creditorum* (principle of equal treatment). Therefore, in Dutch bankruptcy proceedings, a debtor's assets are generally liquidated and the proceeds distributed to the debtor's creditors according to the relative priority of those creditors' claims and, to the extent certain creditors' claims have equal priority, in proportion to the amount of such claims.

Certain parties, such as secured creditors, will benefit from special rights. Secured creditors, such as pledgees and mortgagees, may enforce their rights separately from bankruptcy and do not have to contribute to the liquidation costs; however, enforcement of the security interest might be subject to the following: (i) a statutory stay of execution of up to two months (extendable by another period of up to two months) imposed by court order pursuant to Article 63a of the Dutch Bankruptcy Act (which may be a total period of eight months if the similar statutory stay of execution under Article 241a of the Dutch Bankruptcy Act (referred to above) is first applied during suspension of payments), which has the same effects as set forth above for stays of execution in suspensions of payment; (ii) a receiver (*curator*) can force a secured party to foreclose its security interest within a reasonable time (as determined by the receiver pursuant to Article 58(1) of the Dutch Bankruptcy Act), failing which the receiver will be entitled to sell the relevant rights or assets and distribute the proceeds to the secured party after a deduction of liquidation costs; and (iii) excess proceeds of enforcement must be returned to the company's receiver and may not be offset (*verrekend*) against an unsecured claim of the company's secured creditor. Consequently, Dutch bankruptcy laws could reduce your potential recovery in Dutch bankruptcy proceedings.

Both a suspension of payments and bankruptcy have retroactive effect from 00.00 hours of the day on which the suspension of payments or the bankruptcy of the Dutch company is declared.

A suspension of payment and bankruptcy proceedings against Dutch debtors would allow secured creditors and preferential creditors (including tax and social security authorities) to satisfy their claims by proceeding against the assets (that secure their claims) as if there were no bankruptcy or suspension of payments. However, a statutory stay of execution as described above may be ordered by the competent court both in a suspension of payments and bankruptcy. Furthermore, certain preferred creditors have a preference by virtue of law. Unlike secured creditors, preferred creditors are not entitled to foreclose on assets of the bankrupt. They do have priority in the distribution of the proceeds of the bankrupt's assets. Restrictions on the enforcement of security interests may apply. For instance, higher-ranking rights must be respected. These may include secured creditors and tax and social security authorities. A statutory stay of execution of security rights and other rights, as described above, may be imposed. Set-off may be allowed prior to the bankruptcy, although at that time it may be subject to clawback in the case of fraudulent conveyance or bad faith in obtaining the claim used for the set-off.

Any pending executions of judgments against the debtor will be suspended by the operation of law when a suspension of payments is granted and terminated by the operation of law when bankruptcy is declared. In addition, all attachments on the debtor's assets will cease to have effect upon the suspension of payments having become definitive, a composition having been ratified (*gehomologeerd*) by the court or the declaration of bankruptcy (as the case may be) subject to the ability of the court to set an earlier date for such termination. Litigation pending on the date of the bankruptcy order is automatically stayed.

Both in a definitive suspension of payments and bankruptcy, a composition (*akkoord*) may be offered to creditors. A composition will be binding for all unsecured and non-preferential creditors if it is: (i) approved by a simple majority (*gewone meerderheid*) of the number of creditors being present or represented at the creditors' meeting, representing at least 50 per cent. of the amount of the claims that are acknowledged and conditionally admitted; and (ii) subsequently ratified (*gehomologeerd*) by the court. Consequently, Dutch insolvency laws could preclude or inhibit the ability of the holders of the Notes to effect a restructuring and could reduce the recovery of a holder of Notes in a Dutch suspension of payments proceeding or bankruptcy. Interest payments that fall due after the date on which a moratorium of payments is granted cannot be claimed in a composition.

The claim of a creditor, other than a claim to the extent that it is secured by Dutch law security, may be limited depending on the date the claim becomes due and payable in accordance with its terms. Claims that fall due more than one year after the date of the bankruptcy, will be valued for distribution purposes as of the date the bankruptcy was declared. Claims that become payable within one year after the bankruptcy was declared will be considered payable from the day the bankruptcy was declared.

All unsecured, pre-bankruptcy claims will have to be verified in the insolvency proceedings in order to be entitled to vote and, in a bankruptcy liquidation, entitled to distributions. "*Verification*" under Dutch law means, in the case of a suspension of payments, that the treatment of a disputed claim for voting purposes is determined and, in the case of a bankruptcy, the unsecured, pre-bankruptcy claims are submitted to the receiver for verification, and the receiver then makes a determination as to the claim's existence, ranking and value and whether and to what extent it should be admitted in the bankruptcy proceedings (for voting). In the situation of bankruptcy, creditors who wish to dispute the receiver's verification of their claims will be referred to a claim validation proceeding (*renvooiprocedure*) in order to establish the amount and rank of the disputed claim, while in a suspension of payments the court will decide how a disputed claim will be treated for voting purposes. These procedures could cause holders of Notes to recover less than the principal amount of their Notes or less than they could recover in a United Kingdom liquidation proceeding. The validation proceedings could also cause payments to the holders of Notes to be delayed. Interest on claims accruing after the bankruptcy order date cannot be admitted unless secured by a pledge or mortgage, in which case interest will be admitted pro memoria, such as in case of the Notes. To the extent that interest is not covered by the proceeds of the security, the creditor may not derive any rights from the admission. No interest is payable in respect of unsecured claims as of the date of a bankruptcy.

In addition, under Dutch insolvency laws, the validity of an appointment of an agent for service of process granted by a Dutch company, such as the appointment by the Issuer of agents for service of process is uncertain. Furthermore, such appointments will terminate automatically in the case of an insolvency of the Issuer. As such, the ability of the holders of the notes to bring suit against the Issuer in United Kingdom may be limited.

With respect to any request for bankruptcy proceedings, reference is made to the paragraph below regarding further limitations on enforcement and the introduction of new draft legislation—the Temporary Act COVID-19 Ministry of Social Affairs and Ministry of Justice (*Tijdelijke wet COVID-19 SZW en JV*)—recently approved by the Dutch legislator (*Staten-Generaal*), which results in a case-by-case stay of court decisions pertaining to bankruptcy requests if the requirements included therein are met.

Fraudulent transfer / conveyance

Dutch law contains specific provisions dealing with fraudulent conveyance both in and outside bankruptcy: the *actio pauliana* provisions. Under Dutch law, any creditor of the Issuer or its respective receiver (*curator*) may nullify any transaction or legal act entered into by the Issuer in connection with the Notes, under certain circumstances, if (i) the transaction or legal act entered into by the Issuer in connection with the Notes was conducted without a prior existing legal obligation to do so (*onverplicht*); (ii) the creditor(s) concerned or, in the case of its or their bankruptcy, any creditor was prejudiced as a consequence of such transactions or legal act (irrespective of whether a creditor's claim arose prior to or after such transactions); and (iii) at the time of the transaction or legal act entered into by the Issuer in connection with the Notes was conducted (including the granting of any security), the Issuer and, unless the transactions were conducted for no consideration (*om niet*), the counterparty knew or should have known that one or more of the entities' creditors (existing or future) would be prejudiced (*actio pauliana*).

A receiver (*curator*) may nullify a transaction on behalf of and for the benefit of the joint insolvent debtor's creditors, and the burden of proof of the above-mentioned elements of fraudulent conveyance in principle rests on the receiver. Knowledge of prejudice is, however, presumed by law for certain transactions performed within a "suspect period" of one year prior to an adjudication of bankruptcy. This is applicable for certain transactions only, the most important application being in cases where the obligations of the bankrupt materially exceed those of the other party, the satisfaction of existing obligations of the bankrupt that are not yet due, and acts between the bankrupt and its counterparty when the shares in both are held (indirectly) by the same shareholder or if the bankrupt and its counterparty are part of the same group of companies. The foregoing requirements for invoking fraudulent transfer provisions outside a bankruptcy apply *mutatis mutandis* when invoking fraudulent transfer provisions during a bankruptcy. In addition, the receiver may challenge a transaction if it was conducted on the basis of a prior existing legal obligation to do so (*verplichte rechtshandeling*), if (i) the transaction was conducted at a time when the counterparty knew that a request for bankruptcy had been filed or (ii) if such transaction was conducted as a result of deliberation between the debtor and the counterparty in order to give preference to the counterparty over the debtor's other creditors. Consequently, the validity of any such transactions conducted by a Dutch legal entity may be challenged and it is possible that such a challenge would be successful.

The application of Dutch law in respect of a Dutch law security interest in collateral will not prevent effect being given to the overriding provisions of the law of a jurisdiction with which the situation has a close connection (and for this purpose "overriding provisions" are provisions the respect for which are regarded as crucial by a jurisdiction for safeguarding its public interests to such an extent that they are applicable to any situation falling within their scope, irrespective of the law otherwise applicable to an agreement or security interest and include any rules (whether mandatory or not) that must be applied pursuant to the EU Insolvency Regulation) and will not prevent regard having to be had to the law of the jurisdiction in which performance takes place in relation to the manner of performance and the steps to be taken in the event of defective performance. In addition, enforcement of each Dutch law security interest in collateral (including allocation of the proceeds) is subject to Dutch law. Among other things, under Dutch law shares may only be transferred upon enforcement in accordance with Dutch law and the articles of association of the company in which shares are pledged at the time of enforcement. Rights of third parties acquiring a share or a limited right on a share and acting in good faith (*te goeder trouw*) may also affect the binding effect and enforceability of a Dutch law security interest in collateral.

In proceedings before a Dutch court, security interests are in principle enforced through a Public Auction of the relevant assets in accordance with Dutch law. The Security Agent or the relevant security interest provider may request the competent court to approve a private sale of the secured assets, except when otherwise agreed. In the case of secured assets, the Security Agent and the security interest provider may agree to an alternative foreclosure procedure once the security right has become enforceable. The security interest providers have agreed to waive the right to request such alternative foreclosure procedure. The Security Agent may also request the competent court to determine that the secured assets shall accrue to it for a price determined by the court. In the case of a pledge, the right of the relevant security interest provider to request approval of a private sale may be excluded.

It is not certain and has not been determined in published case law whether a right of pledge on shares can be created in advance of the acquisition of the shares by the pledgor.

Further limitations on enforcement

In general, receipt of any payment under a Dutch law-governed guarantee or security interest may be affected by (i) the standards of reasonableness and fairness (*maatstaven van redelijkheid en billijkheid*), (ii) force majeure (*niet toerekenbare tekortkoming*) and unforeseen circumstances (*onvoorziene omstandigheden*), and (iii) the other general defenses available to debtors under Dutch law in respect of the validity, binding effect and enforceability of such guarantee or security interest. Other general defenses include claims that a guarantee or security interest should be voided because it was entered into through undue influence (*misbruik van omstandigheden*), fraud (*bedrog*), duress (*bedreiging*) or error (*dwaling*). Other impeding factors include rights of suspension (*opschorting*), a dissolution of a contract (*ontbinding*) and set-off (*verrekening*). The enforceability of the obligations of the Issuer may also be limited under the 1977 Sanction Act (*Sanctiewet 1977*) or otherwise by international sanctions and in proceedings in a Dutch court for the enforcement of a Dutch law security interest, the court may mitigate amounts due in respect of litigation, enforcement and collection costs.

Furthermore, if a Dutch company such as the Issuer enters into a transaction, the validity and enforceability of the relevant transaction may be contested by such Dutch company or its administrator (*bewindvoerder*) in a suspension of payments or its receiver (*curator*) in bankruptcy, if (i) that transaction is not in the company's corporate interest (*vennootschappelijk belang*) and (ii) the other party to the transaction knew or should have known this without independent investigation. In determining a transaction is in the interest of the Dutch company, a Dutch court would not only consider the text of the objects clause in the articles of association of the company but also all relevant circumstances, including whether the company derives certain commercial benefits from the transaction was granted and any indirect benefit derived by the Dutch company as a consequence of the interdependence of it with the group of companies to which it belongs and whether or not the subsistence of the Dutch company is jeopardised by conducting such transaction. The mere fact that a certain legal act (*rechtshandeling*) is explicitly mentioned in the objects clause in the articles of association of the company may not be conclusive evidence to state that such legal act is in the corporate interests.

On October 6, 2020 the Dutch legislator adopted a bill for the implementation of a composition outside bankruptcy or moratorium of payments proceedings and is referred to as the Act on Court Confirmation of Extrajudicial Restructuring Plans ("**CERP**", or "**WHOA**" in Dutch). The WHOA implements into national law the EU Restructuring Directive discussed above under "*—European Union—Effects of EU Directive 2019/1023 on Restructuring and Insolvency*". The WHOA entered into force on January 1, 2021, and introduces a framework allowing debtors to restructure their debts outside of formal insolvency proceedings (the "**Dutch Scheme**"). The Dutch Scheme provides, *inter alia*, that a restructuring plan in respect of a certain class of creditors shall be approved and ratified by the courts in the event that two-third of the value of the amount of claims held by creditors in that class vote in favor of such restructuring plan (unless the scheme rules have not been complied with). Furthermore, a restructuring plan can be proposed to multiple classes of creditors, including classes of secured creditors, at the same time. If at least one eligible class of creditors has voted in favor of the restructuring plan, the debtor or, if appointed, a restructuring expert, can request the court to approve the plan and bind all classes. This system of cross-class cramdown of dissenting creditors is subject to a number of protective rules, including the right for a court to refuse confirmation of a composition plan, *inter alia*, if such plan does not meet the "best interests of creditors test".

Lastly, the Temporary Act COVID-19 Ministry of Social Affairs and Ministry of Justice (*Tijdelijke wet COVID-19 SZW en JV*) entered into force on 17 December 2020. Under this temporary act, a debtor is (amongst others) entitled to request the court for suspension of enforcement measures and/or any court decisions regarding bankruptcy requests. The court will grant such request of the debtor under specific circumstances, such as: (i) suspension is necessary for continuation of the company's activities; (ii) it is summarily evidenced that the current financial situation is mainly (or completely) caused by the measurements imposed as from March 16, 2020 as a result of the COVID-19 outbreak, and as a result the company is temporarily unable to pay its debts; and it is evidenced that the financial situation of the company before the COVID-19 outbreak was normal and it is expected that the financial situation will be better in the (near) future. If approved, suspension will be initially granted for two months and can be extended two times for again a period of two months.

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

Financial statements

The Bank maintains its books of accounts in Nigerian Naira in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IFRS**").

Unless otherwise stated in this Prospectus, financial information set forth herein related to the Bank has been derived from the Bank's:

- unaudited condensed financial statements, including its statement of financial position as at 30 September 2020 and the statement of profit or loss and other comprehensive income, changes in equity and cash flows for the nine months ended 30 September 2020, and including comparative information as at and for the nine months ended 30 September 2019 (the "**Interim Financial Statements**");
- audited financial statements, including its statement of financial position as at 31 December 2019 and the statement of profit or loss and other comprehensive income, changes in equity and cash flows for the twelve months ended 31 December 2019 and related notes to the financial statements (the "**2019 Financial Statements**");
- audited financial statements, including its statement of financial position as at 31 December 2018 and the statement of profit or loss and other comprehensive income, changes in equity and cash flows for the twelve months ended 31 December 2018 and related notes to the financial statements (the "**2018 Financial Statements**"); and
- audited financial statements, including its statement of financial position as at 31 December 2017 and the statement of profit or loss and other comprehensive income, changes in equity and cash flows for the twelve months ended 31 December 2017 and related notes to the financial statements (the "**2017 Financial Statements**" and, together with the 2018 Financial Statements and the 2019 Financial Statements, the "**Annual Financial Statements**"). The Annual Financial Statements and the Interim Financial Statements are together referred to as the "**Financial Statements**".

The unaudited comparative financial information as at and for the year ended 31 December 2018 contained in the 2019 Financial Statements (the **"2018 Comparative Financial Information")** has been restated and therefore differs from the financial information contained in the 2018 Financial Statements. Unless otherwise stated, the financial information included in this Prospectus as at and for the year ended 31 December 2018 is derived from the unaudited restated financial information from the 2019 Financial Statements. Further explanation of the restatement is included in Note 44 to the 2019 Financial Statements. This includes a reconciliation from the 2018 Financial Statements to the 2018 Comparative Financial Information for the impacted line items.

Certain new accounting standards were adopted during the periods under review, most notably the adoption of IFRS 9 in 2019, without restating prior periods. This may impact the comparability of period on period review.

The audit report for the 2019 Financial Statements includes an emphasis of matter statement as follows: "We draw attention to Note 44 in the financial statements regarding restatement of certain balances. Our opinion is not qualified in respect of this matter." Note 44 in the 2019 Financial Statements concerns the restatement of certain comparative financial information as at and for the year ended 31 December 2018 contained in the 2019 Financial Statements. Such information therefore differs from the financial information contained in the 2018 Financial Statements. Unless otherwise stated, the financial information included in this Prospectus as at and for the year ended 31 December 2018 is the restated financial information from the 2019 Financial Statements. Note 44 in the 2019 Financial Statements further provides that the restatement was due to a circular issued by CBN on 18 January 2019 to all banks, with reference number BSC/01R/CON/LAB/12/001 and titled "Promissory Notes Issued by the Federal Government of Nigeria in Respect of Subsidy Payments to Petroleum Marketers." It instructed that banks make a 100 per cent. haircut on interest accrued for 18 months commencing from 1 July 2017 to 31 December 2018 on the loans of petroleum marketers related to Sovereign Debt Note ("**SDN**") exposures. These transactions arose from valid contracts entered between the Bank and these customers. The Bank complied with this directive in 2019 while it sought further clarifications on the directive given the significant retroactive impact. As such the impact was not included in its assessment for Expected

Credit Losses as at 31 December 2018. Considering the amount involved, ₦9.54 billion in 2017 and ₦19.40 billion in 2018 totalling ₦28.94 billion, this has been assessed as a material adjusting event for 2018 financial statements. Consequently, this has also been treated as a prior year error in compliance with the requirement of IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) with respect to Expected Credit Losses on loans and advances as the Bank did not factor in same information in arriving at its Expected Credit Losses for 2018 as required by IFRS 9, *Financial Instruments* ("**IFRS 9**"). Thus, the Expected Credit Loss Allowance for 2018 was increased by ₦28.94 billion from ₦84.07 billion in the 2018 Financial Statements to ₦113.01 billion in the 2018 Comparative Financial Information contained in the 2019 Financial Statements.

The Annual Financial Statements were prepared in accordance with the provisions of the Companies and Allied Matters Act, 2004 (now repealed), Banks and Other Financial Institutions Act, 2004, (now repealed), the Financial Reporting Council Act No. 6, 2011 and relevant CBN circulars and guidelines, which requirements are in addition to, and do not conflict with the requirements under IFRS. The Interim Financial Statements were prepared in accordance with the provisions of the Companies and Allied Matters Act, 2020 (as amended) (the "**CAMA**"), Banks and Other Financial Institutions Act 2020 ("**BOFIA**"), the Financial Reporting Council Act No. 6, 2011 and relevant CBN circulars and guidelines, which requirements are in addition to, and do not conflict with the requirements under IFRS.

The Interim Financial Statements, including the review report of Deloitte & Touche ("**Deloitte**"), are set forth elsewhere in this Prospectus, commencing on page F-2. The Interim Financial Statements were reviewed in accordance with the International Standard on Review Engagements ("**ISRE2410**"). Deloitte is an independent auditor in accordance with regulations and guidance issued by the Financial Reporting Council of Nigeria, its interpretation, the rulings of the laws of the Federal Republic of Nigeria and the applicable rules and regulations thereof. With respect to the Interim Financial Statements included herein, Deloitte has reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their separate review report, included herein, states that they did not audit and they do not express an opinion on the Interim Financial Statements. Accordingly, the degree of reliance on their review report on such information should be restricted in light of the limited nature of the review procedures applied. The business address of Deloitte is Civic Towers, Plot GA 1, Ozumba Mbadiwe Avenue, Victoria Island, Lagos, Nigeria.

The Annual Financial Statements, including the audit reports of Deloitte thereon, are set forth elsewhere in this Prospectus, commencing on pages F-56, F-128 and F-206, respectively. The Annual Financial Statements were audited by Deloitte in accordance with International Standards on Auditing ("**ISAs**").

Alternative Performance Measures

In this Prospectus, the Bank uses the following financial measures in the analysis of its business and financial position, which the Bank considers to constitute Alternative Performance Measures for the purposes of the ESMA Guidelines on Alternative Performance Measures. Such financial measures are not calculated in accordance with IFRS. The Bank has chosen to present these, either because they are in common use within the industry or because they are commonly used by investors and as such useful for disclosure. The APMs are used internally to monitor and manage operations, and are not considered to be directly comparable with similar key performance indicators presented by other companies. The Bank's APMs are described below together with definitions.

- ***Cost to income ratio***: the Bank's operating expenses divided by operating income for the relevant year. Operating expenses include employee benefit expense, general and administrative expense, depreciation and amortisation and other operating expenses. Operating income includes net interest income, net fee and commission income, net gains on foreign exchange income, net gains on investment securities, net gains from other financial instruments at fair value through profit or loss, dividend income and other operating income, and is equal to net operating income before impairment charge for losses.

- ***Liquid assets***: cash and cash equivalents, treasury bills, trading assets and government bonds. This includes bank balances, loans and advances to banks, investment securities (including debt securities at fair value through other comprehensive income, amortised cost and fair value through profit or loss).

- ***Liquidity ratio***: liquid assets divided by deposits from customers.

- ***Net interest margin***: net interest income divided by the daily average balance of the Bank's interest-earning assets for the relevant period. Interest-earning assets comprise of loans and advances to banks and customers, investment securities and financial assets held at fair value through profit or loss.
- ***Non-performing loans (NPLs)***: loans and advances to customers that with respect to which an amount of principal or interest is 90 days or more overdue.
- ***NPL ratio***: non-performing loans of the Bank divided by gross loans and advances to customers of the Bank.
- ***Return on average equity***: the Bank's profit/(loss) for the period attributable to total equity holders divided by the average of opening (1 January) and closing (31 December and 30 June) balances of its equity attributable to total equity holders.
- ***Return on average assets***: the Bank's profit for the period attributable to total equity holders divided by the average of opening (1 January) and closing (31 December and 30 June) balances of its total assets.

Third-party information

The Issuer and the Bank obtained certain statistical and market information that is presented in this Prospectus in respect of the Nigerian banking sector, the Nigerian economy and the Nigerian political landscape in general from certain Government and other third-party sources (including annual reports) as identified where it appears herein. This third-party information is presented in the following sections of the Prospectus: "*Exchange Rates and Exchange Controls*", "*Overview of the Bank*", "*Risk Factors*", "*Description of the Bank*", "*Asset, Liability and Risk Management*", "*Management's Discussion and Analysis of Result of Operations and Financial Condition*", "*Management*", "*Nigeria*" and "*The Nigerian Banking Sector*". Where such third-party information appears in this Prospectus, it has been cited as such. The Issuer and the Bank have accurately reproduced such information and, so far as the Issuer and the Bank are aware and are able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Nevertheless, prospective investors are advised to consider this data with caution. Market studies are often based on information or assumptions that may not be accurate or appropriate, and their methodology is inherently predictive and speculative. Prospective investors should note that some of the Issuer's and the Bank's estimates are based on such third-party information. Neither the Issuer, the Bank nor any of the Joint Lead Managers have independently verified the figures, market data or other information on which third parties have based their studies.

Certain statistical information reported herein has been reproduced from official publications of, and information supplied by, a number of Government agencies and ministries, and other governmental and intergovernmental organisations, including:

- the Central Bank of Nigeria ("**CBN**");
- the International Monetary Fund ("**IMF**");
- the Nigerian Debt Management Office ("**DMO**");
- the National Bureau for Statistics of Nigeria ("**NBS**");
- the Nigerian Federal Ministry of Finance ("**FMF**"); and
- the U.S. Central Intelligence Agency ("**CIA**").

Official data published by the Nigerian government may be substantially less complete or researched than those of more developed countries. Nigeria faces a number of challenges in gathering statistical data such as inadequate data coverage, inadequate information on sub-national public finances, lack of regularly available data on economic activity and significant errors and omissions in the balance of payment data, all of which hinder compilation of timely and consistent data. Nigeria has attempted to address some inadequacies in its national statistics through the adoption of the Statistics Act of 2007, which established the National Statistical

System ("**NSS**") and created the NBS (which came into existence as a result of the merger of the Federal Office of Statistics and the National Data Bank) as its co-ordinator but there is no assurance that such inadequacies have been resolved.

Information under the heading "*Book—entry Clearance Systems*" has been extracted from information provided by the clearing systems referred to therein. The Issuer and the Bank confirm that such information has been accurately reproduced and that, so far as each of them 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.

Rounding

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

Certain defined terms

In this Prospectus:

- "**AMCON**" refers to the Asset Management Corporation of Nigeria;
- "**Bank**" refers to Ecobank Nigeria Limited;
- "**BDC**" refers to Bureau de Change;
- "**BOFIA**" refers to the Banks and Other Financial Institutions Act, 2020;
- "**CAMA**" refers to the Companies and Allied Matters Act, 2020 (as amended);
- "**Closing Date**" means the date of issue of the Notes, expected to be 16 February 2021;
- "**COVID-19**" refers to an infectious disease caused by the severe acute respiratory syndrome coronavirus 2 (also known as SARS-CoV-2);
- "**CBN**" refers to the Central Bank of Nigeria;
- "**D-SIB**" refers to any financial institution designated by the CBN as a Domestic Systemically Important Bank in accordance with the Framework for Regulation and Supervision of Domestic Systemically Important Banks published in September 2014.
- "**Ecobank Group**" refers to Ecobank Transnational Incorporated and its subsidiaries;
- "**EIA**" refers to the United States Energy Information Administration;
- "**Euro**", "**EUR**" or "**€**" refers to the currency introduced at the start of the third stage of the European Economic and Monetary Union and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended;
- "**GBP**" or "**£**" refers to the lawful currency of the United Kingdom;
- "**Issuer**" refers to EBN Finance Company B.V.;
- "**LFN**" means the Laws of the Federation of Nigeria, 2004;
- "**MDAs**" refers to the ministries, departments and agencies of the federal government of Nigeria;
- "**MPC**" refers to the CBN's monetary policy committee;
- "**MPR**" refers to the CBN's monetary policy rate, the benchmark for all other interest rates;
- "**Naira**", "**NGN**" or "**₦**" refers to the Nigerian Naira, the official currency of Nigeria;

- "**NBS**" refers to the National Bureau of Statistics of Nigeria;
- "**NDIC**" refers to the Nigeria Deposit Insurance Corporation;
- the "**Netherlands**" refers to the Kingdom of The Netherlands European territory of the Kingdom of the Netherlands and "**Dutch**" is in or from the Netherlands;
- "**Nigeria**", "**Federal Government**", "**Federation of Nigeria**", "**FGN**" or the "**Government**" refers to the Federal Republic of Nigeria;
- "**NPL**" refers to non-performing loans;
- "**NSE**" refers to The Nigerian Stock Exchange;
- "**SEC**" or "**Nigerian SEC**" refers to the Nigerian Securities and Exchange Commission;
- "**SME**" refers to small- and medium-sized enterprises defined to refer to enterprises or companies with a maximum turnover of ₦500 million and assets of ₦250 million (excluding land and working capital);
- "**trade financing**" refers to financing customer import activities, petroleum product lifting, invoice discounting and short-term warehouse financings;
- "**United Kingdom**" or the "**UK**" refers to the United Kingdom of Great Britain and Northern Ireland;
- "**United States**" or the "**U.S.**" refers to the United States of America; and
- "**U.S. dollar**", "**USD**" or "**U.S.$**" refers to the lawful currency of the United States of America.

Certain foreign language terms

The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

EXCHANGE RATES AND EXCHANGE CONTROLS

Exchange rates

The currency of Nigeria is the Naira, which was introduced in January 1973. The CBN, through its guidelines and circulars over the years established the following foreign exchange windows to satisfy various foreign exchange demands:

- the Dutch Auction System ("**DAS**") rate, which is managed by the CBN and consists of the Wholesale Dutch Auction System ("**WDAS**") rate or the Retail Dutch Auction System ("**RDAS**") rate. The WDAS and RDAS are alternate regimes which do not operate at the same time.

- the interbank exchange rate which is a rate determined by a two-way quote system of banks trading among themselves with funds obtained from other official sources of foreign exchange outside of the CBN, such as the interbank market, oil companies, non-oil export proceeds and customer inflows. The CBN may at times intervene in the interbank market in a bid to stabilise the exchange rate.

- the bureaux de change ("**BDC**") rate, which rate was introduced in 2009 when the CBN issued licences to BDC operators as one of the measures to stabilise the exchange rate.

- the operationalisation of the Inter-Bank FX market allows the CBN to participate in the FX market through interventions (i.e. CBN Interventions) directly in the inter-bank market or through dynamic "Secondary Market Intervention Mechanisms". The mechanism allows the CBN to intervene in the FX market through the sale of FX to Authorised Dealers (wholesale) or to end-users through Authorised Dealers (retail) via a multiple-price book building process using the FMDQ-Thomson Reuters FX Auction Systems, or any other system approved by the CBN.

- the Secondary Market Intervention Sales ("**SMIS**"), which is operated both as a wholesale and retail foreign exchange market, was established by the CBN to provide access to foreign exchange for exporters and end-users in the market.

- the Investors' and Exporters' Foreign Exchange Window, which was established by the CBN for investors, exporters and end-users, to boost foreign exchange liquidity in the market, provides the Nigerian Autonomous Foreign Exchange Rate Fixing ("**NAFEX**") which is the benchmark rate developed and published by the FMDQ OTC Securities Exchange ("**FMDQ**") every business day, for foreign exchange operations through the window .

- Nigeria operates multiple exchange rate windows, which allows for flexibility in the management of the exchange rate. The official CBN exchange rate quoted on the CBN's website, is the rate applied for the conversion of all foreign earnings that accrue to the three tiers of the Nigerian government.

- The market operators however adopt the more market reflective NAFEX rate developed and published by the FMDQ as the ruling rate, on the basis of its liquidity and the notion that it is transparently and independently generated by FMDQ.

The following table sets forth information on the Official CBN Exchange Rate between the Naira and the U.S. dollar for each of the periods specified. The average rate for each period means the average of the exchange rates for each day during that period, as applicable.

	Average	High	Low	Period End
		(Naira per U.S. dollar)		
January 2021	379.0	379.0	379.0	379.0
2020	355.7	380.0	305.9	379.0
2019	305.9	307.0	305.7	306.0
2018	305.1	307.0	304.7	306.0
2017	304.8	306.0	304.0	305.0
2016	252.2	320.0	196.0	305.0
2015	192.1	199.0	167.0	196.0

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The average of the exchange rates for each day during the year or period, based on the CBN rates pulished by the CBN, as applicable.
Sources: CBN Exchange Rates – CBN Data and Statistics.

As at 12 February 2021, the Official CBN Exchange Rate was ₦379.5: U.S.$1.00.

Exchange controls

The Nigerian foreign exchange regime is regulated by the Foreign Exchange (Monitoring and Miscellaneous) Provisions Act, No 17, 1995 (Cap F34 LFN 2004) (the "**Forex Act**"), and regulations, circulars and guidelines made thereunder by the CBN, including in particular the Nigerian Foreign Exchange Manual, 2018 ("**Foreign Exchange Manual**"). The Forex Act allows any person to invest foreign currency or capital imported into Nigeria through an authorised dealer (i.e. a Nigerian bank licensed by the CBN to deal in foreign exchange) in any enterprise or security in Nigeria (except enterprises expressly prohibited by relevant provisions of Nigerian law).

If the imported capital is to be converted into Naira, the authorised dealer is required to, within a period of 24 hours of receipt of funds, issue to the investor, a Certificate of Capital Importation ("**CCI**") in respect of the converted funds. In a bid to enhance transparency and efficient processing of foreign investment flows into Nigeria, the CBN replaced the hard copy CCI system with Electronic Certificate of Capital Importation ("**e-CCI**") system effective in 11 September 2017.

The Forex Act guarantees holders of CCIs unconditional ability to convert Naira to the relevant currency for debt service and repayment for repatriation and/or transfer out of Nigeria. The e-CCI is the primary piece of evidence required to be presented to an authorised dealer to give the holders of the e-CCI access to the Nigerian foreign exchange market for the purpose of converting the proceeds of capital invested in Nigeria into freely convertible currency out of Nigeria. The Issuer intends to use the gross proceeds from the issue of the Notes for the sole purpose of financing the purchase of the Senior Note to be issued by the Bank on the issue date of the Notes. The proceeds of the Senior Note will be used by the Bank for medium term funding and to help enhance the capacity of the Bank to support international trade and service across Africa. See "*Use of Proceeds*".

Therefore, it is not intended that the proceeds of the Senior Note will be imported into Nigeria.

As a result of this, the Bank has indicated that it currently does not intend to obtain an e-CCI in respect of the proceeds of the Senior Note as a CCI is only issued in respect of capital imported into Nigeria. The intention of the Bank is to make principal repayment and interest payments on the Senior Note to the Issuer from its foreign currency reserves and not to access the Nigerian foreign exchange market for the purpose of making such payments. In the event that the Bank does not have sufficient foreign currency reserves to meet principal and interest payments due in respect of the Senior Note, however, the Bank would be required to obtain the approval of the CBN to enable it to access the Nigerian foreign exchange market.

TABLE OF CONTENTS

OVERVIEW

The Issue:	U.S.$300,000,000 7.125 per cent. Senior Note Participation Notes due 2026.
Notes Issuer:	EBN Finance Company B.V.
Senior Note Issuer:	Ecobank Nigeria Limited.
Notes Issuer Legal Entity Identifier ("LEI"):	724500MBTN41WUYWZP94
Trustee:	Citibank, N.A., London Branch.
Principal Paying Agent and Transfer Agent:	Citibank, N.A., London Branch.
Registrar:	Citibank Europe plc
Issue Price:	100.000 per cent. of the principal amount of the Notes.
Closing Date/Issue Date:	16 February 2021.
Maturity Date:	16 February 2026.
Interest Rate:	7.125 per cent. per annum, provided however that the Issuer shall account to the Noteholders for an amount equivalent to amounts of interest actually received and retained (net of tax) by or for the account of the Issuer pursuant to the Senior Note, which interest rate on the Senior Note is equal to 7.125 per cent. per annum.
Interest Payment Dates:	Interest on the Notes will be payable semi-annually in arrear on 16 February and 16 August in each year, commencing on 16 August 2021.
Yield:	7.125 per cent. on an annual basis, calculated at on the basis of the Issue Price. It is not an indication of future yield.
Status of the Notes:	The Notes constitute direct, general, secured, limited recourse obligations of the Issuer and shall at all times rank rateably, without preference amongst themselves. Recourse in respect of the Notes is limited to the assets securing the Notes. The Notes are secured in the manner described in the Trust Deed and under the "*Terms and Conditions of the Notes*".
Status of the Senior Note:	The Bank's payment obligations under the Senior Note will constitute direct, general, unconditional, unsubordinated and (subject to the provisions of Condition 10(a) (*Negative Pledge*) of the Senior Note) unsecured obligations of the Bank and (subject as stated above) rank and will at all times rank *pari passu*, amongst themselves and at least *pari passu* in right of payment with all other present and future unsecured and unsubordinated obligations of the Bank, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Limited Recourse:	The Notes will constitute limited recourse, secured obligations of the Issuer to apply the gross proceeds from the issue of the Notes solely for the purpose of financing the

	purchase of the Senior Note from the Bank pursuant to the terms of the Senior Note. The Issuer will only account to the Noteholders for an amount equivalent to sums of principal, interest and additional amounts (if any) actually received and retained (net of tax) from the Bank under the Senior Note or held on deposit in the Account (as defined in the Trust Deed), all as more fully described under "*Terms and Conditions of the Notes*". All moneys received by the Trustee under the Trust Deed shall be applied in accordance with the priority of payments (as more fully set out in the Trust Deed).
Security:	The Issuer's payment obligations under and in respect of the Notes will be secured by a first fixed charge in favour of the Trustee for the benefit of itself and the Noteholders of certain of the Issuer's rights and interests as holder of the Senior Note, as security for its payment obligations in respect of the Notes and under the Trust Deed and has assigned absolutely certain other rights under the Senior Note to the Trustee, all as more fully described under "*Terms and Conditions of the Notes*". As long as any of the Notes remain outstanding, the Issuer will not, without the prior written consent of the Trustee or an Extraordinary Resolution, Written Resolution or Electronic Consent, agree to any amendment to or any modification or waiver of, or authorise any breach or proposed breach of, the terms of the Senior Note, except as otherwise expressly provided in the Trust Deed or the Senior Note.
Negative Pledge:	The terms of the Senior Note will contain a negative pledge provision as further described in 10(a) (*Covenants—Negative Pledge*).
Covenants:	The Senior Note will also contain covenants applicable to the Bank relating to certain capital adequacy and financial reporting requirements and, among other things, restrictions on certain consolidations or mergers, disposals and transactions with affiliates. See Condition 10 (*Covenants*) of the Senior Note.
Events of Default:	Upon the occurrence of an Event of Default (as set out in Condition 11 (*Events of Default*) of the Senior Note), the Issuer or the Trustee may give notice to the Bank that, subject as provided in the Trust Deed, the Senior Note is, and shall accordingly forthwith become, immediately due and repayable at its principal amount, together with accrued interest and any Additional Amounts or Indemnity Amounts, all as more particularly described in the terms and conditions of the Notes (set out under "*Terms and Conditions of the Notes*", the "**Conditions**" and each a "**Condition**").
Early Redemption Options:	The Bank may redeem the Senior Note prior to the Maturity Date at its outstanding principal amount, subject to having obtained the prior approval of the CBN (if required), if a Tax Event (as defined in the Senior Note) occurs or Indemnity

Amounts (as defined in the Senior Note) are payable in certain circumstances, in each case together with accrued and unpaid interest to the date of redemption and any additional amounts in respect thereof. See Condition 9 (*Redemption and Purchase*) of the Senior Note.

Withholding Tax:

All payments of principal and interest under the Senior Note and in respect of the Notes will be made free and clear of and without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of any Relevant Jurisdiction, unless required by applicable law. In the event that any such deduction is required to be made, the Issuer or, as the case may be, the Bank will, save in certain circumstances provided in Condition 8(a) (*Additional Amounts and Indemnity Amounts—Additional Amounts*) and Condition 8(b) (*Additional Amounts and Indemnity Amounts—Indemnity Amounts*) of the Senior Note, be required to pay additional amounts to cover the amounts so deducted and withheld.

If the current exemption on withholding tax contained in the Nigerian Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order 2011 is not amended or extended, the Bank will be subject to withholding tax at a rate of 7.5 per cent. on payments under the Senior Note with effect from 2 January 2022. However, as set out above, the Bank would be required to pay additional amounts to cover the amounts so deducted pursuant to Condition 8(a) (*Additional Amounts and Indemnity Amounts—Additional Amounts*) of the Senior Note or alternatively the Trustee may consent to certain amendments to the Notes and the Senior Note as specified in Condition 10 (*Meetings of Noteholders; Modification; Waiver; Substitution of the Issuer*) and also described in *"Risks related to the Notes generally - Modification, Waivers and Substitution"* so as to allow the Bank not to have to withhold tax on payments of interest under the Senior Note.

Use of Proceeds:

An amount equal to the gross proceeds of the issue of the Notes will be used by the Issuer for the sole purpose of financing the purchase of the Senior Note to be issued by the Bank on the issue date of the Notes. The proceeds of the Senior Note will be used by the Bank for medium term funding and to help enhance the capacity of the Bank to support international trade and service across Africa. See "*Use of Proceeds*".

Form of the Notes:

Notes which are offered and sold in reliance on Regulation S will be represented by beneficial interests in the Unrestricted Global Note in registered form, without interest coupons attached, which will be registered in the name of Citibank Europe plc as nominee for, and shall be deposited on or about the Closing Date with, a common depository for Euroclear and Clearstream, Luxembourg. Notes which are offered and sold in reliance on Rule 144A will be represented by beneficial interests in the Restricted

	Global Notes in registered form, without interest coupons attached, which will be deposited on or about the Closing Date with a custodian for, and registered in the name of Cede & Co. as nominee for, DTC. Notes sold (i) in offshore transactions in reliance on Regulation S under the Securities Act and (ii) to qualified institutional buyers who are also qualified purchasers in reliance on Rule 144A will be issued in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. See "*Terms and Conditions of the Notes—Form and Denomination*". Interests in the Restricted Global Notes will be subject to certain restrictions on transfer. See "*Transfer Restrictions*". Beneficial interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg and their participants. Note Certificates will only be available in certain circumstances as described herein. See "*Terms and Conditions of the Notes*" and "*The Form of Global Notes*". Except as described herein, Note Certificates will not be issued in exchange for beneficial interests in the Global Notes.
Listing and Clearing:	Application has been made to list the Notes on the Official List. It is expected that admission to listing will become effective and dealings are expected to commence on or about the Closing Date. The Notes have been accepted for clearance through DTC, Euroclear and Clearstream, Luxembourg with the following ISIN, and Common Code and CUSIP.
Modification, waiver and substitution of the Issuer:	The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the substitution of the Issuer, modification of any provision of the Senior Note, these Conditions or the Trust Deed. See further Condition 10 (*Meetings of Noteholders; Modification; Waiver; Substitution of the Issuer*) and *"Risks related to the Notes generally - Modification, Waivers and Substitution"*. In addition, if the current exemption on withholding tax contained in the Nigerian Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order 2011 is not amended or extended, such that the Bank is subject to a withholding tax at a rate of 7.5 per cent. on payments under the Senior Note with effect from 2 January 2022, the Trustee shall, subject to the provisions of the Trust Deed, without consent of, or sanctions from, Noteholders, agree to certain modifications or substitutions, specified in Condition 10 *(Meetings of Noteholders; Modification; Waiver; Substitution of the Issuer)*, regardless of whether such modifications would constitute a Reserved Matter (as defined in the Trust Deed),

in order to mitigate or reduce the amount the Bank may need to withhold.

Unrestricted Notes:
ISIN: XS2297197266.
Common Code: 229719726.

Restricted Notes:
ISIN: US26824MAB63.
Common Code: 229789473.
CUSIP: 26824MAB6.

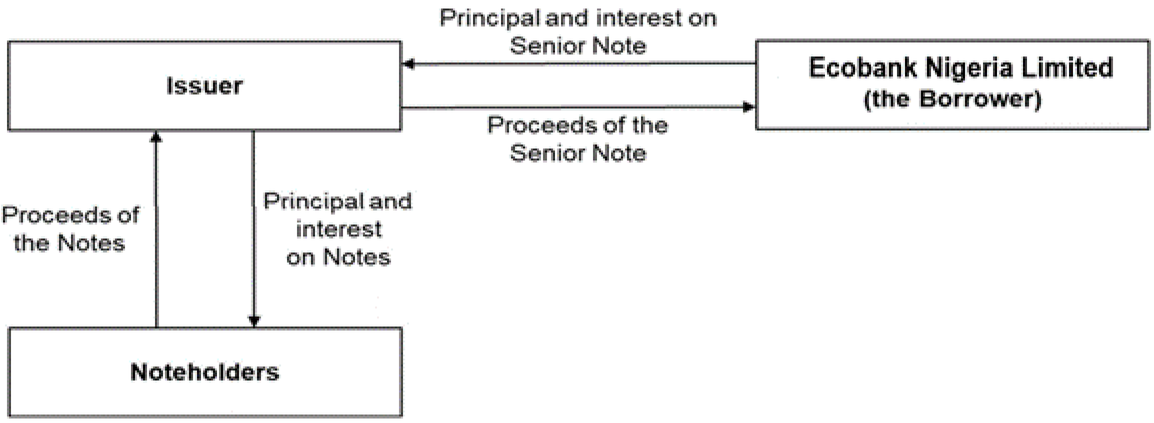
Governing Law:	The Notes, the Agency Agreement and the Trust Deed and any non-contractual obligations arising out of or in connection therewith, will be governed by, and shall be construed in accordance with, English law. The Senior Note including any non-contractual obligations arising out of or in connection therewith, will be governed by, and shall be construed in accordance with, English law.
Selling Restrictions:	The Notes have not been, and will not be, registered under the Securities Act or the securities laws of any state or territory of the United States or any other jurisdiction and the Notes may not be offered or sold, directly or indirectly, into or within the United States or to, or for the account or benefit of, any "U.S. person" (as defined in Regulation S under the Securities Act), except to QIBs that are also QPs in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The offering and sale of Notes is subject to applicable laws and regulations including, without limitation, those of the United States, the EEA, the United Kingdom, Singapore and Nigeria. See "*Subscription and Sale*".
Ratings:	The Notes are expected to be rated B- by S&P and B- by Fitch. The Bank's current long term rating is B- (stable) by S&P and B- (stable) by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.
Risk Factors:	Investing in the Notes involves a high degree of risk. See "*Risk Factors*" beginning on page 8.
ERISA:	The Notes may be regarded for ERISA purposes as equity interests in a separate entity whose sole assets are the Senior Note. Accordingly, the Notes should not be acquired by any benefit plan investor. Each purchaser and/or holder of Notes and each transferee therefore will be deemed to have made certain representations as to its status under ERISA. See "*Transfer Restrictions*".

DESCRIPTION OF THE TRANSACTION

The following summary description contains basic information about the Notes and the Senior Note and should be read in conjunction with, and is qualified in its entirety by, the information set out under "Terms and Conditions of the Notes" and "Senior Note" appearing elsewhere in this Prospectus.

The transaction has been structured so as to enable the Bank to raise senior debt through the issuance of a Senior Note to the Issuer. The Issuer will issue the Notes, which will be limited recourse senior note participation notes issued for the sole purpose of funding the acquisition by the Issuer of the Senior Note issued by the Bank. The Senior Note will have the characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Notes. The Notes will be constituted by, be subject to, and have the benefit of the Trust Deed. The obligations of the Issuer to make payments under the Notes shall constitute an obligation only to account to the Noteholders for an amount equal to the sums of principal, interest and/or additional amounts (if any) the Issuer actually receives and retains (net of tax) by or for its account from the Bank pursuant to the Senior Note or that are deposited in the Account.

Set out below is a diagrammatic representation of the structure:



As provided in the Trust Deed, the Issuer shall charge in favour of the Trustee for the benefit of the Noteholders as security for its payment obligations in respect of the Notes (a) all of its rights, interests and benefits in and to principal, interest, additional amounts and indemnity amounts (if any) payable by the Bank to the Issuer under the Senior Note, (b) its right to receive all sums which may be or become payable by the Bank under any claim, award or judgment relating to the Senior Note and (c) its rights, title and interest in and to all sums of money now or in the future deposited in an account with the Principal Paying Agent in the name of the Issuer, together with the debt represented thereby, including accrued interest from time to time on the secured Account held with the Principal Paying Agent ((a), (b) and (c) collectively, the "**Charged Property**"). The Issuer has assigned absolutely certain administrative rights under the Senior Note to the Trustee for the benefit of the Noteholders. The Bank will be obliged to make payments under the Senior Note to the Issuer in accordance with the terms of the Senior Note to the Account or, following a Relevant Event, as otherwise instructed by the Trustee.

The Issuer will agree in the Trust Deed not to make or consent to any amendment to or any modification or waiver of, or authorise any breach or proposed breach of, the terms of the Senior Note unless the Trustee has given its prior written consent or such amendment, modification or waiver is approved by an Extraordinary Resolution, Written Resolution or Electronic Consent. The Issuer will further agree to act at all times in accordance with any instructions of the Trustee from time to time with respect to the Senior Note. Any amendments, modifications, waivers or authorisations made with the Trustee's consent, but without the Noteholders' consent, shall be notified to the Noteholders in accordance with Condition 14 (*Notices*) of the Notes and will be binding on the Noteholders.

The security under the Trust Deed will become enforceable upon the occurrence of a Relevant Event, as further described in "*Terms and Conditions of the Notes*".

Payments in respect of the Notes will be made without any deduction or withholding for, or on account of, taxes of the Netherlands or the Republic of Nigeria except as required by law. See Condition 8 (*Taxation*) of the Notes. In that event, the Issuer will only be required to pay an additional amount to the extent it receives corresponding amounts from the Bank under the Senior Note. The Senior Note provides for the Bank to pay such corresponding amounts in these circumstances. In addition, payments under the Senior Note will be made without any deduction or withholding for, or on account of, any taxes in Nigeria, except as required by law, in which event the Bank will be obliged to increase the amounts payable under the Senior Note. See "*Risk Factors—Risks Related to the Issuer*" and "*Risk Factors—Risks Relating to the Senior Note, the Notes and the Trading Market*".

The Issuer will have no other financial obligations under the Notes and no other assets of the Issuer will be available to Noteholders. Accordingly, all payments to be made by the Issuer under the Notes will be made only from and to the extent of such sums received or recovered and retained (net of tax) by or on behalf of the Issuer or the Trustee from the assets securing the Notes. Noteholders shall look solely to such sums for payments to be made by the Issuer under the Notes, the obligation of the Issuer to make payments in respect of the Notes will be limited to such sums and Noteholders will have no further recourse to the Issuer or any of the Issuer's other assets in respect thereof. In the event that the amount due and payable by the Issuer under such notes exceeds the sums so received or recovered and retained (net of tax), the right of any person to claim payment of any amount exceeding such sums shall be extinguished, and Noteholders may take no further action to recover such amounts.

The Bank may call the Senior Note prior to its maturity only in the limited circumstances set out in Condition 9 (*Redemption and Purchase*) of the Senior Note. To the extent that the Issuer has actually received the relevant funds from the Bank, the Issuer will redeem the Notes early together with accrued interest and additional amounts (if any) thereon to, and including the date of redemption. See "*Senior Note—Condition 9* (*Redemption and Purchase*)" and "*Terms and Conditions of the Notes—Condition 6* (*Redemption and Purchase*)".

RISK FACTORS

An investment in the Notes involves a high degree of risk. Accordingly, prospective investors should carefully consider, amongst other things, the risks described below, as well as the detailed information set out elsewhere in this Prospectus, and reach their own views before making an investment decision.

Each of the Issuer and the Bank believes that the following risks, individually or together, could adversely affect its business, results of operations, financial condition and/or prospects and/or its ability to meet its payment obligations under the Senior Note and/or the Issuer's ability to make payments under the Notes. Most of these factors are contingencies which may or may not occur and neither the Issuer nor the Bank is able to confirm the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below.

The risks and uncertainties described below are not the only risks and uncertainties the Issuer and/or the Bank faces. Additional risks and uncertainties not presently known to the Issuer or the Bank, or that the Issuer and/or the Bank currently believes are immaterial, could also adversely affect the Issuer or the Bank's business, results of operations, financial condition and/or prospects and/or the Bank's ability to meet its payment obligations under the Senior Note and/or the Issuer's ability to make payments under the Notes. If any of the following risks actually materialises, the Issuer's and/or the Bank's business, results of operations, financial condition and/or prospects could be adversely affected. If that were to happen, the trading price of the Notes could decline and the Issuer may be unable to pay interest or principal on the Notes and the Bank may not be able to make any payments under the Senior Note, and investors may lose all or part of their investment. Furthermore, the Notes 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.

Risks relating to the Issuer

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

Risks relating to the Bank's business

Substantially the whole of the Bank's operations and assets are based in Nigeria; a slowdown in economic growth in Nigeria could materially and adversely affect the Bank's businesses.

As substantially the whole of the Bank's business operations and assets are based in Nigeria, the Bank'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. In recent years, prior to the impact of the COVID-19 pandemic, Nigeria's economy showed signs of steady recovery after a period of contraction, high inflation and fluctuations in the value of the Naira. GDP grew from 1.89 per cent. in the first quarter of 2020, on the back of improved oil prices. However, the growth trajectory was reversed by a contraction in GDP in the second quarter of 2020 by 6.10 per cent. and 3.62 per cent. in the third quarter of 2020.

The economy has therefore undergone two consecutive quarters of negative growth in 2020. This was primarily due to residual effects of the restrictions to movement and economic activity implemented in the second quarter of 2020 in response to the COVID-19 pandemic. The turn of events created multiplier effects on the economy: the inflation rate rose significantly to 15.75 per cent. in December 2020, while the economy formally slid into recession in the third quarter of 2020.

The COVID-19 pandemic has had an unprecedented adverse impact on the Nigerian economy. As a result of significantly lower levels of both domestic and international economic activity during the second and third quarters of 2020, occasioned by quarantine measures, foreign exchange illiquidity, reduction in trade lines from international financiers and Naira volatility, Nigeria's GDP growth rate for the full year 2020 was projected by the IMF to contract by 5.4 per cent. by the end of 2020. The Bank's results of operations for the nine months ended 30 September 2020 were significantly impacted by these macroeconomic issues (see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant factors affecting results of operations*") and the Bank continues to experience adverse conditions as a result of COVID-19. Given the uncertainty surrounding the COVID-19 pandemic, there is a risk that the Bank's business, results of operations and financial condition could be adversely impacted for a significant period of time. See "*—The outbreak of communicable diseases around the world, in particular the COVID 19 pandemic, has led to higher volatility in the global capital markets, which may materially and adversely affect the Bank's business, financial condition and results of operations*".

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

The Bank's net interest margin may be under pressure due to government monetary policies and the Nigerian banking sector environment.

The banking industry in Nigeria has become increasingly competitive, which has resulted in increasing pressure on interest rates charged by the Bank on loans and deposits, particularly in the corporate segment. The Bank's net interest margin (defined as net interest income divided by daily average interest-earning assets) was 3.7 per cent. for the nine months ended 30 September 2020 and 2.2 per cent. for the year ended 31 December 2019, and the Bank may not be able to maintain net interest margins at that rate in the future.

The Nigerian government has put in place several policies that have caused a decrease in interest income of Nigerian banks. The CBN's Monetary Policy Rate (the "**MPR**") serves as an anchor rate for transactions in the inter-bank money market as well as other market rates. Increases in the MPR cause increases in the cost of borrowing and therefore may have a negative impact on the net interest margin. The CBN held the MPR constant at 14.0 per cent. throughout 2017 and 2018 but in March 2019 decreased it to 13.5 per cent. In a departure from past policy, during the fourth quarter of 2019 the CBN began unwinding its balance sheet by opting not to roll over maturing open market operation ("**OMO**") bills. The CBN also passed a regulation excluding individuals and domestic corporate investors from the primary and secondary OMO markets in order to drive domestic interest rates lower, whilst maintaining higher OMO rates to attract foreign inflows. This resulted in excess liquidity in the Nigerian economy and a significant decline in interest rates. The decrease in interest rates in the fourth quarter of 2019 coupled with inflation levels of about 11.9 per cent. in December 2019 have exerted increasing pressure on the Bank's net interest margins. The CBN decreased the MPR to 12.5 per cent. in May 2020 due to the impact of COVID-19 on the Nigerian economy, and then further reduced it to 11.5 per cent. in September 2020, where it remained as of 24 November 2020. The result of the lower interest rate environment is that while the Bank's cost of funds remained stable, the interest income it has earned on assets has declined, due to repricing risk, thereby putting pressure on net interest margins. The low interest rate environment has continued to heighten repricing risk on portfolio investment vis-à-vis net interest margins.

The cash reserve requirement ("**CRR**") is an indirect monetary policy tool used by the CBN to influence the cost and volume of money supply in the system. It has taken different shapes and directions based on the CBN's Monetary policy stance and outlook on market liquidity.

In March 2016, the CBN's Monetary Policy Committee increased the CRR by 250 basis points to 22.5 per cent. of local currency deposits as the balance of risks tilted against price stability. This action was taken in response to a spike in headline inflation, substantially breaching the policy reference band of 6-9 per cent. in February 2016. It remained unchanged until 24 January 2020, when the Monetary Policy Committee voted to increase the CRR by 500 basis points to 27.5 per cent.

Due to concerns of excess liquidity in the Nigeran financial system, on occasion the CBN holds reserves of Nigerian banks (including the Bank) even when such reserves exceed the regulatory required minimum of 27.5 per cent. It is reported that for some banks, the reserves held by the CBN are as high as 100.0 per cent. of local currency deposits.

The increase of the CRR and the withholding of some funds in excess of the CRR has impacted the Bank's net interest margins and its liquidity in the first nine months ended 30 September 2020 due to the fact that the Bank is unable to earn interest on such funds. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Nigeria's banking regulatory environment*". If the CRR were to be increased again or if any other changes were made to reduce liquidity in the Nigerian banking sector generally, it could adversely affect the Bank.

The Bank's loan portfolio is concentrated to borrowers in the oil and gas sector and as such, the Bank's business is highly dependent on oil production in Nigeria, global prices of oil and developments in the Nigerian oil and gas sector.

The Bank's loan portfolio is concentrated in the oil and gas sector, and such loans constituted ₦388.6 billion or 40.2 per cent. of the Bank's loan portfolio as at 30 September 2020. Fluctuations in oil and gas prices also impact other related areas of the Nigerian economy, such as the manufacturing, power and energy, construction and real estate sectors. As such, the Bank's business is highly sensitive to oil prices and by Nigeria's level of oil and gas production.

In addition, oil prices are subject to wide fluctuations in response to relatively minor changes in the supply of, and demand for, oil, market uncertainty and a variety of additional factors that are beyond the Bank's control. These factors include, but are not limited to, the COVID-19 pandemic, political conditions in the Middle East and other regions, internal and political decisions of the Organisation of the Petroleum Exporting Countries ("**OPEC**") and other oil producing nations as to whether to decrease or increase production of crude oil, domestic and foreign supplies of oil, consumer demand, weather conditions, domestic and foreign government regulations, transport costs, the price and availability of alternative fuels and overall economic conditions.

Given the significant contribution of revenues related to oil and gas entities to the Bank's growth, any fall in oil prices or decline in the level of Nigeria's oil production could have a material adverse effect on the Bank's business, results of operations, financial conditions and/or prospects.

Further, between 2014 and 2017, approximately ₦800 billion of arrears are reported to have accrued to downstream participants in the Nigerian oil and gas market generally. These participants had exposure to subsidy arrears due to them from the Federal Government of Nigeria and these subsidy arrears exacerbated their financial condition, which has in turn had a negative financial impact on Nigerian banks, including the Bank. As at 31 December 2018, the Bank's total exposure to the downstream oil and gas sector was ₦171 billion. A CBN directive in January 2019 waiving interest earned from 1 July 2017 to 31 December 2018 on loans from banks (including the Bank) to obligors in the downstream sector increased the financial exposure of Nigerian banks (including the Bank) to the downstream participants. The Federal Government of Nigeria responded by issuing promissory notes for the payment of subsidy debts, which are used by the Bank's creditors to repay their outstanding loans. The first tranche of promissory notes with a maturity of December 2019 were issued to downstream participants in December 2018. Downstream participants in Nigeria's oil and gas market, including those to which the Bank is exposed, are engaged in further reconciliation of receivables with the relevant government agencies in Nigeria. These developments have impacted the amount of credit provisioning required by the Bank, contributing to NPLs in the oil and gas sector comprising 36.1 per cent. and 39.5 per cent. of the Bank's total NPLs as at 31 December 2019 and 30 September 2020, respectively, and its capital adequacy requirements and may continue to have a material adverse effect on the Bank's business, results of operations, financial conditions and/or prospects. The Bank has received ₦40.01 billion in promissory notes payable by the Federal Government of Nigeria and has ₦64.8 billion in exposures to downstream oil and gas entities outstanding as at 30 September 2020 (with an estimated ₦113 billion of promissory notes outstanding from the Federal Government), for which the Bank expects compensation from both the Government and the creditors. As at 30 September 2020, there is a risk that the Nigerian government may be delayed in making payments under these promissory notes or may change its policy in respect of these promissory notes.

The Bank has seen an increase in non performing loans recently and may experience similar increases in NPLs in the future

The Bank's NPLs increased from 13.7 per cent. of total gross loans and advances as at 31 December 2018 to 23.9 per cent. of total gross loans and advances as at 31 December 2019 before decreasing to 21.7 per cent. of total gross loans and advances as at 30 September 2020. The increase in the NPL ratio from 13.7 per cent. as at 31 December 2018 to 23.9 per cent. as at 31 December 2019 was due mainly to two large loans to oil and gas related borrowers which were reclassified as non-performing. These two loans accounted for over 80 per cent. of the increase in non-performing loans during the period. Both borrowers have been under the Bank's loan remediation watchlist for some time. The decision to downgrade the loans to non-performing was taken at the end of 2019 to recognise the slow response of these borrowers to the Bank's remedial efforts over the previous year.

The Bank's NPL coverage ratio was 50.4 per cent., 46.4 per cent. and 66.2 per cent. as at 30 September 2020, 31 December 2019 and 31 December 2018, respectively. The coverage ratio is relatively low compared to its peers (although the Bank has made the decision to increase its coverage ratio going forward), in part because the Bank has historically relied on high levels of collateral on its loan book. Accordingly, while the Bank believes the likelihood of a sharp decrease in the value of its collateral is remote, in the event of any decline in the value of the collateral securing the Bank's NPLs, this could have an adverse impact on the ability of the Bank to make recoveries in respect of these NPLs (see "—*A decline in the value or the illiquidity of the collateral securing the Bank's loans may adversely affect its loan portfolio*" below).

The Bank's increase in NPLs as a percentage of total gross loans during 2019 paralleled a broader trend across the Nigerian banking sector in which the fall in oil prices led to a general weakening of the domestic economy and a rise in non performing loans and were in particular due to two loans that were reclassified as non-performing in 2019. See "— *The Bank's loan portfolio is concentrated to borrowers in the oil and gas sector and as such, the Bank's business is highly dependent on oil production in Nigeria, global prices of oil and developments in the Nigerian oil and gas sector.*" and "*Nigeria—The Nigerian Economy—Oil production*". As a result of these developments, the Bank experienced a spike in NPLs, which reflects the recognition of delinquent assets in its portfolio. The Bank's impairment charge for credit losses was ₦59.9 billion in 2017 (NPL ratio of 14.5 per cent.), ₦56.3 billion in 2018 (NPL ratio of 13.7 per cent.) and ₦2.7 billion in 2019 (NPL ratio of 23.9 per cent.). The large impairment charge in 2018 was due to the suspension of interest on loans in the downstream oil and gas sector as a result of the CBN directive. The Bank's decision to increase its coverage ratio going forward may increase impairment charges going forward.

In order to reduce the Bank's NPL ratio in the medium term, the Bank has been engaging in aggressive recovery actions, loan remediation and work-outs, restructuring qualifying facilities and writing off loans where necessary for 2020. In respect of its top 5 NPLs, the Bank is engaging in recovery actions, sales of specific assets to liquidate (in whole or in part) the exposures and restructuring the outstanding balances to align with the customers' cash flow patterns. The Bank's top 5 NPL exposures are bilateral loans and are well-collateralised.

These efforts helped to reduce the Bank's NPL levels slightly in the first nine months of 2020, reflecting the Bank's efforts to write off or clean up historic issues in its loan book, although this was partially offset by the effects of the COVID-19 pandemic and in particular the devaluation of the Naira and the resulting foreign currency translation impact on the NPLs. In addition, in response to the COVID-19 pandemic and its impact on the Nigerian economy, in May 2020, the CBN, with the support of the Federal Government, implemented a forbearance programme (the "**Forbearance Programme**"), requiring all Nigerian banks to allow a sector dependent 6-month or a 12-month moratorium on the payment of principal and temporarily reduce interest rates on loans to customers. As of 30 September 2020, 47 per cent. of the Bank's loan portfolio (direct and indirect) benefitted from the Forbearance Programme. Loans that benefit from the Forbearance Programme are not treated as NPLs. However, loans currently eligible for the Forbearance Programme may become NPLs in the future (including if the Forbearance Programme is curtailed or removed) and there is therefore a risk that the Bank's NPL levels may increase as a result. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations–Impact of COVID-19*". As at 30 September 2020, the Bank's NPLs were 21.7 per cent. of total gross loans and advances, and total allowance for impairment was ₦104,646 million, or 10.8 per cent. of gross loans and advances to customers.

Factors which may impede further improvement on the Bank's NPLs include growth of the Bank's loan portfolio, curtailment or removal of the Forbearance Programme, relative concentration of the loan portfolio and the reduced ability of existing customers to pay their foreign exchange denominated debt, a significant devaluation of the Naira, further decreases in oil prices or any general slowdown in the Nigerian economy. A high NPL ratio will negatively impact the foreign currency liquidity, capital and profitability of the Bank, while also affecting its credit rating and thus opportunities to obtain funding from development finance institutions and other sources. As a result, any increase in NPLs have a material adverse effect on the Bank's business, results of operations and financial conditions.

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

As at 30 September 2020, 72 per cent. of the Bank's loan portfolio was secured with collateral over real estate and other tangible property. Whilst there are limitations on securing effective collateral over certain assets, including land, a substantial portion of the Bank's loans to corporate customers and individuals is secured by collateral such as real property, land leasing rights, production equipment, vehicles and securities. Further, certain types of collateral may be difficult to perfect, such as mortgages, due to forged or incomplete documentation and regulatory changes. Downturns in the relevant markets, or the lack of an existing market within Nigeria, or a general deterioration of economic conditions may result in declines in the value of collateral securing a number of loans. If collateral values decline, as they did during the global economic crisis, such collateral values may not be sufficient to cover uncollectible amounts on the Bank's secured loans (including any NPLs) which may require the Bank to reclassify the relevant loans, establish additional loan loss expenses and increase reserve requirements. Inability to recover the expected value of collateral may expose the Bank to losses, which may materially adversely affect the Bank's financial condition, results of operations and/or prospects.

The Bank's investment and loan portfolios and deposit base are highly concentrated, which exposes the Bank to concentration and liquidity risks.

The Bank's investment portfolio (consisting of financial assets held for trading, investment securities: available-for-sale, investment securities: loans and receivables, derivative financial assets, pledged assets and investment in subsidiaries) constituted 24.5 per cent of total assets, or ₦546.4 billion, as at 30 September 2020, compared to 26.5 per cent. of total assets, or ₦526.6 billion, as at 31 December 2019, 26.6 per cent. of total assets, or ₦513.0 billion, as at 31 December 2018 and 26.4 per cent. of total assets, or ₦483.9 billion, as at 31 December 2017. The Bank's investment portfolio is highly concentrated in Nigerian treasury bills ("**Treasury Bills**"), Nigerian government promissory notes issued to banks on behalf of major oil marketers exposures to the banks ("**Promissory Notes**") and Nigerian federal government bonds and state government bonds (the "**FGN and States Bonds**" and together with the Treasury Bills and the Promissory Notes, the "**Government Bonds**"). As at 30 September 2020, ₦188.6 billion or 34.5 per cent. of the Bank's investment portfolio consisted of Treasury Bills, ₦22.7 billion or 4.2 per cent. of the Bank's investment portfolio consisted of Promissory Notes and ₦96.4 billion or 17.6 per cent. of the Bank's investment portfolio consisted of FGN and States

Bonds. There is an inverse relationship between the interest rate and the price of these securities. If the interest rates were to increase, the price of these securities would decrease and vice versa, and a rise in interest rates would adversely impact the Bank to the extent such securities are held as available for sale and thus marked to market.

Further, in the event that the Bank's deposits grow at a faster pace than its loan portfolio, it may need to increase its investments in Nigerian Treasury Bills and federal and state government bonds which are subject to the risk of declining yields and/or default. In the event that the Nigerian federal or state governments default on their obligations, the value of Government Bonds decline or the CBN introduces additional regulations that affect the ability of state government bonds to qualify as liquid assets or if there is some other interruption in the market for Government Bonds, there could be a significant adverse impact on the Bank. In addition, the continued strengthening of the Nigerian economy could lead to less risk aversion and lower demand for Government Bonds, resulting in lower prices which could have an adverse impact on the Bank.

As at 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, the Bank's top 20 borrowers comprised 64.4 per cent., 65.3 per cent., 62.1 per cent. and 60.0 per cent. of its gross loan portfolio, respectively, which, in part, reflects the limited number of high quality corporate credits in Nigeria. Further, any impairment in the ability of any of the Bank's significant borrower groups, which includes the Oil and Gas, General Commerce and Manufacturing sectors (comprising 40.2 per cent., 7.9 per cent, and 11.2 per cent. of the Bank's loan portfolio as at 30 September 2020, respectively), to service or repay their obligations, due to adverse economic developments in such industries or otherwise, could have a material adverse effect on the Bank's business, financial condition, results of operations and/or prospects. The Bank will require continued emphasis on credit quality and the continued development of credit management and credit control systems to monitor this credit exposure and the failure to monitor and manage credit quality could have a material adverse effect on the Bank's business, results of operations, financial condition and/or prospects. Further the Bank's high levels of loans to individual borrowers has led to breaches by the Bank of single obligor limits imposed by the CBN (see "*– The Bank has been and may in future be sanctioned by the CBN for non-compliance with regulations*") or in financial covenants included in its financing agreements and may do so again in future (see "*– The Bank is bound by certain covenants in its various financing documents*").

As at 30 September 2020 and 31 December 2019, the Bank's 20 largest depositors accounted for 30.0 per cent. and 30.6 per cent. of total deposits, respectively. As at 30 September 2020 and 31 December 2019, 25.6 per cent. and 28.0 per cent., respectively, of the Bank's total deposits were denominated in foreign currencies (primarily U.S. dollars). The Bank intends to reduce the concentration in its deposit base by attracting further deposits from retail depositors through, for example, use of the "value chain" approach whereby primarily large corporate clients are targeted and over time, the Bank looks to provide products and services to their client's employees, distributors and suppliers, among others. Failure to reduce such concentration could, however, expose the Bank to increased liquidity risk, which could result in increased costs of borrowing and a potential constraint on growth. See "*—The Bank relies on short term deposits as its primary source of funding, which may result in liquidity gaps.*" Any increase in borrowing costs could have a material adverse effect on the Bank's business, results of operations, financial condition and/or prospects.

ETI, the Bank's sole shareholder provides capital and other services to the Bank, and further ETI has the ability to control the Bank's operations, and accordingly the interests of ETI may conflict with those of holders of the Notes.

The Bank is a wholly owned subsidiary of Ecobank Transnational Inc. ("**ETI**", and together with its consolidated subsidiaries, the "**Ecobank Group**"). If not otherwise required by law, resolutions at a shareholders' meeting will be adopted by a simple majority in a meeting at which shareholders holding more than half of the issued share capital are present or represented. Accordingly, ETI will have the power to control the outcome of most matters to be decided by vote at a shareholders' meeting and, as long as it holds, directly or indirectly, the majority of the Bank's ordinary shares, will control the appointment and removal of directors. ETI will also be able to control or significantly influence the outcome of any vote on, among other things, any proposed amendment to the Bank's charter, reorganisation proposal, proposed substantial sale of assets and other major corporate transactions. The interests of ETI could conflict with those of the holders of the Notes. Any such conflict could have a material adverse effect on the business, financial condition, results of operations and prospects of the Bank and the value of the Notes.

In addition, the Bank's management believes that the involvement of ETI in its operations has been, and will continue to be, important in the implementation of the Bank's strategy and the development of its business, and ETI has historically been a source of capital and other credit enhancements to the Bank's creditors, such as the capital injection of US$150 million into the Nigeria by ETI between late 2018 and early 2019.

The Bank is also part of the larger Ecobank Group, and accordingly benefits from and relies on its group policies and other measures and functions that are centralised at the Ecobank Group level and which support the Bank's operations, particularly the Ecobank Group information technology systems (which include two data centres in Accra and Lagos and regional processing centres and centralised group contact centres in Lagos and Abidjan).

The Bank's business could suffer if ETI ceased to participate actively in the Bank's development, should it be unable to effectively maintain functions or implement initiatives centralised at the Ecobank Group level or should it be unable to provide further financing or credit support to the Bank, which could have a material adverse effect on the business, financial condition, results of operations and prospects of the Bank and the value of the Notes.

The Bank may face difficulties meeting capital adequacy requirements

The Bank's capital adequacy ratio was 15.3 per cent. as at 30 September 2020, 16.31 per cent. as at 31 December 2019 and 11.13 per cent. as at 31 December 2018, which is higher than the minimum regulatory requirement of 10.0 per cent for national banks (including the Bank), and the Bank raised an additional ₦50 billion of Tier 2 capital in December 2020 through a 10-year borrowing from the Development Bank of Nigeria. However, whilst the Bank currently has capital levels in excess of the capital adequacy requirements imposed by the CBN under the Basel II methodology banking industry, there can be no assurance that the CBN will not further amend or raise the capital requirements applicable to the Bank. If the Bank 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. The Bank's capital levels could decline as a result of various factors, such as a decline in the quality of the Bank's credit portfolio or exchange rate movements.

The CBN has historically taken a firm view on capital adequacy and has taken steps to ensure that banks meet their capital ratios. Such measures have included requiring the affected institution to present a mandatory capital and funding plan to the CBN and defining a timeline for the funding plan to be met. Other measures taken against affected institutions have included restrictions on risk asset growth, suspension of all but low-risk activities and restrictions on the payment of dividends. The CBN could also further change the risk weighting of a particular class of assets or investment held by the Bank, which could require the Bank to increase the level of regulatory capital it holds in respect of any such class of assets by seeking additional capital or alternative sources of financing, which may not be available or may only be available at commercially unsustainable prices.

Failure of the Bank to comply with capital adequacy may also result in the revocation of the Bank's licences and breach of loan covenants (see "*– The Bank is bound by certain covenants in its various financing documents*"). These actions could adversely impact the Bank's ability to grow its loans to customers and other risk assets, and in turn materially and adversely affect the Bank's business, results of operations and financial condition.

The Bank operates in an uncertain regulatory environment and recent changes to and by the CBN may have a material adverse effect on the Bank

The Bank operates in an uncertain regulatory environment and recent changes to and by the CBN may have a material adverse effect on the Bank. During the last five years, under the administration of the current governor of the CBN, the CBN has sought to reduce interest rate and deposit charges and strengthen Nigeria's foreign currency reserves through capital control measures. See "*Risk Factors—The Bank is subject to foreign exchange risk and is affected by changes in the value of the Naira against other currencies, as well as risks due to US dollar shortages in Nigeria, all of which have worsened due to the COVID-19 pandemics*". In 2019, the CBN introduced a minimum LDR target of 60.0 per cent. in July 2019, which it increased to 65.0 per cent. in September 2019. In addition, in 2019 the CBN increased the CRR from 22.5 per cent. to 27.5 per cent. and decreased the MPR rate from 14.0 per cent. to 13.5 per cent. The MPR was further decreased to 12.5 per cent. in May 2020, and subsequently reduced to 11.5 per cent. in September 2020 due to the impact of COVID-19 on the economy. See *"—The outbreak of communicable diseases around the world, in particular the COVID 19 pandemic, has led to higher volatility in the global capital markets, which may materially and adversely affect the Bank's business, financial condition and results of operations*".

Revised Guide to Bank Charges

The CBN implemented the Guide to Charges by Banks and other Financial Institutions in Nigeria (the "**2017 Guide to Bank Charges**") in May 2017, thus providing a standard for the application of charges in the banking industry. The 2017 Guide to Bank Charges provides that Nigerian savings accounts must earn interest at a minimum rate of 30.0 per cent. of the MPR per annum. At the current MPR of 11.5 per cent., this translates to a minimum of 1.15 per cent. per annum. However, the minimum rate ceases to be applicable on any savings account from which more than four withdrawals have been made in a month. In Nigeria, many savings account holders exceed the monthly withdrawal limit and thus the Bank is not obligated to pay a minimum interest rate most months for a portion of its savings accounts. However, there can be no assurance that future changes to the maximum withdrawal limit will not lead to an increase in the Bank's monthly interest payments on savings accounts, thus reducing its net interest margin.

Furthermore, on 19 December 2019, the CBN published a Revised Guide to Charges by Banks, Other Financial Institutions and Non-Banks, which took effect on 1 January 2020. The new guidance required banks and non-bank financial institutions to reduce charges applicable to bank accounts, electronic transfers, and ATMs. The implementation of this rule has led to a decrease in fee and commission income for the Bank, which decreased by 55.5 per cent. to ₦4.4 billion for the nine months ended 30 September 2020 from ₦9.9 billion for the nine months ended 30 September 2019.

Contributions to the Asset Management Corporation of Nigeria

The Bank is required to contribute to a sinking fund to cover any net deficits incurred by the Asset Management Corporation of Nigeria ("**AMCON**"). In the wake of the global financial crisis, AMCON was established as a stabilising tool to revive the financial system by resolving the NPL assets of banks operating in Nigeria. See "*The Nigerian Banking Sector—Asset Management Corporation of Nigeria*". As a result of AMCON's intervention, all commercial banks in Nigeria are statutorily required to contribute 0.5 per cent. of their audited total assets as at 31 December of each year to a sinking fund established to repay AMCON's debt to the CBN. As at 31 December 2019, AMCON's outstanding debt to the CBN totalled ₦4.7 trillion.

Moreover, AMCON has in the past amended its requirements in a way that retroactively increased the Bank's regulatory costs. In 2015, under Section 9(c) of the AMCON (Amended) Act 2015, the CBN amended the definition of "Total Assets" for purposes of the AMCON sinking fund to include off-balance sheet items. However, AMCON continued to erroneously apply a definition of "Total Assets" that excluded off-balance sheet items, leading to an assessment that banks across the Nigerian Banking Sector had underpaid their contributions in 2016 and 2017.

Rising cash reserve requirements

In March 2016, the CBN's Monetary Policy Committee increased the CRR by 250 basis points to 22.5 per cent. of local currency deposits as the balance of risks tilted against price stability. This action was taken in response to a spike in headline inflation, substantially breaching the policy reference band of 6-9 per cent. in February 2016. It remained unchanged however until 24 January 2020, when the Monetary Policy Committee voted to increase the CRR by 500 basis points to 27.5 per cent.

Due to concerns of excess liquidity in the Nigerian financial system, on occasion the CBN holds reserves of Nigerian banks (including the Bank) even when such reserves exceed the regulatory required minimum of 27.5 per cent. It is reported that for some banks, the reserves held by the CBN are as high as 100.0 per cent. of local currency deposits.

The increase of the CRR and the withholding of some funds in excess of the CRR has impacted the Bank's net interest margins and its liquidity in the first nine months ended 30 September 2020 due to the fact that the Bank is unable to earn interest on such funds. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Nigeria's banking regulatory environment*". If the CRR were to be increased again or if any other changes were made to reduce liquidity in the Nigerian banking sector generally, it could adversely affect the Bank.

Suspension of interest accruals on loans to oil and gas borrowers

The CBN directive in late 2018 waiving interest earned from 1 July 2017 to 31 December 2018 on loans from banks (including the Bank) to obligors in the downstream oil and gas sector increased the financial exposure of Nigerian banks (including the Bank) to the downstream participants, which has impacted the amount of credit provisioning required by the Bank and its net interest income (see "— *The Bank's loan portfolio is concentrated to borrowers in the oil and gas sector and as such, the Bank's business is highly dependent on oil production in Nigeria, global prices of oil and developments in the Nigerian oil and gas sector*").

These factors, and any future regulatory changes introduced by the CBN (including any changes implemented by the incumbent CBN governor or the governor's successor) create an uncertain regulatory environment, which could materially and adversely affect the Nigerian banking industry as a whole and have a material adverse effect on the Bank's business, results of operations and financial condition.

The Bank has been and may in future be sanctioned by the CBN for non-compliance with regulations.

The Bank is exposed to the risk of being sanctioned by the CBN for non-compliance with applicable regulations. In particular, since 26 April 2018, the CBN has granted waivers in respect of the breaches by the Bank of the single obligor limit relating to its exposures to two customers as at 31 December 2019 of ₦43.1 billion (one of the waivers was banking industry wide and the other was specifically for the Bank), equivalent to approximately 16.3 per cent. of the Bank's total shareholders' equity as at 31 December 2019. As at 30 September 2020, loan exposures to these two customers totalled ₦145.9 billion. In addition, the Bank has two other loan exposures that exceeded the single obligor limit as of 30 September 2020, the impact of which has been charged to the Bank's capital adequacy ratio. These breaches of the single obligor limit are due to the devaluation of the Naira, causing certain U.S. dollar loans to exceed the limit once translated to Naira.

If further extensions to the waiver in respect of these obligors are not granted by the CBN and/or the Bank is required to obtain waivers in respect of the additional exposures and any such waivers are not granted, the Bank's capital position may be negatively impacted, additional capital from ETI or elsewhere may be required and/or the CBN may require it to increase its credit loss provisions in respect of these obligors, which, in turn, may have an adverse effect on the financial condition of the Bank.

There can be no assurance that the Bank will not at some point be subject to investigation and disciplinary action by the CBN, including in relation to any of the above, and such actions could have a material adverse effect on the Bank's business, results of operations and/or financial condition.

The Bank 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 Bank 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 Bank's business and operating data. The Bank's information technology and data security systems are part of and integrated with the systems of ETI and the other members of the Ecobank Group, and the Ecobank Group regional processing centres are currently based in Lagos and Abidjan in Nigeria and two secondary date centres in Lagos in Nigeria and Accra in Ghana.

The proper functioning of the Bank'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 the Bank's branches and the Ecobank Group's main data processing centres, are critical to the Bank's business and ability to compete effectively. The Ecobank Group's successful implementation of its information technology strategy is particularly important for the Bank, as the Bank has a smaller branch network than many of its competitors in Nigeria and relies on alternate delivery channels for its future growth. Unlike banks in many other countries, the Bank 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 Bank's business activities would be materially disrupted if there were a partial or complete failure of any of the Ecobank 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, such as the Very Small Aperture Terminal ("**VSAT**") mandatory in certain remote areas, which may also be affected by occurrences of similar events. The proper functioning of the Ecobank 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 Bank'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 Bank's operations. The Bank's networks and systems may be vulnerable to unauthorised access and other security problems. No assurance can be given that the Bank'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, network vandalism, cable theft and errors or misconduct of operators. Persons who circumvent the Bank's security measures could use the Bank's or the Bank's clients' confidential information wrongfully. Whilst the Bank has not experienced any material disruptions or security breaches in the past, any material security breach or other disruptions, particularly during the relocation of the Ecobank Group's primary data centre to France, could expose the Bank to risk of loss and regulatory actions and harm its reputation.

The Bank's ability to remain competitive will, to a certain extent, depend on the Ecobank Group's ability to upgrade its information technology systems on a timely and cost-effective basis. The Bank continues to upgrade its technology and infrastructure, network and security, core banking application, servers, storage centres and third party applications on a needs basis and to remain competitive as the bank of choice to the customers. In 2019, Flexcube version 12 and secure cloud services like Office 365 and Azure Information Protection were deployed in the Bank and all its affiliates. Such upgrades are subject to delays in completion and cost overruns, and may not produce expected improvements and benefits. In addition, the information available to and received by the Bank through its existing information technology systems may not be timely or sufficient for the Bank 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 Ecobank 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 Bank's competitiveness, results of operations, financial condition and/or prospects.

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

The Bank is developing its risk management policies and procedures, particularly in connection with credit, market, liquidity, interest rate and operational risks, and the Bank expects to continue to do so in the future in accordance with its Enterprise Risk Management Protocols ("**ERM Protocols**"). Some of the Bank'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 Bank operates in, its clients or other matters that are publicly available or otherwise accessible by the Bank. Any failure in the Bank's risk management techniques may have a material adverse effect on its business, results of operations, financial condition and/or prospects.

In the past the Bank 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 Bank's risk management and internal controls, which have, among other things, caused the Bank on occasion to provide funds to borrowers in certain circumstances without finalising the relevant loan documentation. There can be no assurance that the Bank's risk management and internal control policies and procedures will adequately control, or protect the Bank against, all credit and other risks. Certain risks are unidentified or unforeseeable, and could be greater than the Bank's empirical data would otherwise indicate. The Bank's risk management and internal control capabilities are also limited by the information, tools and technologies available to the Bank. Any material deficiency in its risk management or other internal control policies or procedures may expose the Bank to significant credit, liquidity, market or operational risk, inherent to the banking business which may in turn have a material adverse effect on the Bank's business, results of operations and financial condition and/or prospects.

The Bank relies on short-term deposits as its primary source of funding and is further exposed to liquidity risks due to maturity mismatches, which may result in the Bank being unable to meet its liabilities as they fall due.

Similar to other banks in Nigeria, the Bank has historically relied almost exclusively on corporate and retail depositors to meet its funding needs as access to other funding sources, including the capital markets, has been limited. However, since 2008, there has been a shift in the Bank's funding base to lower cost retail deposits, which are the current and savings accounts (excluding fixed deposits), and lower cost retail deposit volumes have increased from ₦601.3 billion as at 31 December 2017 to ₦872.2 billion as at 30 September 2020. As at 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, the Bank's current and savings deposits accounted for 58.2 per cent., 53.2 per cent., 52.5 per cent. and 54.8 per cent. of total deposits, respectively. The Bank is currently trying to diversify its funding sources further and boost its capital ratio through the issuance of capital market instruments and other sources of funding, such as the offering of the Notes. See also "*Management's Discussion and Analysis of Results of Operation and Financial Condition—Level of deposits*".

Nigerian retail depositors 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. The Bank's concentration of deposits may exceed such corporate depositors' internal limits, and they may be required to withdraw some or all of their deposits from the Bank. No assurance can be given that the Bank will be able to maintain its existing level of deposits without increasing its cost of funding, particularly as the Nigerian banking sector becomes more competitive. If a substantial portion of the Bank's depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, the Bank may need to seek more expensive sources of funding to meet its funding requirements, and no assurance can be made that the Bank will be able to obtain additional funding on commercially reasonable terms as and when required. In addition, there are limited opportunities in the Nigerian market 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 Bank will need to cover.

Additionally, the Bank has historically funded its risk assets with deposits and shareholders' funds. Deposits from banks and customers represented 91.0 per cent. and 91.5 per cent. of the Bank's total liabilities as at 30 September 2020 and as at 31 December 2019, respectively. As at 30 September 2020, 93.0 per cent. of the Bank's financial liabilities (comprising deposits from banks, deposits from customers and borrowings) were due within ninety days, whilst 73.0 per cent. of the Bank's financial assets (comprising cash and balances with the CBN, loans and advances to banks and customers, pledged assets and investment securities) had maturities of ninety days or less. Although most contractual maturities are rolled over and demand deposits have remained largely stable, the Bank could face difficulties in meeting its liabilities as they fall due as a result of, among other things, insufficient liquid assets to meet these maturities or withdrawals, failure to attract additional medium to long–term financing or a sudden increase in withdrawal of deposits, which currently form a significant portion of the Bank's funding.

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 Bank's assets and liabilities may, together or separately, have a material adverse effect on the Bank's business, results of operations, financial condition and/or prospects.

Changes in interest rate levels may affect the value of the Bank's assets that are sensitive to interest rate and spread changes, as well as its net interest margins and borrowings costs.

Similar to other banks in Nigeria, the Bank is exposed to interest rate risk through the interest bearing assets and liabilities in its investment securities and banking books. Fluctuations in interest rates could adversely affect the Bank's operations and financial condition in a number of different ways. An increase in interest rates generally may decrease the value of the Bank's fixed-rate debt securities (primarily comprised of Government treasury bills) as well as fixed-rate loans, and could raise the Bank's funding costs. 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 Bank's interest-rate sensitive assets and liabilities. This risk could be heightened in the event of sudden large fluctuations or changes in interest rates in response to economic or other conditions. Interest rates are sensitive to many factors beyond the Bank'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 Bank will be able to protect itself from the adverse effects of future interest rate fluctuations. The Bank does not synthetically hedge against interest rate fluctuations but has put in place gap limits in accordance with the Bank's risk appetite. Any fluctuations in market interest rates, and the Bank'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 Bank's financial condition, results of operations and/or prospects.

The Bank's operations remain subject to the risk of interest rate fluctuations to the extent that its interest rate risk management procedures fail, its hedging activities are not successful or its interest earning assets and interest bearing liabilities mature or re–price at different times or in differing amounts, among other things. These risks impact both the earnings and the economic value of the Bank which, if material, could have a material adverse effect on the Bank's financial condition, liquidity, results of operations and/or prospects.

The Bank is subject to foreign exchange risk and is affected by changes in the value of the Naira against other currencies, as well as risks due to US dollar shortages in Nigeria, all of which have worsened due to the COVID-19 pandemic.

Similar to other banks in Nigeria, the Bank is exposed to foreign exchange risk, as a result of adverse movements in exchange rates, primarily through its loan and deposit portfolios that are denominated in foreign currencies, through acting as an intermediary in foreign exchange transactions between central and commercial banks and through its operations outside of Nigeria. Such risk, if material, would have a material adverse effect on the Bank's financial condition, liquidity and/or results of operations.

The Bank's presentation and functional currency is the Naira. As at 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, 28.5 per cent., 31.1 per cent., 35.9 per cent. and 34.3 per cent. of the Bank's financial assets, respectively, and 32.6 per cent., 34.3 per cent., 41.4 per cent. and 36.5 per cent. of the Bank's financial liabilities, respectively, were denominated in foreign currencies, principally the U.S. dollar. Monetary assets and liabilities originally denominated in foreign currencies are translated into Naira at the relevant balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Bank's income statement. As a result, the Bank's reported income is affected by changes in the value of the Naira with respect to foreign currencies, primarily the U.S. dollar, which has worsened as a result of the COVID-19 pandemic. Following strong recommendations by the IMF and the private sector, on 20 June 2016 the CBN abandoned its previous policy of pegging the Naira to the U.S. dollar and reintroduced market-driven currency trading under a flexible exchange rate system. On the day of the CBN's announcement, the CBN official exchange rate for the Naira fell approximately 42.0 per cent. in value, from ₦196.5 to the U.S. dollar to ₦279.5. The Naira subsequently stabilised, and was valued at ₦305.5, ₦306.5 and ₦306.5 to the U.S. dollar as at 31 December 2017, 31 December 2018 and 31 December 2019, respectively (CBN official exchange rate). However, as a result of the COVID-19 pandemic, the Naira experienced a further devaluation, and the CBN official exchange rate per U.S. dollar was ₦379.5 as at 30 September 2020.

In addition, the Bank's customers may be subject to substantial foreign exchange risk, which indirectly affects the Bank's credit risk profile. As at 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, 53.1 per cent., 52.8 per cent., 52.2 per cent. and 49.0 per cent. of the Bank's gross loans and advances to customers, respectively, were denominated in foreign currencies, mainly U.S. dollars, primarily due to its lending to companies in the oil and gas and power sectors and in connection with its trade finance business, and as at 30 September 2020, the Bank's NPLs in its foreign currency loan book were 59.3 per cent., compared to 53.5 per cent. at 31 December 2019. While many of the Bank's borrowers of foreign currency denominated loans have significant foreign currency denominated cash flows, any significant further decline in the value of the Naira may result in borrowers being unable to repay foreign currency denominated loans, and other fluctuations in the value of the

Naira against foreign currencies may have a material adverse effect on the Bank's business, financial condition, results of operations and/or prospects.

Furthermore, the significant devaluation of the Naira as a result of the COVID-19 pandemic, coupled with a precipitous fall in the price of oil in April 2020, which provides 90 per cent. of the country's foreign exchange, has led to a dollar currency shortage in Nigeria. Due to this currency shortage, the Bank's borrowers may struggle to obtain the dollars they require to pay their foreign denominated loans and advances, which could have a material adverse effect on the Bank's business, results of operations and financial condition.

The existence of multiple foreign exchange markets with different exchange rates may impact the likelihood of future devaluations of the Naira against the U.S. dollar, which may impact the Bank's financial condition and/or results of operations.

Central banking authorities in Nigeria may intervene in the currency markets or adopt policies that may impact the applicable exchange rates and/or amounts of foreign currency that may be obtained. In Nigeria where there are multiple exchange rates available and/or referenced by the applicable banking authorities, there may be differences among the accounting rates companies use pursuant to accounting standards, contracted rates, rates quoted for other foreign exchange transactions, and 'official' central bank rates.

The investors' and exporters' window, which the Bank uses for its banking operations, was established by the CBN via circular dated 21 April 2017 as the market trading segment for investors, exporters and end-users at rates published on the Nigerian Autonomous Foreign Exchange Rate Fixing ("**NAFEX**") and developed by FMDQ Securities Exchange Limited ("**FMDQ**"). At the investors' and exporters' window, the Naira was valued at ₦360.0, ₦364.18 and ₦364.7 to the U.S. dollar as at 31 December 2017, 31 December 2018, and 31 December 2019. These rates differ from the official CBN rates, which were ₦305.5, ₦306.5 and ₦306.5 to the U.S. dollar as at 31 December 2017, 31 December 2018 and 31 December 2019.

The CBN official rate was ₦379.5 as at 31 December 2020, compared to the FMDQ rate of ₦400.33 as at 31 December 2020.

The ongoing discrepancies between the CBN official rate and other rates available in the market increase the likelihood of future devaluations, which may adversely impact the Bank's financial condition and results of operations.

The outbreak of communicable diseases around the world, in particular the COVID-19 pandemic, has led to higher volatility in the global capital markets, which may materially and adversely affect the Bank's business, financial condition and results of operations.

The outbreak of communicable diseases on a global scale may affect investment sentiment and result in sporadic volatility in global capital markets. The coronavirus known as COVID-19 has spread to many countries around the world, including Nigeria. In March 2020, the United States, the EU and countries all around the world, began imposing travel restrictions, as well as other restrictions, which aim to reduce in-person interactions. These measures, while aimed to slow the spread of COVID-19, have resulted in significant reductions in economic activity globally. While a number of restrictive measures have been reduced across numerous countries, it is currently unclear how long the remaining restrictions will be in place and what their ultimate impact will be on global and local economies.

To date, the COVID-19 pandemic has negatively impacted the global economy and the Nigerian economy, due to disrupted global supply chains, lowered equity market valuations, created significant volatility and disruption in financial markets, and increased unemployment levels. In addition, the pandemic has resulted in temporary closures of many businesses and the institution of social distancing and sheltering in place requirements in many states and communities. See "*Nigeria – The Nigerian Economy –Impact of COVID-19 on the Nigerian Economy*".

For the Bank, normal banking activities were disrupted during the COVID-19 pandemic lockdown. Some branches were closed due to reported cases of COVID-19, and the Bank encountered other issues such as supply chain challenges, restrictions on travelling, increased expenses associated with disinfectants and disinfection of office premises, health and safety concerns especially during the lockdown, cyber threats, and issues associated with the remote working of the branches' employees. While a significant portion of the Bank's business operations have moved from traditional banking to digital and agent banking, and over half of the Bank's employees have moved to working remotely, its operations may be disrupted if significant portions of the Bank's workforce are unable to work effectively, due to illness, additional quarantines, government actions, or other restrictions in connection with the COVID-19 pandemic.

Furthermore, the COVID-19 pandemic has consequently affected the business of many of the Bank's borrowers (particularly those in the oil and gas and trade sectors) and resulting in the recognition of credit losses in the Bank's loan portfolios and increases in the Bank's allowance for credit losses, particularly as businesses remain closed, migration is restricted and as more customers are expected to draw on their lines of credit or seek additional loans to help finance their businesses. These credit losses may increase in future once the government support programmes (including the Forbearance Programme) for affected business start to wind down (see "*– The Bank has seen an increase in non performing loans recently and may experience similar increases in NPLs in the future*"). Similarly, because of the changing economic and market conditions affecting issuers, the Bank may be required to recognise other-than-temporary impairments in future periods on the securities it holds as well as reductions in other comprehensive income. Lastly, a significant effect of the COVID-19 pandemic was the devaluation of the Naira coupled with a 6 per cent. growth in the Bank's foreign currency denominated NPLs by ₦7.2 billion between December 2019 and September 2020, leading to an increase in the Bank's impairment charges for the first nine months of 2020. In response to the COVID-19 pandemic and its impact on the Nigerian economy, the Federal Government and CBN have introduced financial forbearance and other palliative measures to support businesses and individuals through COVID-19. However, there can be no assurances that these measures will sufficiently mitigate the adverse effects of the COVID-19 pandemic on the Bank's customers and borrowers, which may materially and adversely affect the Bank's business, results of operations and financial conditions See "*Management's Discussion and Analysis of Financial Condition and Results of Operations–Impact of COVID-19*".

The extent to which the COVID-19 pandemic impacts the Bank's business, results of operations, and financial condition, as well as the Bank's regulatory capital and liquidity ratios, will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by governmental authorities and other third parties in response to the pandemic. The Bank may be forced to consider adjustments to specific elements of its operations and/or customer exposures including loan tenor extensions and restructuring, full migration of customer transactions to alternative channels, and adoption of a remote-work model to support critical functions and manage key customer relationships, which may materially and adversely affect the Bank's business, results of operations and financial condition.

The Bank has undertaken various cost cutting and cost efficiency measures and no assurances can be given that such measures will improve the efficiency of the Bank.

The Bank has been undertaking various cost cutting and cost efficiency measures, which includes use of improved IT services for its back-office functions and to enhance the attractiveness and security of self-service distribution channels such as ATMs and PoS, as well as phone, internet and mobile banking and has additionally closed 114 branches during the first nine months of 2020. The Bank has also reduced its total number of employees from 6,821 persons as at 31 December 2018 to 5,636 persons as at 31 December 2019 and 5,348 persons as at 30 September 2020.

It is difficult to forecast how the abovementioned measures will affect the Bank and no assurance can be given that such measures will improve the efficiency of the Bank's operations, or decrease the Bank's operating expenses or improve the Bank's ability to provide a full range of banking services or to compete effectively, or that such measures will not have an adverse impact on the Bank's business, results of operations and financial condition.

The Bank faces increased levels of competition in the Nigerian banking industry.

The Nigerian market for banking and financial services is highly competitive and the Bank faces competition from different banks in each of the segments and regions where it operates. The Bank considers its peers to be First Bank, Zenith Bank, Guaranty Trust Bank, Access Bank and UBA, Fidelity and Union Bank. See "*Business Description—Competition*". Foreign banks also compete strongly with Nigerian banks, particularly in the corporate banking segment, which accounted for 90.0 per cent. of the Bank's loans to customers as at 30 September 2020.

In the aftermath of the global economic and financial crisis of 2007-2008, AMCON and the CBN led efforts to consolidate the Nigerian banking sector, which reduced the number of existing banks. The concentration of capital and overall market share among the banks now remaining in Nigeria is higher and increasing. The Bank believes that in order to meet the competition driven by a more concentrated Nigerian banking industry, it will be critical for the Bank to achieve economies of scale, grow the value chain space and be able to effectively offer the greater reach and financial capacity of the largest banks.

Moreover, the competitive landscape of Nigeria has changed in recent years as a result of the entry of several new players. Pension funds have become an increasingly important source of debt financing to businesses. Pension funds control an aggregate total of nearly ₦12.29 trillion as of November 2020 in liquid assets and enjoy income tax exemptions that bank lending does not enjoy, and therefore compete with banks for business borrowers. Further, in October 2018, the CBN began licensing companies such as pension funds, oil traders, microfinance banks, microlenders and telecommunications companies, to facilitate high-volume low-value transactions in remittance services, micro-savings and withdrawal services. The services that these companies will be able to provide will be linked to their shareholder capitalisation, with agent services, payment processing services, and POS terminal services having lower individual capitalisation requirements and switching and merchant acquisition and settlement services having higher requirements. Separately, several venture-backed mobile payments start-ups have entered the market, as signalled by the approval by the CBN in September 2019 of payment service bank licences for three new players — Hope PSB a subsidiary of Unified Payment Services Limited, Globacom's Money Master and 9Mobile's 9PSB. Other events contributing to increased competition in banking include the merger between Access Bank and Diamond Bank PLC in 2019 resulting in Access Bank PLC being the largest Nigerian bank by assets and deposits and the entry of Globus Nigeria Limited, Titan Trust Bank Limited and TAJ Bank Limited into the market.

Against this background, the Bank's growth depends on its ability to gain market share, extend its distribution network, manage its cost base, access low-cost deposits and grow quality risk assets, in order to allow it to maintain strong levels of profitability and returns despite being required to hold higher levels of capital by the CBN. If the Bank is not able to generate the profitability, economies of scale and financial capacity to enable it to compete with the other large Nigerian banks, the Bank's business, results of operations and financial condition may be materially and adversely affected.

The effect of the unsuccessful introduction of new products could result in the Bank not being able to achieve its intended results.

The Bank has expanded and intends to continue to expand the range of its products and services, in particular with respect to payment platforms, agency banking and remittance. Currently, in order to further reach un-banked and under banked Nigerian citizens in a cost-effective manner, the Bank is at the final stages of developing a plan that will enable small volume savers access to its banking services through a savings account with an opening balance of ₦1,000. Expansion of its business activities exposes the Bank to a number of risks and challenges, including the following:

- the Bank may have limited or no experience in certain new business activities and may not compete effectively in these areas;

- there is no guarantee that its new business activities will meet expectations for profitability;
- the Bank will need to hire or retrain personnel who are able to conduct new business activities; and
- the Bank must continually add to the capability of its risk management and information technology systems to support a broader range of activities.

If the Bank 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 Bank fails to promptly identify and expand into new areas of business to meet the increasing demand for certain products and services, the Bank may fail to maintain its market share or lose some of its existing customers to its competitors.

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

Banking and other operations performed by Nigerian banks such as dealer and depositary activities in Nigeria require licences from the CBN. The Bank has obtained licences in connection with its banking operations, including banking operations involving foreign currencies and its operations as an authorised dealer and primary dealer in federal government instruments. However, there is no assurance that the Bank will be able to obtain required licences or maintain existing licences in the future. In the event that the Bank loses a CBN licence or is required to apply for a new licence, the process could be burdensome and time-consuming.

The Bank currently holds a national commercial banking licence. The CBN may, at its discretion, impose additional requirements on holders of a commercial banking licence. In particular, the loss of its commercial banking licence, a breach of the terms of its banking licence or a failure to obtain such a licence in the future could result in the Bank being unable to continue some or all of its banking activities and being subject to penalties and fines by the CBN. While the Bank believes that the risk of the loss of its operating licence is remote, any such failure could, in turn, have a material adverse effect on the Bank's results of operations and financial condition.

The Bank's business entails operational risk due to operating in countries and sectors known to experience corruption.

The Bank operates in countries and sectors known to experience corruption. While the Bank 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, the United Kingdom Bribery Act 2010, any 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, the Corrupt Practices and Other Related Offences Act No. 5 of 2000, the Economic and Financial Crimes Commission (Establishment) Act 2004 or other applicable anti-corruption rules or regulations. These actions could result in criminal and civil penalties against the Bank and its subsidiaries and could damage the Bank's reputation and, therefore, its ability to do business.

There is a risk that the Bank 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 Bank maintains a system of controls designed to keep operational risk at appropriate levels. However, there can be no assurance that the Bank will not suffer losses from any failure of these controls to detect or contain operational risk in the future. There is also a risk that the Bank may suffer loss as a result of fraud by its customers and other factors outside of its control, including power outages, flooding and other external events. The Bank also manages its operational risk by obtaining outside insurance. However, similar to the other banks in Nigeria, the Bank does not carry insurance coverage at levels comparable to those customary in other countries. The inadequacy or a failure of the Bank's internal processes or systems may result in unauthorised transactions and errors which may not be detected. The Bank's insurance may not cover the Bank's losses from such transactions or errors, which may have a material adverse effect on the Bank's financial condition, results of operations and/or prospects.

The Bank may not be able to fully comply with anti-money laundering and anti-terrorism regulations, which could result in governmental fines and a damaged reputation.

Corruption and money laundering have been and continue to be identified by external analysts as significant issues in Nigeria. As a result, the Nigerian Government has sought to implement various measures to prevent and fight these issues, including by enactment of the updated Money Laundering (Prohibition) Act of 2011, as amended by the Money Laundering (Prohibition) (Amendment) Act of 2012, as well as the Terrorism (Prevention) Act of 2012, as amended by the Terrorism (Prevention) (Amendment) Act of 2013 and the CBN (Anti-Money Laundering and Combating the Financing of Terrorism in Banks and Other Financial Institutions in Nigeria) (Amendment) Regulations, 2019, which require financial institutions to monitor certain financial transactions of their customers more closely for evidence of money laundering and increases the reporting requirements of financial transactions by financial institutions. The Nigerian Government also established the Economic and Financial Crimes Commission (the "**EFCC**") in 2004, whose purpose is to investigate all economic and financial crimes including advance fee fraud, embezzlement, bribery, looting and any form of corrupt malpractices, foreign exchange malpractices, money laundering, counterfeiting and futures market fraud. In addition, the CBN now requires banks to ensure that their customers who are "designated non-financial institutions" (which includes dealers in jewellery, cars and luxury goods, supermarkets, hotels, casinos and other professionals such as law firms and accounting firms), are registered with the Special Control Unit on Money Laundering (the "**SCUML**") of the Federal Ministry of Industry, Trade and Investments prior to establishing, or continuing, a business relationship with them. The Bank believes it is fully compliant with the requirements of the SCUML.

The Bank is required to comply with a variety of anti-money laundering, anti-terrorism laws and other regulations in Nigeria as well as in other jurisdictions in which it has operations. The Bank has formulated relevant policies and procedures aimed at detecting and preventing the use of its banking network for money laundering and terrorist activities and believes that it has robust structures, systems and procedures in place to eliminate instances where the Bank may be used by other parties to engage in money laundering and other illegal or improper activities, however, in common with other banks in Nigeria, the Bank continues to face on–going risks relating to corruption and potential money laundering schemes perpetrated by individuals and companies in Nigeria. The Bank has in the past and may continue to fail to fully comply with applicable laws and regulations. In the event of any significant breach, the relevant government agencies to whom the Bank reports have the power and authority to impose fines and other penalties on the Bank, including the suspension or removal of its banking licence. The Bank's business and reputation could also suffer as a result of the imposition of any such penalties or any allegations relating thereto, which could, in turn, have a material adverse effect on the Bank's financial condition, results of operations and/or prospects.

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

Similar to other banks in Nigeria, the Bank's success will depend, in part, on its ability to continue to recruit and retain qualified and experienced banking and management personnel. In common with other banks in Nigeria, the Bank is likely to face challenges in recruiting qualified personnel to run its business, as a result of the shortage of qualified candidates with experience in the banking industry. For the year ended 31 December 2019, the Bank experienced an employee attrition rate of 6.0 per cent., most of whom were junior level in support. Additionally, if the Bank continues to grow at its current pace, it will continually need to increase the 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 Bank attempts to provide an attractive package of salary, awards and other incentives to employees. The Bank also provides training to its employees through a variety of in house and external training programmes.

While the Bank believes that it has effective staff recruitment, training and incentive programmes in place, the Bank'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 Bank is not insured against damage that may be incurred in the event of the loss or dismissal of its key personnel.

A significant percentage of the Bank's workforce in the bank branches is unionised, resulting in a risk of labour relations problems, including the incurrence of additional employment costs as a result of industry collective bargaining agreements.

A majority of the Bank's employees are unionised under the Association of Senior Staff of Bank, Insurance and Financial Institutions and the National Union of Banks, Insurance and Financial Institutions Employees. The Bank has in the past had disputes with this union (most recently in 2019) and if such disputes reoccur or if the Bank is unable to successfully negotiate acceptable terms with the union when the current agreement expires, or if it fails to reach an agreement with the union, operations could be disrupted. No assurance can be given that the Bank will be able to successfully extend or renegotiate this agreement as it expires. Also, if the agreement is not extended or renegotiated and significant disputes with union arise, or if unionised workers engage in a work stoppage, the Bank could incur higher ongoing labour costs or experience a significant disruption of operations, which could have a material adverse effect on the Bank's business. While unionisation is limited to only those employees below manager grade, a significant increase in the number of employees that unionise could increase operating costs and therefore have a material adverse effect on its business, results of operations and financial condition.

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

As part of its business, the Bank issues performance bonds and guarantees, confirmed and unfunded letters of credit and guarantees of commercial paper. As at 30 September 2020, the Bank had ₦365.6 billion (U.S.$0.96 billion) in off balance sheet liabilities, compared to ₦417.4 billion (U.S.$1.08 billion) as at 31 December 2019, ₦455.0 billion (U.S.$1.18 billion) as at 31 December 2018 and ₦581.0 billion (U.S.$1.51 billion) as at 31 December 2017.

The increases were primarily attributable to increases in the Bank's short-term guarantees, acceptances and other financial facilities.

All such credit related commitments are classified as off balance sheet items in the Bank's financial statements. Although the Bank undergoes the same credit procedures for its off balance sheet credit related commitments as it does for its on balance sheet credits, there can be no assurance that these procedures will be sufficient to protect the Bank from the actual losses that the Bank may potentially incur in the event of a default in any of its credit related commitments. The Bank 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 Bank 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 Bank is bound by certain covenants in its various financing documents

The Bank, in its ordinary course of business has, as a borrower, entered into various loan agreements. The Bank's loan agreements contain covenants that, among other things, require the Bank to maintain a minimum capital adequacy ratio, a maximum single client exposure ratio, a maximum related party lending ratio, a costs to income ratio and an open assets exposure ratio and which restrict the Bank's ability to incur further indebtedness or grant security in respect of its indebtedness.

In addition, the Bank's loan agreements contain certain customary representations and warranties, affirmative covenants and events of default. If an event of default occurs, the lenders under the loan agreements will be entitled to take various actions, including the acceleration of amounts due under the loan agreements and all actions permitted to be taken by a secured creditor which would have a material adverse effect on the Bank's business, results of operations and financial condition.

Risks related to the collection, storage and processing of personal data

In the ordinary course of its operations, the Bank collects, stores and uses data that is protected by data protection laws, as set out in the Nigeria Data Protection Regulation 2019, ("**NDPR**"). The NDPR applies to all processing of personal data, being any operation performed upon identifiable information of a natural person residing in Nigeria or outside Nigeria being a Nigerian citizen (data subject). Breaches of the NDPR could result in criminal liability as well as administrative fines of up to ₦10 million or 2 per cent. of an undertaking's annual gross revenue of the financial year preceding the breach, whichever is the higher. As of the date of this Prospectus, the Bank has completed the process of adapting to the requirements of the NDPR. However, it is possible that personal data systems are misused either intentionally or unintentionally, or customer data is leaked as a result of human error or technological failure. Any destruction, damage, loss, unauthorised use or dissemination of customer data by the Bank in breach of the NDPR requirements, and any violation of data protection laws by the Bank's employees and officers resulting in losses for which the Bank is not fully indemnified against, may result in fines and reputational harm and could have a material adverse effect on the Bank's business, financial condition and results of operations.

Risks relating to the Nigerian Banking Sector

The bank regulatory system in Nigeria is still developing and may change in a manner that is adverse to the Bank

Nigeria's banking industry has historically been fragmented, with relatively poor capitalisation and weak levels of regulation when compared with banking industries in the United States and Western Europe. It is unclear how legal and regulatory developments may affect the competitive banking landscape in Nigeria. See "*Risks related to the Bank—The Bank faces increased levels of competition in the Nigerian banking industry*". In addition, the Nigerian banking sector has experienced rapid credit growth over the past few years, though the appropriate regulatory structure, risk management practices and controls (in line with international regulatory standards) to protect asset quality are still being developed. Although the risk management techniques put in place by the banks have generally curbed or reduced the various risks confronting Nigerian banks, Nigeria is still yet to adopt a risk management approach that is in complete compliance with international standards.

To support the CBN's cashless policy in Nigeria and to encourage wider adoption and use of the electronic payments channel in Nigeria, the CBN is also pushing to strengthen the legal framework to protect consumers against fraud, losses and undue charges. The CBN intends to pursue the enactment of several bills by the National Assembly ("**National Assembly**"), the legislative branch of the Federal Government, to tighten financial sector regulations. The Electronic Transaction Bill, which was passed by the Senate in June 2019, gives effect to the admission in evidence of all electronically generated statements of account. The Office of the Nigerian Financial Ombudsman Bill aims to establish the Office of the Nigerian Financial Ombudsman, an independent body that will be charged with the responsibility for resolving financial disputes, while the Alternative Dispute Resolution Regulatory Commission Bill has proposed to create a commission to regulate the ongoing practice and use of alternative dispute resolution in Nigeria.

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. No assurance can be given that any future regulatory changes introduced by the CBN will not create an uncertain regulatory environment or that the regulatory environment in which the Bank operates in Nigeria will not change in the future in a manner that will not have a material adverse effect on the Bank's ability to compete and thus on its business, results of operations and financial condition.

Capital adequacy requirements in Nigeria differ from international standards and the Bank 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—Prudential Guidelines*". Moreover, the CBN is focused on paid-in capital levels, rather than setting more stringent minimum levels of capital to risk-weighted assets than the current 10.0 per cent. stipulation for national banks (including the Bank) and 15.0 per cent. stipulation for Domestic Systemically Important Banks ("**D-SIBs**") and Nigerian banks licensed to engage in international operations. The Basel Committee on Banking Supervision (the "**Basel Committee**") recommends a minimum risk-based capital adequacy ratio of 8.0 per cent., calculated in accordance with the International Regulatory Framework for Banks ("**Basel III**"). See also "*The Nigerian Banking Sector—Other policy and regulatory considerations*" for information on the implementation in Nigeria of the capital adequacy framework by the Basel Committee, which may differ in material respects from the capital requirements as adopted by the Basel Committee.

Under the CBN Scope, Conditions & Minimum Standards for Commercial Banks Regulations, key regulations were passed such as the separation of non-core business lines from deposit-money commercial banking and maintenance of a minimum paid-in share capital of ₦25.0 billion for institutions granted a national banking licence and ₦50.0 billion for institutions granted an international banking licence. In April 2020, the CBN issued Monetary, Credit, Foreign Trade and Exchange Policy Guidelines for Fiscal Years 2020/2021, which will continue to apply through 2021 unless the CBN indicates otherwise.

There can be no assurance that the CBN will not further amend or raise the capital requirements applicable to the Bank and if the Bank 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, it may face difficulties in meeting these requirements in the future. In addition, the CBN has in the past prohibited Nigerian banks from using their capital to recapitalise foreign subsidiaries, meaning that the Bank risks having to raise external capital to recapitalise its foreign subsidiaries, should the need arise.

On the other hand, if the CBN lowers minimum requirements, temporarily or permanently, in response to industry-wide concerns, while the Bank's risk of not meeting the requirements would fall, there could be other risks for the Bank and the Nigerian banking sector as a whole. This could include the perception of weakness in the international markets and reluctance to lend or place deposits with the banks as well as a decline in the price of the Notes. Failure of the Bank to comply with capital adequacy or other ratios may also result in the revocation of the Bank's licence and breach of loan covenants. These actions could materially adversely affect the Bank's business, results of operations and 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 Bank's retail loan portfolio

As the bulk of its activities and services are conducted in Nigeria, the Bank, like most Nigerian banks, is subject to the credit risk that Nigerian borrowers may not make payments of principal and interest on loans in a timely manner, if at all, and that upon any such failure to pay, the Bank 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 relatively high when compared to borrowers from developed markets due to the stage of maturity of the Nigerian market and uncertainties inherent in the political, economic, legal and regulatory environment, as well as the higher risk of fraud. Additionally, although the Nigerian government is taking steps to aim to simplify these frameworks, the current legal and administrative framework for ownership and transfer of land in Nigeria can be time-consuming, expensive and often bureaucratic.

The risk inherent to Nigerian borrowers negatively affects the Bank as it exposes the Bank to higher risks and creates higher potential losses through its loan portfolio which banks in more developed countries may be immune to. Such losses, if material, could have a material adverse effect on the Bank's business, results of operations and/or financial condition.

The CBN has established a Credit Risk Management System ("**CRMS**"), which operates as a public credit registry. The CBN has also licenced some private credit bureaux, including Credit Registry and XDS Credit Bureau, to provide credit information to banks and other entities that are registered with the bureau. The Credit Reporting Act 2017 gave legislative force to the CBN's efforts. The bureaux are, however, reportedly facing challenges of a dearth of information on individuals and poor data-gathering techniques, as well as a lack of a universal unique identifier to facilitate the detection of identity theft. In addition, international rating agencies do not have sufficiently wide coverage of Nigerian borrowers. Furthermore, 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 Bank relating to some of its prospective borrowers, particularly middle-tier companies, makes the assessment of credit risk, including the valuation of collateral, more challenging. See "*—The statistical information published by Nigeria may differ from that produced by other sources and may be unreliable*". Although the Bank ordinarily makes provisions for loans and advances in line with the CBN Prudential Guidelines, the absence of additional statistical, corporate and financial information may decrease the accuracy of the Bank's assessments of credit risk. This may increase the risk of borrower default and decrease the likelihood that the Bank will be able to enforce any security in respect of the corresponding loan or that the relevant collateral will have a value commensurate to the loan secured on it. This could, in turn, have a material adverse effect on the Bank's business, results of operations and financial condition.

Lack of confidence in the Nigerian banking system may affect the Bank's performance

The global financial crisis and the resulting decline in the Nigerian equities market resulted in significant provisions at a number of Nigerian banks, leading the CBN to intervene and examine all the banks in Nigeria. AMCON was established as a key stabilising and revitalising tool to revive the financial system by acquiring a significant portion of the NPLs of banks operating in Nigeria.

The economic slowdown in 2015/2016 caused by the approximately 70.0 per cent. drop in oil prices led to a significant spike in non-performing loans in the Nigerian banking sector. This led to a number of banks issuing profit warnings prior to the publication of their results, including banks classified as SIBs by the CBN.

If AMCON and other initiatives introduced by the CBN fail to achieve the desired results or are discontinued prematurely, the continued weakness in the banking sector may have an adverse effect on investment and confidence in, and the performance of, the Nigerian economy. In addition, the ability of the Government to provide further support may be limited given Nigeria's sovereign rating of B by S&P and B+ by Fitch, which may have a material adverse effect on the Bank's business, results of operations and financial condition.

Risks related to Nigeria

There are risks relating to operating in emerging market countries such as Nigeria

All of the Bank's operations are conducted, and most of its customers are located, in Nigeria. Accordingly, the Bank's business, results of operations, and/or financial condition, and the ability to recover on its loans and other assets, depend significantly on the economic and political conditions prevailing in Nigeria. In recent times, Nigeria has experienced periods of slow or negative real growth, high inflation, significant devaluation of the Naira and the imposition of exchange controls, decreased national security, border closures and increased VAT rates.

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 Bank's borrowers and contractual counterparties. This, in turn, could materially adversely affect the Bank's business, results of operations and/or financial condition, including the Bank's ability to grow its loan portfolio, the quality of its assets and its ability to implement its business strategy.

Investing in securities of issuers in emerging markets, such as Nigeria, generally involves a higher degree of risk than investments in securities of corporate or sovereign issuers from more developed countries and carries risks that are not typically associated with investing in more mature markets. These risks include, but are not limited to, the following:

- in relation to secondary trading, higher pricing volatility and less liquidity in respect of such securities, including the Notes;
- greater political risk, and changes in, and instability of, the political and economic environment;
- civil strife, acts of war, terrorism, guerrilla activities (including sabotage of oil production) and insurrection;
- high crime rates, including armed robbery and other violent crimes;
- competition from existing market participants that may have a longer history or greater familiarity with the foreign markets;
- government interventions, protectionism and regulatory investigations resulting in detentions and fines levied;
- potential adverse changes in laws and regulatory practices, including import and export licence requirements and restrictions, tariffs, legal structures and tax laws;
- cancellation of contractual rights;
- trade barriers;
- difficulties in staffing and managing operations;
- lack of well-developed legal systems, which could make it difficult for the Bank to enforce its contractual rights and intellectual property;
- security and safety of employees;
- restrictions on the right to convert or repatriate currency or export assets;
- risk of uncollectible accounts and long collection cycles;
- capital adequacy requirements;
- currency controls and currency fluctuations, including as a result of changes in monetary policy;
- consequences of corrupt practices on the economy;
- indigenisation and empowerment programs;
- logistical and communications challenges; and
- changes in labour conditions.

Investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in securities of issuers in emerging markets, such as Nigeria, is only suitable for sophisticated investors who fully appreciate the significance of the risks involved and investors are urged to consult their own legal and financial advisers. Investors should also note that emerging markets such as Nigeria are subject to rapid change and that the information set forth in this Prospectus may become outdated relatively quickly.

Moreover, financial turmoil in any emerging market country tends to adversely affect prices in equity markets of other 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 other 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.

Disruptions in the international capital markets may also lead to reduced liquidity and increased credit risk premiums for certain market participants and result in financing being unavailable for certain entities. Companies located in emerging market countries 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. Thus, even if the Nigerian economy remains relatively stable, financial turmoil in any emerging market country could adversely affect the Bank's business, results of operations and financial condition.

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

Since the first half of 2016, Nigeria has experienced some level of political uncertainty due to the recurring health problems of President Muhammadu Buhari, and a relative lack of transparency on the status of the President's health. On three different occasions between 6 June and 19 June 2016, 19 January and 13 March 2017 and 7 May and 19 August 2017, President Muhammadu Buhari, whilst undergoing medical treatment in the United Kingdom, designated his Vice President, Professor Yemi Osinbajo SAN, as Acting President of the Federal Republic of Nigeria in accordance with the Nigerian Constitution. Upon President Muhammadu Buhari's return to Nigeria on each of the above three occasions, he resumed office as President, while Professor Yemi Osinbajo returned to being Vice President.

The country has also experienced recurrent ethnic and religious unrest. There have been incidents of ethnically or religiously motivated attacks on people, especially in the northern part of the country. For the past five years, nomadic cattle herdsmen have been clashing with agrarian communities over destruction of crops by animals, resulting in hundreds of deaths of residents of these communities. Moreover, several hundred thousand people have been forced from their homes because of violence between farmers and herders, conflicts that are often exacerbated by religious and ethnic differences, as well as climate-change induced water scarcity. Recent attempts to end the conflicts have proved unsuccessful, as the approval of rural grazing area settlements by President Buhari in May 2019 was followed by widespread criticism within Nigeria leading to suspension of the settlement establishment programme to establish these settlements.

Moreover, starting in 2011, Nigeria saw an upsurge in attacks on its northeast territory by Boko Haram, an Islamic militia group. In April 2014, Boko Haram kidnapped 276 female students from Chibok, Borno, which attracted widespread international media interest and in late 2014, it started launching attacks into northern Cameroon, Niger and Chad. By 2016, an international coalition consisting of Nigeria, Niger, Chad and Cameroon appeared to have made significant progress in curbing the activities of the Boko Haram sect, but violence perpetrated by Boko Haram has escalated since late 2018, with attacks on Nigerian military bases on 20 July 2018, 8 October 2018 and 22 November 2018. Since December 2019, Boko Haram has resumed attacks in Northeastern Nigeria, particularly along major highways between Maiduguri and Damaturu, the capitals of Borno and Yobe States. On 20 January 2020, Boko Haram kidnapped and murdered the Adamawa State branch chairman of the Christian Association of Nigeria in one of many recent murders of religious leaders.

According to Amnesty International, efforts to contain and respond the attacks have involved illegal tactics and possible war crimes by the Nigerian military.

These events have had a direct impact on the Bank. The Bank has suffered loss of properties in the regions affected by conflicts, and has incurred additional expenses to implement extra security measures at its branches in the affected areas. The Bank has also had to limit the operating hours of some branches at affected locations. Unless resolved by the Government, these conflicts may adversely affect Nigeria's political and economic stability which may, in turn, further affect the Bank's business, results of operations and financial condition.

Militant activities in the Niger Delta could further destabilise oil production in Nigeria, adversely affecting Nigeria's economy and the Bank's business

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

At least one international oil company present in Nigeria has raised the possibility that it might cease operations in Nigeria if conditions continue to worsen, while several international oil companies have begun the process of actively divesting their onshore assets in Nigeria, although it is not clear if the divestments were a direct result of the situation in the Niger Delta. For example, Conoco Phillips has fully divested all of its offshore and onshore assets in Nigeria. Since 2014, Shell Petroleum Development Company, Nigerian Agip Oil Company Limited, Mobil Oil Nigeria Plc, Total E&P Nigeria Limited and Chevron Nigeria Limited have all divested part of their assets in Nigeria as a result of oil spills, sabotage and theft. In August 2015, the Nigerian unit of Royal Dutch Shell plc invoked a force majeure clause and shut down the Trans-Niger Pipeline and Nembe Creek Trunkline, each serving the Bonny Terminal, following incidents of vandalism. It is estimated that the Government loses at least U.S.$6.0 billion in revenue annually as a result of these acts.

Since March 2016, a new militant group, the Niger Delta Avengers, has carried out attacks in the Niger Delta. In 2017, following a visit from Vice President Yemi Osinbajo to the Niger Delta, militant activity in the region decreased significantly. However, the situation in the Niger Delta remains tense and any increase in disturbances could have an impact on oil revenue. Media sources are reporting that these attacks in the Niger Delta have pushed crude oil production to 30-year lows.

In addition, increased oil activity may create new conflicts between local communities and oil companies. In March 2016, certain Niger Delta communities brought a court action against Royal Dutch Shell due to the damage these farming and fishing communities had allegedly suffered as a result of repeated oil spills from pipelines. Should tensions between oil companies and local communities regarding oil exploration, oil spills or other environmental issues continue to escalate or fail to be resolved, there could be an increase in oil sabotage activities in the region resulting in further declines in oil supply or even a potential standstill in oil production.

In spite of the Government's efforts, militant acts in the Niger Delta continue to be directed at oil industry participants and against the presence of foreign oil interests in the region and there is no assurance that militant acts will not occur in the future. Continued unrest in the Niger Delta region may lead to lower oil production, deter foreign direct investment, lead international oil companies to curtail their operations in Nigeria or lead to increased political instability and unrest and could have a material adverse effect on Nigeria's economy and, as a result, on the Bank's business, results of operations and financial condition.

The CBN may intervene in the currency markets by drawing on external reserves and the Naira is subject to volatility

The CBN has historically favoured maintaining the Naira within a narrow band with periodic adjustments. Nigeria's external reserves fluctuated from U.S.$39.4 billion as at 31 December 2017, U.S.$42.5 billion as at 31 December 2018, U.S.$38.1 billion as at 31 December 2019. As at 30 June 2020, due to the oil price shock and the impact of the COVID-19 pandemic, the external reserves declined to U.S.$36.2 billion and further declined to circa U.S.$35.0 billion in November 2020. Given the fluctuations in Nigeria's external reserves, its high dependence on oil exports and the fact that Nigeria pays for its key imports, such as refined oil, in U.S. dollars, the Naira will remain vulnerable to external shocks, which could lead to a sharp decline in its value. High volatility in crude oil prices reduced foreign exchange accretions to Nigeria's foreign reserves and hindered the capacity of the CBN to support the Naira. However, the CBN has demonstrated its capacity to leverage on oil savings and foreign borrowings (if necessary) to continue its policy of defending the Naira in the future.

In February 2017, the CBN authorised the sale of foreign currency for personal travel allowances (in the amount of U.S.$4,000.0 per quarter per qualified applicant) and for qualified school fees (in the amount of U.S.$15,000.0 per term or semester). In March 2017, the CBN directed all banks to adopt certain measures aimed at facilitating and expediting authorised retail sales of foreign currency. In April 2017, the CBN opened a special foreign exchange window dedicated to investors, exporters and end-users (the "**I&E Window**"). According to the CBN, the I&E Window will boost liquidity in the foreign exchange market and ensure timely execution and settlement of eligible transactions. Unlike the CBN's official exchange rate, the exchange rate at I&E Window is determined based on prevailing market circumstances by the FMDQ, thus ensuring efficient and effective price discovery in the Nigerian foreign exchange market. However, at the SMIS window, the CBN auction foreign exchange to importers at rates within a band determined by the CBN. Prior to July 2020, rates were set at a floor of ₦360/$1 and a ceiling of ₦385/$1 and bidders were expected to bid within that range and this subsequently increased to ₦380/$1 in July 2020. The higher the bid the better the chances of getting foreign exchange.

Any further currency fluctuations and/or fluctuations in Nigeria's external reserves may negatively affect the Nigerian economy in general and, as a result, have a material adverse effect on the Bank's business, results of operations and financial condition.

Failure to adequately address actual and perceived risks of corruption may adversely affect Nigeria's economy and ability to attract foreign direct investment

Although Nigeria has implemented and is pursuing major initiatives to prevent and fight corruption and unlawful enrichment, corruption remains a significant issue in Nigeria as it is in many other emerging markets. Nigeria is ranked 146 out of 180 in Transparency International's 2019 Corruption Perceptions Index and 131 out of 190 in the World Bank's Doing Business 2020 report.

Despite various reform efforts, corruption continues to be a serious problem affecting Nigeria. There have been a number of high-profile convictions for corruption, including that of a former Inspector General of the Police and a former state governor. There have also been a number of high-profile arrests and prosecutions for corruption, especially by the Economic and Financial Crimes Commission ("**EFCC**"). The Buhari administration has stated its commitment to tackling corruption. Although President Muhammadu Buhari has indicated his intention to probe various officials and projects of the last administration and some of the investigations have begun, it is difficult to determine whether such probes would be successful and whether this would bring about a positive change in the corruption in Nigeria. Failure to address these issues, continued corruption in the public sector and any future allegations of or perceived risk of corruption in Nigeria could have an adverse effect on the Nigerian economy and may have a negative effect on Nigeria's ability to attract foreign investment and, as a result, may have a material adverse effect on the Bank's business, results of operations and financial condition.

The continuing depletion of the Excess Crude Account (the "ECA") and the uncertainties surrounding the National Sovereign Wealth Fund could adversely affect the Nigerian economy

The ECA is an account set up to assist in stabilising the Government's finances to address volatility in crude oil prices and production. The ECA is funded with the positive difference, if any, between the revenue generated by the price of oil per barrel included in the budget for the year and the actual revenue received in that year. The ECA has historically funded government subsidies of refined oil products as well as other purposes, including disbursements of approximately U.S.$8.0 billion to fund the National Integrated Power Project ("**NIPP**") of Nigeria and U.S.$1.0 billion as seed capital for the National Sovereign Wealth Fund ("**NSWF**") (which funds have been ring fenced and are not included in the balance of the ECA). The recent decline in oil production has adversely affected the balance of the ECA. As at 31 December 2019, the balance of the ECA was U.S.$324.5 million. The balance in the ECA is shared between the federal government, state governments and local governments in Nigeria, upon a request for disbursements by the state governments or the federal government, according to a specified formula. Depletion of the ECA in recent times has been cited with concern by rating agencies and other third parties who view the ECA as an important factor in ensuring the stability of the Nigerian economy. No assurance can be given that the ECA will not continue to be depleted at a rate greater than that necessary for the Government to stabilise its finances from the impact of volatility in oil prices and production, or that the actual price of oil will exceed the price of oil included in the budget in future periods by amounts sufficient to ensure significant funding for the ECA in the future. The absence of such funding for the ECA may constrain the Government's ability to finance budget deficits in the future. The crash in crude oil prices in 2020 has led to a startling decline in the balance of the ECA which now stands at U.S.$71.8 million as at 30 September 2020. This represents a decline of about 22 per cent. in the first six months of 2020 and 98 per cent. within the last five years, as the ECA stood at U.S.$2.2 billion in August 2015.

The purpose of the NSWF is to build a savings base for the Nigerian citizenry, enhance development of the infrastructure sector and provide stabilisation support in times of economic stress. In addition, the NSWF was intended to support and/or replace the ECA as a secondary stabilisation account in the event of changes in oil prices and production. Pursuant to the Nigeria Sovereign Investment Authority Act and the decision of the National Economic Council, the initial funding of U.S.$1.0 billion to the NSWF was to be provided by the Federal, State, the Federal Capital Territory ("**FCT**") and local governments of Nigeria. Future funding for the NSWF will be derived from residual funds received into the Federation Account from excess oil revenues, being those over and above the amount needed to fund Nigeria's national budget. An additional funding of U.S.$250.0 million was received from the three tiers of government as additional capital contribution in 2017. Whilst the creation of the NSWF is widely considered to be an improvement to the management of Nigeria's inflow from oil exploration funds, there can be no assurance as to whether it will continue to have sufficient funding (as this is dependent on the price of oil), whether it will make profitable investments or achieve its strategic objectives. On 8 April 2020 NSIA announced that the Nigerian Government would be withdrawing U.S.$150 million from the Stabilisation Fund of the NSWF to contain emerging fiscal risks due to the COVID-19 pandemic and recent decline in the government revenue. The withdrawal reduces the value of funds under management in the Stabilisation Funds to U.S$201 million from U.S.$351 million as at 31 December 2019. The withdrawn funds are to augment the June 2020 planned disbursements by the federal government to state and local governments across the country. Furthermore, the Supreme Court, in an action instituted by State Governors challenging the constitutionality of the NSWF with regard to its funding from proceeds in the ECA (the legality of the flow of funding into which the State Governors are also challenging), has directed the parties to settle the dispute out of court. The continuing depletion of the ECA and the uncertainties surrounding the NSWF may negatively affect the Nigerian economy in general and, as a result, have a material adverse effect on the Bank's business, results of operations and financial condition.

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

The Government has identified Nigeria's decaying infrastructure as a major impediment to economic growth. Persistent problems with power generation, transmission and distribution, a deteriorating road network, congested ports and obsolete rail infrastructure have severely constrained socio-economic development in Nigeria. The Government's the planned response included ambitious targets for infrastructure improvements and investments as part of the first phase of implementing the Vision 20:2020 strategy, a long-term strategic plan launched in 2009 by the Federal Government in order to transform Nigeria into one of the 20 largest economies in the world by the year 2020. President

Muhammadu Buhari has indicated that his administration would be continuing the National Integrated Infrastructure Master Plan ("**NIIMP**") approved by President Goodluck Jonathan. The NIIMP aims to raise Nigeria's stock of infrastructure from the current 20.0-25.0 per cent. of GDP to at least 70.0 per cent. of GDP by 2043. It identifies the investment required to bridge and expand Nigeria's infrastructure. Approximately U.S.$3.05 trillion (₦485.0 trillion) will be required to upgrade the infrastructure across different asset classes, including energy, transport, ICT, housing, water, agriculture, mining, social infrastructure, vital registration and security over the 30-year period. For the first five years of the NIIMP (2014-2018), an investment of U.S.$166.1 (₦26.9 trillion) was required to upgrade the infrastructure. Failure to significantly improve Nigeria's infrastructure could adversely affect Nigeria's economy and growth prospects, including its ability to meet GDP growth targets which may, in turn, have an adverse effect on the Bank's business, results of operations and financial condition.

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

Over the last 10 years, Nigeria has attempted to develop the non-oil sectors of its economy by encouraging agriculture, trade, construction, telecommunications, financial services, mining and manufacturing activities. According to the NBS, in the first quarter of 2020, the non-oil sector grew by 1.55 per cent. in real terms. Growth in recent years in this sector has largely been attributed to improved activities in the agriculture, telecommunications, manufacturing, building and construction, hospitality and business services sectors.

However, the lack of infrastructure, including inadequate power supply and transportation systems, has reduced credit availability and consumer demand, local shortages of skilled managers and workers. Inconsistent government policies may constrain development in these sectors and the current rate of decline may continue or worsen in future periods. A failure to continue to grow the non-oil sectors of its economy may constrain Nigeria's economic growth and, as a result, have an adverse effect on the Bank's business, results of operations and financial condition.

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

The growth prospects of the Nigerian economy will depend largely on the ability of the Federal Government to implement industry reforms designed to develop national infrastructure and attract foreign investment. For example, Nigeria is pursuing a number of new policy directions with the aim of restructuring its upstream and deregulating its downstream oil and gas sectors. The Bank believes that such reforms will generate new business and increased lending opportunities for Nigerian banks. But the final form that these measures will take is subject to significant uncertainty and to political and economic influences. Legislative initiatives behind these reforms include the Nigerian Oil and Gas Industry Content Development Act (Amendment) Bill and the proposed Petroleum Industry Bill ("**PIB**"). As at the date of this Prospectus, none of these bills has been passed into law.

The passing of the PIB suffered significant delays as a result of the introduction of additional legal and regulatory provisions for a third regulator for the mid-stream petroleum subsector as well as other ancillary provisions. Following calls from stakeholders for the PIB to be enacted into law piecemeal, the Federal Government resolved to split the PIB into four bills, namely the Petroleum Industry Governance Bill 2016 ("**PIGB**"), the Petroleum Industry Fiscal Bill, the Petroleum Industry Administration Bill and the Petroleum Host and Impacted Communities Development Bill (the "**New Bills**"). The PIGB was passed by the Nigerian Senate in May 2017 and sought to provide for the governance and institutional framework for the Nigerian petroleum industry. It creates a clear separation between policy, regulatory and commercial institutions. Although the PIGB was passed by the House of Representatives in August 2018, it was never assented to by the President and therefore never became law.

Risks associated with the enactment of the New Bills and related efforts to reform the Nigerian oil and gas industry may include:

- the New Bills may allow politicians to retain control over the licensing process rather than ensuring the process is overseen by technocrats and MDA-based specialists with the relevant expertise;
- as the other three New Bills have not yet been enacted, no assurance can be given as to when they will be enacted or whether they will be enacted at all, or that the final form of any of the bills ultimately enacted will not differ significantly from the current proposal before the National Assembly;
- the uncertainty created by the New Bills and the necessary implementing regulations may lead international oil companies to defer further major investment in Nigeria until the new regulations have been enacted and the new legal framework for the industry has been more clearly defined, or may cause international oil companies to decide to reduce their investments in Nigeria and/or decline to pursue certain investments as a result of the new framework;
- the proposed changes in the tax structure for oil and gas companies operating in Nigeria may lead certain companies to curtail their operations or future investment;
- the proposed deregulation of the petroleum products market and the recent removal of petroleum subsidies may adversely affect the segments of the economy most affected by the resulting increase in prices. This could also lead to further inflationary pressures in the economy. The new framework may also generate less new capacity than anticipated and any new capacity may take longer than anticipated to begin operations;
- the initiatives designed to promote gas production may prove ineffective;
- the New Bills may fail to adequately address the concerns of communities in the Niger Delta region or create new grounds for further conflict;
- initiatives proposed in the New Bills may further polarise the Northern and other political regions of Nigeria; and
- the proposed national oil company, which is part of the oil and gas sector reforms, may not be successful.

In September 2020, the President took the decision to halt the process of splitting the PIB into the New Bills and presented a new draft Petroleum Industry Bill 2020 ("**PIB 2020**") to the National Assembly for consideration. PIB 2020 proposes reforms to governance, administration, host community and fiscal matters in the oil and gas industry.

Government reforms in the sea transportation sector that are currently contemplated aim to shorten the turnaround time of cargo ships in Nigerian ports, reduce administrative charges, increase competition, improve safety and security and dredge the Lagos and Bonny harbours to accommodate large ocean liners. The Government has also encouraged the establishment of indigenous shipping lines through the proposed Coastal and Inland Shipping (Cabotage) Act, 2003 (Cap C51 LFN 2004) (the "**Cabotage Act**") to restrict the use of foreign vessels in domestic coastal trade in Nigeria and promote domestic shipping companies. The Cabotage Act also provides for the establishment of the Cabotage Vessel Financing Fund to promote the development of ship acquisition capacity by providing financial assistance to Nigerian operators. Several Government reforms are also underway to improve Nigeria's electricity generation, transmission and distribution infrastructure.

There are certain provisions in each of the above-mentioned regulations and reforms which, if effectively implemented, are expected to result in the growth and development of the Nigerian banking industry and also in increased levels of business and returns for the Bank. There is also a risk that the Nigerian Content Act, the Cabotage Act (including the proposed amendment bill, if enacted), the New Bills and other expected reforms may not be implemented, or, if implemented, may not provide the expected benefits to the banking sector. Further, any uncertainty or turbulence caused as a result of the implementation (or lack of implementation) of these reforms could have a material impact on the banking sector and, as a result, have an adverse effect on the Bank's business, results of operations and financial condition.

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

The NBS and the CBN, as well as a range of ministries, including the Ministry of Finance, Ministry of Petroleum, Ministry of Commerce and Industry and Ministry of Environment produce statistics relating to Nigeria and its economy. Although there have been significant efforts to improve the compilation of Nigeria's data in recent years, including through technical assistance provided by the IMF, there can be no assurance that these statistics are as accurate or as reliable as those published by more developed countries or domestic non-governmental sources. Unreliable or inaccurate information may have a material adverse effect on the Bank's business, results of operations and financial condition.

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

According to reports by the United Nations Conference on Trade and Development World Investment Report, 2019, foreign direct investment ("**FDI**") inflows to Nigeria, which comprises equity capital, re-invested earnings and other capital inflows, increased from U.S.$3.8 billion in 2017 to U.S.$6.4 billion in 2018 before decreasing to $3.3 billion in 2019. Even during the height of increased inflows in 2018, FDI in Nigeria is still well below record levels enjoyed in 2011. This general decrease has been due to lower commodity prices, the faltering Naira, foreign exchange liquidity and delays in major projects, such as Shell's offshore oil operations. Some peer economies within Africa have also suffered declines in FDI over this period.

The future prospects for FDI inflows to Nigeria are uncertain and there can be no assurance that FDI will rebound to pre-2011 levels in the short or medium-term. In addition, if there is no decrease in the perceived risks associated with investing in Nigeria, including those described herein, there may not be any appreciable increase in FDI, which could adversely affect the Nigerian economy and limit sources of funding for infrastructure and other projects requiring significant investment by the private sector. This may in turn have a material adverse effect on the Bank's business, results of operations and/or financial condition.

Nigeria suffers from chronic electricity shortages

In spite of the abundant energy resources in the country and significant Government reform efforts and investments in the power sector in recent years, lack of sufficient and reliable electricity supply remains a serious impediment to Nigeria's economic growth and development. Insufficient power generation, aging infrastructure, weak distribution networks and overloaded transformers result in frequent power outages, high transmission and distribution losses and poor voltage output.

Currently, only approximately 53 per cent. of Nigeria's current total population has access to regular public electricity supply due to inadequate transmission and distribution networks. The Government has identified improvements in electricity generation, transmission and distribution infrastructure as a critical element required to enable the country to meet its economic growth and development objectives. However, according to the IMF, approximately one-third of Nigeria's installed capacity is still not in operation. Also, according to the IMF, surveys show that 83.0 per cent. of businesses identified the lack of power as the biggest obstacle to doing business in Nigeria.

As of April 2020, Nigeria has an installed electricity generation capacity for supply to the national grid of 12,500 MW. Nigeria's estimated available capacity from the grid, of 8,000 MW, meets only approximately one-third of the estimated current demand for power from the grid. According to the Nigeria National Committee of the World Energy Council, planning experts currently estimate that for the Nigerian economy to grow at a rate of 10 per cent., the country's electricity requirement must reach 30,000 MW by 2020 and 78,000 MW by 2030.

To address these issues, the Government is pursuing a number of significant policy initiatives including those set forth in the Roadmap for Power Sector Reform. The "Roadmap for Power Sector Reform" seeks to remove obstacles to private sector investment in the power sector, continue the privatisation of generation and distribution companies, facilitate the construction of new transmission networks and reform the fuel-to-power sector with the goal of achieving 35,000 megawatts of electricity generation capacity by 2020. The Government has also commenced the development of generation and distribution assets as well as the upgrade and repair of the transmission facilities under the NIPP. In July 2016, the Government signed power purchase agreements with 14 different solar projects to generate a combined capacity of 1,286 MW. However, none of these projects reached financial close.

The NIPP was initiated in response to the inadequate state of power infrastructure and the inappropriate framework for private sector investment in the Nigerian electricity industry pre-2005. The scope of the NIPP covers the entire value chain in the power sector, namely generation, transmission and distribution, including building from scratch a national gas infrastructure to power ten gas-fired power plants across the country. To ensure private sector best practices, the Government offered to sell all ten new NIPP power stations, with a combined capacity of 5,455MW and preferred bidders were identified. However, as of 10 October 2020, the process is yet to be concluded. Some of the NIPP power stations have already been privatised while plans are under way to sell the rest to interested investors. The Federal Government has also expressed its commitment to the power sector reforms initiated by the previous administration, and has indicated its willingness to introduce measures to sustain private sector investment and address extant challenges in the power sector. In addition, the Federal Government has indicated its commitment to implement the power sector reforms and has set a target of 25 GW through a three-phased modernisation plan designed by German tech giant Siemens AG. On 25 August 2020, the Nigerian Ministry of Power launched a request for expression of interest for the construction of several off-grid solar systems and other electrical infrastructure projects to improve access to energy in underserved areas. Any inconsistency of government policies, especially with respect to subsidies to privatised power plants and NIPP could have a material adverse effect on the Bank's exposure to the power sector. See "*Nigeria—Power sector*".

Further, failure to adequately address the significant deficiencies in Nigeria's power generation, transmission and distribution infrastructure and related concerns within the power sector could lead to lower GDP growth and hamper the development of the economy which, in turn, may have a material adverse effect on the Bank's business, results of operations and financial condition.

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

As an emerging market economy, the Nigerian government policies and regulations on taxation, customs and excise duties may change from time to time as considered necessary for the development of the economy. In addition, the Government has indicated that taxes, customs and excise duties may be the next major sources of revenue in view of the fluctuation in revenue derived from oil. Further, the Nigerian Federal Inland Revenue Service's interpretation of, or decision with respect to, certain sections of tax laws may differ on a case-by-case basis. In January 2020, President Muhammadu Buhari signed the Finance Act 2019 into law, thus implementing several measures designed to address the erosion of the tax base in Nigeria, thereby increasing government revenues. Measures introduced by the Finance Act 2019 aim to reduce income tax rates and compliance burden for micro-, small- and medium-sized enterprises, expand the country's tax base, and improve tax-to-GDP ratio. The Finance Act also contains an increase in Value Added Tax from 5.0 per cent. to 7.5 per cent.

On 31 December 2020, President Muhammadu Buhari assented to the 2020 Finance Bill, giving it the force of law effective 1 January 2021. The Finance Act 2020 has introduced significant changes to Nigeria's tax and regulatory landscape and clarifies some issues which caused controversy under the 2019 Finance Act. It amends several provisions of Nigeria's key tax legislation including the Capital Gains Tax Act, Companies Income Tax Act, Industrial Development (Income Tax Relief) Act, Personal Income Tax Act, Tertiary Education Trust Fund Act, Customs & Excise Tariff (Consolidation) Act, Value Added Tax Act and Federal Inland Revenue Service (Establishment) Act. It also amends some other non-tax legislations such as Fiscal Responsibility Act, Public Procurement Act, Companies and

Allied Matters Act, Nigerian Export Processing Zone Act and the Oil and Gas Export Processing Free Zone Act. Some of the changes include (i) a reduction in the minimum tax rate for Companies Income Tax from 0.5 per cent. to 0.25 per cent. in order to cushion the impact of COVID 19 on Companies, (ii) VAT exemption for commercial flights, (iii) confirmation that no VAT is chargeable on dispositions of land or issuances of securities, and (iv) the reduction of import duty on vehicles from 35 per cent. to 5 per cent. for tractors, from 30 per cent. to 5 per cent. for cars, and from 35 per cent. to 10 per cent. for trucks and vehicles for the transport of more than 10 persons.

Though the Finance Act 2019 and more recently, the Finance Act 2020 are expected to generally improve the Nigerian economy without causing a dramatic increase in the Bank's tax burden, there can be no assurance that they will be successfully implemented. Furthermore, any other changes in government policies on taxation, customs and excise duties, as well as inconsistencies in interpretation of and decisions relating to tax laws and harsh enforcement of tax laws, may have a material adverse effect on the Bank's business, results of operations and financial condition.

Inefficiencies in the judicial system may create an uncertain environment for investment and business activity

The Nigerian legal system continues to undergo development and faces a number of challenges, including delays in the judicial process as most cases take a considerable period of time to be concluded. The legal system is significantly under-resourced, particularly in terms of case processing capacity and personnel sufficiency. Similarly, the enforcement of security in Nigeria is affected by the inefficiencies in the judicial system and can result in uncertain positions. In recent years, Nigeria has witnessed considerable reform of the judiciary, especially in Lagos State (the commercial centre of Nigeria and where the Bank is headquartered) with the establishment 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. Despite reforms, the relatively slow judicial process may sometimes affect the enforceability of judgments obtained, including the ability to recover the assessed value of collateral on defaulting borrowers. These and other factors that have an impact on Nigeria's legal system subject the Bank to greater risks and uncertainties than an investment in a country with a more mature legal system, and thus, may have a material adverse effect on the Bank's business, results of operations and financial condition.

It may be difficult to effect service of legal process and enforce foreign judgments obtained outside Nigeria against the Bank and its management

The Bank 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 Kingdom or 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*". Difficulties in enforcing foreign judgments against the Bank may dissuade investments and as a result have a material adverse effect on the Bank's business, results of operations and financial condition.

A significant portion of the Nigerian economy is not recorded

A significant portion of the Nigerian economy is comprised of the informal, or shadow, economy. According to the NBS, in 2015, the informal sector accounted for approximately 41.4 per cent. of Nigeria's nominal GDP. The informal economy is not recorded and is only partially taxed, resulting in not only lost revenue for the Government but also ineffective regulation, unreliability of statistical information (including the understatement of GDP and the contribution to GDP of various sectors) and inability to monitor or otherwise regulate a large portion of the economy. Lack of effective regulation and enforcement in this shadow economy also gives rise to other issues including health and safety concerns. Although the Government is making efforts to address the informal economy by streamlining certain regulations, particularly tax laws, there can be no assurances that such reforms will adequately address the issues and scale back the informal economy. This could result in a material adverse effect on the Bank's business, results of operations and financial condition.

Risks Related to the Notes

Risks Relating to the Senior Note, the Notes and the Trading Market

The right of Noteholders to receive payments in respect of the Notes will be limited to payments actually received by the Issuer under the Senior Note and investors are relying solely on the creditworthiness of the Bank

The Issuer is a special purpose vehicle ("**SPV**") with no business other than issuing notes and purchasing corresponding underlying notes issued by the Bank, including issuing the Notes and purchasing the Senior Notes, and has no assets other than such loans. The Issuer has an obligation under the "*Terms and Conditions of the Notes*" and the Trust Deed to pay such amounts of principal and interest, and additional amounts (if any) as are due in respect of the Notes. However, the Issuer's obligation to pay is equal to the amount of principal, interest and additional amounts (if any) actually received and retained (net of tax) by or for the account of the Issuer from the Bank pursuant to the Senior Note. Consequently, if the Bank fails to meet its payment obligations on the Senior Note in full, this will result in the Noteholders receiving less than the scheduled amount of principal and/or interest and/or other amounts (if any) payable on the Notes. If a prospective investor purchases the Notes, it is relying on the creditworthiness of the Bank 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 Bank may adversely affect the market value of the Notes.

Absence of secondary market or limited liquidity

There is no assurance that a secondary market for the Notes will develop or, if it does develop, that it will provide the Noteholders with liquidity of investment or that it will continue for the life of the Notes. Accordingly, a Noteholder may not be able to find a buyer to buy its Notes readily or at prices that will enable the Noteholder to realise a desired yield. The market value of the Notes may fluctuate and a lack of liquidity, in particular, can have a material adverse effect on the market value of the Notes. Accordingly, the purchase of the Notes is suitable only for investors who can bear the risks associated with a lack of liquidity in the Notes and the financial and other risks associated with an investment in the Notes. A Noteholder must be prepared to hold the Notes until their maturity. Application has been made for the listing of the Notes on the Official List of the Financial Conduct Authority but there can be no assurance that such listing will occur on or prior to the Issue Date or at all or, if it does occur, that it will enhance the liquidity of the Notes.

Furthermore, the Notes have not been, and will not be, registered under the Securities Act or any other applicable securities laws and are being offered pursuant to an exemption from the registration requirements of the Securities Act. Accordingly, the Notes are subject to certain transfer restrictions and will bear a legend regarding those restrictions. See "*Subscription and Sale*" and "*Transfer Restrictions*". These restrictions may limit the ability of investors to resell the Notes.

The Notes may be subject to early redemption

The Notes may be subject to early redemption as provided in the terms and conditions of the Notes and the Senior Note. The Bank may redeem all, but not a part only, of the Senior Note prior to the Maturity Date at their outstanding principal amount, subject to having obtained the prior approval of the CBN (if required), if a Tax Event (as defined in the Senior Note) occurs or Indemnity Amounts (as defined in the Senior Note) are payable in certain circumstances, in each case together with accrued and unpaid interest to the date of redemption and any additional amounts in respect thereof. See Condition 9 (*Redemption and Purchase*) of the Senior Note. Upon an early redemption of the Senior Notes, the

Notes will also be subject to early redemption. This early redemption feature is likely to limit the market value of the Notes, as the market value of the Notes is unlikely to rise substantially above the price at which they can be redeemed during any period when such rights are exercisable. This may also be true prior to such period.

Depending on prevailing market conditions on any redemption of the Senior Note upon the occurrence of a Tax Event or payment of Indemnity Amounts (if applicable) and subsequent redemption of the Notes, an investor may similarly not be able to reinvest the redemption proceeds in a comparable security in respect of which interest is payable at an equivalent rate to that of the interest rate then payable in respect of the Notes.

In the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Netherlands or Nigeria (or, upon the occurrence of a Relevant Event (as defined in the Trust Deed), the jurisdiction in which the Trustee is domiciled for tax purposes) or any political subdivision thereof or any authority therein or thereof having power to tax, the Bank would be required to increase amounts payable under the Senior Note. In such circumstances, the Bank may prepay the Senior Note, in which case the Issuer would redeem all outstanding Notes in accordance with the conditions.

As with the optional repayment feature of the Senior Note referred to above, it may not be possible for Noteholders to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes and this may only be possible at a significantly lower rate. See also "*Terms and Conditions of the Notes*" and "*Senior Note*".

The Notes could be recharacterised for U.S. federal income tax purposes in a manner that could have materially adverse consequences for certain investors

The Issuer intends to take the position that the Notes constitute debt instruments for U.S. federal income tax purposes. However, it is possible the U.S. taxing authorities might successfully assert that the Notes should be classified as equity in the Issuer. If they were to successfully recharacterise the Notes in this manner, the Notes may be treated as equity in a "passive foreign investment company" ("**PFIC**") for U.S. federal income tax purposes. If the Notes were classified as equity interests in a PFIC, that could result in a materially greater tax liability for investors that are subject to U.S. taxation, including with respect to gain from the sale or exchange of and certain interest payments on the Notes. See *"Taxation—Certain U.S. Federal Income Tax Considerations— Characterisation of the Notes"*.

The U.S. federal income tax rules related to PFICs and distinguishing between debt and equity are complex. Prospective U.S. investors should consult their tax advisers regarding the characterisation of the Notes and the consequences of owning an equity interest in a PFIC.

Withholding may be imposed on payments on or with respect to the Notes under FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as "**FATCA**", a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including the Netherlands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Under these rules, the Issuer does not currently expect to withhold pursuant to FATCA on payments on the Notes. Certain aspects of the application of the FATCA provisions and IGAs to the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to the Notes, are uncertain and may be subject to change. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, the Issuer will not be required to pay additional amounts as a result of the withholding.

No gross-up for new withholding tax on interest in the Netherlands

The Netherlands has introduced a new withholding tax on interest payments and deemed interest as of 1 January 2021 pursuant to the Dutch Withholding Tax Act 2021 (*Wet bronbelasting 2021*). The new withholding tax will generally apply to interest payments made by an entity tax resident in the Netherlands, like the Issuer, to a related entity (as described below) tax resident in a Listed Jurisdiction (as defined below).

For purposes of the Dutch Withholding Tax Act 2021, an entity is considered a related entity if (i) such entity has a Qualifying Interest (as defined below) in the Issuer; (ii) the Issuer has a Qualifying Interest in such entity; or (iii) a third party has a Qualifying Interest in both the Issuer and such entity. The term "**Qualifying Interest**" means a directly or indirectly held interest – either individually or jointly as part of a collaborating group (samenwerkende groep) – that confers a definite influence over the company's decisions and allows the holder of such interest to determine its activities (within the meaning of case law of the European Court of Justice on the freedom of establishment (vrijheid van vestiging)).

A jurisdiction is considered a listed jurisdiction (a "**Listed Jurisdiction**"), if it is listed in the yearly updated Dutch Regulation on low-taxing states and non-cooperative jurisdictions for tax purposes (*Regeling laagbelastende staten en niet-coöperatieve rechtsgebieden voor belastingdoeleinden*) which includes (i) jurisdictions with a corporation tax on business profits with a general statutory rate of less than 9 per cent. and (ii) jurisdictions that are included in the EU list of non-cooperative jurisdictions. For the fiscal year 2021, the following 23 jurisdictions are Listed Jurisdictions: American Samoa, Anguilla, Bahamas, Bahrain, Barbados, Bermuda, the British Virgin Islands, the Cayman Islands, Fiji, Guam, Guernsey, Isle of Man, Jersey, Palau, Panama, Samoa, Seychelles, Trinidad and Tobago, Turkmenistan, Turks and Caicos Islands, Vanuatu, the United Arab Emirates and the U.S. Virgin Islands.

The new withholding tax may also apply in situations where artificial structures are put in place with the main purpose or one of the main purposes to avoid the Dutch withholding tax, e.g., where an interest payment to a Listed Jurisdiction is artificially routed via an intermediate entity in a non-Listed Jurisdiction, or in the event of a hybrid mismatch.

In practice, the Issuer may not always be able to assess whether a holder of a Note is a related entity with respect to the Issuer or located in a Listed Jurisdiction. The parliamentary history is unclear on the Issuer's responsibilities to determine the absence of affiliation in respect of notes issued in the market, like the Notes.

As provided in Condition 8 (*Taxation*), if the Notes become subject to withholding tax on interest in the Netherlands pursuant to the Dutch Withholding Tax Act 2021, the Issuer will make the required withholding or deduction of such withholding tax for the account of the relevant holder and shall not be obliged to pay any additional amounts to such holder in respect of the withholding or deduction.

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 terms and conditions of the Notes (set out under "*Terms and Conditions of the Notes*", (the "**Conditions**" and each a "**Condition**")) contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally, including material changes to the terms of the Notes and enforcement. These provisions permit certain defined majorities voting at a meeting or executing written consents 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 also provide that the Trustee may, subject to the provisions of the Trust Deed without the consent of Noteholders, agree to:

(i) any modification of any of the provisions of the Notes, the Trust Deed, the Conditions or, following the creation of the Security Interests (as defined in the Conditions), the Senior Note which, in the opinion of the Trustee, is of a formal, minor or technical nature or which is not materially prejudicial to the interests of the Noteholders (other than, in each case, in respect of the Reserved Matters (as defined in the Trust Deed)) or which, in the opinion of the Trustee, is made to correct a manifest error; or

(ii) the waiver or authorisation of any breach or proposed breach by the Issuer of any of the provisions of the Notes, the Trust Deed, the Conditions or, following the creation of the Security Interests (as defined in the Conditions), by the Bank of the terms of the Senior Note, or determine without the consent of the Noteholders that any event which would, or might otherwise give rise to a right of acceleration under the Senior Note shall not be treated as such, if, in the sole opinion of the Trustee, to do so would not be materially prejudicial to the interests of the Noteholders (other than, in each case, in respect of the Reserved Matters (as defined in the Trust Deed)); or

(iii) substitution of the Issuer by any other entity as creditor under the Senior Note, as issuer and principal obligor in respect of the Notes and as obligor under the Trust Deed, all as more fully described in Condition 10 (*Meetings of Noteholders; Modification; Waiver; Substitution of the Issuer*).

Further, the Conditions provide that the Trustee shall, subject to the provisions of the Trust Deed without consent of, or sanctions from, Noteholders, agree to:

(A) if the current exemption on withholding tax contained in the Nigerian Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order 2011 that the Bank relies on in making payments of interest on the Senior Note free of withholding tax is not amended or extended, such that the Bank is required to pay Additional Amounts (as defined in the Senior Note) with effect from 2 January 2022 or

(B) at any time following the occurrence of a Tax Event (as defined in the Senior Note), (each in the opinion of the Bank, and as certified in writing by the Bank to the Trustee, together with an opinion of independent counsel addressed to the Trustee confirming either that a Tax Event has occurred or that the Bank is required to pay Additional Amounts following the exemption provided by the Nigerian Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order 2011 ceasing to apply, upon which certificate and opinion the Trustee shall be entitled to rely absolutely and without incurring any liability to any person for so doing) the Trustee shall concur with the Issuer and, if applicable, with the Bank, in making, or consent to the Issuer making or consenting to any modification to the Trust Deed, the Notes or, following the creation of the Security Interests, the Senior Note (regardless of whether such modifications would constitute a Reserved Matter (as defined in the Trust Deed)) to prevent the Bank being obliged to pay Additional Amounts under the Senior Note where such modifications are solely for the purposes of:

    (i) the exchange, conversion or substitution of the Senior Note into or for any other senior debt obligation or security of the Bank; or

    (ii) the substitution of the Issuer for the Bank as issuer of the Notes (*provided that* any such exchange, conversion and/or substitution complies with relevant Nigerian banking regulations applicable to the Bank),

provided that no such modification would:

(i) change any date fixed for payment of principal or interest in respect of the Notes, reduce the amount of principal, interest payable on any date in respect of the Notes, or alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment;

(ii) in respect of the situation described in limb (ii) above: effect the exchange, conversion or substitution of the Notes for, or the conversion of the Notes into, equity securities or another form of debt obligation;

(iii) change the currency in which amounts due in respect of the Notes are payable;

(iv) change the quorum required at any Meeting or the majority required to pass an Extraordinary Resolution; or

(v) amend the definition of "Reserved Matter" set out in the Trust Deed,

and *provided further that*, the Trustee shall not be obliged to agree to any amendments or modifications which, in the sole opinion of the Trustee would have the effect of (aa) exposing the Trustee to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (bb) increasing the obligations or duties, or decreasing the rights and protection, of the Trustee under the Trust Deed, the Conditions, the Senior Note, the Agency Agreement or the Account Bank Agreement.

Enforcement of obligations of the Bank under the Senior Note, the Trust Deed, the Agency Agreement and the Subscription Agreement may be subject to the payment of Nigerian stamp duty.

The Senior Note, the Trust Deed, the Agency Agreement and the Subscription Agreement (as defined below) are intended to be executed and held outside of Nigeria and are not required to be stamped in Nigeria. However, if it becomes necessary to bring any such documentation is brought into, received or deemed to be received in Nigeria for the purpose of admission in evidence before a Nigerian court and enforcement by such courts, or any purpose whatsoever, the documents will be required to be stamped and will be subject to the payment of the relevant rate of stamp duty, assessed by the Nigerian Commissioner for Stamp Duties as prescribed by the Stamp Duties Act, Cap S8 LFN, 2004 (as amended) (the "**Stamp Duties Act**"). Arrangements will be made for the payment of stamp duty within 30 days from when the documents are brought into, received in or deemed to be received in Nigeria. See "*Taxation—Nigeria—Stamp duties*".

Under Condition 12 (*Trustee and Agents*) of the Notes, the Trustee is not bound to take any proceedings for the enforcement of the provisions of the Trust Deed or the Notes or to take any other action in relation to the Trust Deed or the Notes unless, among other things, it shall have been indemnified, prefunded or provided with security to its satisfaction, which may include the prior payment of any such stamp duty to the Trustee.

Noteholders' rights may be adversely affected by a change of law

The terms and conditions of the Senior Note are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to the laws or administrative practice of England, the Netherlands or Nigeria after the date of this Prospectus and any such judicial decision or change could have an adverse impact on Noteholders' rights and/or the value of the Notes.

Credit ratings

Each of S&P and Fitch is expected to assign a credit rating to the Notes. The market value of the Notes from time to time is likely to be dependent upon the level of credit rating ascribed to the long-term debt of the Bank. A credit rating reflects an assessment by a rating agency of the credit risk associated with a particular borrower or particular securities. Each rating agency may have different criteria for evaluating company risk and, therefore, ratings should be evaluated independently for each rating agency. Lower credit ratings generally result in higher borrowing costs and reduced access to capital markets.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). This is subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). S&P is a registered credit rating agency under the CRA Regulation.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use (for UK regulatory purposes) ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances.

If the status of the rating agency rating the Notes changes for the purposes of the CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes and the Notes may have a different regulatory treatment. This may result in certain regulated investors selling the Notes which may impact the value of the Notes and any secondary market.

Credit ratings are not recommendations to buy, sell or hold securities and are subject to revision, suspension or withdrawal at any time by the assigning rating agency. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed herein, and other factors that may affect the value of the Notes.

Investors may be exposed to exchange rate risks and exchange controls

The Issuer and the Bank will pay principal and interest on the Notes and the Senior Note, as the case may be, in U.S. dollars. 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 U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. dollar 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. An appreciation in the value of the Investor's Currency relative to the U.S. dollar 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 a result, investors may receive less interest or principal than expected, or no interest or principal.

Investors may be exposed to interest rate risks

Investment in Notes bearing interest at a fixed rate involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

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) the Notes are legal investments for it, (2) the 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 advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk based capital or similar rules.

Reliance on DTC, Euroclear and Clearstream, Luxembourg procedures

The Restricted Notes will be represented on issue by one or more Restricted Global Notes that will be deposited with a nominee for DTC. Except in the circumstances described in a Restricted Global Note, investors will not be entitled to receive Notes in definitive form ("**Restricted Note Certificates**"). DTC and its direct and indirect participants will maintain records of beneficial interests in the Restricted Global Notes. Even though the Notes are represented by a Restricted Global Note, investors will be able to trade their beneficial interests only through DTC and its participants, including Euroclear and Clearstream, Luxembourg.

The Unrestricted Notes will be represented by the Unrestricted Global Note that will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Unrestricted Global Note, investors will not be entitled to receive Notes in definitive form ("**Unrestricted Note Certificates**"). Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of beneficial interests in the Unrestricted Global Note. While the Notes are represented by the Unrestricted Global Note, investors will be able to trade their beneficial interest only through Euroclear and Clearstream, Luxembourg and their respective participants.

While the Notes are represented by the Global Notes, the Issuer will discharge its payment obligations under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

Holdings of less than U.S.$200,000

It is possible that the Notes may be traded in the clearing systems in principal amounts of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. Should the Global Note be exchanged for Note Certificates, Noteholders who hold less than U.S.$200,000 in principal amount of the Notes in the relevant clearing system may need to purchase or sell, on or before such exchange, a principal amount of Notes such that they are no longer holding less than U.S.$200,000 in order to be able to exercise all of their rights and receive all of their entitlement in respect of their holding.

Nigerian Withholding Tax Exemption Order

In addition, there is a risk that the eligibility of the Senior Notes for the tax exemption contained in the Nigerian Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order, 2011 ("**Withholding Tax Exemption Order**") may be challenged by the Federal Inland Revenue Service (the "**FIRS**"). As the Withholding Tax Exemption Order does not clarify what would constitute a "bond" for the purpose of the tax exemptions granted thereunder and the specific necessary qualifications for those exemptions are unclear, the relevant notes must first be approved or cleared (or exempt from approval or clearance) by the SEC or satisfy some other regulatory or administrative processes or requirements. In the event that the FIRS were to take such a strict view with respect to the

Senior Note, then interest payments on the Senior Note may become liable to withholding tax in Nigeria in spite of the Withholding Tax Exemption Order. In the event that the Senior Note ceases to benefit from the Withholding Tax Exemption Order, interest payments due from the Bank to the Issuer will be treated as income "derived from" Nigeria and will therefore be liable to withholding tax at a reduced rate of about 7.5 per cent. (from 10 per cent.) pursuant to the double taxation agreement between the Netherlands and Nigeria.

SENIOR NOTE

The following is the form of the Senior Note Certificate relating to the Senior Note to be issued by the Bank to the Issuer on the issue date of the Notes, save for the signature page and schedules.

Ecobank Nigeria Limited
(incorporated with limited liability in the Federal Republic of Nigeria)
(the "Bank")
U.S.$300,000,000 7.125 per cent. Senior Note due 2026

1. INTRODUCTION, REGISTERED HOLDER AND REGISTER

(a) **Introduction**

This Senior Note is issued in respect of the U.S.$300,000,000 7.125 per cent. Senior Note of the Bank due 2026 or such other amount as is shown on the Register of holders (as defined below) as being represented by this Senior Note and is duly endorsed (for information purposes only) in the third column of Schedule A to this Senior Note (the "**Senior Note**"). The Bank hereby constitutes this Senior Note and the Bank covenants in favour of the Holder that it will duly perform and comply with the obligations expressed to be undertaken by it hereunder.

(b) **Registered Holder**

This is to certify that EBN Finance Company B.V. of Herikerbergweg 88, 1101 CM Amsterdam, the Netherlands is, at the date hereof, entered in the Register (as defined below) as the duly registered holder (the "**Holder**") of U.S.$300,000,000 (three hundred million United States Dollars) in initial aggregate principal amount of this Senior Note.

(c) **Register**

The Bank shall, for so long as this Senior Note is outstanding, maintain a full and complete register outside the United Kingdom (the "**Register**"). The Register shall show the aggregate principal amount outstanding and date of issue of this Senior Note, the name and address of the Holder and the aggregate principal amount of the Senior Note held thereby and the amount then outstanding, the amount of any further issuance and any principal amount of such Note that has been redeemed, purchased or replaced and the relevant dates thereof.

2. DEFINITIONS

"**Account**" means the account of the Holder held with Citibank, N.A., London Branch with account number 13602370.

"**Affiliate**" of any specified Person means (i) any other Person, directly or indirectly, controlling or controlled by or under direct or indirect control with such specified Person or (ii) any other Person who is a director or officer (a) of such specified Person, (b) of any Subsidiary of such specified Person or (c) of any Person described in (i) or (ii) above. For the purposes of this definition, "**control**" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "**controlling**" and "**controlled**" have meanings correlative to the foregoing.

"**Applicable Banking Regulations**" means any laws, regulations, requirements, guidelines and policies relating to capital adequacy then in effect in Nigeria including, without limitation to the generality of the foregoing, those regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the CBN (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Bank).

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

"**BIS Guidelines**" means, at any time, the capital adequacy standards and guidelines promulgated by the Basel Committee on Banking Supervision as implemented at such time by the CBN.

"**Business Day**" means, unless otherwise specified, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the Netherlands, London, Nigeria and New York.

"**Capital**" means the Bank's capital as such term is defined in the BIS Guidelines.

"**CBN**" means the Central Bank of Nigeria (or any successor body or entity thereto having primary responsibility for regulatory supervision of the Bank).

"**Code**" means the U.S. Internal Revenue Code of 1986, as amended.

"**Event of Default**" means an event as described in Condition 11 (*Events of Default*).

"**Fair Market Value**" means the value that would be obtained in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors of the Bank or the relevant Subsidiary (as the case may be).

"**FATCA**" means Sections 1471 through 1474 of the Code and any current or future regulations, treaties, laws or agreements thereunder or official interpretations thereof.

"**Group**" means the Bank and its Subsidiaries, from time to time, taken as a whole.

"**IFRS**" means the International Financial Reporting Standards as promulgated by the International Accounting Standards Board.

"**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 IFRS 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.

"**Interest Payment Date**" means 16 February and 16 August of each year, commencing on 16 August 2021 and ending on the Maturity Date.

"**Interest Period**" means each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date.

"**Issue Date**" means 16 February 2021.

"**Material Adverse Effect**" means a material adverse effect on (a) the business, financial condition or results of operations of the Bank or the Group, or (b) the Bank's ability to perform its obligations under this Senior Note.

"**Material Part**" means in respect of any one or more transactions or series of transactions (whether related or not) (a) completed since the Issue Date, Revenues or assets the book value of which is 10 per cent. or more of the book value of the total Revenues (with respect to a disposal of Revenues) or total assets (with respect to a disposal of assets) of the Group and (b) completed in any 12-month period, Revenues or assets the book value of which is 5 per cent. or more of the book value of the total Revenues (with respect to a disposal of Revenues) or total assets (with respect to a disposal of assets), of the Group.

"**Material Subsidiary**" means at any time a Subsidiary of the Bank which has gross Revenues representing 10 per cent. or more of the consolidated gross Revenues of the Group or 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 Bank. For the avoidance of doubt, a report signed by two directors of the Bank stating that in their opinion a Subsidiary of the Bank 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 Holder without further enquiry or evidence.

"**Maturity Date**" means 16 February 2026.

"**Nigeria**" means the Federal Republic of Nigeria.

"**Notes**" shall have the meaning given to such term in Condition 9(c) (*Cancellation of all or a portion of the Senior Note*).

"**Officers' Certificate**" means a certificate signed on behalf of the Bank by two authorised officers of the Bank, at least one of whom shall be the principal executive officer, principal accounting officer or principal financial officer of the Bank.

"**Permitted Disposal**" means the disposal of any "non-core asset" (as classified by the CBN) of which the Bank is ordered or is required by the CBN to dispose.

"**Permitted Security Interests**" means:

(a) Security Interests in existence on the Issue Date;

(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 or intra-group structural netting arrangements);

(c) Security Interests granted in favour of the Bank by any of its Material Subsidiaries;

(d) Security Interests granted in favour of any of its Material Subsidiaries by the Bank;

(e) 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;

(f) Security Interests arising pursuant to any agreement (or other applicable terms and conditions) which are 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 Bank and/or any Material Subsidiary of the Bank, as the case may be, other than on a short term basis as part of the Bank's or such Material Subsidiary's liquidity management activities), in connection with (i) contracts entered into 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 Bank or such Material Subsidiary as security for guarantees issued in respect of the export import operations of the Bank'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 Bank or such Material Subsidiary in connection with taking protection against or benefiting from a fluctuation in any rate or price;

(g) Security Interests on the assets or property of a Person existing at the time that such Person is acquired as a Subsidiary by the Bank, *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 Bank or any Subsidiary of the Bank (other than those of the Person acquired and its Subsidiaries (if any));

(h) Security Interests already existing on assets or property acquired or to be acquired by the Bank or a Subsidiary of the Bank, *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);

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

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

(k) Security Interests on any assets or property acquired by any member of the Group after the Issue Date 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;

(l) any Security Interests on, or with respect to, any present or future revenues or assets of the Bank or any of its Subsidiaries or any part of such revenues or assets that is created pursuant to any Securitisation Transaction, *provided that* 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 10(e) (*Disposals*), does not at any time exceed 20 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;

(m) any Security Interests not otherwise permitted by the preceding subparagraphs (a) to (l) (inclusive), *provided that* the aggregate principal amount of the Indebtedness secured by such Security Interests does not at any time exceed 20 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 Bank; and

(n) 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.

"**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.

"**Potential Event of Default**" means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition or after making any determination under this Senior Note (or any combination of the foregoing) would constitute an Event of Default.

"**Rate of Interest**" means 7.125 per cent. per annum.

"**Relevant Date**" means the date on which a payment under this Senior Note first becomes due.

"**Relevant Jurisdiction**" shall have the meaning given to such term in Condition 8(a) (*Additional Amounts*).

"**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.

"**Revenues**" means the total of interest and similar income and fee and commission income in the most recent audited consolidated IFRS financial statements of the Bank.

"**Risk Weighted Assets**" means the aggregate of the Group's credit, market and operational risk-weighted assets in accordance with the BIS Guidelines.

"**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.

"**Security Interest**" means any mortgage, charge, lien, pledge, encumbrance or other security interest.

"**Subsidiary**" means, in relation to any Person at any time, any other Person (whether or not now existing) which is controlled directly or indirectly, or more than 50 per cent. of whose issued equity share capital (or equivalent) is then beneficially owned by the first Person and/or any one or more of the first Persons' Subsidiaries, and "**control**" means the power (whether directly or indirectly) and whether by the ownership of share capital, the possession of voting power, contract or otherwise to appoint the majority of the members of the governing body of management or otherwise to control the affairs and policies, of that other Person.

"**Tax Event**" means if, as a result of (a) any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction, or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after the Issue Date, or (b) any withholding or deduction required pursuant to FATCA or any law implementing an intergovernmental approach thereto, or (c) the enforcement of the Security Interests (for these purposes only, as such term is defined in the terms and conditions of the Notes):

(a) on the next Interest Payment Date the Bank would be required to pay any Additional Amounts, and the requirement cannot be avoided by the Bank taking reasonable measures available to it as determined in good faith by the Board of Directors of the Bank; or

(b) the Bank ceases to be able to deduct for Nigerian income tax purposes the full amount of interest paid or payable by it under this Senior Note.

"**Trust Deed**" means the trust deed dated on or around 16 February 2021 between the Holder and the Trustee as from time to time modified in accordance with the provisions contained therein and any deed or other document expressed to be supplemental thereto, as from time to time so modified.

"**Trustee**" means Citibank, N.A., London Branch.

3. PROMISE TO PAY

The Bank, for value received, hereby promises to pay the principal sum of this Senior Note outstanding to the Holder on 16 February 2026 (or on such earlier date or dates as the same may become payable in accordance with the terms set out herein), and to pay interest on such principal sum in arrear on the dates and at the rates specified herein, together with any Additional Amounts or Indemnity Amounts payable in accordance with the terms hereof.

4. DETERMINATION OF ENTITLEMENT

This Senior Note is evidence of entitlement only and is not a document of title. Entitlements are determined by the Register and only the Holder is entitled to payment in respect of this Senior Note. The Holder of this Senior Note as recorded in the Register will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes.

5. STATUS OF THE SENIOR NOTE

The Bank's payment obligations hereunder will constitute direct, general, unconditional, unsubordinated and (subject to the provisions of Condition 10(a) (*Negative Pledge*)) unsecured obligations of the Bank and (subject as stated above) rank and will at all times rank *pari passu*, among themselves and at least *pari passu* in right of payment with all other present and future unsecured and unsubordinated obligations of the Bank, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

6. INTEREST

(a) **Rate of Interest**

This Senior Note shall bear interest from the Issue Date at the Rate of Interest payable semi-annually in arrear not later than 12:00 noon (New York time) one Business Day prior to each Interest Payment Date, subject as provided in Condition 7 (*Payments*).

(b) **Cessation of Interest**

This Senior Note will cease to bear interest from the due date for final redemption unless, upon due surrender of this Senior Note, payment of principal is improperly withheld or refused. In such case it will continue to bear interest at the Rate of Interest (after as well as before judgment) until the day on which all sums due in respect of this Senior Note up to that day are received by or on behalf of the Holder (except to the extent that there is any subsequent default in payment).

(c) **Calculation of Interest for an Interest Period**

The amount of interest payable in respect of this Senior Note for any Interest Period shall be calculated by applying the Rate of Interest to the outstanding principal amount of this Senior Note, dividing the product by two and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). If interest is required to be calculated for any period other than an Interest Period, it will be calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed on the basis of a month of 30 days.

7. PAYMENTS

(a) **Making of Payments**

All payments of principal, interest, Additional Amounts and Indemnity Amounts to be made by the Bank under this Senior Note, and any payments made in connection with Condition 9 (*Redemption and Purchase*) shall be made unconditionally by credit transfer to the Holder's Account (or as the Holder or Trustee may otherwise direct following the occurrence of an Event of Default or Relevant Event (as defined in the Trust Deed)) not later than 12:00 noon (New York time) one Business Day prior to each Interest Payment Date, the Maturity Date or the relevant date on which this Senior Note is redeemed early in accordance with Condition 9 (*Redemption and Purchase*) (as the case may be) in same day funds.

The Bank shall, in the case of any payments of principal and interest being made by the Bank under this Senior Note and any payments made in connection with Condition 9 (*Redemption and Purchase*), one Business Day prior to the relevant due date, procure that the bank effecting such payments on its behalf confirms to the Holder by authenticated SWIFT the irrevocable payment instructions relating to such payment. The Holder agrees with the Bank that the Holder will not deposit any other monies into the Account and that no withdrawals shall be made from such account other than for payments to be made in accordance with this Senior Note and in accordance with the Notes and the Trust Deed.

(b) **Payments Subject to Fiscal Laws**

All payments in respect of this Senior Note are subject in all cases to (i) any applicable fiscal or other laws and regulations in any jurisdiction, and (ii) any withholding or deduction required pursuant to an agreement described in FATCA or any law implementing an intergovernmental approach thereto, but in each case without prejudice to the provisions of Condition 8 (*Additional Amounts and Indemnity Amounts*). In the event of any such withholding or deduction being required, the Bank shall make such payment after such withholding tax or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. No commissions or expenses shall be charged to the Holder in respect of such payments.

(c) **Payments on Business Days**

If the due date for payments of any amount in respect of this Senior Note is not a business day, the Holder will not be entitled to payment of the amount due until the next following business day and shall not be entitled to any further interest or other payment in respect of any such delay. In this Condition, "**business day**" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London, Lagos and New York.

8. ADDITIONAL AMOUNTS AND INDEMNITY AMOUNTS

(a) Additional Amounts

All payments of principal or interest in respect of this Senior Note by or on behalf of the Bank shall be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or within Nigeria or any political subdivision or any authority thereof or therein having the 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 Bank becomes subject in respect of payments made by it of principal and interest on this Senior Note (each a "**Relevant Jurisdiction**"), unless such deduction or withholding is required by law.

In that event, the Bank will pay such additional amounts ("**Additional Amounts**") as may be necessary in order that the net amount received by the Holder after the withholding or deduction shall equal the respective amount which would have been received in respect of this Senior Note in the absence of such withholding or deduction.

Any reference in this Senior Note to payments of principal and/or interest in respect of this Senior Note shall be deemed also to refer to any Additional Amounts which may be payable in accordance with this Condition 8.

If the Bank becomes subject at any time to any taxing jurisdiction other than Nigeria, including for this purpose any withholding required on or with respect to FATCA, references herein to Nigeria and/or "*Relevant Jurisdiction*" shall be construed so as to include references to Nigeria and/or such other jurisdiction.

(b) Indemnity Amounts

Without prejudice to or duplication of the provisions of Condition 8(a) (*Additional Amounts*), if the Holder notifies the Bank that (i) it is obliged to make any payments of additional amounts to holders of the Notes (as defined in Condition 9(c) (*Cancellation of all or a portion of the Senior Note*) below) pursuant to Condition 8 (*Taxation*) of such Notes, or (ii) the Holder incurs any additional costs as a result of it entering into or performing its obligations in relation to the Notes (in respect of which the Holder shall provide reasonable detail as to the basis of such additional costs to the Bank), the Bank shall pay to the Holder within 30 days of such notice (and otherwise in accordance with the terms of this Senior Note), in respect of (i), such additional amounts as are equal to the additional payments which the Holder (as issuer of the Notes) would be required to make under the terms and conditions of the Notes and/or, in respect of (ii), such additional amounts as shall be necessary to compensate the Holder for such duly documented and properly incurred additional costs.

Any payments made by the Bank under this Condition 8(b) are collectively referred to as "**Indemnity Amounts**".

9. REDEMPTION AND PURCHASE

(a) Final redemption

Unless previously redeemed or purchased and cancelled, this Senior Note will be redeemed by the Bank at its principal amount on the Maturity Date.

(b) Early Redemption for Taxation Reasons and Indemnity Amounts

If (a) a Tax Event occurs or (b) if as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 8 (*Taxation*) of the Notes), or any change in the application or official interpretation of the laws or regulations of such a Relevant Jurisdiction, which change or amendment becomes effective after the Issue Date, any Indemnity Amounts are payable by the Bank under Condition 8(b) (*Indemnity Amounts*) (and the requirement cannot be avoided by the Bank taking reasonable measures available to it as determined in good faith by the Board of Directors of the Bank), then, in each case, the Bank may, at its option, having given not less than 30 nor more than 60 days' notice to the Holder (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem this Senior Note at any time at its principal amount then outstanding together with interest accrued to but excluding the date of redemption, subject to (a) having obtained the prior approval of the CBN if required pursuant to the Applicable Banking Regulations and (b) the Bank having delivered to the Holder and to the Trustee a Officers' Certificate certifying that: (i) the requirement referred to above cannot be avoided by the Bank taking reasonable measures available to it; and (ii) that the Bank has either obtained the prior approval of the CBN if required pursuant to the Applicable Banking Regulations or that such prior approval of the CBN is not required pursuant to Applicable Banking Regulations, together with an opinion of independent legal advisers of recognised standing to the effect that the Bank has or will become obliged to pay such Indemnity Amounts.

(c) Cancellation of all or a portion of the Senior Note

The Bank or any of its Subsidiaries may at any time, to the extent permitted by Applicable Banking Regulations and subject to having obtained the prior approval of the CBN if required pursuant to the Applicable Banking Regulations, purchase or procure others to purchase for its or their account any or all of the Holder's U.S.$300,000,000 7.125 per cent. Senior Note Participation Notes due 2026 constituted by the Trust Deed (the "**Notes**" which expression includes, unless the context requires otherwise, any further notes issues pursuant to condition 16 (*Further Notes*) of the Notes and forming a single series therewith), in the open market or otherwise and at any price.

The Holder may from time to time request an Officers' Certificate from the Bank in relation to itself and its Subsidiaries setting out the total principal amount of Notes which, at the date of such Officers' Certificate, are held by the Bank (or any Subsidiary of the Bank) and have not been cancelled and are retained by it for its own account or for the account of any other company.

In the event that an amount of Notes has been surrendered to the Holder (or one of its agents) for cancellation by the Bank or any of its Subsidiaries and cancelled in accordance with the terms thereof, subject to the prior approval of the CBN if required pursuant to the Applicable Banking Regulations, the Senior Note shall be deemed to have been redeemed by the Bank in an amount equal to the aggregate principal amount of the Notes delivered to the Holder (as issuer of such Notes) for surrender and cancellation, together with accrued interest and other amounts (if any) thereon and no further payment shall be made or required to be made by the Bank in respect of such portion of the Senior Note that has been so redeemed.

(d) **No other redemption**

The Bank shall not redeem all or any part of this Senior Note except at the times and in the manner expressly provided for in the terms set out herein. Any such redemption shall be duly endorsed (for information purposes only) in the third column of Schedule A to this Senior Note and a corresponding entry made in the Register.

(e) **Conclusive and binding communications**

The Holder and the Trustee shall be entitled to accept, without further enquiry and without incurring any liability to any person for so doing, any notice, communication or certificate delivered by the Bank in accordance with this Condition 9 and Condition 10 (*Covenants*) as sufficient evidence of the satisfaction of the applicable circumstances in which event they shall be conclusive and binding on the Noteholders.

10. COVENANTS

For so long as any amounts are outstanding under this Senior Note:

(a) **Negative Pledge**

The Bank shall not, and the Bank will not permit any of its Material Subsidiaries to, directly or indirectly create or have outstanding any Security Interest, other than Permitted Security Interests, upon, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Indebtedness, unless, at the same time or prior thereto, the Bank's obligations hereunder (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, a Written Resolution, or an Electronic Consent (each as defined in the Trust Deed).

(b) **Restricted Payments**

Subject to the proviso below, the Bank shall not, and shall ensure that each of its 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 Bank or a Subsidiary of the Bank); or

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

(any such action, a "**Restricted Payment**"), if such Restricted Payment when aggregated with all other Restricted Payments previously made in respect of the relevant financial year of the Bank, exceed 75 per cent. of the Group's consolidated profit after tax and extraordinary activities for such fiscal year, determined by reference to the Bank's audited consolidated IFRS financial statements for such fiscal year.

(c) **Capital Adequacy**

The Bank shall:

(i) not permit its total capital adequacy ratio to fall below the minimum total capital adequacy ratio required by the CBN and the ratio of its Capital to its Risk Weighted Assets to fall below 10 per cent., as calculated in accordance with the 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 Bank shall not without the prior approval of the Holder 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 Bank 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 all of the obligations of the Bank under this Senior Note by a deed poll and such other documents (if any) as may be necessary to give effect to the assumption of all such obligations;

(ii) (A) immediately on or after giving effect to such consolidation or merger, none of the events or circumstances described in paragraphs (a), (b) or (c) of Condition 11 (*Events of Default*) has occurred and (B) such consolidation or merger does not and would not, on completion, result in any other default or breach of the obligations and covenants of the Bank under this Senior Note; and

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

(e) **Disposals**

Without prejudice to the provisions of Conditions 10(d) (*No Consolidation or Merger*) above or 10(f) (*Transactions with Affiliates*) below, the Bank 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 Bank or the ordinary course of business of the relevant Material Subsidiary, as the case may be) sell, lease, transfer or otherwise dispose of, to a Person other than the Bank or a Subsidiary of the Bank, 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 (i) for Fair Market Value and (ii) has/have been approved by a resolution of the appropriate decision making body of the Bank or the relevant Material Subsidiary, as the case may be, resolving that the transaction complies with the requirements of this Condition 10(e); provided that this Condition10(e) does not apply to any Permitted Disposal.

For the purpose of determining whether one or more disposals is of a Material Part, (i) in determining the book value of the Revenues or assets being disposed of, reference shall be made to the most recent published audited consolidated IFRS financial statements of the Bank or non-consolidated IFRS financial statements of the Material Subsidiary, as the case may be, at the time the disposal is completed and (ii) in determining the book value of the total Revenues or total assets of the Group, reference shall be made to the most recent published audited consolidated IFRS financial statements of the Bank at the time the determination is made.

The above provisions shall not apply to any Revenues or assets (or any part thereof) the subject of any Securitisation Transaction, provided the aggregate value of the assets or Revenues which are the subject of all such Securitisation Transactions does not at any time exceed 10 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 published audited consolidated annual IFRS financial statements of the Bank.

(f) **Transactions with Affiliates**

The Bank shall not, and shall ensure that each of its 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 Bank or such 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 Bank or such Subsidiary.

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

(g) **Financial Reporting**

The Bank shall deliver to the Holder and the Trustee:

(i) not later than 180 days after the end of each financial year of the Bank, copies of the Bank's audited consolidated financial statements for such financial year, prepared in accordance with IFRS consistently applied, and all such annual financial statements of the Bank shall be accompanied by the report of the auditors thereon;

(ii) not later than 90 days after the end of the first six months of each financial year of the Bank, copies of its unaudited consolidated financial statements for such six-month period, prepared in accordance with IFRS consistently applied; and

(iii) not later than 90 days after the end of the first and third quarter of each of the Bank's financial years, of each financial year of the Bank, copies of its unaudited consolidated financial statements for such three-month period, prepared in accordance with IFRS consistently applied.

(h) **Information requested by Holder or the Trustee**

The Bank hereby undertakes that, so long as the Senior Note remains outstanding, it shall deliver to the Holder and to the Trustee, within a reasonable timeframe, such additional information regarding the financial position or the business of the Bank or its Subsidiaries as the Holder may request, including providing certificates to the Trustee pursuant to the Trust Deed.

(i) **Officers' certificates**

On each Interest Payment Date or promptly upon request by the Holder (and in any event within 15 Business Days after such request), the Bank shall deliver to the Holder and the Trustee written notice in the form of an Officers' Certificate stating whether any Potential Event of Default or Event of Default has occurred and certifying whether or not the Bank is complying with its obligations under the Senior Note and, if an Event of Default or Potential Event of Default has occurred, what action the Bank is taking or proposing to take with respect thereto.

On each Interest Payment Date or promptly upon request by the Holder (and in any event within 15 Business Days after such request), the Bank shall deliver to the Holder copied to the Trustee, written notice in the form of an Officers' Certificate listing its Material Subsidiaries.

11. EVENTS OF DEFAULT

The Holder (or the Trustee, in accordance with the Trust Deed) may give notice to the Bank that this Senior Note is, and shall accordingly forthwith become, immediately due and repayable at its principal amount, together with accrued interest and any Additional Amounts or Indemnity Amounts, if any of the following events shall occur and be continuing ("**Events of Default**"):

(a) if default is made in the payment of any principal or interest due in respect of this Senior Note and such default continues for a period of five Business Days in respect of principal or seven days in respect of interest; or

(b) if the Bank fails to perform or observe any of its other obligations under this Senior Note and (except in any case where the Holder or 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 Holder or the Trustee (as applicable) may permit) following the service by the Holder or the Trustee on the Bank of notice requiring the same to be remedied; or

(c) if (A) any Indebtedness of the Bank or any Material Subsidiary becomes due and repayable prematurely by reason of an event of default (however described); (B) the Bank 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 Bank or any Material Subsidiary for any Indebtedness becomes enforceable and steps are taken to enforce the same; or (D) default is made by the Bank 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.$15,000,000 (or its equivalent in any other currency); or

(d) if the aggregate amount of final non-appealable unsatisfied judgments, orders or arbitration awards against the Bank and the Material Subsidiaries exceeds U.S.$15,000,000 (or its equivalent in any other currency) and such judgments, orders and/or arbitration awards are not discharged and/or satisfied within 60 days or, if later, the last date therein specified for payment; or

(e) if any order is made by any competent court or resolution is passed for the winding up or dissolution, of the Bank or any Material Subsidiary, save (A) for the purposes of reorganisation on terms approved in writing by the Trustee, or (B) for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent, or (C) the Trustee is satisfied that the Bank or Material Subsidiary, as the case may be, is contesting such order or resolution in good faith; or

(f) if (A) the Bank 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 Bank, for a consolidation or merger (as defined in Condition 10(d) (*No Consolidation or Merger*)) permitted under, Condition 10(d) (*No Consolidation or Merger*) or, in any case, for the purposes of reorganisation on terms approved in writing by the Trustee for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent, or (B) the Bank or any Material Subsidiary 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

(g) if (A) proceedings are initiated against the Bank 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 Bank or any Material Subsidiary or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them or an encumbrancer takes possession of the whole or a substantial 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 a substantial 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 60 days, save, in each case, or for the purposes of or pursuant to an amalgamation, reorganisation or restructuring of the Bank whilst solvent or where the Trustee is satisfied that the Bank or Material Subsidiary, as the case may be, is contesting such proceedings, application, appointment, taking of possession or process in good faith; or

(h) if the Bank 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

(i) (A) if the banking licence of the Bank issued by the CBN is terminated, revoked or suspended and is not replaced or (B) any licence from any governmental authority which the Bank or a Material Subsidiary holds and which is necessary for the Bank or such Material Subsidiary to carry on its business, is terminated, revoked or suspended and in any such case is not replaced within 60 days; or

(j) (A) if all or a substantial part in the opinion of the Trustee, of the undertaking, assets and/or revenues of the Bank 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 Bank 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 Bank or any Material Subsidiary is wholly or partially displaced or the authority of any such member of the Group in the conduct of its business is wholly or partially curtailed); or

(k) 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 sub paragraphs (d) to (h) above.

12. ASSIGNMENT

(a) **Binding Effect**

This Senior Note shall inure to the benefit of and be binding upon the Bank, the Holder, their respective successors and any permitted assignee or transferee of some or all of their respective rights or obligations under this Senior Note. Any references in this Senior Note to any party shall be construed accordingly and, in particular, references to the exercise of rights and discretions by the Holder, following the assignment referred to in Condition 12(c) (*No Transfer by the Holder*) below, shall be references to the exercise of such rights or discretions by the relevant assignee or transferee.

(b) **No Assignment by the Bank**

Save with the consent of the Holder or as otherwise permitted under this Senior Note, the Bank may not assign, in whole or in part, any of its rights and obligations under this Senior Note.

(c) **No Transfer by the Holder**

The Holder may not assign or transfer, in whole or in part, any of its rights and benefits under this Senior Note except as contemplated by the Trust Deed (which, for the avoidance of doubt, includes any assignment or transfer as a result of a substitution of the Holder as issuer of the Notes). In the event that this Senior Note is transferred in accordance with the terms of the Trust Deed or the terms and conditions of the Notes, the Bank shall execute a replacement Senior Note in the name of such new holder, amend the Register accordingly, and amend, replace or destroy this Senior Note Certificate in the manner it deems appropriate in the circumstances in order to effect such assignment or transfer.

13. PRESCRIPTION

This Senior Note will become void unless presented for payment within ten years (in the case of principal) or five years (in the case of interest) from the Relevant Date in respect thereof.

14. NOTICES

(a) **Notice details**

All notices, requests, demands or other communications required under this Senior Note shall be given or made in the English language by letter or fax or email (subject to the subsequent dispatch of the original by post), by hand or by courier to the party to which such notice, request, demand or other communication is required or permitted to be given or made hereunder addressed as follows:

if to the Holder, to it at:

EBN FINANCE COMPANY B.V.
Herikerbergweg 88

1101 CM Amsterdam
The Netherlands

Fax:	+31 885609960
Attention:	Managing Director

if to the Bank, to it at:

ECOBANK NIGERIA LIMITED
Plot 21
Ahmadu Bello Way
Victoria Island
Nigeria

Fax:	+234 127 10 111
Email:	engcontactcentre@ecobank.com
Attention:	Managing Director

or to such other address, email address or fax number as the Bank or Holder may hereafter specify in writing to the other.

(b) **Effectiveness**

Every notice or other communication sent in accordance with this Condition 14 shall take effect, in the case of a letter, at the time of delivery, or in the case of facsimile transmission, at the time of dispatch or in the case of email, at the time of sending (*provided that* no delivery failure notification is received by the sender within 48 hours of sending such communication), *provided, however*, that any such notice or other communication which would otherwise take effect after 4:00 p.m. on any particular day shall not take effect until 10:00 a.m. on the immediately succeeding Business Day in the city of the addressee.

15. FURTHER ISSUES

The Bank may from time to time create and issue a further senior note having the same terms and conditions as this Senior Note in all respects (or in all respects except for the first payment of interest on the further notes) so as to form to be consolidated and form a single issuance with this Senior Note. Such further Senior note may either be documented by means of a further senior note or the amount of such further issuance shall be added to this Senior Note and duly endorsed (for information purposes only) in the third column of Schedule A to this Senior Note and, in each case, a corresponding entry made in the Register.

16. AMENDMENTS

No variation of, or amendment to, the obligations under, this Senior Note shall be permitted unless the Bank has received the prior written consent of the Holder. Any such amendments shall be in the English language and included in Schedule B to this Senior Note.

17. REPLACEMENT OF SENIOR NOTE

If this Senior Note is mutilated, defaced, lost, stolen or destroyed it may be replaced by the Bank on such terms as to evidence, security and indemnity and otherwise as may reasonably be required by or on behalf of the Holder or the Trustee. If this Senior Note is mutilated or defaced it must be surrendered before a replacement will be issued.

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No Person shall have any right to enforce any term or condition of this Senior Note under the Contracts (Rights of Third Parties) Act 1999 other than the Trustee who shall have such third party rights subject to and as set out in the Trust Deed, but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

19. GOVERNING LAW

(a) **Governing Law**

This Senior Note including any non-contractual obligations arising out of or in connection with this Senior Note, are governed by, and shall be construed in accordance with, English law.

(b) **Jurisdiction**

The Bank hereby agrees that the courts of England shall have exclusive jurisdiction to hear and determine any suit, action or proceedings arising out of or in connection with this Senior Note ("**Proceedings**") and, for such purposes, irrevocably submits to the jurisdiction of such courts. Nothing in this paragraph shall (or shall be construed so as to) limit the right of the Holder to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings by the Holder in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

(c) **Appropriate Forum**

For the purposes of Condition 19(b) (*Jurisdiction*), the Bank irrevocably waives any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and agrees not to claim that any such court is not a convenient or appropriate forum.

(d) **Service of Process**

The Bank agrees that the service of process relating to any Proceedings in England and Wales pursuant to Condition 19(b) (*Jurisdiction*) may be made by delivery to EBI SA, having an office, as at the Issue Date, at 20 Old Broad Street (2nd Floor), London EC2N 1DP, United Kingdom. If such Person ceases to accept service of process on behalf the Bank, the Bank shall, on the written demand of the Holder, appoint a further Person in England to accept service of process on its behalf and, failing such appointment within 15 days, the Holder shall be entitled to appoint such a Person by written notice to the Bank. Nothing in this paragraph shall affect the right of the Holder to serve process in any other manner permitted by law.

20. CURRENCY INDEMNITY

To the fullest extent permitted by law, the obligation of the Bank in respect of any amount due in U.S. dollars under this Senior Note shall, notwithstanding any payment in any other currency (whether pursuant to a judgment or otherwise), be discharged only to the extent of the amount in U.S. dollars that the Holder may, in accordance with normal banking procedures, purchase with the sum paid in such other currency (after any properly incurred costs of exchange) on the Business Day immediately following the day on which it receives such payment. If the amount in U.S. dollars that may be so purchased for any reason falls short of the amount originally due (the "**Due Amount**"), the Bank hereby agrees to indemnify and hold harmless the Holder against any such deficiency in U.S. dollars. Any obligation of the Bank not discharged by payment in U.S. dollars (including by an amount of U.S. dollars so purchased) shall, to the fullest extent permitted by applicable law, be due as a separate and independent obligation and, until discharged as provided herein, shall continue in full force and effect. If the amount in U.S. dollars that may be purchased exceeds that Due Amount the Holder shall promptly pay the amount of the excess to the Bank.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions of the Notes which, subject to amendment and completion and except for the text in italics, will be endorsed on each Definitive Note Certificate (if issued).

The U.S.$300,000,000 7.125 per cent. Senior Note Participation Notes due 2026 (the "**Notes**", which expression includes, unless the context requires otherwise, any further Notes issued pursuant to Condition 16 (*Further Issues*) and forming a single series therewith) of EBN Finance Company B.V., a company registered in the Dutch Trade Register under number 81674554 (the "**Issuer**"), which expressions shall include (unless the context requires otherwise) any entity substituted for the Issuer pursuant to Condition 10(e) (*Substitution*), are constituted by, are subject to, and have the benefit of, a trust deed dated on or around 16 February 2021 (the "**Trust Deed**", which expression includes such trust deed as from time to time modified in accordance with the provisions contained therein and any deed or other document expressed to be supplemental thereto, as from time to time so modified) and made between the Issuer and Citibank, N.A., London Branch (the "**Trustee**", which expression shall include any trustees or trustee for the time being under the Trust Deed) as trustee for the Noteholders (as defined below).

The Issuer has authorised the creation, issue and sale of the Notes for the sole purpose of financing the purchase by the Issuer of a 7.125 per cent. senior note due 2026 issued by Ecobank Nigeria Limited (the "**Bank**") in an aggregate amount of U.S.$300,000,000 (the "**Senior Note**", which expression includes, unless the context requires otherwise, any further notes issued pursuant to condition 15 (*Further Issues*) of the Senior Note and forming a single series therewith and, in each case, as the same may be amended, restated, replaced, assigned, supplemented or novated).

In each case where amounts of principal, interest and additional amounts (if any) are stated herein or in the Trust Deed to be payable in respect of the Notes, the obligations of the Issuer to make any such payment shall constitute an obligation only to account to the Noteholders on each date upon which such amounts of principal, interest and additional amounts (if any) are due in respect of the Notes, for an amount equivalent to sums of principal, interest and additional amounts (if any) actually received and retained (net of tax) by or for the account of the Issuer pursuant to the Senior Note. Noteholders must therefore rely solely and exclusively on the Bank's covenant to pay under the Senior Note, the benefit of the Security Interests (as defined below) and the credit and financial standing of the Bank. Noteholders shall have no recourse (direct or indirect) to any other assets of the Issuer.

The Issuer (as holder of the Senior Note) under the Trust Deed has charged by way of first fixed charge in favour of the Trustee for itself and on behalf of the Noteholders certain of its rights and interests as holder of the Senior Note as security for its payment obligations in respect of the Notes and under the Trust Deed (the "**Charge**") and has assigned absolutely certain other rights under the Senior Note to the Trustee (the "**Assigned Rights**" and, together with the Charge, the "**Security Interests**").

In certain circumstances, the Trustee may (subject to it being indemnified and/or secured (including by way of prefunding) to its satisfaction) be required by Noteholders holding at least one quarter of the principal amount of the Notes outstanding or by an Extraordinary Resolution, Electronic Consent or Written Resolution (each as defined in Condition 10 (*Meetings of Noteholders; Modification; Waiver; Substitution of the Issuer*)) of the Noteholders to exercise certain of its powers under the Trust Deed (including those arising under the Security Interests).

Payments in respect of the Notes will be made (subject to the receipt of the relevant funds from the Bank) pursuant to a paying agency agreement (the "**Agency Agreement**") dated on or around 16 February 2021 and made between the Bank, the Issuer, Citibank Europe plc, as the registrar (the "**Registrar**", which expressions shall include any successors), Citibank, N.A., London Branch, as the principal paying agent (the "**Principal Paying Agent**", which expressions shall include any successors), the transfer agents and paying agents named therein (the "**Transfer Agents**" and "**Paying Agents**" and the Registrar respectively together, the "**Agents**", which expressions shall include any successors) and the Trustee.

Copies of the Trust Deed, the Senior Note and the Agency Agreement are available for inspection by Noteholders during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Issuer being, at the date hereof, Herikerbergweg 88, 1101 CM Amsterdam, the Netherlands, the principal office of the Trustee being, at the date hereof, 25 Canada Square, London E14 5LB, United Kingdom and at the Specified Office (as defined in the Agency Agreement) of the Principal Paying Agent, the initial Specified Office of which is set out below.

Certain provisions of these terms and conditions (the "**Conditions**") are summaries or restatements of, and are subject to, the detailed provisions of the Trust Deed, the Senior Note (the form of which is scheduled to and incorporated in the Trust Deed) and the Agency Agreement. Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions applicable to them. Terms defined in the Trust Deed and the Senior Note shall have the same meaning when used herein, except as otherwise provided.

1. STATUS AND LIMITED RECOURSE

The sole purpose of the issue of the Notes is to provide the funds for the Issuer to finance the purchase by the Issuer of the Senior Note from the Bank. The Notes constitute the secured, limited recourse obligation of the Issuer to apply an amount equal to the gross proceeds from the issue of the Notes solely for financing the purchase of the Senior Note and to account to the Noteholders for an amount equivalent to sums of principal, interest and additional amounts (if any) actually received and retained (net of tax) by or for the account of the Issuer pursuant to the Senior Note. The right of the Issuer to receive such sums is being charged by way of security to the Trustee by virtue of the Security Interests as security for the Issuer's payment obligations under the Trust Deed and in respect of the Notes.

The Trust Deed provides that payments in respect of the Notes equivalent to the sums actually received and retained (net of tax) by or for the account of the Issuer by way of principal, interest or additional amounts (if any) pursuant to the Senior Note and subject to Condition 8 (*Taxation*), will be made *pro rata* among all Noteholders, on the payment dates on which such payments are due in respect of the Notes, and in the currency of, and subject to the conditions attaching to, the equivalent payment pursuant to the Senior Note. The Issuer shall not be liable to make any payment in respect of the Notes other than as expressly provided herein and in the Trust Deed. As provided therein, the Issuer shall be under no obligation to exercise in favour of the Noteholders any rights of set-off or of banker's lien or to combine accounts or counterclaim that may arise out of other transactions between the Issuer and the Bank.

Noteholders are deemed to have notice of, and to have accepted, these Conditions and the contents of the Trust Deed, the Agency Agreement and the Senior Note. It is hereby expressly *provided that*, and Noteholders are deemed to have accepted that:

(a) neither the Issuer nor the Trustee makes any representation or warranty in respect of, or shall at any time have any responsibility for, or, save as otherwise expressly provided in the Trust Deed or in paragraph (f) below, liability or obligation in respect of the performance and observance by the Bank of its obligations under the Senior Note or the recoverability of any sum of principal or interest or any additional amounts (if any) due or to become due from the Bank under the Senior Note;

(b) neither the Issuer nor the Trustee shall at any time have any responsibility for, or obligation or liability in respect of, the condition (financial, operational or otherwise), creditworthiness, affairs, status, nature or prospects of the Bank;

(c) neither the Issuer nor the Trustee shall at any time be liable for any representation, misrepresentation, breach of warranty or any act, default or omission of the Bank under or in respect of the Senior Note;

(d) the Trustee shall not at any time have any responsibility for, or liability or obligation in respect of, the performance and observance by the Principal Paying Agent, the Paying Agents, the Registrar, any Transfer Agents or any other Agents of their respective obligations under the Agency Agreement;

(e) the financial servicing and performance of the terms of the Notes depends solely and exclusively upon performance by the Bank of its obligations under the Senior Note and its covenant to make payments under the Senior Note and its credit and financial standing;

(f) the Issuer and (following the creation of the Security Interests) the Trustee shall be entitled to rely on certificates of the Bank (and, where applicable, certification by third parties) as a means of monitoring whether the Bank is complying with its obligations under the Senior Note and shall not otherwise be responsible for investigating any aspect of the Bank's performance in relation thereto and, subject as further provided in the Trust Deed, the Trustee will not be liable for any failure to make the usual or any investigations which might be made by a lender or a security holder (as applicable) in relation to the property which is the subject of the Trust Deed and held by way of security for the Notes, and shall not be bound to enquire into or be liable for any defect or failure in the right or title of the Issuer to the property which is subject to the Security Interests whether such defect or failure was known to the Trustee or might have been discovered upon examination or enquiry or whether capable of remedy or not, nor will it have any liability for the enforceability of the security created by the Security Interests whether as a result of any failure, omission or defect in creating, registering or filing or otherwise protecting or perfecting such security and the Trustee has no responsibility for the value of such security; and

(g) the Issuer shall at no time be required to expend or risk its own funds or otherwise incur any financial liability in the performance of its obligations or duties or the exercise of any right, power, authority or discretion pursuant to these Conditions until it has received and retained (net of tax) from the Bank the funds that are necessary to cover the costs and expenses in connection with such performance or exercise, or has been (in its sole discretion) sufficiently assured that it will receive such funds.

Under the Trust Deed, the Notes constitute direct, general, limited recourse and secured obligations of the Issuer. The Notes will at all times rank *pari passu*, rateably without any preference among themselves and at least *pari passu* in right of payment with all other present and future unsecured obligations of the Issuer, save for obligations as may be preferred by provisions of law that are both mandatory and of general application.

In the event that the payments under the Senior Note are made by the Bank to, or to the order of, the Trustee or (subject to the provisions of the Trust Deed) the Principal Paying Agent, they will *pro tanto* satisfy the obligations of the Issuer in respect of the Notes, except to the extent that there is a subsequent failure by the Issuer to make payment to the Noteholders.

Save as otherwise expressly provided herein and in the Trust Deed, no proprietary or other direct interest in the Issuer's right under or in respect of the Senior Note exists for the benefit of the Noteholders. Subject to the terms of the Trust Deed, no Noteholder will have any entitlement to enforce the Senior Note or direct recourse to the Bank except its rights against the Issuer through action by the Trustee pursuant to the Charge and the assignment of the Assigned Rights granted to the Trustee in the Trust Deed.

The Trustee may (subject to the non-petition covenant contained in this Condition 1) at any time after the Notes become due and payable, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights or any payments under the Trust Deed and these Conditions in respect of the Notes, or, following the enforcement of the Security Interests created in the Trust Deed, the Senior Note but it shall not be bound to do so unless it has been indemnified and/or secured (including by way of prefunding) by the Noteholders to its satisfaction.

Notwithstanding any other provision hereof, the obligations of the Issuer under the Notes shall be solely to make payments of amounts in aggregate equal to each sum actually received and retained (net of tax) by or for the account of the Issuer from the Bank in respect of principal, interest or, as the case may be, other amounts relating to the Senior Note, the right to receive which will, *inter alia*, be assigned to the Trustee as security for the Issuer's payment obligations in respect of the Notes. Accordingly, all payments to be made by the Issuer under the Notes will be made only from and to the extent of such sums received or recovered and retained (net of tax) by or on behalf of the Issuer or the Trustee (following a Relevant Event or (if applicable) an Event of Default). Noteholders shall look solely to such sums for payments to be made by the Issuer under the Notes, the obligation of the Issuer to make payments in respect of the Notes will be limited to such sums and Noteholders will have no further recourse to the Issuer or any of the Issuer's other assets in respect thereof. In the event that the amount due and payable by the Issuer under the Notes exceeds the sums so received or recovered and retained, the right of any person to claim payment of any amount exceeding such sums shall be extinguished, and Noteholders may take no further action to recover such amounts.

None of the Noteholders or other creditors (nor any other person acting on behalf of them) shall be entitled at any time to institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy, administration, moratorium, reorganisation, controlled management, arrangement, insolvency, examinership, winding-up or liquidation proceedings or similar insolvency proceedings under any applicable bankruptcy or similar law in connection with any obligation of the Issuer relating to the Notes or otherwise owed to the creditors, save for lodging a claim in the liquidation of the Issuer which is initiated by another party or taking proceedings to obtain a declaration or judgment as to the obligations of the Issuer.

No Noteholder shall have any recourse against any director, shareholder, or officer of the Issuer in respect of any obligations, covenants or agreement entered into or made by the Issuer in respect of the Notes.

2. FORM AND DENOMINATION

The Notes are issued in registered form in the denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (each a "**Specified Denomination**").

Notes sold to qualified institutional buyers (within the meaning of Rule 144A under the U.S. Securities Act of 1933, as amended (the "**Securities Act**")) ("**QIBs**") who are also qualified purchasers (within the meaning of Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended) ("**QPs**") in the United States in reliance on Rule 144A (the "**Restricted Notes**") will be represented by a restricted global registered note certificate (the "**Restricted Global Note**"). Notes sold to non-U.S. persons outside the United States in reliance on Regulation S under the Securities Act (the "**Unrestricted Notes**") will be represented by an unrestricted global note certificate (the "**Unrestricted Global Note**" and together with the Restricted Global Note, the "**Global Notes**"). The Unrestricted Global Note will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). The Restricted Global Note will be deposited with a custodian for, and registered in the name of, Cede & Co., as nominee for DTC.

Ownership of beneficial interests in the Restricted Global Note will be limited to Persons (as defined below) that have accounts with DTC or Persons that may hold interests through such participants. Ownership of beneficial interests in the Unrestricted Global Note will be limited to Persons that have accounts with Euroclear or Clearstream, Luxembourg or Persons that may hold interests through such participants. Beneficial interests in the Global Notes will be shown on, and transfers thereof will be effected through, records maintained in book-entry form by

DTC and its participants or by Euroclear, Clearstream, Luxembourg and their participants, as applicable. Global Notes will be exchangeable for Notes in definitive form only in certain limited circumstances specified in the Global Notes.

3. REGISTER, TITLE AND TRANSFERS

(a) Register

The Registrar will maintain a register of Noteholders outside the United Kingdom (the "**Register**") to be kept at the Specified Office of the Registrar in which will be entered the names and addresses of the holders of the Notes and the particulars of the Notes held by them and all transfers and redemptions of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions the "**holder**" or "**Noteholder**" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof). A Definitive Note Certificate will be issued to each Noteholder in respect of its registered holding. Each Definitive Note Certificate will be serially numbered with an identifying number which will be recorded in the Register.

In these Conditions, "**Definitive Note Certificate**" means Notes, substantially in the form set out in Part A (*Form of Definitive Note Certificate*) of Schedule 1 (*Forms of Definitive Notes*) to the Trust Deed and includes any replacement definitive note certificate issued pursuant to Condition 13 (*Replacement of Definitive Note Certificates*) and any other definitive note certificates representing Further Notes or any of them.

(b) Title

Title to the Notes will pass by transfer and registration as described in Conditions 3(a) (*Register*) and 3(c) (*Transfers*). The holder of any Note as recorded in the Register, will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest in it, any writing on the Definitive Note Certificate by any Person (as defined below) (other than a duly executed transfer thereof in the form endorsed thereon) or any notice of any previous loss or theft of such Definitive Note Certificate) and no Person shall be liable for so treating such holder.

In these Conditions, "**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or other judicial entity, including, without limitation, any state or agency of a state or other entity, whether or not having separate legal personality.

Notwithstanding anything to the contrary in this Condition 3(b), the Notes will be numbered serially with an identifying number which will be recorded in the Register and a copy of which in an all times up-to-date version is held at the registered office of the Issuer.

(c) Transfers

Subject to paragraphs (f) (*Closed Periods*) and (g) (*Regulations Concerning Transfers and Registration*) below, a Note may be transferred, subject to the transfer being duly recorded in the Register and upon surrender of the relevant Definitive Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or the Transfer Agent, together with such evidence as the Registrar or the Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer *provided*, *however*, that a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a holder are being transferred) the principal amount of the balance of Notes not transferred each amounts to a Specified Denomination or a multiple thereof. Where not all the Notes represented by the surrendered Definitive Note Certificate are the subject of the transfer, a new Definitive Note Certificate in respect of the balance of the Notes will be issued to the transferor.

(d) Registration and Delivery of Definitive Note Certificates

Within five business days of the surrender of a Definitive Note Certificate in accordance with paragraph (c) (*Transfers*) above, the Registrar will register the transfer and deliver a new Definitive Note Certificate of a like principal amount to the Notes transferred to each relevant holder for collection at its Specified Office or (at the request and risk of such relevant holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant holder. In this paragraph, "**business day**" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in both New York and the city where the Registrar or the Transfer Agent has its Specified Office.

(e) No Charge

The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or the relevant Transfer Agent but against such indemnity as the Registrar or (as the case may be) the Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(f) Closed Periods

The Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.

(g) Regulations Concerning Transfers and Registration

All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

4. RESTRICTIVE COVENANT

As provided in the Trust Deed, so long as any Notes remain outstanding (as defined in the Trust Deed), the Issuer will not, without the prior written consent of the Trustee or an Extraordinary Resolution, Electronic Consent or Written Resolution, agree to any amendments to or any modification of, or waiver of, or authorise any breach or proposed breach of, the terms of the Senior Note and will act at all times in accordance with any instructions of the Trustee from time to time with respect to the Senior Note, except as otherwise expressly provided in the Trust Deed or the Senior Note. Any such amendment, modification, waiver or authorisation made with the consent of the Trustee shall be binding on the Noteholders and, unless the Trustee agrees otherwise, any such amendment or modification shall be notified by the Issuer to the Noteholders in accordance with Condition 14 (*Notices*).

Save as provided above, so long as any Note remains outstanding, the Issuer, without the prior written consent of the Trustee, shall not, *inter alia*, incur any other indebtedness for borrowed moneys, other than the issue of notes on a limited recourse basis for the sole purpose of purchasing notes issued by, or the making of any loan to, the Bank, engage in any other business (other than acquiring and holding the Security Interests in respect of the Notes (or any other security interests in relation to any other issue of notes), purchasing the Senior Note from the

Bank or purchasing notes issued by, or any future loans to the Bank or any other issue of notes as aforesaid (including derivative transactions on a limited recourse basis) and performing any act incidental to or necessary in connection with the foregoing including purchasing Notes in accordance with Condition 6(d) (*Purchase of Notes*)), declare any dividends, have any subsidiaries or employees, purchase, own, lease or otherwise acquire any real property (including office premises or like facilities), consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entity to any person (otherwise than as contemplated in these Conditions, the Trust Deed and the Senior Note), issue any shares, give any guarantee or assume any other liability, or, subject to the laws of the Netherlands, petition for any winding-up or bankruptcy.

5. INTEREST

Interest will accrue at a rate of 7.125 per cent. per annum from and including 16 February 2021 (the "**Issue Date**"). Interest will be payable on 16 February and 16 August in each year, commencing on 16 August 2021 and ending on 16 February 2026 (the "**Maturity Date**" and each such date an "**Interest Payment Date**"), or as soon thereafter as the same is received and retained by the Issuer pursuant to the Senior Note, the Issuer shall account to the Noteholders for an amount equivalent to amounts of interest actually received and retained by or for the account of the Issuer pursuant to the Senior Note (with respect to the corresponding interest payment thereunder) which interest under the Senior Note is equal to 7.125 per cent. per annum.

Each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (and excluding) the next Interest Payment Date is herein called an "*Interest Period*".

If interest is required to be calculated for any period other than a full Interest Period, it will be calculated on the basis of a 360-day year consisting of twelve months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

6. REDEMPTION AND PURCHASE

(a) Scheduled Redemption

Unless previously redeemed pursuant to conditions 9 (*Redemption and Purchase*) and 11 (*Events of Default*) of the Senior Note, the Bank will be required to redeem the Senior Note (in full and not in part) on its maturity date as provided in the terms and conditions of the Senior Note (being the Maturity Date) and, subject to such redemption, as set forth in the Senior Note, and subject as provided in Condition 7 (*Payments*), all Notes then outstanding will, on the Maturity Date or as soon thereafter as such redemption amounts in respect of the Senior Note are actually received and retained, be redeemed or repaid by the Issuer at 100 per cent. of the principal amount thereof.

(b) Early Redemption

The Notes shall be redeemed by the Issuer in whole, but not in part, at any time, on giving not less than 25 nor more than 60 days' prior notice to the Noteholders, the Trustee, the Principal Paying Agent, the Transfer Agent and the Bank (which notice shall be irrevocable and shall specify a date for redemption (the "**Early Redemption Date**"), being the same date as that set out in the notice of redemption of the Senior Note) in accordance with Condition 14 (*Notices*) at the principal amount outstanding of the Notes together with interest accrued to but excluding the relevant Early Redemption Date, together with any additional amounts in respect thereof (to the extent that such amounts are received and retained by the Issuer from the Bank pursuant to the Senior Note) pursuant to Condition 8 (*Taxation*); if, immediately before giving such notice, the Issuer provides the Trustee with the notice of early redemption of the Senior Note that the Issuer has received from the Bank pursuant to condition 9(b) (*Early* *redemption for Taxation Reasons and Indemnity Amounts*) of the Senior Note, together with the certificates signed by two directors of the Bank.

To the extent that the Issuer receives amounts of principal, interest or other amounts from the Bank following acceleration of the Senior Note, the Issuer shall pay an amount equal to such amounts on the business day (as defined in Condition 7 (*Payments*)) following receipt of such amounts, subject as provided in Condition 7 (*Payments*).

Prior to the publication of any notice of redemption referred to in this Condition 6(b), the Issuer shall deliver to the Trustee a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption in accordance with this Condition 6(b). A copy of the Bank's notice of early redemption of the Senior Note or details of the circumstances contemplated by condition 9 (*Redemption and Purchase*) of the Senior Note (as the case may be) and the date fixed for redemption of the Notes shall be set out in the notice.

The Trustee shall be entitled to accept (without further enquiry and without incurring any liability to any person) any notice or certificate delivered by the Issuer and/or the Bank in accordance with this Condition 6(b) and/or pursuant to condition 9 (*Redemption and Purchase*) of the Senior Note as sufficient evidence of the satisfaction of the applicable circumstances in which event they shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice given by the Issuer to the Trustee on behalf of the Noteholders as is referred to in this Condition 6(b), the Issuer shall be bound, subject to receipt of corresponding amounts from the Bank, to redeem the Notes in accordance with this Condition 6(b), subject to Condition 7 (*Payments*).

(c) Compulsory Sale

The Issuer may compel any beneficial owner of an interest in the Restricted Notes to sell its interest in such Notes, or may sell such interest on behalf of such holder, if such holder is not both a QIB and a QP.

(d) Purchase of Notes

The Issuer, or the Bank or any of the Bank's subsidiaries may at any time purchase or procure others to purchase for its or their account Notes in the open market or otherwise and at any price. The Notes so purchased may be held or resold (*provided that* such resale is in compliance with applicable laws) or surrendered to the Registrar for cancellation at the option of the Issuer, the Bank or the relevant subsidiary or otherwise, as the case may be, in compliance with Condition 6(e) (*Cancellation of Notes*) below. The Notes so purchased, while held by or on behalf of the Issuer, the Bank or any such subsidiary, shall not entitle the holder to vote at any meeting of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 10(a) (*Meetings of Noteholders*), 10(b) (*Electronic Consent*) or 10(c) (*Written Resolution*).

(e) Cancellation of Notes

All Notes which are surrendered to the Registrar for cancellation pursuant to Condition 6(d) (*Purchase of Notes*) will be cancelled and may not be reissued or resold.

7. PAYMENTS

(a) Principal

Payments of principal shall be made by U.S. dollar cheque drawn on, or upon application by a holder of a Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City upon surrender (or, in the case of part payment only, endorsement) of the relevant Definitive Note Certificates at the Specified Office of the Registrar or of any Paying Agent.

(b) Interest

Payments of interest shall be made by U.S. dollar cheque drawn on, or upon application by a holder of a Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Definitive Note Certificates at the Specified Office of the Registrar or of any Paying Agent.

(c) Payments Subject to Fiscal Laws

All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in any relevant jurisdiction, and (ii) any withholding or deduction required pursuant to an agreement described in FATCA (as defined in Condition 8 (*Taxation*)) or any law implementing an intergovernmental approach thereto, but in each case without prejudice to the provisions of Condition 8 (*Taxation*). In the event of any such withholding or deduction being required, the Issuer or the relevant Paying Agent (as the case may be) shall make such payment after such withholding tax or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) Payments on Business Days

If the due date for payments of any amount in respect of any Notes is not a business day, the holder of a Note will not be entitled to payment of the amount due until the next following business day and shall not be entitled to any further interest or other payment in respect of any such delay. In this Condition, "**business day**" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the Netherlands, London, Nigeria, New York and, if different, in the city where the Specified Office of the Principal Paying Agent is located.

(e) Record Date

Each payment of principal and/or interest due in respect of a Note will be made to the person shown as the holder in the Register at the opening of business (in the place of the Registrar's Specified Office) on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed, on the business day preceding the due date for payment or, in the case of payments referred to in Condition 7(a) (*Principal*), if later, on the business day on which the relevant Definitive Note Certificate is surrendered (or endorsed as the case may be) as specified in Condition 7(a) (*Principal*) (at the risk and, if mailed at the request of the holder otherwise than by ordinary mail, expense of the holder). Each payment in respect of the Notes pursuant to Conditions 7(a) (*Principal*) and 7(b) (*Interest*) will be mailed to the holder of the relevant Note at his address appearing in the Register.

(f) Accrued Interest

In addition, if the due date for redemption or repayment of a Note is not an Interest Payment Date, interest accrued from the preceding Interest Payment Date or, in respect of the first Interest Payment Date only, from the date of issuance of the Notes, shall be payable only as and when actually received and retained by or for the account of the Issuer pursuant to the Senior Note.

(g) Payments by the Bank

Save as directed by the Trustee at any time after the security created in the Trust Deed becomes enforceable, the Issuer will require the Bank to make all payments of principal, interest and any additional amounts to be made pursuant to the Senior Note to the Principal Paying Agent to an account in the name of the Issuer. Pursuant to the Charge, the Issuer will charge by way of first fixed charge all its rights, title and interest in and to all sums of money then or in the future deposited in such account in favour of the Trustee for the benefit of the Noteholders.

(h) Currency Other Than U.S. dollars

In respect of the Issuer's obligations under Conditions 5 (*Interest*), 6 (*Redemption and Purchase*) and 8 (*Taxation*), and subject to the following sentence, if the Issuer receives any amount under the Senior Note in a currency other than U.S. dollars, the Issuer's obligation under the relevant Condition shall be fully satisfied by paying such sum (after deducting any costs of exchange) as the Issuer receives upon conversion of such sum into U.S. dollars in accordance with customary banking practice in the spot market on the business day immediately following the day on which such sum is received and retained by the Issuer. If the Issuer receives any payment from the Bank pursuant to condition 8(b) (*Indemnity Amounts*) of the Senior Note with respect to amounts due under the Notes, the Issuer shall pay such sum to the Noteholders in accordance with this Condition 7.

8. TAXATION

All payments of principal or interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or within the Netherlands, Nigeria, or any political subdivision or any authority thereof or therein having the power to tax or in either case any other jurisdiction or any political subdivision or any authority thereof or therein having the power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes (each a "**Relevant Jurisdiction**"), unless such deduction or withholding is required by law.

In such event, the Issuer shall, subject as provided below, pay such additional payments as will result in the receipt by the Noteholders of such amount as would have been received by them if no such withholding or deduction had been required. However, the Issuer shall only make such additional payments to the extent and at such time as it shall receive and retain (net of tax) equivalent sums from the Bank under the Senior Note. To the extent that the Issuer does not receive and retain any such equivalent sum, the Issuer shall account to the relevant Noteholder for an additional amount equivalent to a *pro rata* proportion of such additional amount (if any) as is actually received and retained (net of tax) by, or for the account of, the Issuer pursuant to the provisions of the Senior Note on the date of, in the currency of, and subject to any conditions attaching to the payment of such additional amount to the Issuer, *provided that* no such additional amount will be payable:

(i) to a Noteholder who (a) is able to avoid such deduction or withholding by satisfying any statutory requirements or by making a declaration of non-residence or other claim for exemption to the relevant tax authority; or (b) is liable for such taxes, duties, assessments or governmental charges by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of such Notes or the receipt of payments in respect thereof;

(ii) where the relevant Definitive Note Certificate is surrendered for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder of it would have been entitled to such additional amounts if it had surrendered such Definitive Note Certificate for payment on the last day of such period of 30 days;

(iii) where (in the case of a payment of principal or interest on redemption) the relevant Definitive Note Certificate is surrendered for payment in the Netherlands or Nigeria; or

(iv) where such withholding or deduction is required to be made pursuant to the Dutch Withholding Tax Act 2021 (*Wet bronbelasting 2021*).

Notwithstanding anything to the contrary in the preceding paragraph, none of the Issuer, any paying agent or any other person shall be required to pay any additional amounts with respect to any withholding or deduction imposed on or in respect of any Note pursuant to Section 1471 to 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**"), any treaty, law, regulation or other official guidance implementing FATCA, or any agreement between the Issuer, a paying agent or any other person and the United States, any other jurisdiction, or any authority of any of the foregoing implementing FATCA.

As used herein, "**Relevant Date**" means (i) the date on which the equivalent payment under the Senior Note first becomes due but (ii) if the full amount payable by the Bank has not been received and retained (net of tax) by, or for the account of, the Issuer pursuant to the Senior Note on or prior to such date, means the date on which, the full amount plus any accrued interest shall have been so received and retained and notice to that effect shall have been duly given to the Noteholders by or on behalf of the Issuer in accordance with Condition 14 (*Notices*).

Any reference in these Conditions or in the Trust Deed to payments of principal and/or interest in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable in accordance with the Trust Deed and this Condition 8 or any undertaking given in addition thereto or in substitution therefor pursuant to the Senior Note or the Trust Deed.

If the Issuer or the Bank becomes subject at any time to any taxing jurisdiction other than the Netherlands or Nigeria, as the case may be, references in these Conditions to a Relevant Jurisdiction shall be construed as references to the Netherlands or Nigeria and/or such other jurisdiction.

9. ENFORCEMENT

The Trust Deed provides that only the Trustee may pursue the remedies under the general law, the Trust Deed or the Notes to enforce the rights of the Noteholders and no Noteholder will be entitled to pursue such remedies unless the Trustee (having become bound to do so in accordance with the terms of the Trust Deed) fails or neglects to do so within a reasonable period and such failure or neglect is continuing.

At any time after the occurrence of an Event of Default (as defined in the Senior Note), or a Relevant Event (as defined in the Trust Deed), the Trustee (subject to the non-petition covenant in Condition 1 (*Status and Limited Recourse*)) may, at its discretion, and shall, if requested to do so in writing by Noteholders whose Notes constitute at least 25 per cent. in aggregate principal amount of the Notes outstanding, or if directed to do so by an Extraordinary Resolution, Electronic Consent or Written Resolution and, in each case, subject to it being secured and/or indemnified (including by way of prefunding) to its satisfaction against all liabilities, proceedings, actions, claims and demands to which it may thereby become liable and all costs, charges and expenses which may be incurred by it in connection therewith, declare all amounts under the Senior Note by the Bank immediately due and payable and take the action permitted to be taken by the Issuer as holder of the Senior Note (in the case of an Event of Default), or exercise any rights under the Security Interests created in the Trust Deed in favour of the Trustee (in the case of a Relevant Event). Upon the repayment of the Senior Note or the receipt in full of all principal and interest accrued under the Senior Note following an Event of Default and a declaration as provided herein, the Notes will be redeemed or repaid at their principal amount together with interest accrued to the date fixed for redemption and thereupon shall cease to be outstanding.

The Trustee may, in making any determination under these Conditions, act on the opinion or advice of, or information obtained from, any expert and will not be responsible for any loss, liability, cost, claim, action, demand, expense or inconvenience which may result from it so acting.

The Trustee may rely without liability to Noteholders on any certificate or report prepared by any of the above mentioned experts, including specifically the Auditors (as defined in the Trust Deed), or any auditor, pursuant to the Conditions or the Trust Deed, whether or not the expert or auditor's liability in respect thereof is limited by a monetary cap or otherwise.

10. MEETINGS OF NOTEHOLDERS; MODIFICATION; WAIVER; SUBSTITUTION OF THE ISSUER

(a) Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of the Senior Note, these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution, an Electronic Consent (in accordance with Condition 10(b) (*Electronic Consent*) below) or a Written Resolution (in accordance with Condition 10(c) (*Written Resolution*) below). If a meeting is held, such a meeting may be convened on not less than 21 days' prior written notice by the Issuer or the Trustee and shall be convened by the Trustee, subject to its being indemnified and/or secured (including by way of prefunding) to its satisfaction, upon the request in writing of Noteholders holding not less than one tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be at least two persons present holding or representing more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, at least two persons present being or representing Noteholders whatever the outstanding principal amount of the Notes held or represented; *provided*, *however*, that Reserved Matters (as defined in the Trust Deed) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which at least two persons present holding or representing not less than three quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

Neither the Issuer nor any subsidiary of the Issuer nor any holding company of the Issuer nor any subsidiary of any such holding company who is or are also Noteholders shall be allowed to vote at a meeting or be included in a quorum.

An "**Extraordinary Resolution**" means a resolution passed at a meeting of the Noteholders duly convened and held in accordance with Schedule 5 to the Trust Deed by a majority of no less than three quarters of the votes cast.

(b) Electronic Consent

(i) For so long as the Notes are in the form of a Global Note deposited with, and registered in the name of a nominee for, a common depositary for Euroclear or Clearstream (in the case of the Unrestricted Global Note) or deposited with a custodian for, and registered in the name of, Cede & Co. as nominee for DTC (in the case of the Restricted Global Note), where the terms of a resolution proposed by the Issuer, the Bank or the Trustee (as the case may be) have been notified to the Noteholders through the relevant clearing system(s) as provided in sub-paragraphs (ii) and (iii) below, each of the Issuer, the Bank and the Trustee shall be entitled to rely upon approval of such resolution given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) to the Paying Agents or another specified agent and/or the Trustee in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes outstanding (the "**Required Proportion**") ("**Electronic Consent**") by close of business on the Consent Date (as defined below). Any resolution passed in such manner will take effect as if it were an Extraordinary Resolution and shall be binding on all Noteholders even if the relevant consent or instruction proves to be defective. None of the Issuer, the Bank or the Trustee shall be liable or responsible to anyone for such reliance.

(ii) When a proposal for a resolution to be passed as an Electronic Consent has been made, at least 10 days' notice (exclusive of the day on which the notice is given and of the day on which affirmative consents will be counted) shall be given to the Noteholders through the relevant clearing system(s). The notice shall specify, in sufficient detail to enable Noteholders to give their consents in relation to the proposed resolution, the method by which their consent may be given (including, where applicable, blocking of their accounts in the relevant clearing system(s) and the time and date (the "**Consent Date**") by which they must be received in order for such consents to be validly given, in each case subject to and in accordance with the operating rules and procedures of the relevant clearing system(s)).

(iii) If, on the Consent Date on which the consents in respect of an Electronic Consent are first counted, such consents do not represent the Required Proportion, if the party proposing such resolution (the "**Proposer**") so determines, be deemed to be defeated. Such determination shall be notified in writing to all other parties to the Trust Deed. Alternatively, the Proposer may give a further notice to Noteholders that the resolution will be proposed again on such date and for such period as shall be agreed with the Trustee (unless the Trustee is the Proposer). Such notice must inform the Noteholders that insufficient consents were received in relation to the original resolution and the information specified in sub-paragraph (i) above. For the purpose of such further notice, reference to Consent Date shall be construed accordingly.

(iv) For the avoidance of doubt, an Electronic Consent may only be used in relation to a resolution proposed by the Issuer which is not then the subject of a meeting that has been validly convened in accordance with paragraph (a) above, unless that meeting is or shall be cancelled or dissolved.

(c) Written Resolution

The Trust Deed provides that a resolution in writing will take effect as if it were an Extraordinary Resolution if it is signed (i) by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust

Deed or (ii) if such Noteholders have been given at least 21 days' clear notice of such resolution, by or on behalf of persons holding not less than 75 per cent. of the aggregate principal amount of the outstanding Notes (a "**Written Resolution**"). Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(d) Modification and Waiver

The Trustee may agree, without the consent of, or sanction from, the Noteholders, to any modification of the Notes, these Conditions and the Trust Deed or, following the creation of the Security Interests, the Senior Note which in the opinion of the Trustee is of a formal, minor or technical nature, is made to correct a manifest error or (other than, in each case, in respect of the Reserved Matters) is not materially prejudicial to the interests of the Noteholders.

Furthermore, (A) if the current exemption on withholding contained in the Nigerian Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order 2011 that the Bank relies on in making payments of interest on the Senior Note free of withholding tax is not amended or extended, such that the Bank is required to pay Additional Amounts with effect from 2 January 2022 or (B) at any time following the occurrence of a Tax Event (as defined in the Senior Note and in respect of the Senior Note) (each in the opinion of the Bank, and as certified in writing by the Bank to the Trustee, together with an opinion of independent counsel addressed to the Trustee confirming either that a Tax Event has occurred or that the Bank is required to pay Additional Amounts following the exemption provided by the Nigerian Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order 2011 ceasing to apply, upon which certificate and opinion the Trustee shall be entitled to rely absolutely and without incurring any liability to any person for so doing) the Trustee shall (without any consent of, or sanction from, the Noteholders), concur with the Issuer and, if applicable, with the Bank, in making, or consent to the Issuer making or consenting to any modification to the Notes, these Conditions and the Trust Deed or, following the creation of the Security Interests, the Senior Note (regardless of whether such modifications would constitute a Reserved Matter) to prevent the Bank being obliged to pay Additional Amounts under the Senior Note where such modifications are solely for the purposes of:

(i) the exchange, conversion or substitution of the Senior Note into or for any other debt obligation or security of the Bank; or

(ii) the substitution of the Issuer for the Bank as issuer of the Notes (*provided that* any such exchange, conversion and/or substitution complies with relevant Nigerian banking regulations applicable to the Bank),

provided that no such modification would:

(i) change any date fixed for payment of principal or interest in respect of the Notes, reduce the amount of principal, interest payable on any date in respect of the Notes, or alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment;

(ii) in respect of the situation described in Condition 10(d)(ii) above only: effect the exchange, conversion or substitution of the Notes for, or the conversion of the Notes into, equity securities or another form of debt obligation;

(iii) change the currency in which amounts due in respect of the Notes are payable;

(iv) change the quorum required at any Meeting or the majority required to pass an Extraordinary Resolution; or

(v) amend the definition of "Reserved Matter" set out in Schedule 5 (*Provisions for Meetings of the Noteholders*),

and provided further that, the Trustee shall not be obliged to agree to any amendments or modifications which, in the sole opinion of the Trustee would have the effect of (aa) exposing the Trustee to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (bb) increasing the obligations or duties, or decreasing the rights and protection, of the Trustee under the Trust Deed, these Conditions, the Senior Note, the Agency Agreement or the account bank agreement dated on or around 15 February 2021 and made between the Issuer and Citibank, N.A., London Branch as account bank.

The Trustee may also waive or authorise or agree to the waiving or authorising of any breach or proposed breach by the Issuer of the Conditions, or the Trust Deed or, following the creation of the Security Interests, by the Bank of the terms of the Senior Note, or determine that any event which would or might otherwise give rise to a right of acceleration under the Senior Note shall not be treated as such, if in the sole opinion of the Trustee, to do so would not be materially prejudicial to the interests of the Noteholders (other than, in each case, in respect of the Reserved Matters) and provided always that the Trustee may not exercise such power of waiver in contravention of a request given by the holders of one quarter in aggregate principal amount of the Notes then outstanding or of any express direction by an Extraordinary Resolution, Electronic Consent or Written Resolution of the Noteholders.

Any such modification, waiver or authorisation shall be binding on the Noteholders and, unless the Trustee agrees otherwise, shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 14 (*Notices*).

(e) Substitution

The Trust Deed contains provisions to the effect that the Issuer may, having obtained the consent of the Bank and the Trustee (which latter consent may be given without the consent of the Noteholders) and subject to having complied with certain requirements as set out therein including the substitute obligor's rights under the Senior Note being charged and assigned, respectively, to the Trustee as security for the payment obligations of the substitute obligor under the Trust Deed and the Notes and its rights as holder under the Senior Note, substitute any entity in place of the Issuer as holder of the Senior Note, as issuer and principal obligor in respect of the Notes and as obligor under the Trust Deed. Not later than 14 days after compliance with the aforementioned requirements, notice thereof shall be given by the Issuer to the Noteholders in accordance with Condition 14 (*Notices*) or the Issuer shall use its best endeavours to ensure that the substitute obligor does so.

(f) Exercise of Powers

In connection with the exercise of any of its powers, trusts, authorities or discretions, the Trustee shall have regard to the interests of the Noteholders as a class and, in particular, shall not have regard to the consequences of such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. No Noteholder is entitled to claim from the Issuer, the Bank or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

No Noteholder shall, in connection with any substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Noteholder, except to the extent provided for in Condition 8 (*Taxation*) (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

11. PRESCRIPTION

Notes will become void unless presented for payment within ten years (in the case of principal) or five years (in the case of interest) from the Relevant Date in respect thereof.

12. TRUSTEE AND AGENTS

The Trust Deed provides for the Trustee to take action on behalf of the Noteholders in certain circumstances, for the indemnification of the Trustee and for its relief from responsibility in certain circumstances, including provisions relieving it from taking proceedings to enforce payment unless indemnified and/or secured (including by way of prefunding) to its satisfaction, and to be paid its costs and expenses in priority to the claims of Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and the Bank and any entity relating to the Issuer and the Bank without accounting for any profit and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of its subsidiaries.

The Trustee's responsibilities are solely those of trustee for the Noteholders on the terms of the Trust Deed. Accordingly, the Trustee makes no representations and assumes no responsibility for the validity or enforceability of the Senior Note or the security created in respect thereof or for the performance by the Issuer of its obligations under or in respect of the Notes and the Trust Deed or by the Bank in respect of the Senior Note.

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The initial Agents and their initial Specified Offices are listed below. The Issuer reserves the right (with the prior written approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent or registrar and additional or successor paying agents and transfer agents; *provided, however*, that the Issuer shall at all times maintain (a) a Principal Paying Agent and a Registrar, (b) a Paying Agent and Transfer Agent having Specified Offices in at least one major European city approved by the Trustee.

As provided in the Trust Deed, any Trustee for the time being may retire at any time upon giving not less than three months' notice in writing to the Issuer and the Bank without assigning any reason therefor and without being responsible for any costs occasioned by such retirement. The retirement of any Trustee shall not become effective unless there remains a trustee (being a Trust Corporation (as defined in the Trust Deed)) in office after such retirement. In the event of a Trustee giving such notice, the Issuer shall use its reasonable endeavours to procure a new trustee to be appointed. If the Issuer has not appointed a new trustee within 60 days of giving such notice, the Trustee may procure a new trustee to be so appointed. The Noteholders shall together have the power, exercisable by Extraordinary Resolution, Electronic Consent or Written Resolution, to remove any trustee or trustees for the time being hereof. The removal of any trustee shall not become effective unless the Bank has given its prior written consent thereto and there remains a trustee hereof (being a Trust Corporation) in office after such removal. Notice of any change in the Trustee or any of the Agents shall promptly be given by the Issuer to the Noteholders in accordance with Condition 14 (*Notices*).

13. REPLACEMENT OF DEFINITIVE NOTE CERTIFICATES

If a Definitive Note Certificate is mutilated, defaced, lost, stolen or destroyed it may, subject to all applicable laws and regulations and requirements of the Stock Exchange (as defined in the Trust Deed), be replaced at the Specified Office of the Registrar or the Transfer Agent upon payment of such costs, expenses, taxes and duties as may be incurred in connection therewith and on such terms as to evidence, security and indemnity and otherwise as may reasonably be required by or on behalf of the Issuer or the Trustee. Mutilated or defaced Definitive Note Certificates must be surrendered before replacements will be issued.

14. NOTICES

Notices to the Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any Stock Exchange or the relevant authority on which the Notes are for the time being listed. 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, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve.

So long as any of the Notes are represented by the Unrestricted Global Note, notices required to be published in accordance with this Condition 14 may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the relevant accountholders, provided that such notice is also delivered to the Stock Exchange and given in accordance with the rules of the Stock Exchange. So long as any of the Notes are represented by the Restricted Global Note, notices required to be published in accordance with this Condition 14 may be given by delivery of the relevant notice to DTC for communication to the relevant accountholders, provided that such notice is also delivered to the Stock Exchange and given in accordance with the rules of the Stock Exchange.

15. PROVISION OF INFORMATION

The Issuer shall, during any period in which it is not subject to or in compliance with the reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**") nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, duly provide to any holder of a Note which is a "*restricted security*" within the meaning of Rule 144(a)(3) under the Securities Act or to any prospective purchaser of such securities designated by such Noteholder, upon the written request of such Noteholder or (as the case may be) prospective Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Registrar, the information specified in Rule 144A(d)(4) under the Securities Act.

16. FURTHER ISSUES

The Issuer may from time to time, with the consent of the Bank but without the consent of the Noteholders, create and issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on the further Notes) so as to form to be consolidated and form a single series with the Notes. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of notes having the benefit of the Trust Deed. In relation to any further issue which is to form a single series with the Notes (i) the Issuer will purchase a further senior note from the Bank on the same terms as the Senior Note (except with regard to the principal amount and the first payment of interest) subject to any modifications which, in the sole opinion of the Trustee would not materially prejudice the interests of the Noteholders and (ii) the Security Interests granted in respect of the Notes will be amended or supplemented so as to secure amounts due in respect of such further Notes also and/or new security will be granted over any further senior note or the Senior Note as so amended or supplemented to secure amounts due on the Notes and such further Notes and the Trustee is entitled to assume without enquiry that this arrangement as regards security for the Notes will not be materially prejudicial to the interests of the Noteholders. Such further Notes shall be issued under a deed supplemental to the Trust Deed. Any further issue which is to form a single series with the Notes for non-U.S. tax purposes that is not issued pursuant to a "*qualified reopening*" for U.S. federal income tax purposes shall be issued with a separate CUSIP and ISIN than the Notes.

17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

18. GOVERNING LAW AND JURISDICTION

The Notes, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with them, are governed by and shall be construed in accordance with, English law.

The Issuer has (i) submitted in the Trust Deed to the exclusive jurisdiction of the courts of England for the purposes of hearing any determination and suit, action or proceedings or settling any disputes arising out of or in connection with the Trust Deed and the Notes; (ii) waived any objection which it might have to such courts being nominated as the forum to hear and determine any such suit, action or proceedings or to settle any such disputes and agreed not to claim that any such court is not a convenient or appropriate forum; and (iii) designated a person in England to accept service of any process on its behalf.

THE FORM OF GLOBAL NOTES

The Global Notes contain provisions which apply to the Notes while they are in global form, some of which modify the effect of the terms and conditions of the Notes set out in this document. Set out below is a summary of certain of those provisions.

The Form of Global Notes

All Notes will be in fully registered form, without interest coupons attached. The Notes sold in reliance on Regulation S under the Securities Act will be represented on issue by the Unrestricted Global Note, which will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg. Beneficial interests in the Unrestricted Global Note may be held only through Euroclear or Clearstream, Luxembourg or their participants at any time. See "*Book-entry Clearance Systems*". By acquisition of a beneficial interest in the Unrestricted Global Note, the purchaser thereof will be deemed to represent, among other things, that it acquired such beneficial interest in accordance with Regulation S and that it will only offer, sell, pledge or otherwise transfer such beneficial interest in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S. See "*Subscription and Sale*" and "*Transfer Restrictions*".

The Notes sold in reliance on Rule 144A will be represented on issue by the Restricted Global Note, which will be deposited with a custodian for, and registered in the name of a nominee of, DTC. Beneficial interests in the Restricted Global Note may only be held through DTC or its participants at any time. Beneficial interests in the Restricted Global Note may only be held by persons who are QIBs who are also QPs, holding their interests for their own account or for the account of one or more QIBs who are also QPs. By acquisition of a beneficial interest in the Restricted Global Note, the purchaser thereof will be deemed to represent, among other things, that it is a QIB that is also a QP and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Restricted Global Note. See "*Subscription and Sale*" and "*Transfer Restrictions*".

Beneficial interests in Global Notes will be subject to certain restrictions on transfer set out therein and under "*Transfer Restrictions*" and in the Agency Agreement and such Global Notes will bear a legend as set out under "*Transfer Restrictions*". On or prior to the 40th day after the later of the commencement of the offering and the Closing Date, ownership of interests in the Unrestricted Global Note will be limited to persons who have accounts with Euroclear or Clearstream, Luxembourg, or persons who hold interests through Euroclear or Clearstream, Luxembourg, and any sale or transfer of such interests to U.S. persons shall not be permitted during such period unless such resale or transfer is made pursuant to Rule 144A as provided below.

Amendments to the Conditions

The Global Notes contain provisions that apply to the Notes that it represents, some of which modify the effect of the above Conditions of the Notes. The following is a summary of those provisions:

1. Payments

Payments of principal and interest in respect of Notes evidenced by the Global Note will be made against presentation for endorsement by the Principal Paying Agent and, if no further payment falls to be made in respect of the relevant Notes, surrender of the Global Note to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the relevant Noteholders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to the Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the relevant Notes.

2. Payment Record Date

Each payment in respect of the Global Note will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System

Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Note is being held is open for business.

3. Notices

Notwithstanding Condition 14 (*Notices*), so long as the Notes are represented by a Global Note and the Global Note is held on behalf of Euroclear, Clearstream, Luxembourg, the DTC or any other clearing system, notices to Noteholders represented by such Global Note may be given by delivery of the relevant notice to such clearing system for communication to the relative accountholders rather than by publication as required by Condition 14 (*Notices*), *provided that*, for so long as the Notes are listed on a Stock Exchange, the Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of such Stock Exchange on which the Notes are for the time being listed.

4. Meetings

The holder of the Global Note will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and, at any such meeting, as having one vote in respect of each U.S.$1,000 in principal amount of Notes for which the Global Note may be exchanged.

5. Trustee Powers

In considering the interests of Noteholders while the Global Note is held on behalf of a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Note and may consider such interests as if such accountholders were the holders of the Global Note.

6. Prescription

Claims against the Issuer in respect of principal and interest on the Notes while the Notes are represented by the Global Note will become void unless it is presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8 (*Taxation*) of the Notes).

7. Cancellation

Cancellation of any Note required by the Conditions to be cancelled following its purchase will be effected by reduction in the principal amount of the relevant Global Note.

Terms defined in the "*Terms and Conditions of the Notes*" have the same meaning in paragraphs 1 to 7 above

Exchange of Interests in Global Notes for Note Certificates

The Restricted Global Note will become exchangeable, free of charge to the holder, in whole but not in part, for Note certificates in definitive, registered form ("**Restricted Note Certificates**") if DTC (a) notifies the Issuer or the Bank that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Restricted Global Note or ceases to be a "**clearing agency**" registered under the Exchange Act, or is at any time no longer eligible to act as such, and the Issuer or the Bank are unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC, or (b) an Event of Default (as defined and set out in Condition 9 (*Enforcement*) of the Notes) occurs, or (c) the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 8 (*Taxation*) which would not be suffered were the Notes in definitive form and a certificate to such effect signed by two members of the management board of the Issuer is given to the Trustee. In such circumstances, such Restricted Note Certificates shall be registered in such names as DTC shall direct in writing and the Issuer or the Bank will procure that the Registrar notify the holders as soon as practicable after the occurrence of the events specified in (a), (b) or (c).

The Unrestricted Global Note will become exchangeable, free of charge to the holder, in whole but not in part, for Note certificates in definitive form ("**Unrestricted Note Certificates**") if (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or does in fact do so, or (b) an Event of Default (as defined and set out in Condition 9 (*Enforcement*) of the Notes) occurs, or (c) the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations

(taxation or otherwise) of any jurisdiction referred to in Condition 8 (*Taxation*) which would not be suffered were the Notes in definitive form and a certificate to such effect signed by two members of the management board of the Issuer is given to the Trustee. In such circumstances, such Unrestricted Note Certificates will be registered in such names as Euroclear and Clearstream, Luxembourg shall direct in writing and the Issuer or the Bank will procure that the Registrar notify the holders as soon as practicable after the occurrence of the events specified in (a), (b) or (c).

In the event that the Restricted Global Note is to be exchanged for Restricted Note Certificates or the Unrestricted Global Note is to be exchanged for Unrestricted Note Certificates (together "**Note Certificates**"), the relevant Global Note shall be exchanged in full for the relevant Note Certificates and the Issuer or the Bank will, without charge to the holder or holders thereof, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange, cause sufficient Note Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders.

On exchange, a person having an interest in a Global Note must provide the Registrar with (i) a written order containing instructions and such other information as the Issuer, the Bank and the Registrar may require to complete, execute and deliver such Note Certificates, and (ii) in the case of the Restricted Global Note only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A to a QIB that is also a QP. Note Certificates issued in exchange for a beneficial interest in the Restricted Global Note shall bear the legends applicable to transfers pursuant to Rule 144A, as set out under "*Transfer Restrictions*" below. Restricted Note Certificates issued, as described above, will not be exchangeable for beneficial interests in the Unrestricted Global Note and Unrestricted Note Certificates issued, as described above, will not be exchangeable for beneficial interests in the Restricted Global Note.

In addition to the requirements described under "*Transfer Restrictions*" below, the holder of a Note may transfer such Note only in accordance with the provisions of Condition 3 (*Register, Title and Transfers*) of the Notes.

Upon the transfer, exchange or replacement of a Restricted Note Certificate bearing the legend referred to under "*Transfer Restrictions*" below, or upon specific request for removal of the legend on a Restricted Note Certificate, the Issuer will deliver only Restricted Note Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer, the Bank and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer or the Bank that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

The Registrar will not register the transfer of any Notes or exchange of interests in a Global Note for Note Certificates for a period of 15 calendar days ending on the due date of any payment of principal or interest in respect of such Notes.

USE OF PROCEEDS

The net proceeds of the Notes will be used by the Issuer for the sole purpose of financing the purchase of the Senior Note to be issued by the Bank on the issue date of the Notes. The proceeds of the Senior Note will be used by the Bank for medium term funding and to help enhance the capacity of the Bank to support international trade and service across Africa.

SELECTED FINANCIAL AND OTHER INFORMATION

The following tables set forth selected historical financial information derived from the Financial Statements. The Annual Financial Statements have been prepared in accordance with IFRS and in accordance with the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 (now repealed), Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria of 2004 (now repealed), the Financial Reporting Council Act No. 6, 2011 and relevant CBN circulars and guidelines and are presented in Naira and included elsewhere in this Prospectus. The Interim Financial Statements were prepared in accordance with IAS 34.

Prospective investors should read the following selected financial and other information in conjunction with the information contained in "*Management's Discussion and Analysis of Results of Operations and Financial Condition*", "*Selected Statistical and Other Information*" and the Financial Statements, and the related notes thereto.

Statement of financial position

	As at 30 September	As at 31 December		
	2020	**2019**	**2018[(1)]**	**2017**
		(₦ millions)		
ASSETS				
Cash and cash equivalents	139,882	138,396	154,945	133,494
Mandatory reserve deposits with Central Bank	507,739	350,366	316,526	257,237
Loans and advances to customers[(2)]	862,002	811,606	813,534	831,573
Derivative financial assets	10,271	12,754	8,814	8,956
Financial assets held for trading	-	-	35,114	34,452
Investment Securities: available-for-sale	-	-	340,997	321,644
Loans and receivables	-	-	40,510	27,722
Investment securities:				
–Fair value through profit or loss	35,030	54,750	-	-
–Fair value through other comprehensive income	331,769	329,514	-	-
–Held at amortised cost	22,668	1,433	-	-
Pledged assets	146,630	128,184	87,561	91,360
Property, plant and equipment	72,444	73,813	71,977	79,024
Intangible assets	3,350	5,181	5,967	1,419
Right-of-use assets	2,988	3,564	-	-
Deferred tax assets	12,312	12,312	12,262	12,312
Other assets	82,292	69,167	39,682	30,568
Retirement benefit assets	-	-	-	-
Total assets	**2,229,377**	**1,991,040**	**1,927,889**	**1,829,762**
LIABILITIES				
Deposits from banks	267,749	226,058	169,663	136,596
Deposits from customers	1,498,119	1,354,699	1,283,173	1,098,302
Derivative financial liabilities	6,225	8,327	1,690	6,816
Borrowings	53,416	79,896	160,828	160,922
Current income tax liabilities	1,971	2,184	2,839	4,671
Retirement benefit liabilities	1,803	1,800	328	1,856
Provision for litigation	1,726	1,651	1,438	5,170
Lease liabilities	86	86	-	-
Other liabilities	109,230	52,069	89,389	148,099
Total liabilities	**1,940,325**	**1,726,770**	**1,709,348**	**1,562,432**
SHAREHOLDERS' EQUITY				
Share capital	13,719	13,719	11,457	10,074
Share premium	179,316	179,316	149,903	131,928
Retained earnings	(8,989)	(16,854)	(27,891)	31,680
Other reserves	105,006	88,089	85,072	93,647
Total shareholders' equity	**289,052**	**264,270**	**218,541**	**267,329**
Total liabilities and shareholders' equity	**2,229,377**	**1,991,040**	**1,927,889**	**1,829,761**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

(2) Net of provisions for loan losses.

Selected statement of profit or loss and other comprehensive income information

	For the nine months ended 30 September		For the years ended 31 December		
	2020	**2019**	**2019**	**2018**[1]	**2017**
			(₦ millions)		
Gross revenue......................................	**121,980**	**139,729**	**194,871**	**231,227**	**251,061**
Interest income......................................	94,516	102,357	138,919	170,940	180,417
Interest expense....................................	(46,054)	(76,752)	(100,773)	(84,744)	(73,777)
Net interest income..............................	**48,462**	**25,605**	**38,146**	**86,196**	**106,640**
Fee and commission income	9,989	17,015	21,861	20,238	21,270
Fee and commission expense	(5,572)	(7,092)	(10,130)	(7,001)	(11,884)
Net fee and commission income.............	**4,417**	**9,923**	**11,730**	**13,237**	**9,386**
Net gain/(loss) from other financial instruments at fair value through profit or loss...	435	144	426	(76)	99
Net trading income................................	15,649	16,181	29,129	31,074	46,890
Other operating income...........................	1,391	4,031	4,537	9,051	2,385
Net operating income before impairment charge for losses...............................	**70,354**	**55,884**	**83,967**	**139,482**	**165,400**
Impairment charge for losses....................	(6,664)	(5,231)	(2,704)	(56,301)	(59,901)
Net operating income after impairment charge for losses...............................	**63,690**	**50,653**	**81,263**	**83,181**	**105,499**
Employee benefit expense	(19,570)	(24,869)	(28,844)	(29,422)	(36,956)
General and administrative expenses	(14,166)	(15,751)	(19,261)	(23,555)	(28,129)
Depreciation and amortisation.................	(5,552)	(5,349)	(8,073)	(6,894)	(6,750)
Other operating expenses	(15,765)	(8,777)	(22,847)	(24,731)	(13,253)
Profit/(loss) before income tax	**8,637**	**(4,093)**	**2,238**	**(1,420)**	**20,411**
Income tax gain/(loss)............................	(712)	-	(982)	(366)	(207)
PROFIT/ (LOSS) FOR THE YEAR.......	**7,925**	**(4,093)**	**1,256**	**(1,786)**	**20,204**
Other comprehensive income:					
Remeasurement of net defined benefit liability..	-	-	(450)	450	(1,299)
Allowance for ECL adjustment on securities..	-	-	(2,209)	3,023	-
Foreign currency translation gain on equity instruments at FVOCI	1,081	-	-	-	-
Movement in investment revaluation reserve for debt instruments at fair value through other comprehensive income......	15,772	1,347	15,460	(21,230)	27,649
Other comprehensive income/(losses) for the year, net of tax............................	**16,854**	**1,347**	**12,801**	**(17,756)**	**26,350**
TOTAL COMPREHENSIVE INCOME/(LOSSES) FOR THE YEAR	**24,779**	**(2,746)**	**14,057**	**(19,542)**	**46,554**
Profit/(loss) attributable to the owners of ETI...	7,925	(4,093)	1,256	(1,786)	20,204
Total comprehensive income/(losses) attributable to the owners of ETI...........	24,779	(2,746)	14,057	(19,542)	46,554
Earnings per share for profit attributable to the owners of ETI (basic and diluted in kobo)	29k	(18k)	5k	(8k)	100k

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

Key ratios

	As at and for the nine months ended 30 September	As at and for the years ended 31 December		
	2020	2019	2018(1)	2017
		(%)		
Profitability ratios:				
Return on average equity(2)	2.9	0.5	(0.7)	8.3
Return on average assets(3)	0.4	0.1	(0.1)	1.1
Net interest margin(4)	3.7	2.2	6.8	8.7
Effective tax rate(5)	8.2	43.9	473	1.01
Balance sheet ratios:				
Loans to customers, net/total assets	38.7	40.8	42.2	45.4
Loans to customers, net/customer deposits	57.5	59.9	63.4	75.7
Deposits from customers/total assets	67.2	68.0	66.6	60.0
Total equity/total assets	13.0	13.3	11.3	14.6
Liquid assets(6)/total assets	18.8	20.5	20.1	18.1
Liquid assets(6)/total deposits	23.7	25.8	26.6	26.8
Liquid assets(6)/customer deposits	27.9	30.1	30.2	30.1
Liquid assets(6)/liabilities of up to three months	34.1	36.4	32.1	31.8
Capital adequacy ratios:				
Total capital	15.33	16.3	11.1	16.1
Tier 1 capital	13.32	13.8	11.2	12.2
Credit quality ratios:				
Non-performing loans(7)/gross loans(8)	21.7	23.9	13.7	14.5
Allowances for impairment losses(9)/non-performing loans	50.0	46.4	89.1	65.0
Allowances for impairment losses(9)/total gross loans to customers	10.8	11.1	12.2	9.4
Impairment charges/average net loans(10)	0.8	0.3	6.8	7.0

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

(2) Return on average equity is calculated as the Bank's net profit for the year or period divided by the average of opening and closing balances of equity of the Bank.

(3) Return on average assets is calculated as the Bank's net profit for the year attributable to equity holders of the Bank divided by the average of opening and closing balances of its total assets.

(4) Net interest margin is calculated as the Bank's net interest income divided by the daily average balance of the Bank's total interest-earning assets (comprised of Government Securities, Interbank Placements, and Total Loans and Advances) during the applicable period.

(5) The Bank has no tax credits in the nine months ended 30 September 2020, and the years ended 31 December 2019, 2018 and 2017, respectively.

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

(7) NPLs are loans to customers that are more than 90 days overdue.

(8) Non-performing loans to gross loans ratio is calculated as NPLs divided by gross loans to customers.

(9) Allowances for impairment losses include allowances for specific impairment that relates to individually significant exposures, and allowances for collective loans, 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.

(10) Impairment charges to average net loans ratio is calculated as impartment charges for the period divided by the average of opening and closing balances of net loans (gross loans less allowances for impairment)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis is intended to assist in the understanding and assessment of the trends and significant changes in the Bank'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 and should be read in conjunction with the Financial Statements and the accompanying notes appearing elsewhere in this Prospectus.

Introduction

The Bank is a leading financial institution offering a wide range of financial services and products to corporate and retail customers throughout Nigeria. According to the most recently available published financial statements of Nigerian banks for 2019, the Bank is ranked seventh in terms of total assets and deposits amongst Nigerian banks. The Bank is a member of the Ecobank Group, a pan-African banking group with operations in 35 African countries and an international presence in four locations (London, Paris, Beijing and Dubai). See "*Description of the Bank—The Ecobank Group*".

Significant factors affecting results of operations

The Bank's performance and results of operations have been and continue to be affected by a number of external factors. There are also various specific factors the Bank believes have affected the Bank's results of operations in the past and that the Bank expects will continue to affect its results in the future. In this section, the Bank sets out those material factors that have had, or may have had, an effect on its results.

Economic condition of Nigeria

The majority of the Bank's assets and customers are located in, or have businesses related to, Nigeria. As a result, the Bank is substantially affected by Nigerian economic conditions. Accordingly, the Bank is substantially affected by regulatory developments in the banking sector, as well as political stability in Nigeria as it affects economic growth generally.

The following table sets forth certain Nigerian economic indicators as at and for the periods indicated.

	As at or for the nine months ended 30 September	**As at or for the years ended 31 December**		
	2020	**2019**	**2018**	**2017**
Nominal GDP at market exchange rates (*₦ trillions*)......	185	446.5	398.2	376.4
Real GDP growth (%)..	(3.62)	2.3	1.9	0.8
GDP per capita (*U.S.$ at purchasing power parity ("**PPP**") market exchange rates*)..............................	2,737	6,050	5,970	5,860
Inflation (*all items, year on year change, as at December in each year*) (%)...	14.9	11.3	12.0	15.4
Population (*millions*)...	208	201.0	195.9	190.9
Total external debt (*U.S.$ billions*)	31	29.8	27.3	25.3
Total external debt (*% of GDP*)	(6.4)	(5.0)	(4.5)	(5.4)
Exchange rate ₦/U.S.$ (*average, Bloomberg NY Composite rates*)...	380	306.5	306.5	305.5

Sources: IMF, CBN, NBS, DMO

The state of the Nigerian economy improved generally over the years 2017 to 2019 and GDP grew by 0.8 per cent., 1.9 per cent. and 2.3 per cent. in 2017, 2018 and 2019 respectively. However, in the first nine months of 2020, GDP declined by 3.62 per cent. largely as a result of the impact of the COVID-19 pandemic. In 2019, the oil sector accounted for 8.8 per cent. of GDP, as compared to 7.1 per cent. in 2018 and 8.7 per cent. in 2017. Inflation levels decreased to 11.3 per cent. in 2019, compared to 12.0 per cent. in 2018 and 15.4 per cent. in 2017. However, the generally high levels of inflation have reduced private consumption and domestic demand. In 2020, the oil sector grew by 5.06 per cent. in the first quarter and 6.63 per cent. in the second quarter. Despite this, the sector declined by 13.89 per cent. in the third quarter of 2020, indicating a sharp contraction of 20.38 per cent. relative to the corresponding quarter in 2019. The sector contributed 8.73 per cent. to total real GDP in the third quarter of 2020, down from 9.77 per cent. and 8.93 per cent. respectively recorded in the corresponding period of 2019 and the second quarter of 2020.

In 2019, the telecommunications industry grew by 11.4 per cent. as compared to 11.3 per cent. in 2018 and as compared to a contraction of 2.0 per cent. in 2017. By the third quarter of 2020, the Information & Communications sector (which includes telecommunications, motion picture, sound recording and music production, and broadcasting) contributed 13.47 per cent to the GDP in the third quarter of 2020 compared to the 17.83 per cent. and 14.07 per cent. recorded in the preceding quarters of the year. In real terms, the Information and Communications sector recorded a growth rate of 14.56 per cent., year on year, an increase of 4.68 per cent. points compared to the previous year. Quarter on quarter, the sector exhibited a decline of 15.29 per cent. in real terms.

Agriculture contributed 21.1 per cent., 21.4 per cent. and 22.1 per cent. to GDP in 2017, 2018 and 2019 respectively, but despite its relatively large share of Nigeria’s production the agricultural sector has shown decreased growth, largely due to continued insurgency in the Northeast and ongoing farmer-herdsmen conflicts. Agriculture grew by 2.3 per cent. and 2.5 per cent. in 2019 and 2018 as compared to 11.1 per cent. in 2017. By the third quarter of 2020, the agricultural sector grew by 1.39 per cent. (year-on-year) in real terms, a drop of 0.89 per cent. points from the corresponding period of 2019, and a decrease of 0.19 per cent. points from the preceding quarter. In terms of contribution, the sector contributed 30.77 per cent. to overall GDP in real terms in the third quarter of 2020, higher than the contribution of the second quarter and first quarter of 2020 which stood at 24.65 per cent. and 21.96 per cent., respectively. The 30.77 per cent. contribution is also higher in comparison to the third quarter of 2019 which was 29.25 per cent.

Manufacturing production accounted for 8.8 per cent., 9.8 per cent. and 11.6 per cent. of GDP in 2017, 2018 and 2019, respectively. The manufacturing sector contracted by 0.2 per cent. in 2017, grew by 2.1 per cent. in 2018 and grew by 0.8 per cent. in 2019. The muted growth in manufacturing was partly due to reduced revenue and performance in the power sector. In 2020, specifically in the third quarter, real GDP decline in the manufacturing sector was 1.51 per cent. (year on year), lower than the same quarter of 2019 but higher than the preceding quarter by 2.60 per cent. points and 7.27 per cent. points, respectively. Real contribution to GDP in 2020 third quarter was 8.93 per cent., higher than the 8.74 per cent. recorded in third quarter of 2019 and higher than the 8.82 recorded in second quarter 2020.

In the third quarter of 2020, the Mining and Quarrying sector contributed 8.91 per cent. to the real GDP, lower than the 9.08 per cent. and the 9.54 per cent. recorded in the second and first quarter of 2020. The Construction sector recorded a contribution of 3.21 percent to the total real GDP in the third quarter, lower than the 3.23 per cent. and 4.08 per cent. contributed to the second and first quarter of 2020. In real terms, Trade’s contribution to the GDP was 13.88 per cent., lower than the 14.28 per cent. recorded in the second quarter of 2020 and 16.08 per cent. in the first quarter of the same year. The Finance and Insurance sector contributed 2.67 per cent to the GDP in the third quarter of 2020, lower than the 4.00 per cent. and 3.57 per cent., recorded in the second and first quarters, respectively.

In 2018, Nigeria’s external reserves were affected by oil price appreciation and increased oil production on one hand and on the other hand from capital flow reversals owing to increased yields in other developed and emerging economies. In the first half of 2018, external reserves rose by U.S.$9.0 billion, reaching a five year high at U.S.$48.0 billion in July 2018, largely supported by stable crude oil production, the issuance of the U.S.$2.5 billion sovereign Eurobond and the global increase in crude oil price. Falling oil prices and a drop in oil production allocation by OPEC led to a month-on-month decline in external reserves in the second half of 2018. As at 31 December 2018, the reserves were U.S.$43.0 billion compared to U.S.$39.4 billion as at 31 December 2017.

The increase in foreign reserves enabled the CBN to maintain foreign exchange stability by intervening in the markets in 2019 via dollar injections. However, weakening oil prices, continued instability in the foreign exchange market and the repatriation of investment by foreign portfolio investors led to a considerable depreciation of Nigeria's external reserves over the course of 2019. External reserves are above U.S.$35 billion as at 31 November 2020.Impact of COVID-19.

To date, the COVID-19 pandemic has negatively impacted the global and Nigerian economies through the disruption of global supply chains and lowered equity market valuations. It has created significant volatility and disruption in financial markets, and increased unemployment levels. In addition, the COVID-19 pandemic has resulted in temporary closures of many businesses and the institution of social distancing and sheltering in place requirements in many states and communities. Measures implemented to slow the spread of COVID-19, have resulted in significant reductions in economic activity globally. In Nigeria, there has been an adverse impact and a decline in revenue for the Federal Government, oil sector operators, hospitality, airlines, tourism, entertainment, education and transportation and other service sectors, resulting in significant implications for international trade, the value of the Naira and economic growth. COVID-19's impact on the Nigerian economy in the first half of 2020 has resulted in the devaluation of the Naira, a material decline in the Nigeria's economic activity and a reduction in the ability for customers from certain industries highly impacted by the COVID-19 pandemic to pay their debt. In the long-run, there may be further negative effects from the COVID-19 pandemic on the macro-economic condition in Nigeria and further devaluation of the Naira.

The significant devaluation of the Naira because of the COVID-19 pandemic, coupled with the fall in the price of oil in April 2020, revenues from which provides about 90 per cent. of the country's foreign exchange, led to a dollar currency shortage in Nigeria. Due to this currency shortage, the Bank's borrowers may struggle to obtain the dollars they require to pay their foreign denominated loans and advances, which could have a material adverse effect on the Bank's business, results of operations and financial condition. As at 30 September 2020, the Bank's NPLs in its foreign currency loan book were 59.3 per cent., compared to 53.5 per cent. at 31 December 2019.

In response to the COVID-19 pandemic and its impact on the Nigerian economy, the Federal Government and CBN introduced financial forbearance and other palliative measures to support businesses and individuals through COVID-19 as described below in "*– Forbearance Programme*".

Impairment charge

The primary impact of the COVID-19 pandemic on the Bank's results of operations for the nine months ended 30 September 2020 was an increase in the Bank's impairment charge on credit losses. Impairment charge for credit losses increased by ₦1.4 billion, or 26.9 per cent. to ₦6.7 billion in the nine months ended 30 September 2020, compared to an impairment charge for credit losses of ₦5.2 billion in the nine months ended 30 September 2019. The increase was primarily due to (i) the Bank's increased provisioning following a review of certain customer's ability to pay their loans due to the economic impact of the COVID-19 pandemic and (ii) the devaluation of the Naira coupled with a growth in foreign currency NPLs (due in part to the U.S. dollar shortage in Nigeria) between March and September 2020. Due to both the impact of the COVID-19 pandemic and the Bank's decision to increase its coverage ratio going forward, this may increase impairment charges going forward.

Low Interest Rate Environment

In addition, the COVID-19 pandemic has resulted in a lower interest rate environment. The average rate of interest earned on interest-earning assets decreased by 60 basis points to 8.6 per cent. in the nine months ended 30 September 2020 from 14.4 per cent. in the nine months ended 30 September 2019. The average rate of interest accrued on interest-bearing liabilities decreased by 63 basis points, to 3.6 per cent. in the nine months ended 30 September 2020 from 5.7 per cent. in the nine months ended 30 September 2019. As a result, net interest spread (defined as the difference between the average rate of interest earned on interest earning assets and the average rate of interest accrued on interest-bearing liabilities) decreased by 10 basis points to 4.4 per cent. in the nine months ended 30 September 2020 from 4.9 per cent. in the six months ended 30 September 2019.

	For the nine months ended 30 September	For the nine months ended 30 September
	2020	2019
Average yield on assets (%)..............................	8.6	14.4
Average cost of Funds (%)...............................	3.6	5.7

The Forbearance Programme

In response to the COVID-19 pandemic and its impact on the Nigerian economy, the Federal Government and CBN have introduced financial forbearance and other palliative measures to support businesses and individuals through COVID-19. In May 2020, the CBN, with the support of the Federal Government, implemented the Forbearance Programme, requiring all Nigerian banks to allow a moratorium on the payment of principal and to temporarily reduce interest rates (for a maximum of 12 months) on loans to customers in certain sectors of the economy significantly impacted by the COVID-19 pandemic, including but not limited to customers in the manufacturing, oil and gas, agriculture, real estate/construction and tourism sectors. Those eligible for the Forbearance Programme must apply for the programme and be approved by the Bank in accordance with guidelines issued by CBN. The Forbearance Programme is currently envisaged to end in March 2021.

As of 30 September 2020, 47 per cent. of the Bank's loan portfolio (direct and indirect) benefitted from the Forbearance Programme. Substantially all of the Bank's customers that benefitted from the Forbearance Programme continued to make timely payments of the interest on their loans. Loans approved for the Forbearance Programme are not treated as NPLs. However, there can be no assurances that these measures will sufficiently mitigate the adverse effects of the COVID-19 pandemic on the Bank's customers and borrowers. The Bank is actively monitoring the portfolio vis-à-vis market events to effectively manage the performance of the Loan portfolio. Despite the pandemic, there has been a reduction in the NPLs between December 2019 and September 2020. Many customers benefitting from the Forbearance Programme have continued to make payments to the Bank during the first nine months of 2020 and the increased net interest income for this period compared to the same period in 2019, despite the COVID-19 pandemic, indicates the capacity of the Bank's customers, including those currently enjoying payment holidays, to meet their payment obligations even after the end of the deferral period. The Bank is also taking proactive steps to restructure certain of these loans to make them more consistent with the customers' cashflow capacity. Certain of these loans will also benefit from other Federal Government and CBN programs available to support businesses. The Bank will continue to monitor the loan portfolio as the Forbearance Programme ends.

Impact of Oil Production and Prices

The Nigerian economy is highly influenced by oil prices and Nigeria's level of oil and gas production. According to NBS, the oil and gas sector accounted for 8.73 per cent. of total real GDP in the third quarter of 2020, down from 9.77 per cent. and 8.93 per cent. recorded in 2019 and the second quarter of 2020 respectively. As indicated by GDP growth rates, the Nigerian economy has not fully recovered from a significant decline in monthly crude oil price (Bonny Light), which decreased from an average of U.S.$113.77 per barrel in 2008 to U.S.$63.90 in 2009, and has remained at a similar level through 2019 with an average price per barrel of U.S.$65.11, U.S.$62.00 and U.S.$59.10 in 2017, 2018 and 2019, respectively. As of 30 September 2020, the price per barrel was U.S.$39.74.

The OPEC Reference Basket price (which represents a weighted average of oil prices collected from various oil producing countries) was U.S.$67.12 on 2 January 2020. As a result of the several international factors, the OPEC Reference Basket prices fell significantly in March 2020 to U.S.$34.72 on 9 March 2020, a decrease of 28.2 per cent. The OPEC Reference Basket price continued to fall significantly through April 2020 where it reached a low of U.S.$12.41 on 28 April 2020. Since April

2020, oil prices have slowly increased. As at 30 June 2020, the OPEC Reference Basket price increased to U.S.$38.22, and further to U.S.$40.65 as at 30 September 2020. See "*Risk Factors — The Bank's loan portfolio is concentrated to borrowers in the oil and gas sector and as such, the Bank's business is highly dependent on oil production in Nigeria, global prices of oil and developments in the Nigerian oil and gas sector*".

The global oil industry impacts the Nigerian banking sector and the Bank at a macro level to the extent that Nigerian federal revenues and expenditure are tied to revenues from crude oil. For the nine months ended 30 September 2020, 40.2 per cent. of the Bank's total gross loans and advances to customers were extended to companies in the oil and gas sector. In comparison, for the year ended 31 December 2019, 39.9 per cent. of the Bank's total gross loans were extended to companies in the oil and gas sector, compared to 42.8 per cent. as at 31 December 2018 and 42.7 per cent. as at 31 December 2017.

Revenue from oil provides approximately 90 per cent. of the country's foreign exchange revenues, and the fall in oil prices in the second quarter of 2020 led to a shortage of US Dollars in Nigeria. As a result, some of the Bank's borrowers have struggled to source dollars required to meet their obligations on foreign denominated loans and advances. This, in addition to the impact of the COVID-19 pandemic led to a 6 per cent. growth in the Bank's foreign currency denominated NPLs by ₦7.2 billion between December 2019 and September 2020. The increase was however cushioned by the Bank's aggressive recovery and remedial efforts including growth of the loan portfolio with good quality risk assets .Over the same period there has been a marginal reduction in the Bank's NPLs despite the COVID-19 pandemic.

Effect of exchange rate movements

The Bank's functional and reporting currency is the Naira. As at 30 September 2020, 28.5 per cent. and 32.6 per cent. of the Bank's financial assets and financial liabilities, respectively, were denominated in foreign currencies. As at 31 December 2019, 31.1 per cent. and 34.3 per cent. of the Bank's financial assets and financial liabilities, respectively, were denominated in foreign currencies. Consequently, the Bank's results are affected by changes in foreign exchange rates.

There are multiple national exchange rates in Nigeria. From June 2016, the CBN has utilised market-driven currency trading under a flexible, floating exchange rate system. After several attempts at loosening currency controls, in April 2017 the CBN established a special foreign exchange window for investors, exporters and end-users on over-the-counter markets called the Nigerian Autonomous Foreign Exchange Market ("**NAFEX**"). In August 2017, the CBN authorised Nigerian Banks to begin quoting at the NAFEX rate instead of the official rate. Under the NAFEX, the Naira was valued at ₦385.8 per U.S. dollar as at 30 September 2020 and ₦360.5, ₦364.3 and ₦362.8 per U.S. dollar as at 31 December 2017, 31 December 2018 and 31 December 2019, respectively. As of 30 September 2020, the Bank uses the NAFEX rate for its banking operations. The Nigerian Foreign Exchange Fixing ("**NiFEX**") rate, which was published independently by the FMDQ OTC Securities Exchange ("**FMDQ**") was used as the reference rate for the valuation of OTC FX futures until the FMDQ ended its publication in March 2018. In 2017, the Bank transitioned from the Official Exchange Rate to the NiFEX in order to provide a more market-based presentation of foreign-currency assets, liabilities and profit-and-loss items. This led to foreign currency time deposits and domiciliary balances being translated at a higher rate in 2018 than in 2017, contributing to an increase in interest expense of 14.9 per cent. In addition, there is also the CBN's official foreign exchange rate. Under the CBN official rate, which is the rate at which the CBN executes spot FX interventions in the inter-bank and secondary foreign exchange markets, the Naira was valued at ₦379.5 per U.S. dollar, ₦306.5, ₦306.5 and ₦305.5 per U.S. dollar as at 30 September 2020, 31 December 2019, 31 December 2018, 31 December 2017, respectively. While the Bank primarily uses the NAFEX rate to translate its balance sheet, its borrowers may choose or, due to a currency shortage at a particular rate, be forced to use, any of the above mentioned exchange rates to obtain the necessary currency to pay their debts. As the rates differ materially, the foreign exchange cost to the Bank's borrowers could also vary significantly each time they translate their loan payments.

As at 30 September 2020, 53.1 per cent. of the Bank's net loans and advances to customers were denominated in U.S. dollars. As at 31 December 2019, 58.9 per cent. of the Bank's net loans and advances to customers were denominated in U.S. dollars. A decline in value of the Naira against the U.S. dollar may mean that loans and borrowings denominated in U.S. dollars will increase in size within the Bank's portfolio when the amounts are translated into Naira even though the actual U.S. dollar amount of the loan or borrowings may not have increased. Further depreciation of the Naira, particularly against the U.S. dollar, could cause the Bank's loans and borrowings to show an increase although there is no actual organic growth. Furthermore, the Bank may experience material declines in asset quality following a Naira depreciation, reflecting decreased capacity of borrowers to meet their obligations under their loan agreements with the Bank. The Bank is exposed to foreign exchange risk primarily through its foreign currency denominated loan and deposit portfolios, its borrowings in foreign currency and through its activities as an intermediary in foreign exchange transactions between central and commercial banks.

The COVID-19 pandemic has significantly impacted the foreign exchange rate for the Naira and as at 30 September 2020, the CBN official exchange rate per U.S. dollar was ₦385.8. In numerous ways, the Bank's risks relating to the movement of the Naira against the U.S. dollar have worsened due to the impact of COVID-19 pandemic on all economic indicators. See "*Risk Factors – The Bank is subject to foreign exchange risk and is affected by changes in the value of the Naira against other currencies, as well as risks due to US dollar shortages in Nigeria, all of which have worsened due to the COVID-19 pandemic*" and "*Risk Factors – The existence of multiple foreign exchange markets with different exchange rates may impact the likelihood of future devaluations of the Naira against the U.S. dollar, which may impact the Bank's financial condition and/or results of operations*".

Interest rate environment and funding

One of the most significant factors affecting the Bank's profitability is the level of, and fluctuations in, interest rates in Nigeria over time, which in turn (along with the volume of loans and deposits) influence the interest income generated by the Bank's assets (primarily loans and advances to customers) and the interest expense associated with its liabilities (primarily deposits). Increases in interest rates have tended to increase the Bank's net interest margin as its lending rates reprice in line with market fluctuations whereas decreases in interest rates, to an extent, have tended to have a negative impact on net interest margins. However, due to the fact that the Bank's funding base is predominantly made up of low cost retail deposits (comprising 58.2 per cent. of total deposits as at 30 September 2020), which tend to have relatively low interest rates, remain stable and do not increase significantly if market rates increase, fluctuations in interest rates do not have a significant impact on most of the deposits held by the Bank. Movements in short- and long-term interest rates also have affected the Bank's level of gains and losses on its investment and trading portfolio.

The MPR was held constant at 14.0 per cent. throughout 2017 and 2018. In March 2019, the MPR was decreased to 13.50 per cent. and 11.5 per cent. in September 2020. Despite this decrease, the historically high MPR has resulted in increasing pressure on the Bank's net interest margins. The weighted average prime lending and average time deposit rates in 2018 were 14.0 per cent. and 8.9 per cent., respectively, while for 2019, the rates closed at 11.5 per cent. and 9.1 per cent., respectively. In 2019, treasury yields generally trended downward as a result of increased demand from foreign investment given the relatively peaceful general elections and the higher yields offered on Nigerian treasury bills relative to peer countries. However, the general decline in yield has also had a negative effect on net interest margin and has constrained operating income even as operating expenses have increased at a level below the rate of inflation. The Bank's cost to income ratio has decreased to 78.3 per cent. for the nine months ended 30 September 2020 from 94.1 per cent. for the year ended 31 December 2019, 60.7 per cent. for the year ended 31 December 2018 and 51.4 per cent. for the year ended 31 December 2017.

The Bank generates a significant portion of its interest income from loans and advances to customers, which represented 38.7 per cent. of total assets as at 30 September 2020 and 40.8 per cent. of total assets as at 31 December 2019. The average interest rate on the Bank's loans and advances to customers was 6.8 per cent. in the nine months ended 30 September 2020, 8.2 per cent. in the year ended 31 December

2019, 13.0 per cent. in the year ended 31 December 2018 and 14.3 per cent. in the year ended 31 December 2017. The Bank also generates a significant amount of interest income from its investment securities, which represented 46.9 per cent. of total interest income and 29.0 per cent. of total assets for the nine months ended and as at 30 September 2020, respectively, and 44.0 per cent. of total interest income and 30.0 per cent. of total assets for the year ended and as at 31 December 2019, respectively. The average interest rate on the Bank's investment securities was 11.2 per cent. in the nine months ended 30 September 2020, 14.2 per cent. in the year ended 31 December 2019, 14.8 per cent. in the year ended 31 December 2018 and 15.5 per cent. in the year ended 31 December 2017, respectively.

Banking regulatory environment

The Bank's results of operations and financial position are affected by the banking regulatory regimes of the jurisdictions in which it operates and, in Nigeria, any CBN regulations affecting reserve requirements and/or market liquidity. Since 2017, the Bank has been subject to increasingly complex policy interventions by the CBN aimed at stabilising foreign currency and market liquidity and encouraging foreign investment.

The Bank is required to maintain a minimum capital adequacy ratio of 10 per cent. In addition, the Bank must comply with the CRR, which is the minimum amount of total deposits from customers that the CBN requires commercial banks to hold as reserves in the form of cash or deposits with the CBN. In March 2016, the CBN's Monetary Policy Committee increased the CRR by 250 basis points to 22.5 per cent. The CRR remained at this level until 24 January 2020, when the Monetary Policy Committee of the CBN voted to increase the CRR to 27.5 per cent. in order to address the rising rate of inflation in the last four months of 2019. The increase in CRR has impacted the Bank's cost of funds adversely in addition to reducing the amount of funding available for lending.

The Bank is also affected by changes in the general liquidity levels of the Nigerian economy, which are largely determined by CBN policy. Naira liquidity levels in the Nigerian economy remained high in the period under review, as several treasury bills and open market operation bills reached maturity during the fourth quarter of 2019. In a departure from past practice, the CBN opted not to roll over maturing open market operation ("**OMO**") bills and passed a regulation excluding individuals and corporate investors from the primary and secondary OMO markets. The policy changes aimed to drive domestic interest rates lower while, simultaneously, OMO rates were maintained at a high level in order to attract foreign inflows. The CBN also increased the overall yield on OMO bills with the one-year OMO bill printing at 15.5 per cent. The increased yield on OMO securities helped to support the Naira, which came under some pressure due to the exit of foreign investors. This has resulted in excess liquidity in the Nigerian economy. Increases in the general liquidity levels in the Nigerian economy generally lead to an increase in lending across the Nigerian banking sector and a decrease in average interest rates. In 2020, the CBN is expecting a medium-term liquidity surplus due to maturing treasury bills held by local private and institutional investors.

The CBN announced new measures to boost bank lending to the private sector by directing deposit money banks to maintain a minimum loan-to-deposit ratio ("**LDR**") of 60.0 per cent. with effect from 30 September 2016. This minimum LDR was further increased to 65.0 per cent., effective 30 September 2019. The changes to the minimum LDR led the Bank to increase its lending to the agriculture, trade and manufacturing sectors to further the banks portfolio diversification.

On 21 April 2017, the CBN released the Revised Guide to Bank Charges, which provides a standard for the application of charges in the banking industry, and took effect from 1 May 2017. The Revised Guide to Bank Charges provides that banks must pay interest on savings deposits in Nigeria at a minimum rate equal to 30 per cent. of the MPR established by the CBN. At the current MPR of 11.5 per cent., this translates to a minimum of 4.1 per cent. per annum.

Furthermore, on 19 December 2019, the CBN published a Revised Guide to Charges by Banks, Other Financial Institutions and Non-Banks, which took effect on 1 January 2020. The new guidance required banks and non-bank financial institutions to reduce charges applicable to bank accounts, electronic transfers, and ATMs. The implementation of this rule has led to a decrease in net fee and commission income for the Bank, which decreased by 55.5 per cent. to ₦4.4 billion for the nine months ended 30 September 2020 from ₦9.9 billion for the nine months ended 30 September 2019.

See "*Risk Factors—Risks relating to the Bank's business—The Bank operates in an uncertain regulatory environment and recent changes to and by the CBN may have a material adverse effect on the Bank*".

Impact of non-performing loans and the overall quality of the Bank's risk assets

The Bank has an NPL ratio that was higher than the industry average in the past and has been focused on improving the quality of its loan portfolio in recent years. The Bank's NPLs, as a percentage of gross loans, increased from 13.7 per cent. of total gross loans and advances as at 31 December 2018 to 23.9 per cent. of total gross loans and advances as at 31 December 2019 before decreasing to 21.7 per cent. of total gross loans and advances as at 30 September 2020. As of 30 September 2020, 47 per cent. of the Bank's loan portfolio (direct and indirect) benefitted from the Forbearance Programme. Loans approved for the Forbearance Programme are not treated as NPLs. See "*Risk Factors – The Bank has seen an increase in non-performing loans recently and may experience similar increases in NPLs in the future*". Moreover, the Bank's impairment allowance for credit losses increased from ₦113 billion in 2018 to ₦101.4 billion in 2019 and to ₦105 billion in September 2020. The high NPL levels recorded in 2018, 2019 and the first nine months of 2020 largely reflected the weakened macroeconomic environment as a result of the decrease in oil prices and the devaluation of the Naira.

The Bank's NPLs are concentrated primarily in the oil and gas, trade, and real estate and construction sectors, comprising 36.1 per cent., 18.6 per cent. and 12.9 per cent., respectively, as at 31 December 2019 and 39.5 per cent., 15.8 per cent. and 13.7 per cent., respectively, as at 30 September 2020.

The Bank relies to a large extent on collateral to cover its NPLs and the Bank's NPL Coverage Ratio was 50.4 per cent., 46.4 per cent. and 66.2 per cent. as at 30 September 2020, 31 December 2019 and 31 December 2018, respectively. Accordingly, any decline in the value of the collateral securing the Bank's NPLs can reduce the ability of the Bank to make recoveries in respect of its NPLs and impact on the Bank's financial performance (see "*Risk Factors—Risks relating to the Bank's Business– A decline in the value or the illiquidity of the collateral securing the Bank's loans may adversely affect its loan portfolio*" below). The Bank has also made the decision to increase its coverage ratio on NPLs going forward, which may result in higher impairment charges in future periods.

Non-performing loans directly impact the capital and profitability of the Bank by impairing the value of its balance sheet assets. A high NPL ratio has, in the past, limited the Bank's willingness to extend credit to certain sectors. However, going forward, the Bank is focusing efforts on diversifying and growing its loan portfolio. The Bank aims to improve its overall asset quality year-on-year and measures the quality of its risk assets through an assessment of NPL ratio, the ratio of loan loss expenses to total loan revenue and the ratio of loan loss provision to gross non-performing loans.

Competition

The banking industry in Nigeria has become increasingly competitive, which has resulted in increasing pressure especially on the loan rates chargeable by the Bank, particularly in the corporate segment.

In 2018, the CBN published a new licensing framework applicable to all payment service providers and financial technology companies, permitting these entities to offer certain banking services subject to meeting specific requirements including minimum capitalisation levels. See "*Description of the Bank—Competition*". The Bank believes that the introduction of these financial service providers into the market, as well as the general trend toward consolidation in the Nigerian banking sector, may further increase competition as larger bank and financial services providers seek to take advantage of economies of scale and greater capacity to undertake larger loans and other operations. See "*Description of the Bank—Competition*" and "*Risk Factors—Risks related to the Bank's Business—The Bank faces increased levels of competition in the Nigerian banking industry*". This increased competition is likely to result in a further narrowing of spreads between deposit and loan rates.

Level and cost of deposits

Similar to other banks in Nigeria, the Bank has historically relied almost exclusively on depositors to meet their funding needs as access to other funding sources, including the capital markets, has been limited. Nigerian companies and individuals usually withdraw their deposits on a frequent basis and do not typically place significant funds in deposits on a long-term basis. The CBN requires Nigerian banks to maintain a minimum 30.0 per cent. liquidity ratio to meet short term liquidity needs. Decreases in corporate deposits and/or unexpected withdrawals of retail deposits can increase the Bank's costs of funding when other sources of funding are not available on commercially reasonable terms or in time to meet the Bank's funding requirements. As at 30 September 2020, the Bank's liquidity ratio was 34.1 per cent., compared with 36.4 per cent. as at 31 December 2019, 46.6 per cent. as at 31 December 2018 and 42.3 per cent. as at 31 December 2017.

Demand for the Bank's products

The Bank generates its interest income primarily from loans and advances to customers and, to a lesser extent, from investment securities and loans to banks. In addition, a significant portion of the Bank's fee and commission income, which consists of fees arising from transaction and banking activity, facility fees and administrative fees, is associated with the volume of new loans extended by the Bank and payment services. Demand for the Bank's loans and other products, and the Bank's ability to continue to create loans, affect the size of the Bank's loan portfolio and, in turn, the Bank's results of operations. Demand for the Bank's loans and other products depend on several factors, which include economic and political conditions in Nigeria and elsewhere in Africa, conditions prevailing in the Nigerian banking sector, the Bank's competitive environment and the Bank's ability to take advantage of growth opportunities.

Significant accounting policies

The Bank's financial position and results of operations presented in the Financial Statements and the notes thereto, as well as selected statistical and other information appearing elsewhere in this Prospectus are prepared in accordance with IFRS and depend upon the Bank's accounting policies, which in some cases involve a significant amount of Management judgment. The Bank has identified accounting policies that it believes are the most important to an understanding of the results of operations and financial condition of the Bank. The Bank's significant accounting policies are described in Note 2 to the Annual Financial Statements. The Bank has also identified certain accounting policies that require Management judgments, estimates or assumptions that affect the application of the Bank's accounting policies and the actual reported amounts of assets, liabilities, income and expenses may differ from these Management estimates. These critical accounting policies that require Management's subjective and complex judgment about matters that are inherently uncertain. The Bank has identified certain accounting policies that require Management judgments, estimates or assumptions that affect the application of the Bank's accounting policies and the actual reported amounts of assets, liabilities, income and expenses may differ from these management estimates. For more information, see Note 2 to the Annual Financial Statements.

Recent Developments

In the fourth quarter of 2020, the Bank issued an additional ₦50 billion of Tier 2 capital in a bilateral loan from the Development Bank of Nigeria in order to boost its capital position. This long term funding has a tenor of 10 years with a seven year moratorium on the repayment of principal and an interest rate of 6.5 per cent.

In December 2020, the CBN refunded to Nigerian banks (including the Bank) a portion of the discretionary debits in respect of excess CRR carried out by the CBN through a special bill with a 0.5 per cent. yield. As a result of this, the Bank was refunded 86 per cent. of the amount debited as at September 2020 due to an excess CRR balance.

Results of Operations of the Bank for the nine months ended 30 September 2020 and 2019

The following table presents the main components of the Bank's statement of profit or loss for the periods indicated.

	For the nine months ended 30 September	
	2020	**2019**
	(₦ millions)	
Interest income	94,516	102,357
Interest expense	(46,054)	(76,752)
Net interest income	**48,462**	**25,605**
Net fee and commission income	4,417	9,923
Net gain (loss) from other financial instruments at FVTPL	435	144
Net trading income	15,649	16,181
Other operating income	1,391	4,031
Impairment charge for losses	(6,664)	(5,231)
Employee benefit expense	(19,570)	(24,869)
General and administrative expenses	(14,166)	(15,751)
Depreciation and amortisation	(5,552)	(5,349)
Other operating expenses	(15,765)	(8,777)
Profit/(loss) before income tax	**8,638**	**(4,092)**
Income tax	(712)	-
PROFIT/(LOSS) FOR THE PERIOD OR YEAR	**7,925**	**(4,092)**

Net interest income

The following table sets out certain information relating to the Bank's net interest income for the periods indicated.

	For the nine months ended 30 September		Variation
	2020	**2019**	**2020/2019**
	(₦ millions)		*(%)*
Interest income	94,516	102,357	(7.7)
Interest expense	(46,054)	(76,752)	(40.0)
Net interest income	**48,462**	**25,605**	89.3

Net interest income increased 89.3 per cent. to ₦48.4 billion for the nine months ended 30 September 2020 from ₦25.6 billion for the nine months ended 30 September 2019, due primarily to a decline of ₦30.7 billion in interest expense which more than offset a decline of ₦7.8 billion in interest income. In the first nine months of 2020, interest rates on loans and advances decreased as a result of a drop in the prime lending rate following a crash in market rate as a result of the impact of the COVID-19 pandemic.

The Bank's net interest margin was 3.7 per cent. for the nine months ended 30 September 2020, an increase from 2.9 per cent. for the nine months ended 30 September 2019. The expansion in net interest margin was primarily the result of a general fall in rates, which resulted in lower interest expense coupled with a deliberate effort to re-price deposits.

Interest income

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

	For the nine months ended 30 September				Variation
	2020	% of total	2019	% of total	2020/2019
	(₦ millions, except percentages)				*(%)*
Loans and advances:					
-To banks	887	0.9	565	0.6	59.5
-To customers	49,324	52.2	54,389	53.1	(9.3)
Interest income from loans and advances	**50,211**	**53.1**	**54,954**	**53.7**	**(8.6)**
Investment securities:					
-from investment at fair value	44,305	46.9	47,208	46.1	(6.1)
-from investment at amortised cost	-	-	195	0.2	(100)
Total interest income	**94,516**	**100.0**	**102,357**	**100.0**	**(7.7)**

Interest income for the nine months ended 30 September 2020 decreased by 7.7 per cent. to ₦94.5 billion from ₦102.4 billion for the corresponding period in 2019. The decrease was primarily attributable to a 8.6 per cent. fall in interest income from loans and advances for the nine months ended 30 September 2020 compared to the corresponding period in 2019, which was largely due to a decrease in lending rates following a crash in market rates as a result of the impact of the COVID-19 pandemic.

Interest expense

The following table sets out details of the Bank's interest expense for the periods indicated.

	For the nine months ended 30 September				Variation
	2020	% of total	2019	% of total	2020/2019
	(₦ millions, except percentages)				*(%)*
Deposits from banks	11,858	25.7	14,910	19.4	(20.5)
Deposits from customers	32,232	70.0	54,665	71.2	(41.1)
Borrowings	1,964	4.3	7,177	9.4	(72.6)
Total interest expense	**46,054**	**100.0**	**76,752**	**100.0**	**(40.0)**

Interest expense decreased by 40.0 per cent. to ₦46.1 billion for the nine months ended 30 September 2020 from ₦76.8 billion for the nine months ended 30 September 2019. The decrease in interest expense primarily reflected a 41.1 per cent. decline in interest expense on deposits from customers to ₦32.2 billion for the nine months ended 30 September 2020 from ₦54.7 billion for the nine months ended 30 September 2019, which was largely driven by lower interest expense in term deposit rates resulting from a general crash in market rates as a result of the impact of the COVID-19 pandemic.

Impairment charge for credit losses

The following table sets out certain information relating to the Bank's impairment charges for losses for the periods indicated.

	For the nine months ended 30 September	
	2020	**2019**
	(₦ millions)	
Loans and advances to customers:		
Increase in ECL allowance on loans and advances	9,604	10,496
Amounts written off as uncollectible	-	-
Income received on loans previously written off	(765)	(6,751)
Reversal of impairment	(3,867)	(193)
	4,972	**3,552**
Investment securities:		
Increase/ (decrease) in ECL allowance for fair value	-	-
Increase/ (decrease) in ECL allowance for amortised cost	-	-
Other assets:		
Increase in impairment	1,692	1,680
Off-balance sheet engagements (OBE):		
Increase in ECL allowance on OBE	-	-
Total impairment charges	**6,664**	**5,231**

Total impairment charges increased to ₦6.7 billion for the nine months ended 30 September 2020 from ₦5.2 billion for the nine months ended 30 September 2019. This was primarily due to lower recoveries being made on loans previously written off during the nine months ended 30 September 2020 compared to the same period in 2019, which was partially offset by a decrease in ECL allowance on loans and advances. The reversal of impairment of ₦3.9 billion for the nine months ended 30 September 2020 was due to increased recoveries on amounts that had previously been written off.

Net fee and commission income

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

	For the nine months ended 30 September		Variation
	2020	**2019**	**2020/2019**
	(₦ millions)		*(%)*
Fee and commission income	9,989	17,015	(41.3)
Fee and commission expense	(5,572)	(7,092)	(21.4)
Net fee and commission income	**4,417**	**9,923**	**(55.5)**

Net fee and commission income decreased 55.5 per cent. to ₦4.4 billion for the nine months ended 30 September 2020 from ₦9.9 billion for the nine months ended 30 September 2019. This decrease was primarily due to the reduction in commissions the Bank may charge on all electronic transactions as mandated by the CBN (see "*Significant factors affecting results of operations – Banking Regulatory Environment*" and to lower transactional volumes arising from the impact of the COVID-19 pandemic.

Net gain/(loss) from financial instruments at fair value through profit or loss

For the nine months ended 30 September 2020, the Bank recorded net gain from financial instruments at fair value through profit or loss of ₦435 million compared to net gain from financial instruments at fair value through profit or loss of ₦144 million for the nine months ended 30 September 2019. This variation was primarily due to favourable movements in mark to market rates.

Other operating income

Other operating income decreased to ₦1.4 billion for the nine months ended 30 September 2020 from ₦4.0 billion for the nine months ended 30 September 2019, which was primarily due to the non-occurrence of one-off gains from sale of investment securities and reduced dividend income.

Employee benefits expense

The following table sets out details of the Bank's staff costs for the periods indicated.

	For the nine months ended 30 September				Variation
	2020	% of total	2019	% of total	2020/2019
	(₦ millions, except percentages)				*(%)*
Wages and salaries:					
Core staff	16,410	83.8	17,779	71.5	–
Outsource	-	-	3,449	13.9	(100)
Total wages and salaries	**16,410**	**83.8**	**21,228**	**85.4**	**(22.7)**
Pension costs:					
Defined contribution plans	734	3.7	807	3.2	(9.0)
Defined benefit plans	2,250	11.5	900	3.6	(150)
Other employee costs and benefits	176	1.0	1,934	7.8	(90.9)
Total pension costs	**3,160**	**16.2**	**3,641**	**14.6**	**(13.2)**
Total personnel expense	**19,570**	**100.0**	**24,869**	**100.0**	**(21.3)**

Employee benefits expense decreased 21.3. per cent. to ₦19.6 billion for the nine months ended 30 September 2020 from ₦24.9 billion for the nine months ended 30 September 2019, which was due primarily to the reduction in headcount and the decision to redeploy certain employees throughout the Bank to replace departing staff rather than hiring externally and thereby reducing redundancies.

General and administrative expense

The following table sets out details of the Bank's general and administrative expense for the periods indicated.

	For the nine months ended 30 September				Variation
	2020	% of total	2019	% of total	2020/2019
	(₦ millions, except percentages)				*(%)*
Information, communication and technology	3,822	27.0	2,574	16.3	48.5
Insurance expense	414	2.9	426	2.7	(2.8)
NDIC insurance premium expense	4,789	33.8	5,332	33.9	(10.2)
Premises expense	2,509	17.7	4,234	26.9	(40.7)
Equipment running costs	643	4.5	1,015	6.4	(36.7)
Advertisement and business promotion	1,118	7.9	918	5.8	21.8
Motor vehicle running costs	254	1.8	396	2.5	(35.9)
Business travels	359	2.5	504	3.2	(28.8)
Office consumables	207	1.5	329	2.1	(37.1)
Penalties	51	0.4	22	0.1	131.0
Total general and administrative expense	**14,166**	**100.0**	**15,751**	**100.0**	**(10.1)**

General and administrative expense decreased 10.1 per cent. to ₦14.1 billion for the nine months ended 30 September 2020 from ₦15.8 billion for the nine months ended 30 September 2019, which was primarily due to a decline in premises expense which is partially offset by a rise in information, communication and technology expenses as a result of the savings initiatives introduced by management to optimise costs, whereby the branch network was reduced from 370 to 256 and technology related costs increased given the focus on digital space transformation to drive transactions.

Depreciation and amortisation

Depreciation and amortisation increased marginally 3.6 per cent. to ₦5.6 billion for the nine months ended 30 September 2020 from ₦5.3 billion for the nine months ended 30 September 2019 due to capitalisation and new additions to fixed assets.

Other operating expenses

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

	For the nine months ended 30 September				Variation
	2020	% of total	2019	% of total	2020/2019
	(₦ millions, except percentages)				*(%)*
Auditors' remuneration................................	232	1.5	135	1.5	71.9
Directors' emoluments.................................	169	1.1	293	3.3	(42.3)
Outsource services......................................	3,121	19.8	-	-	-
Employee related expenses..........................	94	0.6	648	7.4	(85.5)
Consultancy and advisory expenses.............	605	3.8	818	9.3	(26.0)
Cash processing costs	375	2.4	778	8.9	(51.8)
Banking resolution sinking fund cost...........	10,679	67.7	9,916	113.0	7.7
Operational losses	68	0.4	156	1.8	(56.4)
Donations	115	0.7	2	-	5650.0
Finance cost on lease liability......................	-	-	2	-	(100)
Other operating expenses............................	307	1.9	(3,968)	(45.2)	(92.3)
Total..	**15,765**	**100.0**	**8,777**	**100.0**	**79.6**

Other operating expenses increased by 79.6 per cent. to ₦15.8 billion for the nine months ended 30 September 2020 from ₦8.8 billion for the nine months ended 30 September 2019. This increase is mainly due to the reclassification of the cost of outsource service from staff coupled with an increase in AMCON charges.

Profit before income tax

As a result of the foregoing, the Bank's profit before income tax increased 311.1 per cent. to ₦8.6 billion for the nine months ended 30 September 2020 from ₦4.1 billion loss for the nine months ended 30 September 2019.

Income tax

The statutory corporate income tax rate in Nigeria is 30.0 per cent., and additional taxes of 1.0 per cent. for information technology development tax and 2.0 per cent. for tertiary education are charged to Nigerian corporate entities. For the nine months ended 30 September 2020 and 2019, the Bank recorded income tax charges of ₦712 million and no tax credit, reflecting the deferred tax assets generated in prior periods.

Profit for the period

The Bank's profit increased by 293.7 per cent. to ₦7.9 billion for the nine months ended 30 September 2020 from a ₦4.1 billion loss for the nine months ended 30 September 2019. This increase was primarily attributable to a significant decrease in interest expense as a result of declining cost of fund, improved lower cost deposit ratio, recovery drive, repricing of maturity of expensive term deposits and realised gains on investment securities.

Results of Operations of the Bank for the years ended 31 December 2019 and 2018

The following table presents the main components of the Bank's statement of profit or loss for the periods indicated.

	For the years ended 31 December	
	2019	2018[(1)]
	(₦ millions)	
Interest income	138,919	170,940
Interest expense	(100,773)	(84,744)
Net interest income	**38,146**	**86,196**
Net fee and commission income	11,730	13,237
Net gain (loss) from other financial instruments at FVTPL	426	(76)
Net trading income	29,129	31,074
Other operating income	4,536	9,051
Impairment charge for losses	(2,704)	(56,301)
Employee benefit expense	(28,844)	(29,422)
General and administrative expenses	(19,261)	(23,555)
Depreciation and amortisation	(8,073)	(6,894)
Other operating expenses	(22,847)	(24,731)
Profit/(loss) before income tax	**2,238**	**(1,420)**
Income tax	(982)	(366)
PROFIT/(LOSS) FOR THE PERIOD OR YEAR	**1,256**	**(1,786)**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

Net interest income

The following table sets out certain information relating to the Bank's net interest income for the periods indicated.

	For the years ended 31 December		Variation
	2019	2018[(1)]	2019/2018
	(₦ millions)		(%)
Interest income	138,919	170,940	(18.7)
Interest expense	(100,773)	(84,744)	18.9
Net interest income	**38,146**	**86,196**	**(55.7)**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

Net interest income decreased 55.7 per cent. to ₦38.1 billion for the year ended 31 December 2019 from ₦86.2 billion for the year ended 31 December 2018, due primarily to a significant reduction in interest on loans and advances following the suspension of interest on some oil and gas customers' facilities as directed by the CBN. This is in addition to the increase in interest expense driven by the growth in deposit liabilities. The decrease in interest income also contributed to a decrease in the Bank's net interest margin, to 2.2 per cent. for the year ended 31 December 2019 from 6.9 per cent. for the year ended 31 December 2018.

Interest income

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

	For the years ended 31 December				Variation
	2019	% of total	2018(1)	% of total	2019/2018
	(₦ millions, except percentages)				(%)
Loans and advances:					
-to banks	713	0.5	519	0.3	37.4
-to customers	74,263	53.5	116,314	68.0	(36.2)
Interest income from loans and advances	**74,976**	**54.0**	**116,833**	**68.3**	**(35.8)**
Investment securities:					
-from investment at fair value	63,725	45.9	53,544	31.3	19.0
-from investment at amortised cost	218	0.2	563	0.3	(61.3)
Total interest income	**138,919**	**100.0**	**170,940**	**100.0**	**(18.7)**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

Interest income for the year ended 31 December 2019 decreased by 18.7 per cent. to ₦138.9 billion from ₦170.9 billion for the corresponding period in 2018, primarily attributable to a 35.8 per cent. decrease in interest income from loans and advances to ₦75.0 billion for the year ended 31 December 2019 from ₦116.8 billion for the year ended 31 December 2018 due primarily to a significant reduction in interest on loans and advances following suspension of interest on some oil and gas customers facilities as directed by the CBN.

Interest expense

The following table sets out details of the Bank's interest expense for the periods indicated.

	For the years ended 31 December				Variation
	2019	% of total	2018(1)	% of total	2019/2018
	(₦ millions, except percentages)				(%)
Deposits from banks	19,064	18.9	15,525	18.3	22.8
Deposits from customers	72,534	72.0	59,748	70.5	21.4
Borrowings	9,175	9.1	9,471	11.2	(3.1)
Total interest expense	**100,773**	**100.0**	**84,744**	**100.0**	**18.9**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

Interest expense increased by 18.9 per cent. to ₦100.8 billion for the year ended 31 December 2019 from ₦84.7 billion for the year ended 31 December 2018. The increase in interest expense is primarily attributable to growth in deposit liabilities from customers and an increase in term deposit rates. Interest expenses for deposits from banks increased by 22.8 per cent. for the year ended 31 December 2019 to ₦19.1 billion from ₦15.5 billion for the year ended 31 December 2018, and interest expense for deposits from customers increased 21.4 per cent. for the year ended 31 December 2019 to ₦72.5 billion from ₦59.7 billion for the year ended 31 December 2018.

Impairment charge for losses

The following table sets out certain information relating to the Bank's net impairment loss on financial assets for the period indicated.

	For the years ended 31 December	
	2019	2018(1)
	(₦ millions)	
Loans and advances to customers:		
Increase in ECL allowance on loans and advances	11,594	57,838
Amounts written off as uncollectible	-	2
Income received on loans previously written off	(7,096)	(1,501)
Reversal of impairment	(440)	(5,415)
Increase in impairment from loans and advances to customers	**4,058**	**50,924**
Investment:		
Increase/ (decrease) in ECL allowance for fair value	(1,398)	2,211
Increase/ (decrease) in ECL allowance for amortised cost	(812)	812
Other assets:		
Increase in impairment	754	1,498
Off-balance sheet engagements (OBE):		
Increase in ECL allowance on OBE	102	856
Total impairment charges	**2,704**	**56,301**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

Total impairment charges decreased by 95.2 per cent. to ₦2.7 billion for the year ended 31 December 2019 from ₦56.3 billion (including additional ₦28.9 billion impairments on loans to oil marketers recognised in the 2018 Comparative Financial Information in the 2019 Financial Statements as a result of the CBN's directive to banks to take a 100 per cent. haircut on interest accrued on such loans for 18 months) for the year ended 31 December 2018. The decrease in total impairment charges for the year ended 31 December 2019 compared to the year ended 31 December 2018 was largely due to the impairments on the loans to oil marketeers mentioned above recognised for the year ended 31 December 2018.

Net fee and commission income

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

	For the years ended 31 December		Variation
	2019	2018(1)	2019/2018
	(₦ millions)		(%)
Fee and commission income	21,860	20,238	8.0
Fee and commission expense	(10,130)	(7,001)	44.7
Net fee and commission income	**11,730**	**13,237**	**(11.4)**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

Net fee and commission income decreased by 11.4 per cent. to ₦11.7 billion for the year ended 31 December 2019 from ₦13.2 billion for the year ended 31 December 2018. This decrease was primarily due to a reduction in the fees chargeable by the Bank on transactions as directed by the CBN while the costs of those transactions to the Bank remained largely the same.

Net gain/(loss) from financial instruments at fair value through profit or loss

For the year ended 31 December 2019, the Bank recorded net gain from financial instruments at fair value through profit or loss of ₦0.4 billion compared to net loss from financial instruments at fair value through profit or loss of ₦0.1 billion for the year ended 31 December 2018. This variation was primarily due to favourable mark to market rates.

Other operating income

Other operating income decreased 49.9 per cent. to ₦4.5 billion for the year ended 31 December 2019 from ₦9.1 billion for the year ended 31 December 2018, which was primarily due to the non-occurrence of a one-off gain from sales of investment securities of ₦4.4 billion in the year ended 31 December 2018.

Employee benefit expense

The following table sets out details of the Bank's staff costs for the periods indicated.

	For the years ended 31 December				Variation
	2019	% of total	2018(1)	% of total	2019/2018
	(₦ millions, except percentages)				(%)
Wages and salaries:					
Core staff	23,533	81.6	25,295	86.0	(7.0)
Total wages and salaries	**23,533**	**81.6**	**25,295**	**86.0**	**(7.0)**
Pension costs:					
Defined contribution plans	1,058	3.7	1,126	3.8	(6.0)
Defined benefit plans	1,200	4.2	1,200	4.1	-
Other employee costs and benefits	3,053	10.6	1,801	6.1	69.5
Total pension costs	**5,311**	**18.4**	**4,127**	**14.0**	**28.7**
Total personnel expense	**28,844**	**100.0**	**29,422**	**100.0**	**(2.0)**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

Employee benefit expense decreased 2.0 per cent. to ₦28.8 billion for the year ended 31 December 2019 from ₦29.4 billion for the year ended 31 December 2018, which was due to the reduction in headcount and the decision to redeploy certain employees throughout the Bank to replace departing staff rather than hiring externally and thereby reducing redundancies.

General and administrative expense

The following table sets out details of the Bank's general and administrative expense for the periods indicated.

	For the years ended 31 December				Variation
	2019	% of total	2018(1)	% of total	2019/2018
	(₦ millions, except percentages)				(%)
Information, communication and technology	1,881	9.8	2,838	12.0	(33.7)
Insurance expense	547	2.8	489	2.1	11.9
NDIC insurance premium expense	7,197	37.4	5,621	23.9	28.0
Premises expense	5,015	26.0	7,010	29.8	(28.5)
Equipment running costs	1,545	8.0	2,887	12.3	(46.5)
Advertisement and business promotion	1,342	7.0	2,280	9.7	(41.1)
Motor vehicle running costs	530	2.8	697	3.0	(24.0)
Business travels	715	3.7	1,097	4.7	(34.8)
Office consumables	425	2.2	608	2.6	(30.1)
Penalties	64	0.3	28	0.1	128.6
Total general and administrative expense	**19,261**	**100.0**	**23,555**	**100.0**	**(18.2)**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

General and administrative expense decreased 18.2 per cent. to ₦19.3 billion for the year ended 31 December 2019 from ₦23.6 billion for the year ended 31 December 2018, which was primarily due to decreases in equipment running costs, advertisement and business promotion costs, motor vehicle running costs and business travels.

Depreciation and amortisation

Depreciation and amortisation increased 17.1 per cent. to ₦8.1 billion for the year ended 31 December 2019 from ₦6.9 billion for the year ended 31 December 2018. The increase was primarily due to an increase in the amortisation of software by ₦1.2 billion arising from the capitalisation of the new Calypso software implementation cost, which is a software used to facilitate the Treasury's operations.

Other operating expenses

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

	For the years ended 31 December				Variation
	2019	**% of total**	**2018(1)**	**% of total**	**2019/2018**
	(₦ millions, except percentages)				*(%)*
Auditors' remuneration................................	290	1.3	295	1.2	(1.7)
Directors' emoluments................................	345	1.5	329	1.3	4.9
Outsource services......................................	4,971	21.8	5,690	23.0	(12.6)
Employee related expenses..........................	502	2.2	1,696	6.9	(70.4)
Consultancy and advisory expenses.............	1,298	5.7	1,738	7.0	(25.3)
Cash processing costs	1,058	4.6	906	3.7	16.8
Banking resolution sinking fund cost...........	13,218	57.9	12,054	48.7	9.7
Operation losses	380	1.7	989	4.0	(61.6)
Donations	139	0.6	275	1.1	(49.5)
Finance cost on lease liability	10	-	-	-	-
Other operating expenses............................	636	2.8	759	3.1	(16.2)
Total..	**22,847**	**100.0**	**24,731**	**100.0**	**(7.6)**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

Other operating expenses decreased by 7.6 per cent. to ₦22.8 billion for the year ended 31 December 2019 from ₦24.7 billion for the year ended 31 December 2018. This decrease is mainly due to cost management measures to curtail operating expenses, including a ₦1.2 billion decrease in employee related expenses and a ₦0.6 billion decrease in operation losses. The effects of these decreases were partially offset by a ₦1.2 billion increase in banking resolution sinking fund cost expenses.

Profit before income tax

As a result of the foregoing, the Bank's profit before income tax increased to a ₦2.2 billion profit for the year ended 31 December 2019 from a ₦1.4 billion loss for the year ended 31 December 2018.

Income tax

The statutory corporate income tax rate in Nigeria is 30.0 per cent., and additional taxes of 1.0 per cent. for information technology development tax and 2.0 per cent. for tertiary education are charged to Nigerian corporate entities. The Bank's income tax increased 168.3 per cent. to ₦982 million for the year ended 31 December 2019 from ₦366 million for the year ended 31 December 2018, primarily due to an increase in taxable profits.

Profit for the period

The Bank's profit increased to a ₦1.3 billion profit for the year ended 31 December 2019 from a ₦1.8 billion loss for the year ended 31 December 2018. This change was largely driven by the lower impairment charge for 2019 which was partly offset by reduction in net interest income in 2019.

Results of Operations of the Bank for the years ended 31 December 2018 and 2017

Profit attributable to the Bank

The following table presents the main components of the Bank's statement of profit or loss for the periods indicated.

	For the years ended 31 December	
	2018[(1)]	2017
	(₦ millions)	
Interest income	170,940	180,417
Interest expense	(84,744)	(73,777)
Net interest income	**86,196**	**106,640**
Net fee and commission income	13,237	9,386
Net gain (loss) from other financial instruments at FVTPL	(76)	99
Net trading income	31,074	46,890
Other operating income	9,051	2,385
Impairment charge for losses	(56,301)	(59,901)
Employee benefit expense	(29,422)	(36,956)
General and administrative expenses	(23,555)	(28,129)
Depreciation and amortisation	(6,894)	(6,750)
Other operating expenses	(24,731)	(13,253)
Profit/(loss) before income tax	**(1,420)**	**20,411**
Income tax gain/(loss)	(366)	(207)
PROFIT/ (LOSS) FOR THE PERIOD OR YEAR	**(1,786)**	**20,204**

(1) Comparative figures for 2018 have been restated. See "Presentation of Financial and Certain Other Information".

Net interest income

The following table sets out certain information relating to the Bank's net interest income for the periods indicated.

	For the years ended 31 December		Variation
	2018[(1)]	2017	2018/2017
	(₦ millions)		*(%)*
Interest income	170,940	180,417	(5.3)
Interest expense	(84,744)	(73,777)	14.9
Net interest income	**86,196**	**106,640**	**(19.2)**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

Net interest income decreased 19.2 per cent. to ₦86.2 billion for the year ended 31 December 2018 from ₦106.6 billion for the year ended 31 December 2017, due primarily to higher funding costs of ₦11.0 billion, which in turn was due to higher interest costs on term deposit liabilities, as well as lower interest income on loans and advances due to the suspension of interest on non-performing facilities. The Bank's net interest margin was 6.9 per cent. for the year ended 31 December 2018, which decreased from 7.7 per cent. for the year ended 31 December 2017.

Interest income

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

	For the years ended 31 December				Variation
	2018[(1)]	% of total	2017	% of total	2018/2017
	(₦ millions, except percentages)				*(%)*
Loans and advances:					
-to banks	519	0.3	248	0.1	109.3
-to customers......................................	116,314	68.0	132,973	73.7	(12.5)
Interest income from loans and advances................................	**116,833**	**68.3**	**133,221**	**73.8**	**(12.3)**
Investment securities:					
-from investment at fair value...............	53,544	31.3	47,196	26.2	13.5
-from investment at amortised cost.......	563	0.3	-	-	-
Total interest income	**170,940**	**100.0**	**180,417**	**100.0**	**(5.3)**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

Interest income for the year ended 31 December 2018 decreased by 5.3 per cent. to ₦170.9 billion from ₦180.4 billion for the year ended 31 December 2017, primarily as a result of a 12.3 per cent. decrease in interest income from loans and advances to customers to ₦116.8 billion for the year ended 31 December 2018 from ₦133.2 billion for the year ended 31 December 2017, which was partially offset by the 109.3 per cent. increase in interest income from loans and advances to banks to ₦0.5 billion for the year ended 31 December 2018 from ₦0.2 billion for the year ended 31 December 2017.

Interest expense

The following table sets out details of the Bank's interest expense for the periods indicated.

	For the years ended 31 December				Variation
	2018[(1)]	% of total	2017	% of total	2018/2017
	(₦ millions, except percentages)				*(%)*
Deposits from banks...........................	15,525	18.3	14,570	19.7	6.6
Deposits from customers......................	59,748	70.5	47,613	64.5	25.5
Borrowings..	9,471	11.2	11,594	15.7	(18.3)
Total interest expense	**84,744**	**100.0**	**73,777**	**100.0**	**14.9**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

Interest expense increased by 14.9 per cent. to ₦84.7 billion for the year ended 31 December 2018 from ₦73.8 billion for the year ended 31 December 2017. The increase in interest expense was primarily due to an increase in interest expense on deposits from customers driven by the growth in deposit liabilities. Interest expense for deposits from banks increased 6.6 per cent. for the year ended 31 December 2018 to ₦15.5 billion from ₦14.6 billion for the year ended 31 December 2017, and interest expense for deposits from customers increased 25.5 per cent. for the year ended 31 December 2018 to ₦59.7 billion from ₦47.6 billion for the year ended 31 December 2017.

Impairment charge for losses

The following table sets out certain information relating to the Bank's net impairment loss on financial assets for the period indicated.

	For the years ended 31 December	
	2018(1)	2017
	(₦ millions)	
Loans and advances to customers:		
Increase in ECL allowance on loans and advances	57,838	62,482
Amounts written off as uncollectible	2	598
Income received on claims previously written off	(1,501)	(237)
Reversal of impairment	(5,415)	(2,997)
Increase in impairment from loans and advances to customers	**50,924**	**59,846**
Investment:		
Increase/ (decrease) in ECL allowance for fair value	2,211	-
Increase/ (decrease) in ECL allowance for amortised cost	812	-
Other assets:		
Increase in impairment	1,498	55
Off-balance sheet engagements (OBE):		
Increase in ECL allowance on OBE	856	-
Total impairment charges	**56,301**	**59,901**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

For the year ended 31 December 2018, the Bank recorded total impairment charges of ₦56.3 billion compared to total impairment charges of ₦59.9 billion for the year ended 31 December 2017. This slight decrease was due to an increase in the write back of provisions no longer required on some facilities resulting in a reversal on impairment, which was largely offset by impairments in 2018 due to the suspension of interest and principal on loans to oil and gas marketers as directed by the CBN.

Net fee and commission income

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

	For the years ended 31 December		Variation
	2018(1)	2017	2018/2017
	(₦ millions)		*(%)*
Fee and commission income	20,238	21,270	(4.9)
Fee and commission expense	(7,001)	(11,884)	(41.1)
Net fee and commission income	**13,237**	**9,386**	**41.0**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

Net fee and commission income increased 41.0 per cent. to ₦13.2 billion for the year ended 31 December 2018 from ₦9.4 billion for the year ended 31 December 2017. This increase was primarily due to lower fees and commission expense following better management and re-negotiation of transaction expenses with some vendors.

Net gain/(loss) from other financial instruments at fair value through profit or loss

For the year ended 31 December 2018, the Bank recorded net loss from other financial instruments at fair value through profit or loss of ₦0.8 billion as compared to the net gain from other financial instruments at fair value through profit or loss of ₦1.0 billion for the year ended 31 December 2017. This variation was primarily due to adverse movement of mark to market rates.

Other operating income

Other operating income increased 279.5 per cent. to ₦9.1 billion for the year ended 31 December 2018 from ₦2.4 billion for the year ended 31 December 2017, which was primarily due to a ₦4.4 billion gain from disposal of investment securities.

Employee benefit expense

The following table sets out details of the Bank's staff costs for the periods indicated.

	For the years ended 31 December				Variation
	2018[(1)]	**% of total**	**2017**	**% of total**	**2018/2017**
	(₦ millions, except percentages)				*(%)*
Wages and salaries:					
Core staff	25,295	86.0	27,009	73.1	(6.3)
Outsourced staff	-	-	5,223	14.1	(100.0)
Total wages and salaries	**25,295**	**86.0**	**32,232**	**87.2**	**(21.5)**
Pension costs:					
- Defined contribution plans	1,126	3.8	2,077	5.6	(45.8)
- Defined benefit plans	1,200	4.1	1,200	3.2	-
Other employee costs and benefits	1,801	6.1	1,447	3.9	24.5
Total pension costs	**4,127**	**14.0**	**4,724**	**12.8**	**(12.6)**
Total personnel expense	**29,422**	**100.0**	**36,956**	**100.0**	**(20.4)**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

Employee benefit expense decreased to ₦29.4 billion for the year ended 31 December 2018 from ₦37.0 billion for the year ended 31 December 2017, which was primarily due to an decrease of ₦1.7 billion in core staff wages and salaries primarily due to classification of outsource staff to other operating expense coupled with a reduction in head count as well as a ₦0.9 billion decrease in defined contribution plans.

General and administrative expenses

The following table sets out details of the Bank's general and administrative expense for the periods indicated.

	For the years ended 31 December				Variation
	2018[(1)]	**% of total**	**2017**	**% of total**	**2018/2017**
	(₦ millions, except percentages)				*(%)*
Information, communication and technology	2,838	12.0	6,642	23.6	(57.3)
Insurance expense	489	2.1	564	2.0	(13.3)
NDIC insurance premium expense	5,621	23.9	6,425	22.8	(12.5)
Premises expense	7,010	29.8	6,914	24.6	1.4
Equipment running costs	2,887	12.3	3,476	12.4	(16.9)
Advertisement and business promotion	2,280	9.7	1,515	5.4	50.5
Motor vehicle running costs	697	3.0	580	2.1	20.2
Business travel	1,097	4.7	1,410	5.0	(22.2)
Office consumables	608	2.6	517	1.8	17.6
Penalties	28	0.1	86	0.3	(67.4)
Total general and administrative expense	**23,555**	**100.0**	**28,129**	**100.0**	**(16.3)**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

General and administrative expense decreased 16.3 per cent. to ₦23.6 billion for the year ended 31 December 2018 from ₦28.1 billion for the year ended 31 December 2017, which was primarily due to a reduction in software maintenance charge paid to E-Process, Ghana of ₦3.1 billion and reduction in insurance premium paid on deposit by ₦0.8 billion.

Depreciation and amortisation

Depreciation and amortisation increased to ₦6.9 billion for the year ended 31 December 2018 from ₦6.8 billion for the year ended 31 December 2017. This increase was primarily due to an increase of ₦0.6 billion in amortisation of intangible assets.

Other operating expenses

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

	For the years ended 31 December				Variation
	2018[1]	% of total	2017	% of total	2018/2017
	(₦ millions, except percentages)				*(%)*
Auditors' remuneration................................	295	1.2	290	2.2	1.7
Directors' emoluments................................	329	1.3	197	1.5	67.0
Outsource services......................................	5,690	23.0	-	-	-
Employee related expenses..........................	1,696	6.9	1,362	10.3	61.8
Consultancy and advisory expenses.............	1,738	7.0	311	2.3	458.8
Cash processing costs	906	3.7	883	6.7	2.6
Banking resolution sinking fund cost...........	12,054	48.7	6,249	47.2	92.9
Operational losses..	989	4.0	322	2.4	207.1
Donations..	275	1.1	180	1.4	52.8
Other..	795	3.1	3,459	26.1	(77.0)
Total..	**24,731**	**100.0**	**13,253**	**100.0**	**86.6**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

Other operating expenses increased by 86.6 per cent. to ₦24.7 billion for the year ended 31 December 2018 from ₦13.3 billion for the year ended 31 December 2017. This increase is primarily attributable to an outsource service expenses in 2018 of ₦5.7 billion, a ₦1.4 billion increase in consultancy and advisory expenses and a ₦5.8 billion increase in the banking resolution sinking fund cost resulting from an increase in the AMCON charge from 0.3 per cent. to 0.5 per cent., additional charge on off balance sheet assets in respect of prior years and rise in consultancy fees following increased activities.

Profit before income tax

The Bank's profit before income tax decreased 107 per cent. to a loss of ₦1.4 billion for the year ended 31 December 2018 compared to a profit of ₦20.4 billion for the year ended 31 December 2017. This decrease was primarily attributable to a significant drop in interest income on loan and advances following suspension of interest on some oil and gas facilities as directed by the CBN, increase in interest expense ₦11.0 billion and decline in net trading income by ₦15.8 billion.

Income tax

The statutory corporate income tax rate in Nigeria is 30.0 per cent., and additional taxes of 1.0 per cent. for information technology development tax and 2.0 per cent. for tertiary education are charged to Nigerian corporate entities. The Bank's income tax credit increased 76.8 per cent. to ₦366.0 million for the year ended 31 December 2018 from ₦207.0 million for the year ended 31 December 2017. The increase in income tax credit was primarily due to changes in tax legislation which makes the Bank liable to minimum tax.

Profit/ (loss) for the period

The Bank made a loss of ₦1.8 billion for the year ended 31 December 2018 as compared with a profit of ₦20.2 billion for the year ended 31 December 2017. This loss was primarily attributable to a decline in trading income, a significant drop in interest income on loans and advances arising from the suspension of interest on some oil and gas facilities as directed by the CBN coupled with higher interest expense on term deposit liabilities.

Financial Condition as at 30 September 2020 and 31 December 2019, 2018 and 2017

Total Assets

The following table sets out details of the Bank's total assets as at the dates indicated.

	As at 30 September	As at 31 December		
	2020	2019	2018[(1)]	2017
	(₦ millions)			
ASSETS				
Cash and cash equivalents	139,882	138,396	154,945	133,494
Mandatory reserve deposits with Central Bank	507,739	350,366	316,526	257,237
Loans and advances to customers	862,002	811,606	813,534	831,573
Derivative financial assets	10,271	12,754	8,814	8,956
Financial assets held for trading	-	-	35,114	34,452
Investment Securities: available-for-sale	-	-	340,997	321,644
Loans and receivables	-	-	40,510	27,722
Investment securities:				
–fair value through profit or loss	35,030	54,750	-	-
–fair value through other comprehensive income	331,769	329,514	-	-
–fair value held at amortised cost	22,668	1,433	-	-
Pledged assets	146,630	128,184	87,561	91,360
Property, plant and equipment	72,444	73,813	71,977	79,024
Intangible assets	3,350	5,181	5,967	1,419
Right-of-use assets	2,988	3,564	-	-
Deferred tax assets	12,312	12,312	12,262	12,312
Other assets	82,292	69,167	39,682	30,568
Total assets	**2,229,377**	**1,991,040**	**1,927,889**	**1,829,761**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

The Bank's total assets increased to ₦2,229.4 billion as at 30 September 2020 from ₦1,991.0 billion as at 31 December 2019 while loans and advances to customers increased to ₦862.0 billion as at 30 September 2020 from ₦811.6 billion as at 31 December 2019. The increase in total assets was primarily due to a ₦157.4 billion increase in mandatory reserve deposits made by the Bank with the CBN resulting from the growth in deposits coupled with excess cash reserve charge above the minimum cash reserve requirement. The Bank's total assets increased to ₦1,991.0 billion as at 31 December 2019 from ₦1,927.9 billion as at 31 December 2018 and ₦1,829.8 billion as at 31 December 2017. The increases between these dates were primarily due to an increase in mandatory reserve deposits resulting from a growth in deposit and excess cash reserve charge above the minimum cash reserve requirement.

Cash and balances with Central Bank

The following table sets out details of the Bank's cash and balances with Central Bank as at the dates indicated.

	As at 30 September	As at 31 December		
	2020	2019	2018[(1)]	2017
	(₦ millions)			
Cash and balances with Central Bank				
Cash on hand	26,488	35,223	34,037	16,851
Balances with central banks other than mandatory deposits	-	30,729	27,980	19,132
Included in cash and cash equivalents	**26,488**	**65,952**	**62,017**	**35,983**
Mandatory reserve deposits with central banks	507,739	350,366	316,526	257,237
	534,227	**416,318**	**378,543**	**293,220**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

The Bank's cash and balances with Central Bank increased to ₦534.2 billion as at 30 September 2020 from ₦416.3 billion as at 31 December 2019. This increase was primarily due to an increase in mandatory reserve deposits with the CBN attributable to deposit growth and the increase in the CRR, which was increased by the CBN in 2020 from 22.5 per cent. to 27.5 per cent. The CBN on several occasions exercises discretionary CRR debits on all banks as measures to manage money in circulation and curb inflation growth. The Bank's cash and balances with Central Bank increased to ₦416.3 billion as at 31 December 2019 from ₦378.5 billion as at 31 December 2018 and ₦293.2 billion as at 31 December 2017.

The increase between 31 December 2019 and 2018 is primarily the result of a ₦37.8 billion increase in mandatory reserve deposits with central banks and a ₦2.7 billion increase in balances with central banks other than mandatory deposits. The increase between 31 December 2018 and 2017 is primarily the result of a ₦85.3 billion increase in mandatory reserve deposits with central banks and a ₦8.8 billion increase in balances with central banks other than mandatory deposits. The increases in cash and balances with central banks from 31 December 2017 to 31 December 2019 were related to increased balances with the CBN for transactional purposes.

Loans and advances to banks

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

	As at 30 September	**As at 31 December**		
	2020	**2019**	**2018[(1)]**	**2017**
		(₦ millions)		
Current balances with banks within Nigeria	623	1,309	519	857
Current balances with banks outside Nigeria	42,857	39,525	79,067	68,945
Placements with banks and discount houses within Nigeria	31,042	10,643	12,004	25,116
Placements with banks and discount houses outside Nigeria	38,872	29,967	1,338	2,593
	113,394	**72,444**	**92,928**	**97,511**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

The Bank's loans and advances to banks increased to ₦113.3 billion as at 30 September 2020 from ₦72.4 billion as at 31 December 2019. This increase was the result of excess cash on the balance sheet as at 30 September 2020 compared to 31 December 2019. The Bank's loans and advances to banks decreased to ₦72.4 billion as at 31 December 2019 from ₦92.9 billion as at 31 December 2018. This decrease was primarily due to a ₦39.5 billion decrease in current balances with banks outside Nigeria and a ₦1.4 billion decrease in placements with banks and discount houses outside Nigeria. The Bank's loans and advances to banks decreased to ₦92.9 billion as at 31 December 2018 from ₦97.5 billion as at 31 December 2017. This decrease was primarily due to a ₦14.3 billion decrease in placements with banks and discount houses within Nigeria and outside Nigeria, which were partially offset by a ₦10.1 billion increase in current balances with banks outside Nigeria.

Loans and advances to customers

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

	As at 30 September 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
		(₦ millions)		
Overdrafts	24,008	70	101,717	125,795
Term loans	501,096	231,465	107,565	840,125
Bankers' acceptance	-	-	-	-
Advances under finance lease	727	-	-	727
Gross loans	525,831	231,535	209,281	966,648
Expected credit loss allowance	(3,789)	(10,771)	(90,085)	(104,646)
Net loans	**522,042**	**220,764**	**119,196**	**862,002**

	As at 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
		(₦ millions)		
Overdrafts	47,472	92,433	79,369	219,274
Term loans	380,729	173,754	139,146	693,629
Bankers' acceptance	-	-	-	-
Advances under finance lease	179	-	-	179
Gross loans	428,380	266,187	218,515	913,082
Expected credit loss allowance	(4,078)	(5,741)	(91,657)	(101,476)
Net loans	**424,302**	**260,446**	**126,858**	**811,606**

	As at 31 December 2018[(1)]			
	Stage 1	Stage 2	Stage 3	Total
		(₦ millions)		
Overdrafts	49,639	101,869	108,066	259,574
Term loans	423,633	217,067	18,777	659,478
Bankers' acceptance	7,148	-	-	345
Advances under finance lease	319	26	-	7,148
Gross loans	480,739	318,962	126,844	926,546
Expected credit loss allowance	(4,921)	(15,291)	(63,859)	(84,071)
Net loans	**475,818**	**303,671**	**62,985**	**842,475**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

	As at 31 December 2017[(1)]				
	Gross amount	Specific impairment	Collective impairment	Total impairment	Carrying amount
			(₦ millions)		
Specialised loans	266,133	(9,385)	(7,169)	(16,554)	249,579
Non-specialised loans:					
-Overdrafts	374,642	(50,264)	(5,566)	(55,830)	318,812
-Term loans	275,724	(2,440)	(11,622)	(14,063)	261,661
Advances under finance lease	1,569	-	(48)	(48)	1,521
Net loans	**918,068**	**(62,089)**	**(24,406)**	**(86,495)**	**831,573**

(1) The financial data concerning loans and advances to customers as at 31 December 2017 was prepared in accordance with IAS 39 and was therefore not prepared on a comparible basis as the data as at 31 December 2019 and 2018 which was prepared in accordance with IFRS 9

The Bank's net loans and advances to customers increased by 6.2 per cent. to ₦862.0 billion as at 30 September 2020 from ₦811.6 billion as at 31 December 2019, ₦842.5 billion as at 31 December 2018 and ₦831.6 billion as at 31 December 2017. These changes were primarily due to growth in the loan books, write-offs and devaluation of the Naira. Net loans growth (i.e., new loans granted less repayment of obligations as at when due) and the impact of the devaluation of the U.S. dollar loan book in Naira terms were the primary contributors to the loan growth of the portfolio.

Financial assets held for trading

The following table sets out details of the Bank's financial assets held for trading as at the dates indicated.

	As at 30 September	As at 31 December		
	2020	2019	2018[(1)]	2017
		(₦ millions)		
Government bonds	17,560	8,880	1,662	6,115
Treasury bills	17,470	45,870	33,452	28,337
Total assets held for trading	**35,031**	**54,750**	**35,114**	**34,452**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

Financial assets held for trading decreased 36 per cent. to ₦35.0 billion as at 30 September 2020 from ₦54.7 billion as at 31 December 2019. This decrease was primarily due to a ₦28.4 billion decrease in Treasury bills, as the Bank switched from Treasury bills to Government bonds to take advantage of higher yields. Financial assets held for trading increased 5.6 per cent to ₦54.7 billion as at 31 December 2019 from ₦35.1 billion as at 31 December 2018 and increased by 1.9 per cent. from ₦34.4 billion as at 31 December 2017. The increase between 31 December 2019 and 31 December 2018 was primarily due to ₦12.4 billion increase in treasury bills and a ₦7.2 billion increase in government bonds. The slight increase between 31 December 2018 and 2017 was primarily due to a ₦5.1 billion increase in Treasury bills which was partially offset by a ₦4.4 billion decrease in Government bonds.

Investment securities: available-for-sale investments

The following table sets out details of the Bank's investment securities: measured at fair value through other comprehensive income as at the dates indicated.

	As at 30 September	As at 31 December		
	2020	2019	2018[(1)]	2017
		(₦ millions)		
Available-for-sale investments				
Debt securities – at fair value through other comprehensive income:				
-Listed				
Federal Government Bonds-At fair value through other comprehensive income	86,651	41,520	94,760	54,831
Treasury bills	188,599	239,059	169,044	182,880
-Unlisted				
Government Guaranteed Bonds-At fair value through other comprehensive income:				
State Government Bonds	9,718	8,264	1,569	10,575
Euro bond	4,986	-	38,650	41,431
Local Contractor/Corporate Bonds	-	-	4,702	2,758
Total debt securities	**289,954**	**288,843**	**308,725**	**292,476**
Equity securities-At fair value through other comprehensive income:				
Total equity securities	41,815	40,671	32,272	29,168
Allowance for impairment	-	(1,398)	2,211	-
	41,815	**39,273**	**34,483**	**29,168**
Total available-for-sale investments	**331,768**	**328,116**	**343,208**	**321,644**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

The Bank's investment securities: fair value through other comprehensive income investments increased 0.7 per cent. to ₦331.8 billion as at 30 September 2020 from ₦329.5 billion as at 31 December 2019, ₦341.0 billion as at 31 December 2018 and ₦321.6 billion as at 31 December 2017. This growth was largely driven by a growth in deposits over the periods under review, which resulted in excess liquidity to be invested in investment securities.

Investment securities: loans and receivables

The following table sets out details of the Bank's investment securities: loans and receivables as at the dates indicated.

	As at 30 September	As at 31 December		
	2020	2019	2018[(1)]	2017
	(₦ millions)			
Debt securities–at amortised cost:				
TBPIC[(2)]	-	-	21,606	27,722
Promissory note[(3)]	22,668	1,432	18,904	-
Total investment securities: loans and receivables	**22,668**	**1,432**	**40,510**	**27,222**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

(2) Investment of ₦30.15 billion in Treasury Bond Protected Investment Corporation Limited at coupon rate of 2.25 per cent. for the tenure of 15 years. The outstanding balance of ₦21.6 billion was fully repaid during the year ended 31 December 2019.

(2) The FGN promissory notes issued by Debt Management Office (DMO) to banks on behalf of major oil marketer exposures to the banks. The note is issued at zero coupon rate.

The Bank's investment securities: loans and receivables increased by 1481.9 per cent. to ₦22.7 billion as at 30 September 2020 from ₦1.4 billion as at 31 December 2019, which related to the recognition of promissory notes issued by the CBN to Bank on behalf of major oil marketers. The Bank's investment securities: loans and receivables decreased 96.5 per cent. to ₦1.4 billion as at 31 December 2019 from ₦40.5 billion as at 31 December 2018, primarily due to redemption of principal and interest on ETI promissory notes related to the acquisition of Oceanic Bank non-core assets and payment of CBN promissory notes. The Bank's investment securities: loans and receivables increased 48.8 per cent. to ₦40.5 billion as at 31 December 2018 from ₦27.2 billion as at 31 December 2017, which was primarily due to the issuance of a ₦18.9 billion promissory note issued by the DMO in respect of major oil marketers exposures to the Bank in 2018.

Pledged assets

The Bank's pledged assets increased 14.4 per cent. to ₦146.6 billion as at 30 September 2020 from ₦128.2 billion as at 31 December 2019, which was primarily the result of pledged treasury bills maturing at the end of 2020. The Bank's pledged assets increased 46.4 per cent. to ₦128.2 billion as at 31 December 2019 from ₦87.6 billion as at 31 December 2018 and ₦91.4 billion as at 31 December 2017. These increases were primarily due to increases in collateralised transactions, which required the pledging of treasury bills and bonds.

Non-current assets held for sale

Non-current assets held for sale are property, plant and equipment that the Bank has obtained approval from the CBN for disposal, amounting to ₦72.4 billion, ₦73.8 billion, ₦72.0 billion, ₦79.0 billion as at 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017 respectively, and for which the sale is yet to be fully consummated as at 30 September 2020, 31 December 2019, 31 December 2018, and 31 December 2017 respectively. The Bank's historic inability to dispose of the assets is principally as a result of perfection issues on the properties with various state governments that the Bank is actively pursuing to conclude and the general lull in the real estate sector. The Bank's management is actively in the process of ensuring that the disposal is duly concluded.

Property, plant and equipment

The Bank's property, plant and equipment decreased to ₦72.4 billion as at 30 September 2020 from ₦73.8 billion as at 31 December 2019, ₦72.0 billion as at 31 December 2018 and ₦79.0 billion as at 31 December 2017. The decrease in property, plant and equipment as at 30 September 2020 compared to 31 December 2017 were primarily the result of the disposal of some idle property in respect of freehold buildings over the periods under review.

Deferred tax assets

The Bank's deferred tax assets amounted to ₦12.3 billion as at each of 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017.

Other assets

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

	As at 30 September	As at 31 December		
	2020	2019	2018[(1)]	2017
	(₦ millions)			
Financial assets:				
Sundry receivables	38,054	50,384	18,099	25,161
Card and banking receivables	19,997	7,606	14,639	4,725
Due from affiliates and related entities	20,683	19,279	9,659	2,628
Less specific allowances for impairment	(10,833)	(9,340)	(8,484)	(8,473)
Total financial assets	**67,901**	**67,929**	**33,913**	**24,041**
Non-financial assets:				
Prepayments	14,391	1,238	5,769	6,527
Total non-financial assets	**14,391**	**1,238**	**5,769**	**6,527**
Total other assets	**82,292**	**69,167**	**39,682**	**30,568**
Current other assets	67,901	67,929	33,913	24,041
Non-current other assets	14,391	1,238	5,769	6,527
Total other assets	**82,292**	**69,167**	**39,682**	**30,568**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

The Bank's other assets increased 19.0 per cent. to ₦82.3 billion as at 30 September 2020 from ₦69.2 billion as at 31 December 2019, primarily due to an increase in card and banking receivables and prepayments. The Bank's other assets increased 74.3 per cent. to ₦69.2 billion as at 31 December 2019 from ₦39.7 billion as at 31 December 2018 and ₦30.6 billion as at 31 December 2017.

Total Liabilities

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

	As at 30 September	As at 31 December		
	2020	2019	2018[(1)]	2017
	(₦ millions)			
LIABILITIES				
Deposits from banks	267,749	226,058	169,663	136,596
Deposits from customers	1,498,119	1,354,699	1,283,173	1,098,302
Derivative financial liabilities	6,225	8,327	1,690	6,816
Borrowings	53,416	79,896	160,828	160,922
Retirement benefit liabilities	1,803	1,800	328	1,856
Current income tax liabilities	1,971	2,184	2,839	5,170
Provision for litigation	1,726	1,651	1,438	4,671
Lease liabilities	86	86	-	-
Other liabilities	109,230	52,069	89,389	148,099
Total liabilities	**1,940,325**	**1,726,770**	**1,709,348**	**1,562,432**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

The Bank's total liabilities increased 12.4 per cent. to ₦1,940.3 billion as at 30 September 2020 from ₦1,726.8 billion as at 31 December 2019, which was primarily the result of an increase in deposits from customers and other liabilities. The Bank's total liabilities increased 1.0 per cent. to ₦1,726.8 billion as at 31 December 2019 from ₦1,709.3 billion as at 31 December 2018 and ₦1,562.4 billion as at

31 December 2017. The increases were primarily due to an aggressive drive in deposits which resulted in the increase in deposit liabilities.

Deposits from banks

Deposits from banks constituted 13.8 per cent. of total liabilities as at 30 September 2020, 13.1 per cent. as at 31 December 2019, 9.9 per cent. as at 31 December 2018 and 8.7 per cent. as at 31 December 2017. Deposits from banks increased 18.4 per cent. to ₦267.7 billion as at 30 September 2020 from ₦226.1 billion as at 31 December 2019, ₦169.7 billion as at 31 December 2018 and ₦136.6 billion as at 31 December 2017. These increases were primarily attributable to increases in temporary facilities to cover the Bank's short-term liquidity gaps through the interbank market.

Deposits from customers

The following table sets out details of the Bank's customer deposits by type of deposit as at the dates indicated.

	As at 30 September	**As at 31 December**		
	2020	**2019**	**2018(1)**	**2017**
		(₦ millions)		
Demand deposits	323,942	257,770	233,874	249,253
Savings deposits	392,504	275,438	239,830	223,514
Term deposits	397,419	442,132	368,068	304,610
Domiciliary	384,254	379,359	441,401	320,925
	1,498,119	**1,354,699**	**1,283,173**	**1,098,302**
Current	1,483,873	1,341,528	1,276,232	1,090,984
Non-Current	15,246	13,171	6,941	7,318
	1,498,119	**1,354,699**	**1,283,173**	**1,098,302**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

Customer deposits constituted 77.2 per cent. of total liabilities as at 30 September 2020, 78.5 per cent. as at 31 December 2019, 75.1 per cent. as at 31 December 2018 and 70.3 per cent. as at 31 December 2017. Customer deposits increased 9.6 per cent. to ₦1,498.1 billion as at 30 September 2020 from ₦1,354.7 billion as at 31 December 2019, which was primarily due to an aggressive drive for low cost deposits and the impact from devaluation as exchange rates increased from ₦364 to ₦385. Customer deposits increased 5.6 per cent. to ₦1,354.7 billion as at 31 December 2019 from ₦1,283.2 billion as at 31 December 2018 and ₦1,098.3 billion as at 31 December 2017. These increases were primarily due to aggressive deposit mobilisation and partly upward movement in exchange rates.

Borrowings

The following table sets forth details of the Bank's borrowings as at the dates indicated.

	As at 30 September	As at 31 December		
	2020	2019	2018(1)	2017
		(₦ millions)		
Borrowings				
Bank of Industry(2)	17,171	21,788	29,008	36,776
A/B Syndicated subordinated term facility (FMO)(3)	22,481	27,663	27,595	23,195
Micro, Small and Medium Enterprises Development Fund(4)	50	50	112	147
Central Bank of Nigeria (CBN) RSSF (5)	11,241	14,872	-	-
Development Bank of Nigeria (DBN) Fund(6)	2,473	15,524	-	-
International Finance Corporation(7)	-	-	3,220	8,110
Subordinated loan(8)	-	-	93,190	78,062
CBN Agric Loan(9)	-	-	-	2,950
Creative Industry Financial Initiative Funds	-	-	-	-
	53,416	**79,896**	**153,125**	**149,240**
Current	-	-	7,703	11,682
Non-Current	53,416	79,896	153,125	149,240
	53,416	**79,896**	**160,828**	**160,922**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

(2) This represents CBN intervention funds on-lent to some of the Bank's customers in the manufacturing sector through Bank of Industry (BOI). The fund is administered at an all-in interest rate of 7 per cent. per annum payable on a quarterly basis. The maximum tenor of the facility is 15 years.

(3) This amount represents syndicated subordinated Tier II capital loan of $75 million granted to the Bank by FMO Entrepreneurial Development Bank. The facility has a tenure of 7 years with moratorium of 5 years and interest rate is 6.5 per cent above LIBOR payable quarterly.

(4) This represents CBN intervention funds on-lent to some of the Bank's customers in the micro, small and medium sector (MSMEs). The facility has a maximum tenor of 1 year for micro enterprises and up to 5 years for MSMEs with an option of a moratorium. The fund is administered at an interest rate of 3 per cent. per annum under the wholesale funding to the Participating Financial Institutions with a spread of 6 per cent. bringing the lending rate to borrowers at a maximum of 9 per cent. per annum inclusive of all charges.

(5) This represents intervention funds under the CBN Real Sector Support Fund (RSSF) on-lent to some of the Bank's customers in the real sector. The facilities have tenors ranging between 7 and 10 years with the option of moratorium. The fund is administered at an interest rate of 2 per cent. per annum under the wholesale funding to the Participating Financial Institutions with a spread of 7 per cent. bringing the lending rate to borrowers at a maximum of 9 per cent. per annum inclusive of all charges. Principal and interest repayment to the CBN is on quarterly basis.

(6) This represents funds provided by DBN for wholesale funding and risk-sharing to Participating Financial Institutions for on lending to MSMEs. The facilities have tenors that is flexible (up to 10 years with a moratorium period of up to 18 months) and the interest rate of up to 9.6 per cent. principal and interest repayment to DBN is on monthly basis.

(7) The amount represents Tier II capital loan of $61.03 million granted to the Bank through ETI via a sub-loan from the International Finance Corporation. The facility had a tenure of 8 years with moratorium of 5 years and the interest rate was 8.5 per cent above 6-month LIBOR payable semi-annually. The loan had been fully repaid as at 31 December 2019.

(8) The amount represents Subordinated Tier 2 Note of $250 million Fixed Rate Limited Recourse Participation Notes due 2021. The Note has a tenure of 7 years and interest of 8.5 per cent on the notes will be payable semi-annually in arrear in each year commencing 14 August 2014. The bond was recalled and fully paid during the year ended 31 December 2019.

(9) This represents CBN intervention funds to some of the Banks customers in the agricultural sector. The fund is administered at a maximum interest rate of 9 per cent. per annum. The maximum tenor of the facility is 7 years. The fund has been fully repaid during the year ended 31 December 2018.

Retirement benefit liabilities

Retirement benefit liabilities increased to ₦1,803.0 million as at 30 September 2020 from ₦1,800.0 million as at 31 December 2019, ₦328.0 million as at 31 December 2018 and ₦1,856.0 million as at 31 December 2017.

Current income tax liabilities

Current income tax liabilities decreased to ₦1,971.0 million as at 30 September 2020 from ₦2,184.0 million as at 31 December 2019, ₦2,839.0 million as at 31 December 2018 and ₦5,170.0 million as at 31 December 2017.

Other liabilities

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

	As at 30 September	As at 31 December		
	2020	2019	2018[1]	2017
		(₦ millions)		
Customer deposits for letters of credit	8,482	10,186	10,523	31,002
Accounts payable	37,052	8,380	16,512	50,587
Due to affiliates and related entities	-	9,143	12,851	-
Unearned income	2,763	127	572	163
Collection accounts	3	3	3	3
Accrued expenses	8,585	1,026	3,742	3,957
Card settlement accounts	22,170	8,557	13,044	7,916
Managers' cheques	6,862	6,593	6,348	6,788
Impairment allowance for off-balance sheet	1,531	4,161	4,059	-
Others	21,783	3,893	21,736	47,683
	109,230	**52,069**	**89,389**	**148,099**

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(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

Other liabilities increased to ₦109.2 billion as at 30 September 2020 from ₦52.1 billion as at 31 December 2019, ₦89.4 billion as at 31 December 2018 and ₦148.1 billion as at 31 December 2017. These increases were due to growth in accounts payable, card settlement accounts and other liabilities.

Funding and Liquidity

The Bank believes that its management of assets and liabilities has allowed the Bank to maintain prudent levels of liquidity. Additionally, the CBN Prudential Guidelines require the Bank to maintain a ratio of a minimum of 30.0 per cent. of its deposits in liquid assets. The Bank's liquidity ratio as at 30 September 2020 was 34.1 per cent. in comparison to 36.4 per cent. as at 31 December 2019.

As at 30 September 2020, the Bank's funding base consisted of customer deposits (77.2 per cent.), deposits from other banks (13.8 per cent.), borrowings (2.7 per cent.) and other liabilities (6.7 per cent). Historically, the Bank's long-term funding sources consisted primarily of equity from ETI (see "*Risk Factors – Risks Relating to the Bank's Business – ETI, the Bank's sole shareholder provides capital and other services to the Bank, and further ETI has the ability to control the Bank's operations, and accordingly the interests of ETI may conflict with those of holders of the Notes*"). However, the Bank also has some long-term borrowings from international financial institutions and multilateral agencies.

The following table sets out certain liquidity ratios for the Bank as at the dates indicated.

	As at 30 September	As at 31 December		
	2020	2019	2018[1]	2017
		(%)		
Liquid assets[2]/total assets	18.8	20.5	20.1	18.1
Liquid assets[2]/customer deposits	27.9	30.1	30.2	30.1
Liquid assets[2]/liabilities up to three months	34.1	36.4	32.1	31.8
Loans to customers, net/total assets	38.7	40.8	42.2	45.4
Loans to customers, net/customer deposits	57.5	59.9	63.4	75.7
Loans to customers, net/total equity	298.2	307.1	372.3	311.1

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(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

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

Maturity profile – on balance sheet for the Bank

The following tables sets out maturity profile on balance sheet for the Bank as at 30 September 2020.

	30 September 2020					
	Up to 1 month	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 Years**	**Total**
			(₦ *millions*)			
Financial Assets						
Cash and cash equivalents	139,882	-	-	-	-	139,882
Mandatory reserves deposits with Central Bank	507,739	-	-	-	-	507,739
Loans and advances to customers	166,943	52,846	253,116	98,381	290,716	862,002
Trading assets	16,508	-	-	-	-	16,508
Investments securities – available-for-sale	63,801	103,500	62,454	59,002	43,013	331,769
Investments securities – held at amortised cost	-	-	-	-	22,668	22,668
Derivative financial instruments	10,271	-	-	-	-	10,271
Pledged assets	-	48,679	54,937	43,013	-	146,630
Other assets	131,703	38,356	-	-	3,538	173,384
Total financial assets	**1,036,847**	**243,381**	**370,507**	**200,396**	**359,722**	**2,229,377**
Financial liabilities						
Deposits from banks	121,882	13,468	132,399	-	-	267,749
Due to customers	1,197,951	201,426	92,782	5,960	-	1,498,119
Derivative financial instruments	6,225	-	-	-	-	6,225
Borrowed funds	-	17,235	28,106	8,075	-	53,416
Provision for litigation	-	-	-	-	1,726	1,726
Other liabilities	3,272	59,586	22,948	-	24,418	109,230
Total financial liabilities	**1,329,133**	**291,715**	**276,234**	**14,035**	**24,418**	**1,940,337**
Total interest repricing gap	(292,980)	(48,334)	94,273	186,361	335,304	289,038

The following tables sets out maturity profile on balance sheet for the Bank as at 31 December 2019.

	31 December 2019					
	0 – 30 days	31 – 90 days	91 – 365 days	Over 1 year but less than 5 years	Over 5 Years	Total
			(₦ *millions*)			
Financial Assets						
Cash and cash equivalents	118,293	20,104	-	-	-	138,396
Mandatory reserves deposits with Central Bank	-	-	-	-	350,366	350,366
Loans and advances to customers	185,918	197,490	36,921	239,444	151,832	811,606
Trading assets	6,046	14,021	29,447	385	4,851	54,750
Investments securities – available-for-sale	60,002	25,711	165,406	3,392	76,435	330,946
Derivative financial instruments	12,754	-	-	-	-	12,754
Pledged assets	18,235	29,693	63,046	-	17,210	128,184
Other assets	-	-	-	-	69,167	69,167
Total financial assets	**401,247**	**286,917**	**294,820**	**243,221**	**669,862**	**1,896,170**
Financial liabilities						
Deposits from banks	120,753	73,559	29,558	2,188	-	226,058
Due to customers	1,148,274	112,802	80,452	2,954	10,216	1,354,699
Derivative financial instruments	8,327	-	-	-	-	8,327
Borrowed funds	-	-	-	79,897	-	79,897
Provision for litigation	-	-	1,651	-	-	1,651
Other liabilities	-	-	-	52,066	-	52,069
Current income tax liabilities	-	2,184	-	-	-	2,184
Retirement benefit obligations	-			-		1,800
Total financial liabilities	**1,277,354**	**188,545**	**113,462**	**137,106**	**10,216**	**1,724,883**

The following tables sets out maturity profile on balance sheet for the Bank as at 31 December 2018.

	31 December 2018[1]					
	0 – 30 days	**31 – 90 days**	**91 – 365 days**	**Over 1 year but less than 5 years**	**Over 5 Years**	**Total**
			(₦ *millions*)			
Financial Assets						
Cash and cash equivalents	154,945	-	-	-	-	154,945
Mandatory reserve deposits with Central Bank	-	-	-	-	316,526	316,526
Loans and advances to customers	259,362	191,742	50,007	261,806	79,558	842,475
Trading assets	1,026	1,036	32,668	367	17	35,114
Investments securities – available-for-sale	67,412	86,543	121,905	172	105,475	381,506
Derivative financial instruments	-	42	-	-	8,772	8,814
Pledged assets	-	22,531	51,820	-	13,210	87,561
Other assets	-	-	-	-	39,682	39,682
Total financial assets	**482,745**	**301,894**	**256,400**	**262,346**	**563,240**	**1,866,624**
Financial liabilities						
Deposits from banks	81,137	68,663	19,863	-	-	169,663
Due to customers	1,017,256	157,801	101,175	923	6,018	1,283,173
Derivative financial instruments	-	-	1,690	-	-	1,690
Borrowed funds	-	-	-	160,828	-	160,828
Provision for litigation	-	-	1,438	-	-	1,438
Other liabilities	-	-	-	89,389	-	89,389
Current income tax liabilities	-	2,839	-	-	-	2,839
Retirement benefit obligations	-	-	328	-		328
Total financial liabilities	**1,098,393**	**229,303**	**124,493**	**251,140**	**6,018**	**1,709,348**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

The following table sets out maturity profile – on balance sheet for the Bank as at 31 December 2017.

	31 December 2017					
	0 – 30 days	31 – 90 days	91 – 365 days	Over 1 year but less than 5 years	Over 5 Years	Total
			(₦ *millions*)			
Financial Assets						
Cash and cash equivalents	40,725	72,560	20,209	-	-	133,494
Mandatory reserve deposits with Central Bank	-	-	-	-	257,237	257,237
Loans and advances to customers	420,895	114,306	79,897	167,606	48,869	831,573
Trading assets	16,709	17,743	-	-	-	34,452
Investments securities – available-for-sale	6,123	34,630	167,203	54,202	87,208	349,365
Derivatives financial instruments	-	-	8,956	-	-	8,956
Pledged assets	-	-	29,046	33,846	28,468	91,360
Other assets	-	-	-	-	30,568	30,568
Total financial assets	**484,453**	**239,239**	**305,310**	**255,653**	**452,349**	**1,737,005**
Financial liabilities						
Deposits from banks	4,860	69,921	61,816	-	-	136,597
Due to customers	503,437	334,400	231,315	17,263	11,887	1,098,301
Derivatives financial instruments	-	-	6,816	-	-	6,816
Borrowed funds	-	-	-	160,922	-	160,922
Provision for litigation	-	-	5,171	-	-	5,171
Other liabilities	-	36,740	106,432	5,166	-	148,338
Current income tax liabilities	-	-	-	4,431	-	4,431
Retirement benefit obligations	-	-	-	-	1,856	1,856
Total financial liabilities	**508,297**	**441,061**	**411,550**	**187,782**	**13,743**	**1,562,433**

Off balance sheet arrangements

In the normal course of its activity, the Bank enters into certain financial instruments with off balance sheet risk in order to meet the needs of its customers. These instruments, which include performance bonds and financial guarantees, guaranteed pension assets, foreign exchange commitment and unconfirmed and unfunded letters of credit involving varying degrees of credit risk and are not reflected in the balance sheet of the Bank. As at 30 September 2020, the Bank had ₦365.6 billion (U.S.$0.96 billion) in off balance sheet liabilities, compared to ₦417.4 billion (U.S.$1.08 billion) as at 31 December 2019, ₦454.0 billion (U.S.$1.18 billion) as at 31 December 2018 and ₦582.0 billion (U.S.$1.51 billion) as at 31 December 2017.

The Bank's maximum exposure to credit losses for off balance sheet arrangements is reflected in the contractual amount of these transactions. Provisions are made for any loss that may arise from such transactions for non-performing on-balance sheet items and are recognised as a liability on the balance sheet.

Capital commitments

As at 31 December 2019, the Bank had recorded capital commitments of ₦1.92 billion, as compared with capital commitments of ₦1.35 billion as at 31 December 2018 and ₦1.1 billion as at 31 December 2017, which had represented authorised and contracted capital projects.

Capital Adequacy

The following table sets out details of the composition of regulatory capital of the Bank as at the dates indicated.

	As at 30 September	**As at 31 December**		
	2020	**2019**	**2018[1]**	**2017**
		(₦ millions)		
Tier 1 capital				
Share capital	13,719	13,719	11,457	10,074
Share premium	179,316	179,316	149,903	131,928
Statutory reserves	20,837	20,837	20,649	20,649
Contingency reserve	-	-	-	-
IFRS 9 transitional adjustment	5,672	5,672	8,509	-
SMEIS reserve	3,869	3,806	2,449	1,439
Capital reserve	7,218	7,218	7,218	7,218
Retained earnings	(8,989)	(16,854)	(27,891)	31,680
Forbearance on interest reversal	-	19,294	-	-
Less: Deferred tax	(12,312)	(12,312)	(12,262)	(12,312)
Other intangible assets	(3,350)	(5,181)	(5,967)	(1,418)
Total qualifying Tier 1 capital	**205,980**	**215,515**	**154,064**	**189,257**
Other Deductions				
Excess exposure(s) over single obligor without CBN approval	28,044	15,347	52,915	4,957
Tier 2 Capital				
Long term borrowing[2]	4,237	11,065	40,257	61,591
AFS Reserve	40,735	24,963	12,163	29,920
Total Tier 2 Capital	44,972	**36,028**	**52,420**	**91,510**
Total qualifying Tier 2 Capital	**44,972**	**36,028**	**51,355**	**63,086**
Total regulatory capital	**222,908**	**236,196**	**152,504**	**247,386**
Risk weighted assets:				
On-balance sheet	1,189,265	1,076,971	973,008	1,127,789
Off-balance sheet	39,599	55,366	63,401	87,920
Total Credit Risk	1,228,864	**1,132,337**	**1,036,409**	**1,215,710**
Total risk weighted assets	**1,454,104**	**1,447,830**	**1,370,401**	**1,546,847**
Risk weighted Capital Adequacy Ratio	**15.3%**	**16.3%**	**11.1%**	**16.0%**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".
(2) For the purposes of "Long term borrowing", only the Bank's loan with A/B Syndicated subordinated term facility (FMO) qualifies as Tier 2 capital, which is calculated after discounting for the capital adequacy ratio computation in line with CBN's capital adequacy requirements.

The Bank is regulated by the CBN and must meet the CBN's capital adequacy requirements. In accordance with CBN regulations, a minimum risk-weighted capital adequacy ratio of 10.0 per cent. must be maintained. As at 30 September 2020, the Bank's total capital adequacy ratio was 15.3 per cent. A bank which fails to comply with the capital adequacy ratio requirement may not be allowed to grow its business volume. The CBN will not approve new investments for such affected banks, thus restricting their expansion initiatives.

In 2018, the cost of transitioning to IFRS 9 by the Bank was reflected as ₦48.6 billion on total shareholders' equity, with a ₦14.18 billion impact on retained earnings and ₦34.4 billion taken against regulatory reserve. Whilst Management believes that its plans are sufficient to ensure it will continue to comply with the CBN's regulations under Basel II, no assurance can be given that the Bank will continue to be able to increase its capital or reduce its risk weighted assets.

Related Party Transactions

The Bank's key management personnel, and persons connected with them, are considered to be related parties. The definition of related parties includes the close members of family of key personnel and any entity over which key management exercise control. The Bank has also entered into a group shared service agreement with its controlling shareholder, Ecobank Transnational Incorporated, and an information technology services agreement with its affiliate eProcess International S.A. ("**E-Process**").

As at 30 September 2020, the Bank had secured loans and advances in an amount of ₦7.1 billion outstanding to key management personnel and their immediate relatives, compared to ₦7.3 billion as at 31 December 2019.

DESCRIPTION OF THE ISSUER

History

The Issuer was incorporated as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) under and subject to Dutch law on 22 January 2021. The Issuer has been established as an SPV for the purpose of issuing debt securities.

The Issuer's corporate seat (*statutaire zetel*) is in Amsterdam, the Netherlands and is registered with the Dutch Chamber of Commerce under number 81674554.

The principal activities of the Issuer are the issuance of financial instruments, the acquisition of financial assets and the entering into other legally binding arrangements.

Capitalisation

The Issuer's issued share capital is €1 which is fully paid up and consists of 1 share with a nominal value of €1. The entire issued share capital is owned by Stichting EBN Finance (the "**Foundation**"), a foundation (stichting) established under Dutch law and registered with the Trade Register of the Dutch Chamber of Commerce under number 81655339. The Foundation was incorporated on 21 January 2021.

An amount equal to the gross proceeds of the issue of the Notes will be used by the Issuer to acquire the Senior Note from the Bank. The Bank will use the proceeds in accordance with the section "*Use of Proceeds*".

Management

The Issuer's management structure consists of a managing director (the "**Managing Director**") and a board of supervisory directors (the "**Supervisory Board**"). The Managing Director of the Issuer as at the date of this Prospectus is Vistra Capital Markets (Netherlands) N.V., a public limited company incorporated under Dutch law and registered with the Trade Register of the Dutch Chamber of Commerce and Industry under number 33093266. The Supervisory Board currently consists of two members, being Jeroen Adriaan Knikkink and Lars van Marrelo.

The business address of the Managing Director and the Supervisory Board (and the managing directors of the Managing Director) is at Herikerbergweg 88, 1101 CM Amsterdam, the Netherlands.

The Managing Director is authorised to represent the Issuer. The managing directors of the Managing Director are Ronald Posthumus, Carina Helsloot – van Riemsdijk, Hermanus Jan Derk Wolterman and Karin Petra van Dorst, each jointly authorised to represent the Managing Director as the managing director of the Issuer. Along with the managing directors, the Managing Director may also be represented by any two "proxyholders A" or one "proxyholder A" and one managing director, in each case acting jointly. There are no potential conflicts of interest between any duties owed to the Issuer and the private interests or any other duties of the Managing Director and/or the Supervisory Board. The Managing Director and the supervisory directors of the Issuer perform no principal activities outside the Issuer which are significant with respect to the Issuer. There are no potential conflicts of interests between any duties of the managing directors of the Managing Director towards either the Issuer or the Managing Director and their private interests and/or other duties. The managing directors of the Managing Director perform no principal activities outside the Managing Director, which are significant with respect to the Issuer.

Business

The Issuer will enter into a management service agreement on or about the Closing Date with, *inter alios,* the Managing Director, pursuant to which the Managing Director provides management services to the Issuer.

As set out in Article 3 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. The Issuer has been established as an SPV and has no employees or subsidiaries.

The Issuer does not have any loan capital (including term loans) outstanding or created but unissued, or any outstanding mortgages, charges or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptance credits, hire purchase agreements, guarantees or other contingent liabilities, other than upon their issuance, the Notes, the Trust Deed, and other Transaction Documents (as defined in this Prospectus).

Financial Statements

Since the date of incorporation, the Issuer has not commenced any operations and no financial statements of the Issuer have been prepared as of the date of this Prospectus. The auditors who will conduct annual audits of the Issuer's statutory financial statements will be appointed by the Issuer in accordance with Netherlands law. The auditors will be registered in the Netherlands with the Netherlands Institute of Chartered Accountants (*Nederlandse Beroepsorganisatie van Accountants*). The Issuer is not required to, and does not intend to, produce interim financial statements on an ongoing basis.

General Information

The Issuer's registered office is situated at Herikerbergweg 88, 1101 CM Amsterdam, the Netherlands and its telephone number is +31 885609950. Administrative services are provided to the Issuer by Vistra Capital Markets (Netherlands) B.V., whose business address is Herikerberg 88, 1101 CM Amsterdam, the Netherlands.

DESCRIPTION OF THE BANK

Overview

The Bank is a leading financial institution offering a wide range of financial services and products to corporate and retail customers throughout Nigeria. According to the most recently available published financial statements of Nigerian banks for 2019, the Bank is ranked seventh in terms of total assets and deposits amongst Nigerian banks. The Bank is a member of the Ecobank Group, a pan-African banking group with operations in 35 African countries and an international presence in four locations (London, Paris, Beijing and Dubai). See "—*The Ecobank Group*" below.

The Bank's operations comprise three strategic business segments: Consumer Banking; Commercial Banking; and Corporate and Investment Banking. These segments are supported by the Bank's Operations & Technology, Risk Management, Legal, Finance, Internal Audit, Internal Control and Human Resources departments. In addition, as a member of the Ecobank Group, the Bank's business segments also receive support from an integrated information technology platform operated by eProcess International S.A., Ecobank Group's technology subsidiary (which is currently located in Ghana).

The Bank utilises a "matrix" organisational structure, benefitting from strong regional management teams that provide cross functional support to the strategic business segments, which are organised as follows:

- ***Corporate and Investment Banking*** ("**CIB**"), which provides a broad range of financial solutions to global and regional corporations, public corporations, financial institutions and international organisations. Products focus on pan-African lending, trade services, cash management, internet banking and value-chain finance and provide treasury, corporate finance, investment banking, securities and asset management solutions to corporate and governmental customers, utilising a research team based on the ground in key markets that provides unique information support capabilities;

- ***Consumer Banking***, which provides banking services to affluent, mass affluent, mass market and microfinance customers leveraging extensive branch and ATM networks, as well as mobile, internet and remittances banking platforms; and

- ***Commercial Banking***, which provides banking services to small- and medium-sized scale enterprises ("**SMEs**"), local corporations, public sector; offering trade services, cash management, internet banking and value-chain finance;.

The following table sets out the Bank's gross revenue and outstanding gross loans and deposits from customers broken down by business segment as at and for the nine months ended 30 September 2020:

	Gross revenue(1)	% of the Bank's Gross revenue	Gross Loans	% of the Bank's Gross Loans	Deposits from customers	% of the Bank's Deposits from customers
			(₦ *millions, except percentages*)			
CIB	75,484	61.9	870,230	90.0	634,373	42.3
Consumer Banking	32,769	26.9	24,267	2.5	566,206	37.8
Commercial Banking	13,727	11.3	72,151	7.5	297,539	19.9
Total	**121,980**	**100.0**	**966,646**	**100.0**	**1,498,119**	**100.0**

(1) Gross revenue, which comprises interest income, fee/commission income, net gains from financial instruments at fair value through profit or loss and other operating income, net trading income, and other operating income is presented net of intra-segment eliminations.

The following table sets out the Bank's gross revenue and outstanding gross loans and deposits from customers as at and for the year ended 31 December 2019:

	Gross revenue(1)	% of the Bank's Gross revenue	Gross Loans	% of the Bank's Loans	Deposits from customers	% of the Bank's Deposits from customers
			(₦ *millions, except percentages*)			
CIB	116,553	59.8	824,853	90.3	572,825	41.6
Consumer Banking	56,190	28.8	27,603	3.0	529,004	38.5
Commercial Banking	22,128	11.4	60,626	6.7	273,753	19.9
Total	**194,871**	**100.0**	**913,082**	**100.0**	**1,375,581**	**100**

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(1) Gross revenue, which comprises interest income, fee/commission income, net gains from financial instruments at fair value through profit or loss and other operating income, net trading income, and other operating income is presented net of intra-segment eliminations.

As at 30 September 2020 and 31 December 2019, whilst Consumer Banking only accounted for 2.5 per cent. and 3.0 per cent., respectively, of the Bank's gross loan portfolio, the Consumer Banking segment represented 26.9 per cent of the Bank's gross for the nine months ended 30 September 2020, making it a profitable segment for the Bank; whereas CIB represented 90.0 per cent. and 90.3 per cent., respectively, of the Bank's gross loan portfolio as at 30 September 2020 and 31 December 2019, but accounted for just over a half of the Bank's gross revenues (61.9 per cent.) for the nine months ended 30 September 2020; whereas Commercial Banking represented 7.5 per cent. and 6.7 per cent., respectively, as at 30 September 2020 and 31 December 2019, and represented 11.3 per cent. of the Bank's gross revenues for the nine months ended 30 September 2020. For the year ended 31 December 2019, Consumer Banking, Commercial Banking and Corporate Banking represented 28.8 per cent., 11.4 per cent., and 59.8 per cent. of the Bank's gross revenue, respectively.

The COVID-19 Pandemic

The COVID-19 pandemic has adversely impacted both the global and Nigerian economy. Coupled with the temporary business shutdown earlier in the year, foreign exchange illiquidity and overall reduction in production output, the IMF projects Nigeria's full year GDP to contract by 5.4 per cent in 2020. See "*Nigeria—The Nigerian Economy– Impact of COVID-19 on the Nigerian Economy*". In addition, the pandemic has resulted in temporary closures of many businesses and the institution of social distancing and sheltering in place requirements in many states and communities.

For the Bank, normal banking activities were disrupted during the COVID-19 pandemic lockdown. Some of the Bank's branches were closed due to reported cases of COVID-19, and the Bank encountered other issues such as supply chain challenges, restrictions on travelling, increased expenses associated with disinfectants and disinfection of office premises, health and safety concerns especially during the lockdown and issues associated with the remote working of the branches' employees. In addition, the Bank faced an increase in cyber threats during COVID-19 such as an increase in phishing emails and social engineering attacks to gain access to customer accounts and information.

During the COVID-19 pandemic, the Bank's focus has been to ensure the safety and well-being of staff, customers and other related parties of the Bank, the security of staff and physical assets, protection of financial assets from internal, external and cyber fraud, the availability of systems, platforms and products to customers to support digital drive and the provision of quality service to all the Bank's customers throughout this period.

The Bank has put in place the following Business Continuity Management protocols since March 2020 in response to the COVID-19 pandemic:

- Establishment of COVID-19 Taskforce Teams, in alignment with Group guidelines and objective of ensuring staff well-being and business continuity. The Team was activated on 28 February 2020 and has held daily meetings (including weekends) through digital conferencing since mid-March 2020. Two Taskforces have been set up. Taskforce 1 focuses on the impact of economic events on the portfolio for risk and crisis management and Taskforce 2 focuses on staff and customer safety. The Taskforces also have an interface between the committee and staff to coordinate response to enquiries, issues and questions regarding the bank's response to COVID-19 pandemic.

- Branches are on a well-coordinated two-week on/off rotation in line with local environment and relevant government pronouncements and guidelines. Contact Centre operations have been enhanced with additional personnel, and now function out of two separate locations to meet social distancing and business continuity requirements in the light of increased customer activity on digital platforms. Preventive measures (hand sanitizers, thermometers, face masks, hand gloves etc.) at all our locations to check for symptoms of COVID-19, isolate and report suspected cases.

- Staff have been categorised to determine those working in the office, those working remotely (from home) and those on annual leave. Staff are provided with required tools and support for work vis-à-vis transportation, laptops, VPN access and data. All meetings are held on digital platforms to allow for safe operations in light of the pandemic.

- Activation of weekly Call Tree, a communication model that allows for notification to each employee, to ensure that all staff are contacted to keep-in-touch and be certain of their continued wellbeing.

- Suspension of all visits except critical vendors to maintain critical systems and platforms. Travel restrictions remain firmly in place.

- The Technology Recovery Plan (TRP) has been activated and identified critical staff members are currently supporting the systems and data centre to ensure uninterrupted service.

- Significant knowledge sharing and awareness to staff on COVID-19 has been done via emails, team-meetings and facilitator-led sessions. The Bank continued to provide regular updates to customers during this period, through emails, SMS alerts, social media, electronic media and notices at its premises.

- The Bank's #StaySafeNigeria campaign in various local languages on over 50 radio stations and on social media across the country in addition to other corporate social responsibility initiatives.

Key Strengths

The Bank benefits from the Ecobank Group's strong network, with operations in 35 African countries and an international presence in four locations (London, Paris, Beijing and Dubai), and believes the following strengths differentiate it from other banks in Nigeria.

Strong distribution channels allowing the Bank to reach a large customer base in Africa

The Bank has a strong distribution network and operates through its own branches and various partnerships maintained with other banks, thereby reaching a wide customer base of over 10 million. As at 30 September 2020, the Bank had 256 branches and it owned and operated approximately 1,310 automated teller machines ("**ATMs**"), providing services such as cash withdrawals (including fast cash), balance enquiries, mini statements, chequebook requests, full statement requests and fund transfers. The customers also have access to approximately 15,900 ATMs across Nigeria through the Bank's various partnerships.

The Management considers the Bank's digital payments services at the forefront of internet banking in Nigeria. In line with its strategy to increase the digital banking services, the Bank closed 114 branches and improved use of other distribution channels such as point of sale ("**PoS**") terminals. The Bank has over 7,900 PoS terminals and over 18,000 XpressPoint agent locations spread across Nigeria as at 30 September 2020. The value of transactions processed by the Agents' of the Bank stands at ₦16.4 billion, recording a 280 per cent. year-on-year growth as at 30 September 2020.

The Bank is dedicated to increase its customer base. In 2012, the Bank launched a phone-based banking platform service called Ecobank Mobile, which it expanded in 2014 in a partnership with MTN, a leading mobile phone operator in Nigeria, and re-launched it as Ecobank MobileMoney. In 2012, the Bank also introduced its integrated pan-African payment platform, Ecobank OMNI, making it available to the Bank's Corporate Banking customers for efficient management of their working capital requirements. The Bank is continuously looking at ways to enhance its distribution network for the benefit of its customers, offering a variety of product partnerships such as Ria Money Transfer, which is a remittance business including services such as office pick-up and bank deposit. The Bank is driven to enhance its customer's experience. The Bank is planning to introduce a Smart Teller service, which allows remote processing and faster turnaround time. See "*Description of the Bank—Support Functions—Distribution Channels*".

Leading innovator in digital payment platforms and services

The Bank considers itself to be at the forefront in offering innovative products and services to customers in Nigeria, leading in pan Africa trade and remittances. It was the first bank in Nigeria to offer Masterpass, a contactless and cardless payments solution for merchants, which has now evolved to Ecobankpay (incorporating Mastercard, Visa and unstructured supplementary service data ("**USSD**") platforms). In addition, the Bank has entered into a partnership with MTN Group Limited to offer MTN MobileMoney customers the opportunity to open accounts with the Bank and use the Bank's mobile phone banking platform, Ecobank MobileMoney. Management believes the Bank is also at the forefront of digital offerings technology and pioneers at re-aligning various payments systems into one vertical focused on sales while offering end-to-end client support and online, real time banking services. The Bank also ensures that each new branch and customer service outlet is online and connected to the Bank's system.

The Bank has deployed payment solution using a QR code technology that supports Mastercard, VISA card and all other in-country QR code framework. This has helped facilitate payments between merchants and consumers using the latest technology. This technology is also available in all the countries where the Bank operates. In 2019, a Robotic Process Automation project called RAFIKI was commissioned to automate e-channel processes and dispute management procedures, thereby effectively reducing turn-around time for transactions. As the Bank continues to implement its organic growth strategy, the management believes its experience and business systems are well equipped to manage anticipated growth.

Strategic market focus in corporate, consumer and commercial banking sectors ***across Nigeria***

The Bank provides Corporate and Investment Banking, Consumer Banking and Commercial Banking products and services. The Bank's treasury function comprising of treasury-funds management and treasury products sales in Nigeria is ranked amongst the top 10 banks for providing access to fixed income and foreign exchange products offering government securities.

The Bank provides banking services and payment solutions to governments and international organizations. The Bank has a strong presence in the corporate banking sector in Nigeria and a growing and increasingly diversified presence in Nigeria's middle market, principally small and medium enterprises, including sole proprietors and traders (this includes customers in the high end of the Consumer Banking segment). Additionally, in its Corporate Banking segment, the Bank has developed specialty groups that focus on certain high end sectors of the economy (such as power, oil and gas, telecoms and infrastructure). See "*Description of the Bank—Description of Business*".

Strong relationship with the principal shareholders providing support for the Bank's strategic values and goals

The Bank benefits from its relationship with its principal shareholder, ETI of the Ecobank Group, and its commitment to supporting the Bank's strategic goals. The Bank as part of the Ecobank Group benefits from opportunities, experience and knowledge sharing across its network, with operations in 35 African countries and an international presence in four locations (London, Paris, Beijing and Dubai).

ETI establishes certain strategic objectives and determines sector priorities and limits applicable to the Ecobank Group. As the holding company, ETI formulates policies, provides direction and support to its subsidiaries across Africa. The two main objectives of ETI are to: (i) build a world-class pan-African bank; and (ii) contribute in a significant fashion to the economic and financial integration and development of the African continent, which compliments the Bank's strategy and goals to become the customers' choice of bank for trading in Africa. See "*Description of the Bank—The Ecobank Group*".

The Bank benefits by being part of the Ecobank Group through technological support such as central product development, access to central innovation and testing of products and leveraging the Ecobank Group for market access. For instance, the Bank's Corporate Banking strategy entails leveraging of the Ecobank Capital segment's investment banking expertise across the markets in which the Ecobank Group operates, primarily through offering capital markets products such as project and acquisition finance.

Strong capital adequacy ratio and net interest income indicating positive financial performance

As at 30 September 2020, the Bank's total capital adequacy ratio was 15.3 per cent., which is significantly higher than the CBN's minimum requirement of 10.0 per cent. In 2018, the cost of transitioning to IFRS 9 by the Bank was reflected as ₦48.6 billion on total shareholders' equity, with a ₦14.18 billion impact on retained earnings and ₦34.4 billion taken against regulatory reserve.

The Bank's net interest income increased 89.3 per cent. to ₦48.4

billion for the nine months ended 30 September 2020 from ₦25.6 billion for the nine months ended 30 September 2019, due primarily to a decline of ₦30.7 billion in interest expense which more than offset a decline of ₦7.8 billion in interest income. In the first nine months of 2020, interest rates on loans and advances decreased as a result of a drop in the prime lending rate following a crash in market rate as a result of the impact of the COVID-19 pandemic.

Continued focus on enhanced risk management framework and corporate governance procedures

The Bank has robust risk management and corporate governance procedures in place, with four main board committees (Board Risk Committee, Board Credit Committee, Board Audit and Compliance Committee and Board Governance Committee) for overseeing the risk management processes and corporate governance procedures, in conjunction with the full Board. Every unit in the Bank regularly assesses the risks relating to financial reporting. Examples of the Bank's activities to oversee day-to-day management of operations include: regular internal control and audit reviews to the Board Audit and Compliance Committee; using a control analytics tool to monitor automated controls across platforms and applications; setting internal limits guiding the Bank's trading activities, liquidity, interest rate gaps and credit concentration limits; limiting access to officers who can conclude transactions of material value, promoting a strong whistle blowing culture among its stakeholders; and having a standard operations manual for efficient administration and reporting requirements for monitoring purposes.

Additionally, the Bank has a robust compliance management procedure. The Bank has appointed an executive compliance officer and chief compliance officer as part of the compliance department. The compliance department ensures the Bank's compliance with all statutory and regulatory requirements with respect to anti-money laundering laws and the Bank's Know Your Customer Policy checks. See "*Description of the Bank—Support Functions—Compliance*".

Strong and experienced executive management team

The Bank's executive management team has extensive experience within the financial services sector in Nigeria, with an average of more than 26 years of experience gained in leading local and international banks. The Bank's Managing Director, Mr. Patrick Akinwuntan, has over 29 years of banking experience. The Bank's executive management has a proven track record of implementing innovative and industry-leading initiatives, particularly guiding the Bank to focus on best business practices and customer service and contributing to its growth. The Bank believes the experience of its executive management team will continue to be a key strength in succeeding in an increasingly competitive industry.

The Bank has received numerous awards and was recently awarded: Best Retail Bank in Nigeria-2020 – The Asian Banker Award; 3rd Bank in the Small and Medium Enterprises Segment -2020 KPMG; Agric Lender of the year-2020 – Business Day BAFI Awards; Best Digital Touch Points in Nigeria-2020 – Digital Jurist Awards; Sustainability Bank of the Year-2019 – by the Lagos State Government; Top 3 Bank in the Small and Medium Enterprises Segment-2020 – by KPMG; Electronic Data Compliance and Integrity Award-2019 – by the CBN; Rapid Transfer-2019 Best Remittance Product & Service of the Year – by Asian Banker Financial Services Award for West Africa; Best Transaction Bank-2018 – The Asian Banker Awards; ePayment Award-2018 – by Ditigal Pay Expo; MSME Bank of the Year-2018 – Nigeria Entrepreneurs Awards.

Strategy

The Bank continues to develop and employ the following strategies for achieving its goal to become the choice of bank for trading.

Leading payment services platform in Nigeria

The Bank's strategy includes solidifying its position as a leading payment solutions business in Nigeria through an efficient model that incorporates an innovative central hub for payments and distributions. To achieve this model, the Bank has re-aligned various payments functions into one vertical system focused on sales. This helps to drives focus on payment solution, distribution and allows repositioning the payment vertical in such a way that it can compete favourably with other payment solution entities, thereby improving customer experience and end-to-end client support. The Bank aims at becoming the leading payment bank through the support and network of the Ecobank Group that allows it access to 55 countries across Africa. The Bank's strategy is to increase the ability to transact, build a strong brand supporting trust, security and confidence in its customers, build a reliable and scalable technology platform, service a large Nigerian customer base, employ highest quality human capital to continue growing its business and continue adapting its business model to make the platform easier to use without compromising security measures.

Driving growth of innovative payments platform for SMEs, corporates and individuals in order to increase regional business trade and cross-sales

The Bank intends to grow and diversify its presence in Nigeria's middle market, principally small and medium enterprises, including sole proprietors and traders (this includes customers in the Commercial Banking and high end of the Consumer Banking segment). The Bank intends to use its reputation and long-standing relationships in corporate lending and robust payments infrastructure for creating a competitive advantage and capturing further market share in the Nigerian corporate and commercial banking space.

The Bank's goal is to capture a larger portion of fund flows across the value chain by offering banking products and solutions to existing customers' suppliers, distributors and staff, with an emphasis on U.S. dollar lending and funding. In particular, the Bank will continue to focus on customers in the power, upstream oil and gas, infrastructure, telecoms, manufacturing and agriculture sectors of the Nigerian economy. The Bank is also focused on providing more efficient deposit and cash management services associated with foreign currencies for development agencies operating in Nigeria. The Ecobank OMNIplus and OMNIlite designed for large corporates and small enterprises respectively, enables businesses to manage payment processes in a flexible and convenient manner. OMNIplus and OMNIlite platforms are web based and fully integrated as a multilingual, multi geographical and multi-currency cash management platform.

The Bank aims to enhance its customers' service experience by implementing high quality information and communication technology platforms in order to create convenient banking channels and products for its customers. The Bank currently operates Flexcube banking software, which allows it to continue to develop and upgrade digital banking products, such as Ecobank Mobile, its mobile banking and online payment platform.

Provide customers with a first class customer experience and continue providing widespread access to services across Nigeria

The Bank intends to enhance service quality and its customers' service experience by consolidating and leveraging on its distribution network, offering more relevant and innovative products and focusing its highly trained workforce on customer needs. The Bank has undertaken various measures such as closing 114 branches during 2019 and the first nine months of 2020 and deploying technologies that improve digital banking services. The Bank plans to continue to combine the reliability and convenience of branch banking with the "24/7" availability of self-serving distribution channels such as ATMs and PoS terminals, as well as phone, internet and mobile banking. The Bank has over 7,900 PoS terminals and over 18,000 XpressPoint agent locations spread across Nigeria as at 30 September 2020 and intends to continue increasing agency locations to ensure a widespread presence across Nigeria. The Bank operates a 24-hour contact centre to support customers and resolve complaints.

To further facilitate access to its products and services, the Bank is increasing its focus on the mass retail banking market and strengthening its retail deposit market share. The retail banking market is driven primarily by pricing (interest, fees and charges) of the offered products and services. The Bank therefore continues to focus on its pricing structures, which are transparent, affordable and comprehensible from the perspective of retail customers. To improve service quality, the Bank plans to continue to enhance the training of its sales personnel, because only a highly trained workforce is capable of understanding customer needs and selling the benefits of products offered by the Bank. Furthermore, to improve the quality of its customer relationships, the Bank plans to continue to regularly monitor customer satisfaction using the Net Promoters Score. Improved service quality and customer service experience should ultimately lead to better promotion of the Bank by its customers and to an increased presence in the Nigerian retail market.

Customers' choice of bank for trading in Africa

The Bank's top most agenda includes enhancing its services to become the choice of bank for trade between African countries by leveraging its position as the leading payment bank in Nigeria. The Bank intends to become the choice of bank for African multinationals, global corporations and entrepreneurs across Africa, particularly in the real, telecoms, fast-moving consumer goods and agriculture sectors.

Bank to become the employer of choice in Africa in the banking sector

The Bank aims at fostering growth through a strong culture of motivating and inspiring employees while ensuring a high standard of ethics. The Bank has enhanced its compensation structure with a significant performance-driven component and strengthened its internal training programmes in order to ensure that it has the highest quality human capital to continue growing its business. The Bank provides training across all business and operational areas with the deployment of significant resources with the goal of developing a best-in-class staff. The in-house learning centre, Ecobank Academy, received the Chartered Institute of Bankers of Nigeria certification in June 2019. The Bank's executive management team believes this has resulted in an institutional culture of professionalism, ethics, and integrity combined with low attrition levels. Training is done through classroom-based programmes as well as the Ecobank Group's Virtual Banking Institute.

History

The Bank, which was incorporated on 7 October 1986 as a public limited liability company, commenced business on 24 April 1989. Pursuant to Federal High Court Lagos sanction of a Scheme of Arrangement of the Bank's capital on 30 December 2011, ETI became the sole beneficial shareholder of the Bank, but the Bank remained a public limited liability company until it was re-registered as a private limited liability company on 5 April 2012.

Since 2006, the Bank has grown both organically and through strategic acquisitions, while benefiting from the shared services of the Ecobank Group network to support its operations. Within a period of four years, the Bank had acquired four banks: Allstates Trust Bank in 2006, Hallmark Bank in 2007, African International Bank ("**AIB**") in 2009, and most recently Oceanic Bank in 2011. As at 30 September 2020, the bank's total network comprised 256 branches.

The Bank's registration number is RC 89773 and its registered office is located at Plot 21, Ahmadu Bello Way, P. O. Box 72688, Victoria Island, Lagos, Nigeria, and its telephone number is +234 (1) 2772904. The Bank operates under a national licence granted by the CBN.

The Ecobank Group

ETI, a public limited liability company, is the parent company of the Ecobank Group. ETI's equity securities are listed on the stock exchanges in Nigeria, Ghana and Ivory Coast while its debt securities are listed on the London Stock Exchange. As the holding company, ETI formulates policies, provides direction and support to its subsidiaries across Africa. The two main objectives of ETI are to: (i) build a world-class pan-African bank; and (ii) contribute in a significant fashion to the economic and financial integration and development of the African continent, which compliments the Bank's strategy and goals to become the customers' choice of bank for trading in Africa.

The Ecobank Group, a full-service banking group, provides wholesale, retail, investment and transaction banking services and products to governments, financial institutions, multinational and international organisations, domestic businesses and individuals across Africa. With operations in 35 African countries and an international presence in four locations (London, Paris, Beijing and Dubai), over 14,873 employees, 847 branches, 205,424 Ecobankpay and 39,912 XpressPoint agent locations, the Ecobank Group is the largest independent regional banking group in Africa. The Ecobank Group also has an affiliate in Paris and representative offices in Beijing, Dubai, Johannesburg, London and Ethiopia.

Relationship between the Bank and the Ecobank Group

As a member of the Ecobank Group, the Bank benefits from a network of banks with operations in 35 African countries and an international presence in four locations (London, Paris, Beijing and Dubai). ETI establishes certain strategic objectives and determines sector priorities and limits applicable to the Ecobank Group. In addition, two members of ETI's management, Group Chief Executive Officer and Group Chief Risk Officer, serve as members of the Bank's Board of Directors. However, as a regulated Nigerian bank with national authorisation, the Bank's Board of Directors maintains decision-making authority independent of ETI.

For instance, the Bank from time to time participates in syndicated credit facilities with other members of the Ecobank Group. ETI currently provides a no objection approval for each bank's participation in the syndicate, but the ultimate decision whether or not to enter such a syndicate rests with the Bank (and each other member of the Ecobank Group). Between late 2018 and early 2019, ETI made a capital injection into the Bank of US$150 million.

The Bank also shares certain employees with ETI, particularly in the Corporate Banking segment. Global Account Managers (GAMs), who are employed by and report directly to ETI, work across the countries in which ETI operates to develop corporate business for the benefit of the Ecobank Group as a whole. Regional Account Managers (RAMs) establish corporate client relationships at the national level and are employed by the individual members of the Ecobank Group (such as the Bank), but have a dual mandate to report both to ETI and to their respective subsidiary. Local Account Managers (LAMs) manage corporate client relationships in each jurisdiction but are employed by and report only to the individual members of the Ecobank Group.

The Bank also benefits from and relies on Ecobank Group policies and other measures and functions that are centralised at the Ecobank Group level and which support the Bank's operations, particularly the Ecobank Group information technology systems (two include data centres in Accra and Lagos and regional processing centres and centralised group contact centres in Lagos and Abidjan).

Description of Business

The Bank's operations are organised into three strategic business segments: (i) Corporate and Investment Banking; (ii) Consumer Banking; and (iii) Commercial Banking. The various segments, products and services of the Bank are described in more detail below.

Corporate and Investment Banking

Corporate and Investment Banking ("**CIB**") is comprised of Corporate Banking and the Bank's Treasury division.

For the nine months ended 30 September 2020 and the year ended 31 December 2019, the Corporate and Investment Banking segment recorded gross revenue of ₦75.5 billion and ₦116.6 billion, respectively, and profit before tax of ₦14.7 billion and loss before tax of ₦5 billion, respectively

Corporate Banking

Corporate Banking provides financial solutions to select customers in key market sectors of the economy. These clients are broadly classified as public corporations (all or partially owned by the Nigerian government), multinationals, regional corporates (i.e. with legal entities in at least two African countries), financial institutions and international organisations. The industry sectors the Bank covers include construction, infrastructure and power, oil and gas, health care, soft commodities, cement and building materials, steel, aviation, telecommunications, maritime, transport and logistics and personal care.

The Bank leverages its position as a member of the Ecobank Group to offer services and solutions to its customers in Nigeria and the various markets across Africa where its customers have operations. Corporate Banking has its operational base in Lagos, largely due to the critical importance of Lagos as Nigeria's largest corporate market, accounting for over 70 per cent. of the corporate business in Nigeria.

The following table shows the Bank's Corporate Banking loan portfolio broken down by sub-segment.

	As at 30 September	As at 31 December	
	2020	**2019**	**2018(1)**
		(₦ millions)	
Public Corporations	1,378	1,126	5,379
Multinational Corporations	111,803	119,842	104,817
Regional Corporations	285,163	339,167	316,975
Oil & Gas	458,985	249,493	377,408
Financial Institutions	12,902	12,931	39,699
Total	**870,230**	**722,559**	**844,278**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

The following table shows the Bank's Corporate Banking deposits broken down by sub-segment.

	As at 30 September	As at 31 December	
	2020	**2019**	**2018(1)**
		(₦ millions)	
Public Corporations	11,680	12,638	12,737
Multinational Corporations	143,252	97,066	107,590
Regional Corporations	69,013	67,744	43,403
Oil & Gas	48,780	37,228	33,697
Financial Institutions	361,647	356,572	352,980
Total	**634,373**	**571,248**	**550,407**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

The products and services offered through this segment are:

- *Lending*. As at 30 September 2020, 90.0 per cent. of the Bank's gross loans were to Corporate Banking customers. The Bank offers term loans, overdrafts, bankers' acceptances, guaranteed commercial paper, lease facilities, export finance, trade finance facilities, contract financing, foreign currency lending and guarantees, and bonds.

- *Deposits*. As at 30 September 2020, 42.0 per cent. of the Bank's deposits were from Corporate Banking customers. The Bank offers a full suite of deposit products to its corporate customers, including current accounts, savings accounts, specialised savings accounts, domiciliary accounts, fixed deposits and guaranteed commercial paper.

- *Cash Management and Other Services*. The Bank has a broad range of cash management solutions, products, and services to offer its Corporate Banking customers, including its payable management solution delivered through Ecobank OMNI. Ecobank OMNI is the Bank's integrated and secure corporate electronic banking platform.

Additionally, the Bank works closely with Corporate Banking customers to tailor specific solutions that customers may require to meet their banking needs.

Treasury

The Bank's Treasury Business is divided into three main units: Client Sales, Trading, and Asset and Liability Management ("**ALM**").

Client Sales

The sales team is set up to sell treasury products to all levels of customers. The major treasury products include: foreign exchange, bankers' acceptances sold, commercial papers purchased and sold, treasury bills, and bonds.

Trading

The trading team deals directly in the two-way quote market for bonds, treasury bills and foreign exchange. Their major counterparties are Banks and Non -Bank Financial Institutions, Discount houses, International Financial Institutions and Professional parties. Trading activities are regulated by the CBN and the Financial Markets Dealers Quotation ("**FMDQ PLC**"). The Ecobank Trading business ranks among top five trading units for fixed income and top three in foreign exchange offering in Nigeria.

ALM

The ALM unit is broken down into three sub-units based on functions: liquidity management, portfolio management, and balance sheet management. The ALM unit also doubles as the Assets and Liabilities Committee ("ALCO") secretariat, charged with the responsibility of organizing the ALCO meetings and following up on ALCO decisions

Consumer Banking

The Bank's Consumer Banking business caters to the banking needs of individuals with an emphasis on professionals, civil servants, teachers, regular salary earners, small traders and Africans in the diaspora. In order to deliver products and services tailored to the specific needs of customers, Consumer Banking is further segmented into Direct, Advantage and Premier as follows:

- *Direct,* for young people between 10 and 21 years old. They include secondary school and university students, young entrepreneurs and some young professionals. Children's accounts are also included in this category.

- *Advantage,* for individuals whose estimated annual income is between U.S.$20,000 and U.S.$100,000. Examples include professionals, small business owners and judges.

- *Premier*, for individuals whose estimated annual income is above U.S.$100,000. Examples include senior government officials, chief executive officers and directors of large businesses, as well as expatriates.

The following table shows the Bank's Consumer Banking deposits broken down by sub-segment.

	As at 30 September		**As at 31 December**	
	2020		**2019**	
	Loans	***Deposits***	***Loans***	***Deposits***
		(₦ millions)		
Direct	8,150	150,682	11,688	124,794
Premier	6,367	140,036	4,782	154,203
Advantage	9,748	275,488	11,117	250,006
Total	**24,265**	**566,206**	**27,587**	**529,003**

The Direct segment is broken into two sub-segments as follows:

- *Classic,* for individuals with income below U.S.$20,000. Examples include public school teachers, most non-managerial civil servants and small unincorporated businesses including market venders, carpenters, hairdressers, and cooks.

- *Microfinance,* for individuals at least 18 years old whose primary source of income is from micro trading or small business, low-income individuals who are historically unbanked or under-banked.

Through the microfinance department in Nigeria, the Bank's Consumer Banking business also empowers low-income but economically active entrepreneurs by providing tailored, accessible microfinance services.

For the nine months ended 30 September 2020 and the year ended 31 December 2019, the Consumer Banking segment recorded gross revenue of ₦32.8 billion and ₦56.2 billion, respectively, and net profit before tax of ₦0.86 billion and ₦2.2 billion, respectively. The products and services offered through this segment are:

- *Lending.* As at 31 December 2019, 3.0 per cent. of the Bank's loans were to Consumer Banking customers. The Bank offers various consumer loans and mortgages to this segment.

- *Deposits.* As at 31 December 2019, 38.5 per cent. of the Bank's deposits were from Consumer Banking customers. The Bank offers current accounts, savings accounts, salary accounts and special deposit accounts to individuals.

- *Card Services.* To assist customers in the Consumer Banking segment manage their cash, the Bank offers an array of card services. Currently, the Bank provides a variety of cards in both the credit and debit card space and has built a large combined card base of over 3,193,021 cards, of which 274,624 cards issued on the VISA platform in Nigeria, 2,139,611 cards issued on the MasterCard platform in Nigeria and the remaining 778,786 cards are on the Verve platform. All of the Bank's cards can be used across all channels to engage in a variety of account-related transactions.

- *Cash Management and Other Services.* Consumer Banking customers have access to a number of PoS terminals/touch points throughout Nigeria to assist in daily transactions. Additionally, individuals can take advantage of the cash management services offered to their employers, such as salary direct deposit and pension payments.

Commercial Banking

The Commercial Banking segment of the Bank offers tailor-made products to SMEs, local corporations and public sector government (see "*—Commercial Banking Customers and Products*" below). For the nine months ended 30 September 2020 and the year ended 31 December 2019, the Commercial Banking segment recorded gross revenue of ₦13.7 billion and ₦22.1 billion, respectively, and net loss before tax of ₦1.36 billion and ₦9.6 billion. The products and services offered through this segment are:

- *Lending*. As at 31 December 2019, 6.7 per cent. of the Bank's loans were to Commercial Banking customers. The Bank offers corporate loans to this segment. Additionally, the Bank offers term loans and leases, commercial paper and bankers' acceptances and overdrafts.

- *Deposits*. As at 31 December 2019, 19.9 per cent. of the Bank's deposits were from Commercial Banking customers.

The following table shows the Bank's Commercial Banking loan portfolio broken down by sub-segment.

	As at 30 September	As at 31 December	
	2020	**2019**	**2018[(1)]**
		(₦ millions)	
Local Corporations	22,290	20,135	15,400
SME	34,063	30,987	30,854
Public Sector	15,799	9,521	11,391
Total	**72,151**	**60,626**	**57,645**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

The following table shows the Bank's Commercial Banking deposits broken down by sub-segment.

	As at 30 September	As at 31 December	
	2020	**2019**	**2018[(1)]**
		(₦ millions)	
Local Corporations	75,619	79,743	38,709
SME	132,572	115,635	136,043
Public Sector	89,349	78,424	76,773
Total	**297,539**	**273,753**	**251,525**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

Commercial Banking Customers and Products

Commercial Banking is responsible for providing convenient, accessible and reliable financial products and services to SMEs, local corporations and public sector government.

SMEs

This business segment serves businesses with gross annual revenues up to U.S.$5 million. These are typically private family owned business, suppliers and distributors of multinational, medium- to large-sized corporations and government entities. SMEs are further segmented into SME Mass Market and SME Medium as follows:

- *SME Mass Market*, for small businesses with revenue less than U.S.$500,000. Examples include structured market traders, e.g. market shop-owners and small professional firms.

- *SME Medium*, for businesses with global revenues between U.S.$500,000 and U.S.$5 million. Examples include larger traders, distributors, suppliers to government and larger professional services organisations.

Local Corporations

This business segment caters to the needs of local companies with annual revenues above U.S.$5 million, with formal structures (typically with corporate governance systems) and legal entities only within Nigeria. While the Bank ensures optimum service to its general commercial clients, dedicated desks for oil and gas, power and manufacturing have been created to cater to the needs of such specialised companies. The Bank provides salary backed credits to the staff of its key customers within this business segment.

Public Sector

This business segment caters to all arms of the Nigerian government at the federal, state, municipal, county and local levels including non-profit non-governmental organisations ("**NGOs**"), religious institutions and the education sector. As part of the Bank's value chain banking proposition, the Bank provides banking services to public sector staff, contractors and suppliers.

Support Functions

Operations and Technology

As a member of the Ecobank Group, the Bank is part of a shared service agreement that gives it access to the Ecobank Group's Technology and Shared Services Centre in Accra, Ghana, which centralises and standardises middle and back office operations. This core banking system has been upgraded to meet Ecobank Group's operating standards. In addition, data centres based in the cities of Accra, Lagos and Lomé, Togo, provide a common technology platform including a regional switch connecting the Bank with its affiliates. A fully integrated telecom network enables "24/7" connectivity and ensures the reliability of products and services.

The Technology and Shared Services Centre provides the following services:

- data centre services;
- telecoms hub services;
- website, intranet, email, and videoconferencing services;
- electronic switch and payment platforms supporting internet banking, cards, ATMs, and PoS services;
- contact centre services, including a hub for the Bank's call centre operations in the cities of Abidjan, Côte d'Ivoire; Douala, Cameroon; and Lagos;
- web-based learning and development services; and
- centralised processing hub including account services, credit processing, and payment processing services.

To ensure business continuity and to leverage the human capital and infrastructure available across the region, the Accra hub is supported by a secondary hub in the city of Lagos and disaster recovery hubs in Lomé and London.

Legal

The legal department manages the Bank's legal and litigation risk. The department is responsible for ensuring that all documentation executed by the Bank and/or in its favour is enforceable and in its commercial interest. The legal department also provides legal advisory services to all units and branches of the Bank and maintains custody of collateral documents for credit facilities. The Bank's legal department is headed by the Company Secretary and Chief Legal Counsel. The Company Secretary is responsible to the Board, handles and manages all Board and Board committee meetings, all issues pertaining to the Bank's directors, and the implementation of the Bank's Corporate Governance Charter, the CBN Code of Corporate Governance and other relevant Corporate Governance Codes applicable to the banking industry. The Company Secretary also acts as intermediary between the Board and Management and serves as custodian of the Bank's statutory books.

Audit

The role of the Bank's audit department is to appropriately inform the Board Audit and Compliance Committee and executive management of the compliance level of established policies and standard operating procedures whilst providing an independent appraisal of the effectiveness of control functions within the Bank. The audit department strives to conduct its functions in accordance with international standards and best practices regarding professional internal audits. In addition, the audit department also assists executive management in identifying potential risks facing the Bank through investigations of suspected and alleged fraud with the aim of offering appropriate recommendations to minimise observed risks.

The Bank's inspection unit within the audit department is responsible for conducting an audit programme on all units and branches of the Bank to ensure that they are operating in line with the Bank's policies and regulatory directives. In addition, the audit department carries out independent reviews of the Bank's treasury process and operations to ensure their integrity, accuracy, and reasonableness. The audit department evaluates the independence and effectiveness of the Treasury's approval process, risk management processes, and internal control systems. It also assesses the soundness and adequacy of accounting, operating, legal, and risk controls, including compliance with risk limits and the reliability and timeliness of reports submitted to senior management. The audit department checks for proper and adequate segregation of duties and reporting lines for dealers and risk managerial personnel, and whether there is adequate oversight by the responsible manager.

Internal Control

The Bank's internal control department ensures that procedures and policies put in place by management are adhered to and ensures their timely enhancement, in a manner in line with the Bank's objectives in operational effectiveness and efficiency, reliable financial reporting standards and in compliance with laws, regulations and policies.

The internal control department ensures resources are directed, monitored and measured. The department plays an important role in detecting and preventing fraud and protecting the Bank's resources. Internal control objectives relate to the reliability of financial reporting, timely feedback on the achievement of operational or strategic goals, and compliance with laws and regulations. At the specific transaction level, internal control refers to the actions taken to achieve a specific objective (e.g., how to ensure the Bank's payments to third parties are for valid services rendered.). Internal control procedures reduce process variation, leading to more predictable outcomes.

Human Resources

The Human Resources division is responsible for attracting, developing and managing human resources. Human Resources is organised into teams that focus on attracting, developing, retaining and managing the Bank's staff. The Human Resources team works closely with divisional unit heads to address on-going and strategic business issues and provides strategic advice to management and employees on a broad range of bank work issues. Human Resources aims to improve the performance of staff, with the focus on the development of the Bank's personnel.

Competition

The banking industry continues to be affected by macroeconomic factors, including the COVID-19 pandemic, slow growth in Nigeria's economy following the global recession, fiscal illiquidity, and policy actions by the Government such as border closures and sustaining fixed exchange rates. Regulatory actions taken by the CBN and other bodies have also continued to affect the industry, including the introduction of a 65.0 per cent. minimum LDR for deposit money banks, the decrease in the MPR from 14.0 per cent. to 11.5 per cent., the CBN's policy of restricting participation in open market operations, increases in the cash reserve requirement for deposit money banks, the potential impact on the Bank's deposit portfolio of the freezing of accounts of tax defaulters and the implementation of IFRS 9. See also "*The Nigerian Banking Sector*".

In November 2018, the CBN's published guidelines on the licensing of payment service banks in Nigeria, which allowed non-financial institutions such as telecommunication companies to provide basic financial services to customers for the first time. The new licensing framework was intended to promote financial inclusion, address cybersecurity risks and regulate and structure the impact of emerging fintech companies in the Nigerian financial services industry. In September 2019, the CBN approved the licensing of three such payment service banks — Hope PSB, a subsidiary of Unified Payment, Globacom's Money Master and 9Mobile's 9PSB. Other recent changes to the competitive landscape of the Nigerian banking sector include the merger between Access Bank and Diamond Bank in 2019, the entry of Globus Nigeria Limited, Titan Trust Bank and TAJ Bank Limited into the market, the increased market share of the traditional banking business assumed by fintech companies and heightened competition from the telecommunication companies, which can now receive licences from the CBN to provide financial services. The merger of Access Bank and Diamond Bank is expected to have a notable effect on the industry as both entities already had significant market presence prior to the merger. The resulting entity, Access Bank, is a major competitor of the Bank as it benefits greatly from the former entities' complimentary businesses, geographical coverage, strength in various business segments and new opportunities to extend the product and service offerings of each of the former entities to its now enlarged customer base.

The total assets and liabilities of the Nigerian banking industry stood at ₦30,292.36 trillion as of 31 December 2019. The funds, which were largely sourced from increased mobilisation of demand deposit and unclassified liabilities, were used for accretion to reserves, extension of credit and acquisition of foreign and unclassified assets. As of 30 September 2020, the Bank's total assets reached ₦2.2 trillion, placing the Bank near the top tier of the Nigerian banking industry.

The Bank considers First Bank, Zenith Bank, Guaranty Trust Bank, Access Bank and UBA to be its key competitors for the provision of a full range of banking services in Nigeria. The Tier 2 banks in Nigeria compete with the Bank on a selective basis in certain niche markets and customer segments. The primary area of competition with Tier 1 banks is competition for lending to corporate customers and deposits from retail customers. With their large asset sizes, these banks have high limits for loans to one borrower, which may make them more attractive to certain corporate customers. However, the Bank believes that its commitment to customer service and innovation in product and service development will continue to attract and allow the Bank to maintain its market share of retail and corporate customers. Notwithstanding the significant changes in the competitive landscape of the Nigerian banking sector, the Bank has continued to perform well and according to the most recently available published financial statements of Nigerian banks for 2019, it ranked seventh amongst Nigerian banks in total assets and deposits.

Additionally, international banks are increasing their presence in Nigeria, and competing with the Bank for its high net worth and corporate customers. These banks include Standard Chartered Bank Nigeria Limited, a wholly owned subsidiary of Standard Chartered Bank U.K., Citi Bank Nigeria Limited, a subsidiary of Citigroup and Stanbic IBTC Bank Plc. In particular, the Bank competes with these institutions for the provision of foreign currency services to Nigerian companies and other companies operating in Nigeria.

Based on the strategies and the Bank's products and services, management is confident of the Bank's ability to sustain its current position and continue to improve in the coming years.

Distribution Channels

As at 30 September 2020, the Bank had 256 branches, owned and operated approximately 1,310 ATMs. In addition to the Bank's own ATMs, customers have access to approximately 15,900 ATMs across Nigeria through the various banking partnerships maintained with other banks. The Bank's ATMs provide services such as cash withdrawals (including Xpress cash), balance enquiries, mini statements, chequebook requests, full statement requests, and fund transfers. In 2019 and in the nine months ended 30 September 2020, the Bank closed 114 branches and increased its use of other distribution channels, such as digital banking services and PoS terminals, in line with the Bank's strategy. As at 30 September

2020, the Bank also had over 7,900 PoS terminals across the country in various merchants' outlets. The Bank also currently has over 18,000 XpressPoint agent locations spread across regions in the country, bringing banking services closer to its customers.

Management believes the Bank's digital banking services are at the forefront of internet banking in Nigeria. Currently, the Bank's customers can securely do the following online: check balances, open accounts, get details of uncleared deposits, check transaction history, download statements, initiate instant funds transfers between accounts, initiate instant third-party fund transfers, initiate instant fund transfers to other banks within Nigeria, initiate instant fund transfers in foreign currencies to other banks in the world, initiate instant fund transfers to non-account holders, initiate instant time deposit bookings, initiate bill payments, open new accounts, request cheque books, stop cheques, confirm status of issued cheques, check the Bank's current interest rates for deposits and savings products, and contact the Bank. Additionally, customers can access banking services through the Bank's other channels such as agency locations, mobile app, USSD and internet banking.

During 2012, as part of its strategy to increase the number of its customers, the Bank launched its phone banking platform, Ecobank Mobile, for Domestic Banking customers. Ecobank Mobile allows users to perform local and international money transfers, make utility and other service payments, purchase airtime and access a range of mobile financial products. In 2014, the Bank announced the expansion of this product through a partnership with MTN, a leading mobile phone operator in Nigeria, to offer MTN MobileMoney users, who also have open accounts with the Bank, use of the Ecobank MobileMoney mobile phone banking platform.

Also in 2012, the Ecobank Group launched its integrated pan-African payment platform, Ecobank OMNI, and this product became available to the Bank's Corporate Banking customers. Ecobank Omni enables customers to manage their accounts in an efficient and secure manner, optimising their working capital requirements. This product was introduced in response to constructive input from customers and designed to address their needs, enabling a convenient and secure experience while carrying out transactions and enhancing the Bank's relationship with customers.

The Bank has a proprietary remittance product called Rapid Transfer, and also has a variety of partners, such as Western Union, MoneyGram, Ria and Small World, offering remittance services including direct transfer to bank account and cash pick up at the 256 branches in the network. The Bank is planning to introduce a Smart Teller service, which is a front-end web-based application that allows remote processing and faster turnaround time. It is developed to run on both desktop and smart devices and runs on Windows and Android OS. It supports all traditional banking products and payments.

Compliance

The objective of the Bank's compliance department is to ensure the Bank's compliance with all statutory and regulatory requirements. This includes all laws and CBN Circulars and Policies, including the Money Laundering (Prohibition) (Amendment) Act of 2012, the CBN's "AML/CFT" regulation 2009 and the Wolfsberg Principles as published in May 2002 (together, the "**Anti-Money Laundering Legal Framework**").

The compliance department manages the Bank's Know Your Customer Policy (the "**KYC Policy**"), which is tailored in line with applicable laws and regulations and to the Bank's specific operations. The KYC Policy is designed to provide guidelines for the identification of all its customers, monitoring customer transactions and the identification and reporting of suspicious transactions or activities within the ambit of the Anti-Money Laundering Legal Framework.

As part of the Bank's KYC Policy, all accounts are assigned a customer risk rating, using a uniform scoring system based on certain weighted factors including product, geography, delivery channel, purpose of account, and the source of funds. A customer can be rated as posing a high, medium or low money laundering or terrorist financing risk to the Bank. The frequency with which an account is monitored or reviewed depends on the risk level assigned to it.

Additionally, as part of the Ecobank Group, the Bank maintains Anti-Money Laundering software for transaction monitoring and watch list filtering at the time of opening an account and also during the operations of customer accounts/transactions. The Bank's compliance procedures are also audited annually by an independent party to ensure their effectiveness.

The Bank's KYC Policy aims to maintain continued compliance with the Anti-Money Laundering Legal Framework, promotion of safe and sound banking practices, minimisation of money laundering activities within the Bank's operations, and protection of the Bank and its customers generally against activities that are considered illegal within the Anti-Money Laundering Legal Framework. As part of its KYC Policy, the Bank has policies in place to cover sanctions compliance. These policies include categorising customers into high, medium, and low risks. Sanctioned persons are classified as high risk and the Bank does not deal with them.

The Compliance division of the Bank operating under the overall supervision of the Chief Compliance Officer is responsible for the proper implementation and maintenance of all compliance related policies. All members of personnel are generally responsible for preventing money laundering in the Bank and regular training is provided with respect to applicable Anti-Money Laundering procedures involving customer identification, record keeping, and the reporting of suspicious activities. Customer service managers are responsible for updating and accumulating further customer information after the account opening stage. In addition, the Bank has a 5-year post-relationship record retention policy.

Insurance

The Bank's insurance coverage is administered and maintained in accordance with certain insurance guidelines established as part of the Bank's administrative policy. Categories of insurance outlined by this policy and maintained by the Bank include its:

- fidelity guarantee insurance (protecting against fraudulent acts or omissions by the Bank's employees);

- money insurance (covering money, local and foreign currency, in transit, cash held in the Bank's safes/vaults and money in the custody of cashiers);

- workmen's compensation insurance (indemnifying the Bank against losses arising from compensation paid to its employees in consequence of personal injury, accident or disease incurred in the course of or arising from their employment with the Bank); and

- public liability insurance (covering against any third party liability arising from damages as a result of the acts or omissions of the Bank).

Additional insurance policies secure loss or damage to motor vehicles (including a self-insurance scheme maintained by the Bank), computer and communication equipment, burglary and house break-in, fire, and comprehensive householder insurance in respect of all goods and personal effects.

The insurance portfolio of the Bank is reviewed and renewed annually, in consultation with a qualified insurance practitioner in accordance with administrative policy guidelines. However, customary levels of insurance coverage in Nigeria may not be comparable to other countries. See "*Risk Factors—Risks relating to the Bank's business—The Bank's business entails operational risk*".

Employees

As at 30 September 2020, the Bank employed a total of 5,348 persons (2,973 core staff and 2,375 outsourced staff), compared to a total of 5,636 persons (3,104 core staff and 2,532 outsourced staff) employed as at 31 December 2019. Personnel expenses (including wages and salaries, contributions to defined contribution plans, and other staff benefits, but excluding any compensation in relation to executive directors) amounted to ₦28.8 billion for the year ended 31 December 2019 and ₦19.6 billion for the nine months ended 30 September 2020. For the year ended 31 December 2019 and the nine months ended 30 September 2020, the Bank experienced employee attrition rates of 6.0 per cent. and

4.0 per cent., respectively, most of whom were lower level employees. The Bank places a priority on training employees, both for new and/or unfamiliar jobs, as well as to enhance employees' efficiency in their current jobs.

The Bank's Managing Director and Executive Directors are employees of Ecobank Transnational Incorporated seconded to the Bank and their remuneration packages are as approved by the Board. The Board, through the Board Governance Committee, sets operational targets consisting of a number of key performance indicators covering both financial and non–financial measures of performance for the executives at the beginning of each year.

The Bank also operates a defined benefit scheme for employees who have spent 10 years and above in its employment. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The Bank contributes 7.5 per cent. of basic salary, rent and transport allowances, with the employee contributing a further 7.5 per cent. At present, the Bank offers no termination benefits outside the defined benefit scheme available to employees who have spent 10 years and above with the Bank.

Property

As at 30 September 2020, the total net book value of the Bank's property (including land of ₦6.3 billion and buildings of ₦31.4 billion which are held by the Bank) amounted to ₦72.4 billion. Land and buildings mainly comprise branches and offices.

Legal Proceedings

From time to time and in the ordinary course of business, the Bank 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 Bank.

Corporate Social Responsibility and Sustainability

The Bank believes that its long-term success is intertwined with the sustainable development of Nigeria and Africa as a continent. The Bank is focused on mainstreaming environmental and social best practices in its operations and has adopted various Environmental and Social Governance frameworks including the Nigerian Sustainable Banking Principles as benchmarks for measuring its environmental stewardship. Its Sustainability Management Committee is chaired by the Managing Director to further demonstrate the Bank's commitment to implementing a cohesive strategy in promoting sustainability practices in its business activities and operations.

Nigeria like other countries is faced with increased threats to environmental and natural resources, hence, there is a risk of damage to its immediate environment with adverse consequences for the future. The Bank therefore believes that it is important to align with global best practice and the Bank has accordingly adopted an integrated and comprehensive approach to sustainability and created a common framework. The framework is intended to guide the Bank's actions in ensuring effective, efficient, and sustainable utilization of economic, social, human and natural resources. This framework reflects the Bank's commitment to drive economic transformation while protecting the environment by being a socially responsible financial institution. The Bank's strategy is to manage risks while creating value simultaneously in order to engender a positive impact in its operational environment and beyond.

Sustainability Framework

The Ecobank Group Sustainability framework is focused on the following four thematic areas:

- Economic Transformation
- Environmental Sustainability

- Socially Responsible Financing
- Human Capital Development

These focus areas are aligned with the tenets of the Nigerian Sustainable Banking Principles. Furthermore, The Bank is a signatory member of several Environmental, Social and Governance initiatives including the Equator Principles, and the United Nations Global Compact.

ASSET, LIABILITY AND RISK MANAGEMENT

General

The principal risks inherent in the Bank's business include credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk, interest rate risk and other price risks.

The Bank's risk management framework and governance structure are intended to provide comprehensive controls and on-going management of the major risks inherent in the Bank's business activities. The Bank also encourages a culture of risk awareness and recognition of personal responsibility. The Bank's overall risk tolerance is established in the context of the Bank's earnings capacity, capital, and diversified business model.

The Bank believes that taking pre-emptive action to reshape its portfolio, tightening underwriting standards and increasing the frequency of risk monitoring and stress testing will help mitigate the impact of a cyclical downturn in its core markets.

The Bank's risk profile as at 30 September 2020 is marked by a number of key developments:

- the NPL ratio decreased slightly to 21.7 per cent. as at 30 September 2020 as compared to 23.9 per cent. as at 31 December 2019, which was a significant increase from 13.7 per cent. as at 31 December 2018 and 14.5 per cent. as at 31 December 2017;
- the NPL Coverage Ratio increased to 50.4 per cent. as at 30 September 2020 as compared to 46.4 per cent. as at 31 December 2019, which was a decrease compared to 66.2 per cent. as at 31 December 2018 and 65.0 per cent. as at 31 December 2017;
- the cost of risk was 1.0 per cent. as at 30 September 2020 as compared to 1.3 per cent. as at 31 December 2019, 6.2 per cent. as at 31 December 2018 and 6.8 per cent. as at 31 December 2017; and
- the loan-to-deposit ratio amounted to 65.87 per cent. as at 30 September 2020 as compared to 72.2 per cent. as at 31 December 2019, 67.4 per cent. as at 31 December 2018 and 75 per cent. as at 31 December 2017.

The Bank aims to manage its risk profile through staff training, upgrading its information technology systems, and reviewing its operational and control processes. See also "*Risk Factors—Risks relating to the Bank's business—The Bank 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 Bank seeks to maintain low exposure to higher-risk asset classes, and closely monitors developments in the environment to react accordingly. The Bank also seeks to mitigate overall risk by maintaining a diversified portfolio across countries, products and customer segments; disciplined liquidity management; a well-established risk governance structure; and an experienced senior management team.

Risk Management

The Board determines the Bank's overall objectives in terms of risk by issuing risk policies. These policies set out the acceptable levels of risk for day-to-day operations as well as the willingness of the Bank to assume risk when weighed against the expected rewards. The umbrella risk policy is detailed in the Enterprise-Wide Risk Management ("**ERM**") Framework, which is a structured approach to identifying opportunities, assessing the risks inherent in these opportunities and actively managing these risks in a cost-effective manner. Specific policies are also in place to manage credit, market, compliance, operational, environmental, sustainability and reputational risks. These risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and the services offered. The review is conducted through either one or both of the following: (i) through continuous self-evaluation and monitoring by the Bank's risk management and compliance departments in conjunction with internal audits; and (ii) through independent evaluation by external auditors, examiners and consultants. In addition, stress testing and scenario analysis are used to assess the financial and management capability of the Bank to continue operating effectively under extreme but still viable trading conditions.

The Board has overall responsibility for the establishment and oversight of the Bank's risk management framework via its committees:

- the Board Audit & Compliance Committee, which reviews and assesses all internal and external audit reports and the Bank's compliance with all applicable laws and regulations, as well as operating standards;

- the Board Credit Committee, which considers and approves loan applications in excess of the Board's delegated approval limit, reviews related-party transactions and initiates credit policy changes when appropriate;

- the Board Governance Committee, which advises the Board in relation to the Bank's compliance with all applicable laws and regulations, corporate governance issues, compensation, benefits and all other human resource matters affecting the directors and employees of the Bank; and

- the Board Risk Committee, which monitors the risk framework of the Bank, promotes effective management of all risk categories and fosters the establishment and maintenance of an effective risk culture throughout the Bank.

For more information on the Board committees, see also "*Directors and Senior Management—Board Committees*".

These committees meet on a regular basis and report regularly to the Board and also on an ad-hoc basis, as may be required based on the relevant circumstances. Membership of most committees includes senior management of the Bank.

The Board committees are assisted by various management committees in identifying and assessing risks arising from the day-to-day activities of the Bank. The management committees include the Management Risk Committee ("**MRC**"), the Assets and Liability Committee ("**ALCO**") and the Executive Committee ("**EXCO**"). See also "*Directors and Senior Management—Board Committees*".

The Chief Risk Officer ("**CRO**") has primary responsibility for risk management and the review of the ERM Framework and in providing updates to the management teams based on quantitative and qualitative metrics. All amendments to the Bank's ERM Framework require Board approval. The Bank's Risk Management Department headed by the Chief Risk Officer is responsible for the enforcement of the Bank's risk policy, which it does by constantly monitoring risk (with the aim of identifying and quantifying significant risk exposures) and by acting upon such exposures when necessary.

Risk management is carried out by the Bank Risk Management Department under policies approved by the Board. Bank Risk Management identifies, evaluates and hedges financial risks in close co-operation with the operating units of the Bank. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, the Internal Audit and Compliance is responsible for the independent review of risk management and the control environment.

The Bank's risk management philosophy is that moderate and guarded risk attitude will ensure sustainable growth in shareholder value and reputation.

Liquidity Risk

Liquidity risk arises when the Bank is unable to meet expected or unexpected current or future cash flows and collateral needs without affecting its daily operations or its financial condition. The Bank has a diversified funding base to support asset growth and other strategic initiatives, preserve adequate levels of liquidity to remain within the liquidity risk appetite and re-align its business models and balance sheet mix to consider regulatory implications. The ratio of core deposits to total funding base as at 30 September 2020 stands at 67.2 per cent.

The Bank has developed a liquidity management framework based on a statistical model underpinned by conservative assumptions about cash inflows and the liquidity of liabilities. In addition, liquidity stress tests assuming extreme withdrawal scenarios are performed on a quarterly basis. These stress tests specify additional liquidity requirements that are to be met by holdings of liquid assets.

The Bank believes that the Bank's liquidity risk management policy, which includes maintaining and monitoring its cash and liquid securities portfolio to try to ensure that they are sufficient to meet current demands, coupled with its ability to call and/or re-price most of its loans on an annual basis, allow and will continue to allow it to meet its liquidity needs. The Bank has historically maintained a liquidity ratio above the applicable minimum regulatory requirements of the CBN (currently 30.0 per cent. of liquid assets (cash and cash equivalents, treasury bills, trading assets and government bonds) to total deposits) and has met and continues to meet the requirements of the CBN's stress tests.

Global funding and liquidity risk management entities are centralised in the Bank's Treasury division which analyses and monitors the Bank's liquidity risk. The Bank aims to continuously maintain excess liquidity and to access diverse funding sources including its deposit base. Overall oversight at management level is provided by ALCO while the Board Risk Committee provides governance at Board level.

The Board approves the Bank's liquidity policy and contingency funding plan, including establishing liquidity risk tolerance levels. ALCO, in conjunction with the Board and its committees, monitors the Bank's liquidity position and reviews the impact of strategic decisions on the Bank's liquidity. The Treasury division is responsible for the day-to-day funding and liquidity management of the Bank and reports to ALCO and Board committees which provide oversight, as it implements their strategic decisions. Liquidity positions are measured by calculating the Bank's net liquidity gap and by comparing selected ratios with targets as specified in the liquidity risk management manual.

The key measure used by the Bank 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 Government Bonds 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 Bank's compliance with the liquidity limit established by the CBN.

The following table shows the Bank's ratio of net liquid assets to deposits from customers for the years indicated.

	As at 30 September	**As at 31 December**		
	2020	**2019**	**2018(1)**	**2017**
		(%)		
At end of year	37	41	43	47
Average for the year	32	36	48	42
Maximum for the year	39.6	42	52	45
Minimum for the year	32	35	36	31

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

The following tables summarise the Bank's assets and liabilities by maturity as at the dates indicated and contain certain information regarding the liquidity risk facing the Bank:

	30 September 2020					
	Up to 1 month	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
			(₦ *millions*)			
Liabilities						
Deposits from banks	121,882	13,468	132,399	-	-	267,749
Due to customers	1,197,951	201,426	92,782	5,960	-	1,498,119
Derivative financial instruments	6,225	-	-	-	-	6,225
Borrowed funds	-	17,235	28,106	8,075	-	53,416
Provision for litigation	-	-	-	1,726	-	1,726
Other liabilities	3,272	59,586	19,161	-	24,418	109,230
Current income tax liabilities	-	-	1,971	-	-	1,971
Retirement benefit obligations	-	-	1,803	-	-	1,803
Total liabilities (contractual maturity)	**1,329,133**	**291,715**	**276,221**	**14,035**	**24,418**	**1,940,325**
Total assets						
Cash and cash equivalents	139,882	-	-	-	-	139,882
Mandatory reserves deposits with Central Bank	507,739	-	-	-	-	507,739
Loans and advances to customers	166,943	52,846	253,116	98,381	290,716	862,002
Trading assets	16,508	-	-	-	-	16,508
Investments securities – available-for-sale	63,801	103,500	62,454	59,002	65,681	354,438
Derivative financial instruments	10,271	-	-	-	-	10,271
Pledged assets	-	48,679	54,937	43,013	-	146,629
Other assets	131,703	38,356	-	-	3,538	173,597
Total assets (expected maturity dates)	**1,036,847**	**243,381**	**370,507**	**200,396**	**359,722**	**2,229,377**

	31 December 2019					
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
			(₦ *millions*)			
Liabilities						
Deposits from banks	120,753	73,559	29,558	2,188	-	226,058
Due to customers	1,148,274	112,802	80,452	2,954	10,216	1,354,699
Derivative financial instruments	8,327	-	-	-	-	8,327
Borrowed funds	-	-	-	79,897	-	79,896
Provision for litigation	-	-	1,651	-	-	1,651
Other liabilities	-	-	-	52,066	-	52,069
Current income tax liabilities	-	2,184	-	-	-	2,184
Retirement benefit obligations	-	-	1,800	-	-	1,800
Total liabilities (contractual maturity)	**1,277,354**	**188,545**	**113,462**	**137,106**	**10,216**	**1,726,770**
Total assets						
Cash and cash equivalents	118,293	20,104	-	-	-	138,396
Mandatory reserves deposits with Central Bank	-	-	-	-	350,366	350,366
Loans and advances to customers	185,918	197,490	36,921	239,444	151,832	811,606
Trading assets	6,046	14,021	29,447	385	4,851	54,750
Investments securities – available-for-sale	60,002	25,711	165,406	3,392	76,435	330,946
Derivative financial instruments	12,754	-	-	-	-	12,754
Pledged assets	18,235	29,693	63,046	-	17,210	128,184
Other assets	-	-	-	-	69,167	69,167
Total assets (expected maturity dates)	**401,247**	**287,019**	**294,820**	**243,221**	**669,862**	**1,896,170**

	31 December 2018[1]					
	Up to 1 month	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
			(₦ *millions*)			
Liabilities						
Deposits from banks	81,137	68,663	19,863	-	-	169,663
Due to customers	1,017,256	157,801	101,175	923	6,018	1,283,173
Derivative financial instruments	-	-	1,690	-	-	1,690
Borrowed funds	-	-	-	160,828	-	160,828
Provision for litigation	-	-	1,438	-	-	1,438
Other liabilities	-	-	-	89,389	-	89,389
Current income tax liabilities	-	2,839	-	-	-	2,839
Retirement benefit obligations	-	-	328	-		328
Total liabilities (contractual maturity)	**1,098,393**	**229,303**	**124,493**	**251,140**	**6,018**	**1,709,348**
Total assets						
Cash and cash equivalents	154,945	-	-	-	-	154,945
Mandatory reserve deposits with Central Bank	-	-	-	-	316,526	316,526
Loans and advances to customers	259,362	191,742	50,007	261,806	79,558	842,475
Trading assets	1,026	1,036	32,668	367	17	35,114
Investments securities – available-for-sale	67,412	86,543	121,905	172	105,475	381,506
Derivative financial instruments	-	42	-	-	8,772	8,814
Pledged assets	-	22,531	51,820	-	13,210	87,561
Other assets	-	-	-	-	39,682	39,682
Total assets (expected maturity dates)	**482,745**	**301,894**	**256,400**	**262,346**	**563,240**	**1,866,624**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

	31 December 2017					
	Up to 1 month	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
			(*₦ millions*)			
Liabilities						
Deposits from banks	4,860	69,921	61,816	-	-	136,597
Due to customers	503,437	334,400	231,315	17,263	11,887	1,098,302
Derivatives financial instruments	-	-	6,816	-	-	6,816
Borrowed funds	-	-	-	160,922	-	160,922
Provision for litigation	-	-	5,171	-	-	5,171
Other liabilities	-	36,740	106,432	5,166	-	148,338
Current income tax liabilities	-	-	-	4,431	-	4,431
Retirement benefit obligations	-	-	-	-	1,856	1,856
Total liabilities (contractual maturity)	**508,297**	**441,061**	**411,550**	**187,782**	**13,743**	**1,562,433**
Total assets						
Cash and cash equivalents	40,725	72,560	20,209	-	-	133,494
Mandatory reserve deposits with Central Bank	-	-	-	-	257,237	257,237
Loans and advances to customers	420,895	114,306	79,897	167,606	48,869	831,573
Trading assets	16,709	17,743	-	-	-	34,452
Investments securities – available-for-sale	6,123	34,630	167,203	54,202	87,208	349,365
Derivatives financial instruments	-	-	8,956	-	-	8,956
Pledged assets	-	-	29,046	33,846	28,468	91,360
Other assets	-	-	-	-	30,568	30,568
Total assets (expected maturity dates)	**484,453**	**239,239**	**305,310**	**255,653**	**452,349**	**1,737,005**

The following are some of the methods employed by the Bank to mitigate liquidity risks:

Quantifications

The Bank has adopted both qualitative and quantitative approaches to measuring liquidity risk. Specifically, the Bank adopts the following approaches:

(a) funding and liquidity plan;

(b) liquidity gap analysis;

(c) ratio analysis; and

(d) liquidity contingency and funding plan.

The liquidity and funding plan defines the Bank's sources and channels of utilisation of funds. This plan also includes limits on large fund providers, limits on cross currency funding, appropriate balance sheet and liquidity ratios. The liquidity gap analysis quantifies the daily and cumulative gap in a "business as usual" environment. The gap for any given tenor bucket represents the borrowings from, or placements to, the market required to replace maturing liabilities or assets. The Bank monitors the cumulative gaps against maximum cumulative outflow ("**MCO**") tolerance levels.

Liquidity risk management process

The Bank believes that active management of liquidity through the framework of limits and controls presented above is possible only with proper monitoring capabilities. The monitoring process focuses on liquidity indicators, which are compared against limits that have been established. The Bank's Treasury division is responsible for planning and executing the Bank's funding activities and strategy. The secured liquidity measure (namely, the active management of liquidity through the framework of limits and control and proper monitoring capabilities) is calculated and monitored by the Bank's Risk Management Department. The Bank's loan-to-deposit ratio amounted to 65.9 per cent as at 30 September 2020, as compared to 67.4 per cent as at 31 December 2019, 65.6 per cent as at 31 December 2018 and 75.7 per cent as at 31 December 2017. Increased withdrawals of short-term funds are monitored through measurements of the deposit base in the Bank. Liquidity risk is reported to the Board at least on a quarterly basis or more frequently if required.

The Bank's liquidity risk management process includes, but is not limited to:

- day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or as they are borrowed by customers. Therefore, the Bank maintains an active presence in the money markets;

- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

- determining the MCO across all time bands;

- monitoring liquidity ratios against internal and regulatory requirements; and

- conducting liquidity stress tests, at least once a month, to assess the capacity of the Bank to meet funding obligations under a variety of name-specific and systemic stress scenarios.

The Bank's Treasury division, with regard to credit risk, also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

Funding approach

The Bank holds a portfolio of cash and high-quality liquid securities to support payment obligations and contingent funding in a stressed market environment. Sources of liquidity are regularly reviewed by the Bank Treasury to maintain a wide diversification by currency, provider, product and term. The Bank's assets held for managing liquidity risk comprise:

- cash and balances with central banks;
- certificates of deposit;
- government bonds (which comprise the large majority of the Bank's liquid securities portfolio) and other securities that are readily acceptable in repurchase agreements with central banks; and
- secondary sources of liquidity in the form of highly liquid instruments in the Bank's trading portfolios.

Contingency funding plan

The Bank has a contingency funding plan which incorporates early warning indicators to monitor market conditions. Such early warning indicators include, among others, declines in the liquidity ratio below approved limits for a prescribed period, delays in disbursements of statutory allocations beyond a prescribed period, negative clearing balances for a prescribed period or a branch running out of physical cash. The Bank monitors its liquidity position and funding strategies on an on-going basis, but recognises that unexpected events, economic or market conditions, earnings problems or situations beyond its control could cause either a short or long-term liquidity crisis. It reviews its contingency funding plan in the light of evolving market conditions and stress test results. In the period between 1 January 2017 and 30 September 2020, the Bank's total deposit base has grown on a yearly basis, and the Bank has maintained a liquidity ratio above the 30.0 per cent regulatory minimum required by the CBN for all deposit money banks in the country.

To monitor liquidity and funding, the Risk Management Group prepares a liquidity worksheet monthly that projects sources and uses of funds. The worksheet incorporates the impact of moderate risk and crisis situations, and is an integral component of the contingency funding plan.

The contingency funding plan covers the available sources of contingent funding to supplement cash flow shortages, the lead times to obtain such funding, the roles and responsibilities of those involved in the contingency plans, and the communication and escalation requirements when early warning indicators signal deteriorating market conditions. Both short-term and long-term funding crises are addressed in the contingency funding plan.

Market Risks

Market risk is the risk that earnings or capital may be adversely affected by changes in the level or volatility of market factors. Market factors include interest rates, foreign exchange rates, equity prices, and commodity prices. This risk arises mainly from trading activities as well as through non-traded risk in the banking book.

The Bank's ability to meet its business objectives could be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, foreign exchange rates, equity prices, commodity prices and credit spreads. Market risk mainly arises from trading activities and equity investments. The Bank is also exposed to market risk through interest rate risk from non-traded assets (such as loans) held in its banking book.

The Bank's ability to effectively identify, assess, monitor and manage market risks involved in its activities is critical to its soundness and profitability. Its strategy is to invest its own capital on a limited and carefully selected basis in transactions, underwritings and other activities that involve market risk.

Central to the Bank's market risk management is the deployment of appropriate tools and methodologies tailored towards identifying, measuring, monitoring, controlling and reporting the Bank's exposure to each market risk factor.

The Bank is exposed to market risk in its trading, underwriting and investing activities mainly as a result of various regulatory and market changes:

- interest rate movements in response to fiscal policies, market forces or as directly indicated by monetary policy pronouncements such as the dichotomy between the Nigeria Treasury Bills ("**NTB**") and the Open Market Operations Bills ("**OMO Bills**") in October 2019, introduction of a minimum loan-to-deposit ratio of 60 per cent. effective September 2019, later increased to 65 per cent. effective December 2019, amongst others; and

- foreign exchange fluctuations arising from demand and supply pressure as well as regulatory/government policies such as the introduction of guidelines on the operation of domicillary accounts and revocation of operating licenses of Bureaux de Change ("**BDCs**"), amongst others.

Market risk management and control framework

The Bank has put in place a robust and clearly defined market risk management framework, which essentially provides the Board and Management with guidance on market risk management processes. All teams involved in the management and control of market risk are required to fully comply with the policy statements to ensure the Bank is not exposed to market risk beyond the qualitative and quantitative risk tolerances.

The Bank's market and liquidity risk management framework is governed by the market & liquidity risk policy framework as approved by the Board. The Board approves the risk appetite for trading and non-trading activities, on the recommendation of the MRC.

The MRC ensures that all market and liquidity risk management decisions by the Board are implemented by Management. They also recommend to the Board approvals for amendments to the market & liquidity risk policy when necessary.

ALCO manages market and liquidity risk across the Bank and meets monthly to review, approve and make recommendations concerning the risk profile including limits and utilisation.

The Bank's liquidity management framework is designed in accordance with regulatory requirements. While the Asset & Liability Management Team ("**ALM**") ensures that the Bank is always liquid at all times to meet funding requirements and payment obligations as they fall due under normal and unusual markets situations without incurring additional cost.

A dedicated market risk team, independent of the trading and business units, is responsible for implementing the market risk control framework and assumes day-to-day responsibility for market risk management. A limit framework is set within the context of the approved market risk appetite while daily market risk dashboards and stress testing reports are generated.

The control framework covers the following principles:

- clearly defined responsibilities and authorities for the primary groups involved in market risk management in the Bank;

- daily monitoring, analysis and reporting of market risk exposures against market risk limits;

- clearly defined limit structure and escalation process in the event of a market risk limit excess;

- a market risk measurement methodology that captures diversification effects and allows aggregation of market risk across risk types, markets and business lines;

- use of Value at Risk ("**VaR**") at 99 per cent. confidence interval as a measure of the one-day market risk exposure of all trading positions;

- use of non-VaR based limits and other controls such as duration limit and triggers;

- use of stress testing and scenario analysis to support the market risk measurement and risk management process by assessing how portfolios perform under extreme market conditions;
- use of back-testing as a diagnostic tool to assess the accuracy of the VaR model and other risk management techniques; and
- a product approval process that requires market risk teams to assess and quantify market risk associated with proposed new products.

Market risk measurement techniques

The objective of market risk measurement is to manage and control market risk exposures within acceptable limits while optimising the return on risk. The Bank does not trade in commodities and equities, but is exposed to risks arising from the assets in transactions where these have been used as collateral for credit transactions. The latter is covered under credit risk management.

VaR

VaR is a technique that produces estimates of the potential change in the market value of a portfolio over a specified time horizon at a given confidence level. In line with the Bank's policy, VaR assumes a three-year historical dataset, a one-day holding period and a confidence level of 99.0 per cent for internal risk management purposes bearing in mind present market realities, the Bank's level of exposure as well as the composition of its portfolio. However, the Bank equally computes an S-VaR, which assumes total utilisation of positions and 99 per cent. confidence interval. The Bank's VaR model is based on historical simulation, utilising data across a minimum of 300 trading days.

VaR is computed on the entire trading portfolio i.e. fixed income securities and foreign exchange trading position. The model, which is validated and approved by the group office, is an important market risk measurement and control tool.

The table below sets out the trading VaR of the Bank. During the nine months ended 30 September 2020, Treasury bills recorded the highest VaR resulting mainly from the position levels of the Bank in this asset class. The Bank's strategy was to maintain more of the lower duration assets in view of the highly volatile market during the third quarter of 2020.

	Average	**High**	**Low**	**Actual[(1)]**
		(₦ thousands)		
Risk categories:				
Bond	88,729	289,513	11,275	289,513
Treasury bills	154,368	332,699	57,501	80,251
Foreign exchange	33,305	69,410	6,859	49,038

(1) This represents actual one-day VaR as at 30 September 2020.

In order to verify that the results acquired from VaR calculations are consistent and reliable, the model is always back tested. Back testing is an integral part of VaR reporting in the Bank's risk management processes. Back testing is a procedure where actual profits and losses are compared to projected VaR estimates aimed at ensuring that the model yields accurate risk estimates.

Stress tests

As stipulated in the Enterprise-Wide Risk Management Framework, the Bank conducts stress testing, which measures the impact of exceptional changes in market rates and prices on the fair value of the Bank's trading and Available-for-Sale ("**AFS**") portfolios. The Bank calculates:

- risk factor stress testing, where stress movements are applied to each risk category;
- historical stress tests where shocks based on historical movements are assumed and applied; and

- ad hoc stress testing, which includes applying possible stress events to specific positions.

The results of the stress tests are reviewed by the Banks's Senior Management and by the Board.

Interest rate risk

Interest rate risk is the current or prospective risk that earnings and/or capital are negatively affected by interest rate changes in the financial markets. This risk is inherent to the Bank's business. The Bank uses various indicators to measure interest rate risk. The interest rate risk position is monitored by ALCO monthly. The interest rate risk is managed with an interest risk model, using guidelines and limits and by performing various interest rate stress scenarios.

Interest rate risk in the trading book is monitored daily while that of the banking book is monitored at least monthly. Exposure is compared to approved market risk limits and excesses, if any, are dealt with immediately as per the requirements of the Market Risk Policy.

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or re-price at different times or in differing amounts. In the case of floating rate assets and liabilities, the Bank is also exposed to basis risk, which can arise due to the movement in the various floating rate indices, such as the savings rate and the 90-day NIBOR, until maturity. Non-traded interest rate risk arises in the Bank's book from the provision of retail and wholesale banking products and services, as well as from certain structural exposures within the Bank balance sheet, mainly due to the fact that assets, liabilities and equity may be re-priced at different times. These risks impact both the earnings and the economic value of the Bank. The Bank's interest rate risk management policy is to minimize risk with the aim to achieve financial structure objectives defined and approved by Executive Management.

The tables below provide information on the extent of the Bank's interest rate exposure. The assets and liabilities are grouped into brackets defined by their time to maturity or the date of the interest rate adjustment. The difference, or gap, between assets and liabilities in each time bracket makes the Bank sensitive to interest rate fluctuations. The amounts are based on interest rate maturities. However, saving and current accounts have a non-defined interest maturity. A quantitative assessment of the interest rate sensitivity of our saving accounts and current accounts has been executed. The outcome of this assessment is used in the calculations for interest rate risk.

	30 September 2020						
	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Non-interest bearing	Total
				(₦ *millions*)			
Assets							
Cash and cash equivalents..................	42,652	27,249	-	-	-	69,981	139,882
Mandatory reserves deposits with Central Bank.....................................	-	-	-	-	-	507,739	507,739
Loans and advances to customers........	65,383	76,461	336,255	228,658	155,245	-	862,002
Trading assets	2,988	824	13,660	3,168	14,392	-	35,030
Investment securities–available-for-sale	84,612	60,859	51,389	12,914	80,179	64,483	354,437
Derivative financial instruments..........	-	-	10,271	-	-	-	10,271
Pledged assets	-	77,279	60,621	4,630	4,100	-	146,630
Other assets.......................................	-	-	-	-	-	82,292	82,292
Total financial assets	**195,635**	**242,671**	**472,196**	**249,371**	**253,916**	**724,495**	**2,138,283**
Liabilities							
Deposits from banks..........................	123,110	96,553	48,086	-	-	-	267,749
Due to customers...............................	399,729	356,559	198,245	42,082	28,374	473,128	1,498,119
Derivative financial instruments..........	-	-	6,225	-	-	-	6,225
Borrowed funds	-	-	22,551	30,865	-	-	53,416
Provision for litigation.......................	-	-	-	-	-	1,726	1,726
Other liabilities..................................	-	-	-	-	-	109,230	109,230
Total financial liabilities..................	**522,839**	**453,113**	**275,106**	**72,948**	**28,374**	**584,084**	**1,936,464**
Total interest repricing gap.............	**(327,205)**	**(210,441)**	**197,090**	**176,423**	**225,542**	**140,411**	**-**

	31 December 2019						
	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Non-interest bearing	Total
				(₦ *millions*)			
Assets							
Cash and balances with central banks...	10,638	20,104	-	-	-	107,654	138,396
Loans and advances to banks...............	-	-	-	-	-	350,366	350,366
Loans and advances to customers.........	185,918	197,490	36,921	239,444	151,832	-	811,606
Trading assets......................................	6,046	14,021	29,447	385	4,851	-	54,750
Investment securities–available-for-sale	60,002	25,711	165,406	3,392	76,435	-	330,946
Derivative financial instruments...........	-	-	-	-	-	12,754	12,754
Pledged assets......................................	18,235	29,693	63,046	-	17,210	-	128,184
Other assets...	-	-	-	-	-	69,167	69,167
Total financial assets.........................	**280,839**	**287,019**	**294,820**	**243,221**	**250,329**	**539,941**	**1,896,170**
Liabilities							
Deposits from banks............................	120,753	73,559	29,558	2,188	-	-	226,058
Due to customers.................................	709,015	112,802	80,452	2,954	10,216	439,259	1,354,699
Derivative financial instruments...........	-	-	-	-	-	8,327	8,327
Borrowed funds....................................	-	-	-	79,897	-	-	79,897
Provision for litigation.........................	-	-	-	1,651	-	-	1,651
Other liabilities....................................	-	-	-	-	-	54,251	54,251
Total financial liabilities....................	**829,767**	**186,361**	**110,010**	**86,691**	**10,216**	**501,837**	**1,724,883**
Total interest repricing gap..............	**(548,928)**	**100,658**	**184,810**	**156,530**	**240,113**	**-**	**-**

	31 December 2018[1]						
	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Non-interest bearing	Total
				(₦ millions)			
Assets							
Cash and balances with central banks...	12,346	-	995	-	-	141,604	154,945
Cash and balances with other banks......	-	-	-	-	-	316,526	316,526
Loans and advances to customers.........	359,362	191,742	50,007	161,806	79,558	-	842,475
Trading assets.....................................	1,026	1,036	32,668	367	17	-	35,115
Investment securities–available-for-sale	67,412	86,543	121,905	172	105,475	-	381,507
Derivatives financial instruments..........	-	42	-	-	8,772		8,814
Pledged assets.....................................	-	22,531	51,820	-	13,210	-	87,561
Other assets..	-	-	-	-	-	39,682	39,682
Total financial assets.........................	**440,146**	**301,894**	**257,395**	**162,346**	**207,031**	**497,812**	**1,866,625**
Liabilities							
Deposits from banks...........................	81,137	68,663	19,863	-	-	-	169,663
Due to customers................................	486,992	207,801	151,175	923	6,018	430,264	1,283,173
Derivative financial instruments...........	-	-	1,690	-	-	-	1,690
Borrowed funds	-	-	-	160,828	-	-	160,828
Provision for litigation	-	-	-	1,438	-		1,438
Other liabilities...................................	-	-	-	92,230	-	-	92,230
Total financial liabilities	**568,129**	**276,464**	**172,728**	**255,418**	**6,018**	**430,264**	**1,709,021**
Total interest repricing gap..............	**(127,983)**	**25,430**	**84,668**	**(93,073)**	**201,013**	**-**	**-**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

	31 December 2017						
	Up to 1 month	**1–3 months**	**3–12 months**	**1–5 years**	**Over 5 years**	**Non-interest bearing**	**Total**
				(₦ *millions*)			
Assets							
Cash and balances with central banks	9,253	-	18,455	-	-	105,785	133,494
Cash and balances with other banks	-	-	-	-	-	257,237	257,237
Loans and advances to customers	413,986	168,803	44,786	155,312	48,687		831,573
Trading assets	16,709	17,743	-	-	-		34,452
Investment securities–available-for-sale	6,123	34,630	167,203	54,202	87,208		349,366
Derivatives financial instruments	-	-	8,956	-	-		8,956
Pledged assets	-	-	29,683	33,500	28,177		91,359
Other assets	-	-	-	-	-	30,568	30,568
Total financial assets	**446,072**	**221,175**	**269,082**	**243,013**	**164,071**	**393,590**	**1,737,005**
Liabilities							
Deposits from banks	4,860	63,377	61,816	-	-	6,543	136,597
Due to customers	503,437	134,400	81,315	7,263	54	371,833	1,098,301
Derivative financial instruments	-	-	6,816	-	-	-	6,816
Borrowed funds	-	-	-	160,922	-	-	160,922
Provision for litigation	-	-	5,171	-	-		5,171
Other liabilities	-	36,740	110,863	5,166	-	-	156,503
Total financial liabilities	**508,297**	**234,517**	**265,981**	**173,351**	**54**	**378,377**	**1,560,576**
Total interest repricing gap	**(62,226)**	**(13,342)**	**3,102**	**69,663**	**164,018**	**-**	**-**

Foreign exchange risk

Foreign exchange risk is the exposure of the Bank's financial condition to adverse movements in exchange rates. The Bank is exposed to foreign exchange risk primarily through its proprietary currency trading activities (largely U.S. dollar/Naira currency pairings), as well as through acting as an intermediary in foreign exchange transactions between the CBN and its customers. The Bank is also exposed to foreign exchange risk through granting foreign currency denominated loans to its customers. See "*Risk Factor—Factors that May Affect the Bank's Ability to Fulfil its Obligations—Risks relating to the Bank's business—The Bank is subject to foreign exchange risk and is affected by changes in the value of the Naira against other currencies*".

The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily since an effective overview of such risk is a critical element of the Bank's asset/liability risk management. The Board defines the overall risk tolerance levels and expectations for foreign exchange risk management and management aims to ensure that the risk tolerance is maintained at prudent levels. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

Foreign exchange risk is quantified using the net balance of assets and liabilities in each currency, and their total sum. This net open position is measured on a daily basis and is to be kept within set limits. The assets and liabilities include current positions, forward positions, commitments, and the market value of derivatives in a foreign currency.

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 30 September 2020.

	30 September 2020						
	U.S. Dollar	Euro	CFA	Naira	Ghana Cedis	Others	Total
				(₦ *millions*)			
Assets							
Cash and cash equivalents................................	50,045	37,715	1,467	46,078	6	4,572	139,882
Mandatory reserve deposits with Central Bank...	-	-	-	507,739	-	-	507,739
Loans and advances to customers......................	508,396	3,905	168	349,529	-	4	862,002
Fair value through profit or loss........................	-	-	-	35,030	-	-	35,030
Investment securities..	20,414	-	-	334,023	-	-	354,437
Derivative financial instruments........................	-	-	-	10,271	-	-	10,271
Pledged assets..	4,630	-	-	142,000	-	-	146,630
Other assets..	3,519	13	4	78,754	-	2	82,292
Total financial assets.....................................	**587,003**	**41,634**	**1,639**	**1,503,424**	**6**	**4,577**	**2,138,283**
Liabilities							
Deposits from banks...	192,801	23,187	-	51,761	-	-	267,749
Due to customers..	334,056	29,168	2,279	1,127,806	0	4,809	1,498,119
Derivative financial instruments........................	-	-	-	6,225	-	-	6,225
Borrowed funds..	22,092	-	-	31,324	-	-	53,416
Provision for litigation......................................	-	-	-	1,726	-	-	1,726
Other liabilities..	21,996	1,850	66	84,809	7	502	109,230
Total financial liabilities................................	**570,946**	**54,204**	**2,345**	**1,303,651**	**7**	**5,311**	**1,936,464**
Net on-balance sheet financial position...........	**16,057**	**(12,570)**	**(706)**	**199,773**	**(1)**	**(734)**	**201,819**
Net off-balance sheet financial position...........	**(13,965)**	**12,874**	**0**	**-**	**-**	**(295)**	**(1,385)**

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2019.

	31 December 2019						
	U.S. Dollar	**Euro**	**CFA**	**Naira**	**Ghana Cedis**	**Others**	**Total**
				(₦ *millions*)			
Assets							
Cash and cash equivalents..................................	39,924	29,398	1,365	62,919	6	4,784	138,396
Mandatory reserve deposits with Central Bank	-	-	-	350,366	-	-	350,366
Loans and advances to customers	478,201	3,518	162	329,677	-	48	811,606
Fair value through profit or loss..........................	-	-	-	54,750	-	-	54,750
Investment securities..	18,860	-	-	312,087	-	-	330,946
Derivative financial instruments.........................	-	-	-	12,754			12,754
Pledged assets..	4,376	-	-	123,808	-	-	128,184
Other assets...	9,270	14	11	59,870	-	-	69,167
Total financial assets..	**550,631**	**32,930**	**1,538**	**1,306,230**	**6**	**4,834**	**1,896,170**
Liabilities							
Deposits from banks	166,618	462	-	58,978	-	-	226,058
Due to customers	344,080	30,044	1,208	975,340	-	4,027	1,354,699
Derivative financial instruments.........................	-	-	-	8,327		-	8,327
Borrowed funds	27,874	-	-	52,023	-	-	79,897
Provision for litigation	-	-	-	1,651		-	1,651
Other liabilities..	13,998	2,481	35	35,346	-	210	54,251
Total financial liabilities	**552,570**	**32,986**	**1,243**	**1,131,665**	**-**	**4,237**	**1,724,883**
Net on-balance sheet financial position.............	**(1,939)**	**(56)**	**295**	**174,565**	**6**	**597**	**171,287**
Net off-balance sheet financial position	**5,851**	**(179)**	**-**	**-**	**-**	**(52)**	**5,620**

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2018.

	31 December 2018[1]						
	U.S. Dollar	**Euro**	**CFA**	**Naira**	**Ghana Cedis**	**Others**	**Total**
				(₦ *millions*)			
Assets							
Cash and cash equivalents	72,932	11,758	1,899	63,653	9	4,694	154,945
Mandatory reserve deposits with Central Bank	-	-	-	316,526	-	-	316,526
Loans and advances to customers	498,870	3,814	81	339,707	-	3	842,475
Fair value through profit or loss	-	-	-	35,114	-	-	35,114
Investment securities	57,322	-	-	324,185	-	-	381,506
Derivative financial instruments	-	-	-	8,814			8,814
Pledged assets	14,567	-	-	72,994	-	-	87,561
Other assets	3,866	323	3	35,488	-	-	39,682
Total financial assets	**647,556**	**15,895**	**1,983**	**1,196,481**	**9**	**4,700**	**1,866,624**
Liabilities							
Deposits from banks	98,509	21,931	-	45,412	-	3,812	169,663
Due to customers	394,694	41,093	1,802	845,584	-	-	1,283,173
Derivative financial instruments	-	-	-	1,690		-	1,690
Borrowed funds	125,166	-	-	35,662	-	-	160,828
Provision for litigation	-	-	-	1,438		-	1,438
Other liabilities	15,349	4,480	36	71,563	8	794	92,230
Total financial liabilities	**633,718**	**67,504**	**1,838**	**1,001,347**	**8**	**4,605**	**1,709,021**
Net on-balance sheet financial position	**13,838**	**(51,609)**	**145**	**195,134**	**1**	**94**	**157,603**
Net off-balance sheet financial position	**(11,797)**	**51,658**	**-**	**-**	**-**	**(25)**	**39,836**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2017.

	31 December 2017						
	U.S. Dollar	Euro	CFA	Naira	Ghana Cedis	Others	Total
				(₦ millions)			
Assets							
Cash and cash equivalents	46,423	25,829	1,010	75,177	-	4,449	133,494
Mandatory reserve deposits with Central Bank	-	29,900	-	257,237	-	-	257,237
Loans and advances to customers	439,587	-	57	389,073	-	-	831,573
Fair value through profit or loss	-	-	-	34,452	-	-	34,452
Investment securities	57,752	-	-	291,613	-	-	349,365
Derivative financial instruments	8,956	-	-	-			8,956
Pledged assets	-	-	-	91,360	-	-	91,360
Other assets	19,612	2,684	3	2,518	-	77	30,568
Total financial assets	**572,330**	**58,414**	**1,070**	**1,141,431**	**-**	**4,526**	**1,737,005**
Liabilities							
Deposits from banks	53,334	25,829	1	57,433	-	-	136,597
Due to customers	283,597	29,900	839	780,047	-	3,917	1,098,301
Derivative financial instruments	6,816	-	-	-	-	-	6,816
Borrowed funds	126,545	-	-	34,376	-	-	160,922
Provision for litigation	-	-	-	5,171	-	-	5,171
Other liabilities	35,384	2,684	23	114,124	7	546	152,770
Total financial liabilities	**505,676**	**58,414**	**864**	**991,151**	**-**	**4,463**	**1,560,576**
Net on-balance sheet financial position	**66,653**	**(40,766)**	**207**	**150,279**	**(7)**	**63**	**176,429**
Net off-balance sheet financial position	**(4,638)**	**26,081**	**-**	**6,481**	**(15)**	**(4)**	**27,904**

Foreign exchange risk sensitive analysis

The Bank's foreign currency risk sensitivity analysis reflects the expected financial impact in Naira equivalent resulting from a 10 per cent shock to foreign currency risk exposure. The foreign exchange rate sensitivity analysis reflects a marginal potential loss of ₦240 million on a "long" balance sheet Net Open Position ("**NOP**") of US$1.7 million as at 30 September 2020.

Credit risk

Credit risk is the risk of suffering financial loss, should any of the Bank's customers, clients or market counterparties fail to fulfill their contractual obligations to the Bank. Credit risk arises mainly from interbank, commercial and consumer loans and advances, credit cards, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided such as credit derivatives (credit default swaps), financial guarantees, letters of credit, endorsements, and acceptances.

The Bank is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities, including non-equity trading portfolio assets, derivatives and settlement balances with market counterparties, and reverse repurchase loans.

Credit risk is the single largest risk for the Bank's business; the directors therefore carefully manage exposure to credit risk. Credit risk management and control are centralised in a credit risk management team, which reports to the Board and head of each business unit regularly.

Credit risk measurement

Loans and advances (including loan commitments and guarantees)

The estimation of credit exposure is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

The Bank has developed models to support the quantification of credit risk. These rating and scoring models are in use for all key credit portfolios and form the basis for measuring default risks. In measuring the credit risk of loans and advances at a counterparty level, the Bank considers three components: (i) the probability of default by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Bank derives exposure at default; and (iii) the likely recovery ratio on the defaulted obligations, or loss given default. The models are reviewed regularly to monitor their robustness relative to actual performance and amended as necessary to optimise their effectiveness.

Probability of default

The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They have been developed internally and combine statistical analysis with credit officer judgement. They are validated, where appropriate, by comparison with externally available data. The Bank's rating method comprises 4 rating levels for loans. The rating methods are subject to an annual validation and recalibration so that they reflect the latest projection in the light of all actually observed defaults.

The Bank's internal ratings scale and mapping of external ratings as supplemented by the Bank's own assessment through the use of internal rating tools are as follows:

The Bank utilises an internal risk system rating based on a scale of 1 to 10. A risk rating of "1" identifies obligors or transactions of the highest quality or lowest risk. A risk rating of "10" is assigned to obligors or transactions of lowest quality or highest risk. The table below provides a grid showing comparisons between the risk rating system of the Bank and the rating scale used by Standard & Poor's.

Investment quality	Ecobank	S&P	Definition
Investment Grade	1	AAA	Largely risk free
	2	AA	Exceptional credit / Minimal risk
	3	A	Excellent credit / very low risk
	4	BBB	Good credit quality / low risk
Non-Investment Grade	5	BB	Satisfactory credit quality
	6	B	Acceptable credit quality but less stable
	7	CCC	Risk factors deteriorating
	8	CC	Special mention
	9	C	Substandard credit quality
	10	D	Doubtful / Loss

Obligors risk rated 1 to 4 are considered low risk (investment grade). Risks rated 5 and 6 are considered as medium risk, while those risk rated 7 through 10 are considered high risk. Medium and high risk obligors are also commonly categorised as "non-investment grade".

Risk ratings are assigned to individual obligors (obligor risk ratings) and to individual credit facilities (facility risk rating). They are also assigned total facilities extended to an obligor (approval risk rating), to all the facilities extended to a group or related obligors (economic group rating), or to an entire portfolio (portfolio risk rating).

Exposure at default

Exposure at default is based on the amounts the Bank expects to be owed at the time of default. For example, for a loan this is the face value. For a commitment, the Bank includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

Loss given default / Loss severity

Loss given default or loss severity represents the Bank's expectation of the extent of loss on a claim should default occur. It is expressed as a percentage loss per unit of exposure and typically varies by type of counterparty, type and seniority of claim, and availability of collateral or other credit mitigation.

The measurement of exposure at default and loss given default is based on the risk parameters standard under Basel II.

Debt securities and other bills

For debt securities, external ratings such as Standard & Poor's rating or their equivalents are used by Bank's Treasury division for managing the credit risk exposures as supplemented by the Bank's own assessment through the use of internal ratings tools.

Risk limit control and mitigation policies

The Bank manages, limits and controls concentrations of credit risk wherever they are identified - in particular - to individual counterparties and banks, and to industries and countries.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and by country are approved quarterly by the Board of Directors.

The exposure to any one borrower including banks and other non-bank financial institutions is further restricted by sub-limits covering on- and off-statement of financial position exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Lending limits are reviewed in the light of changing market and economic conditions and periodic credit reviews and assessments of probability of default. Some other specific control and mitigation measures are outlined below:

Collateral

In addition to the debtor's covenant to repay, the Bank takes tangible assets and/or assurances as security for the loan. The qualities the Bank looks out for in good collateral are:

- assurance of title and an ascertainable value which is stable and not subject to undesirable downward valuation;
- marketability, readily realisable without undue cost or difficulties as well as devoid of encroachment or encumbrance; and
- a good margin between the value of the security provided and the amount of facility being sought.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below:

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for fund advances, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- mortgages over residential properties;
- margin agreement for derivatives, for which the Bank has also entered into master netting agreements;
- charges over business assets such as premises, inventory and accounts receivable; and
- charges over financial instruments such as debt securities and equities.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally secured; with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments. Derivatives are also collateralised.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss the Bank will seek additional collateral from the counterparty as soon as impairment indicators are identified for the relevant individual loans and advances.

Lending limits (for derivative and loan books)

The Bank maintains strict control limits on net open derivative positions (that is, the difference between purchase and sale contracts) by both amount and term. The amount subject to credit risk is limited to the expected future net cash inflows of the instrument, which in relation to derivatives are only a fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not always obtained for credit risk exposures on these instruments, except where the Bank requires margin deposits from counterparties.

Settlement risk arises in any situation where a payment in cash, securities or equities is made with the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Bank's market transactions on any single day.

Master netting arrangements

The Bank further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of assets and liabilities on the statement of financial position, as transactions are either usually settled on a gross basis or, under most netting agreements, the right of set off is triggered only by default. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that, if a default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Bank's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

Financial covenants (for credit related commitments and loan books)

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees, or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards (often referred to as “financial covenants”).

The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Impairment and provisioning policies

The internal and external rating systems focus on expected credit losses - that is, taking into account the risk of future events giving rise to losses. In contrast, impairment allowances are recognised for financial reporting purposes only for losses that have been incurred at the reporting date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in financial statements is usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

The impairment allowance shown in the statement of financial position is derived from each of four internal rating grades.

- Performing - The facility is deemed performing if the payment of both principal and interest are up to date with the agreed terms.
- Substandard - Principal and interest repayments are between 90 and 179 days overdue.
- Doubtful - Principal and interest repayments are overdue by more than 180 days but less than 365 days.
- Loss - Principal and interest repayments are overdue by more than 365 days.

However, the largest component of the impairment allowance comes from the default grade. The tables below show the percentage of the Bank’s on- and off-balance sheet items, like financial guarantees, loan commitments, and other credit related obligations, relating to loans and advances and the associated impairment allowance for each of the Bank’s internal rating categories.

	As at 30 September 2020			
	Loans and Advances		Impairment Provision	
	Amount	%	Amount	%
	(₦ millions, except percentages)			
1. Current	525,831	54.4	3,790	3.6
1A. Watchlist	5,571	0.6	1,593	1.5
II. Substandard	225,963	23.4	9,178	8.8
III. Doubtful	90,286	9.3	11,457	10.9
IV. Loss	118,995	12.0	7,713	75.1
	966,648	**100.0**	**105,486**	**100.0**

	As at 31 December 2019			
	Loans and Advances		Impairment Provision	
	Amount	%	Amount	%
	(₦ millions, except percentages)			
1. Current	428,380	46.9	4,078	4.0
1A. Watchlist	2,328	0.3	33	0.0
II. Substandard	181,180	28.9	5,708	5.6
III. Doubtful	263,858	15.7	38,661	38.1
IV. Loss	75,245	8.2	52,996	52.2
	913,082	**100.0**	**101,476**	**100.0**

	As at 31 December 2018[1]			
	Loans and Advances		Impairment Provision	
	Amount	%	Amount	%
	(₦ millions, except percentages)			
1. Current	480,730	51.9	4,967	4.4
1A. Watchlist	106,605	11.4	1,987	1.7
II. Substandard	161,005	17.4	13,304	11.8
III. Doubtful	64,907	7.0	6,869	6.1
IV. Loss	113,298	12.2	85,885	76.0
	926,546	**100.0**	**113,012**	**100.0**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

	As at 31 December 2017			
	Loans and Advances		Impairment Provision	
	Amount	%	Amount	%
	(₦ millions, except percentages)			
1. Current	661,963	72.1	20,579	23.8
1A. Watchlist	123,090	13.4	3,827	4.4
II. Substandard	54,633	6.0	8,494	9.8
III. Doubtful	54,573	5.9	32,538	37.6
IV. Loss	23,809	2.6	21,057	24.3
	918,068	**100.0**	**86,495**	**100.0**

Maximum exposure to credit risk before collateral held or other credit enhancements

Financial instruments whose carrying amounts do not represent the maximum exposure to credit risk without taking account of any collateral held or other credit enhancements are disclosed below.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, or systems, or from external events. The Bank's definition of operational risk excludes strategic and reputational risks as these risks and the framework for managing them are addressed separately. The Bank manages operational risk through an overall framework designed to balance strong corporate oversight with well-defined independent risk management. This framework includes recognised ownership of the risk by the relevant business/trading unit, oversight by the Board Risk Committee, and independent review by the internal audit group (which is independent from the Board Risk Committee). Reports as to operational risks are made directly to the Board through the Board Risk Committee and for day-to-day functions, to the Bank's Managing Director or CEO.

The Bank's operational risk strategy seeks to minimise the impact that operational risk can have on shareholders' value. The strategy is to reduce the likelihood of occurrence of expected events and related cost by managing the risk factors and implementing loss prevention or reduction techniques to reduce variation to earnings, minimise the impact of unexpected and catastrophic events and related costs through risk financing strategies that will support the Bank's long-term growth, cash flow management and balance sheet protection and eliminate bureaucracy, improve productivity, reduce capital requirements and improve overall performance through the institution of well designed and implemented internal controls.

In order to create and promote a culture that emphasises effective operational management and adherence to operating controls, there are three distinct levels of operational risk governance structure in the Bank:

- Level 1 refers to the oversight function carried out by the Board, the Board Risk Committee, and Management. Responsibilities at this level include ensuring effective management of operational risk and adherence to the approved operational risk policies.
- Level 2 refers to the management function carried out by Operational Risk Management. It has direct responsibility for formulating and implementing the Bank's operational risk management framework including methodologies, policies and procedures approved by the Board.
- Level 3 refers to the operational function carried out by all business units and support functions in the Bank.

These units/functions are fully responsible and accountable for the management of operational risk in their units. They work in liaison with the Operational Risk Management through the operational risk champions to define and review controls to mitigate identified risks. The Bank's internal audit group provides an independent assessment and evaluation of its operational risk management framework. This periodic confirmation of the existence and application of controls in compliance with approved policies and procedures provides assurance as to the effectiveness of the Bank's operational risk management framework. Some of the tools being used to assess, measure and monitor operational risks in the Bank include: a database of operational risk events and losses; an effective risk and control self-assessment process that helps to analyse the Bank's business activities and identify operational risks that could affect the achievement of business objectives; and key risk indicators which are used to monitor operational risks on an on-going basis. Operational risk management remains a key focus area in strengthening the overall risk management process of the Bank, and in achieving an effective enterprise-wide risk management objective. Operational Risk Management Unit (ORMU) promotes the enhancement of operational risk culture in the Bank by applying risk management techniques in identifying, measuring, monitoring, reporting and controlling / mitigating risks to contain expected losses, minimize unexpected losses and maximize return on risk adjusted capital. The Bank has continued implementation of operational risk tools for risk identification, assessment and monitoring process. These tools include Risk and Control Self-Assessment ("**RCSA**") and Key Risk Indicators ("**KRIs**"), among others. These ensure that all key risks and controls are identified and documented. Significant risks are escalated to the Business Unit Risk Committee ("**BURC**") as well as the Management Risk Committee ("**MRC**") for appropriate resolution with definite deadline

Compliance Risk

Compliance risk is the risk of damage to the Bank's integrity as a result of failure (or perceived failure) to comply with relevant laws, regulations, internal policies and procedures or ethical standards.

The Bank approaches compliance risk management on an enterprise and line of business level. The Bank's Compliance is headed by the Chief Compliance Officer, who oversees significant compliance risk issues, and develops and formulates the strategies, policies and practices for assessing and managing compliance risks across the Bank. The Chief Compliance Officer coordinates and manages compliance risk across the Bank with the assistance of designated senior officers selected along functional and business lines (including anti-money laundering, anti-bribery, anti-fraud international sanctions, legal and regulatory compliance, code of conduct, staff gifts and financial reporting) appointed as Compliance Champions. Emerging compliance issues are reviewed and communicated to all relevant divisions of the Bank by the Chief Compliance Officer, who obtains input from the relevant SBUs/Divisions/Subsidiaries and then seeks to formulate appropriate responses to mitigate identified compliance risks. The Chief Compliance Officer reports to the reports to the Executive Compliance Officer in line with regulatory requirement and makes a presentation to the Board Audit and Compliance Committee.

The Bank also mitigates compliance risk through a broad-based approach to process management and improvement. The lines of business/trading units are responsible for all the risks within the relevant business line, including compliance risks. Compliance officers, working in conjunction with senior line of business executives, have developed key tools to address and measure compliance risks and to ensure compliance with laws and regulations in each line of business.

Basel II and Basel III Implementation

The Bank has applied the Basel II framework as part of its capital management strategy. Substantial enhancements were made to the risk management framework based on the guidelines of the Basel II Capital Accord, including:

- design of a top down economic capital model to evaluate risks;
- a defined risk appetite that is aligned with business strategy optimisation;
- risk decisions based on accurate, transparent and rigorous analytics and obligor risks ratings;
- stress tests to measure the potential impact to the Bank of very large changes in various types of key risk factors (for example, interest rates, liquidity, non-performing loans) as well as the potential impact of a number of historical and hypothetical forward-looking systemic stress scenarios;
- accountability through a common framework to manage risks;
- empowering risk managers to make decisions and escalate issues; and
- expertise, authority and independence of risk managers.

The Basel Committee has issued its latest guidance on Basel III. The reforms under Basel III include increasing the minimum common equity (or equivalent) requirement and applying stricter regulatory adjustments. In addition, banks will be required to maintain, in the form of common equity (or equivalent), a capital conservation buffer in addition to stricter liquidity measurements such as the liquidity coverage ratio and net stable funding ratio both of which, as a minimum must not be lower than 100 per cent. Furthermore, buffers may also be implemented if there is excess credit growth in any given country.

Basel III is mainly targeted at improving the banks' capital positions and establishing minimum standards to address liquidity risk. Broadly, the proposals in Basel III are to address the improvement of quality, consistency and transparency of banking capital and the implementation of capital conservation and countercyclical buffers to reduce pro-cyclicality. The Bank has since commenced measurement of its Liquidity Coverage Ratio and Net Stable Funding Ratio (as defined under Basel III) internally.

SELECTED STATISTICAL AND OTHER INFORMATION

The following tables present certain selected statistical information and ratios for the Bank as at and for the periods indicated. The selected statistical information should be read in conjunction with the Financial Statements included elsewhere in this Prospectus and the information included in "*Management's Discussion and Analysis of Results of Operations and Financial Condition*".

The Bank prepared its financial statements as at and for the nine months ended 30 September 2020 and 2019 and as at and for the years ended 31 December 2019, 2018 and 2017 in accordance with IFRS. See "*Presentation of Financial and Certain Other Information*".

Average balances and interest rates

The following table sets forth the consolidated average balances of interest-earning assets and interest-bearing liabilities of the Bank for the nine months ended 30 September 2020 and the years ended 31 December 2019, 2018 and 2017. The table also sets forth the amount of interest income earned and interest expense incurred by the Bank for the same periods, as well as the average interest rates at which interest income was earned on such assets and interest expense was incurred on such liabilities. For the purposes of this table, the average balances of assets and liabilities for the Bank have been calculated on the basis of month-end average balances.

	For the nine months ended 30 September			For the year ended 31 December								
	2020			2019			2018(1)			2017		
	Average Balance[2]	Interest Income/ Expense	Average Rate (%)	Average Balance[2]	Interest Income/ Expense	Average Rate (%)	Average Balance[2]	Interest Income/ Expense	Average Rate (%)	Average Balance[2]	Interest Income/ Expense	Average Rate (%)
	(₦ millions, except percentages)											
ASSETS												
Government Securities	395,686	33,273	11.3	399,183	56,586	14.2	384,235	56,827	14.8	345,974	57,116	16.5
Interbank Placements	48,983	768	2.1	16,063	725	4.5	71,768	567	0.8	32,088	248	0.8
Total Loans & Advances	925,375	44,323	6.4	868,890	71,609	8.2	829,434	108,075	13.0	868,999	132,973	15.3
Total Assets	**1,370,044**	**78,364**	**7.7**	**1,284,136**	**128,919**	**10.0**	**1,285,437**	**165,469**	**12.9**	1,247,061	190,337	15.3
LIABILITIES												
Borrowing	26,253	1,486	7.6	87,343	9,295	10.6	153,276	3,018	2.0	165,719	11,594	7.0
Interbank Takings	230,771	10,151	5.9	193,458	18,602	9.6	154,130	14,914	9.7	211,707	14,570	6.9
Total Deposits	1,419,202	28,744	2.7	1,329,773	72,504	5.5	1,131,215	58,049	5.1	999,372	47,613	4.8
Total Liabilities	**1,676,226**	**40,381**	**3.2**	**1,610,575**	**100,402**	**6.2**	**1,438,621**	**75,982**	**5.3**	1,376,797	73,777	5.4
Net Interest Spread[3] (%)			**4.4**			**3.8**			**7.6**			**9.9**
Net Interest Income			37,983			28,518			89,488			116,560
Net Interest Margin[4] (%)			3.7			2.2			7.0			9.3

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(1) Comparative figures for 2018 have been restated. See "Presentation of Financial and Certain Other Information".
(2) Average balances are net of impairment allowance.
(3) Net interest 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) Net interest margin is calculated as the Bank's net interest income divided by the daily average balance of the Bank's total interest-earning assets during the applicable period.

Interest-earning assets: yield, margin and spread

The following table sets forth the Bank's net interest income, yield, margin and spread for the nine months ended 30 September 2020 and for the years ended 31 December 2019, 2018 and 2017.

	For the nine months ended 30 September	For the year ended 31 December		
	2020	2019	2018[(1)]	2017
Net interest income (₦ *millions*)	48,462	38,146	86,196	106,640
Yield on interest-earning assets (%)	8.6	10.0	13.0	13.4
Yield on interest-bearing liabilities (%)	3.6	6.0	5.0	7.2
Net interest margin[(2)] (%)	4.2	3.8	7.6	7.7
Net interest spread[(3)] (%)	4.4	2.2	7.0	6.2

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(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

(2) Net interest margin is calculated as the Bank's net interest income divided by the daily average balance of the Bank's total interest-earning assets during the applicable period. Daily average balances of total interest-earning assets are calculated as the average of daily balances during the applicable period.

(3) Net interest spread is calculated as the difference between the average interest rate on the Bank's interest-bearing assets and the average interest rate on the Bank's interest-bearing liabilities. Interest-earning assets and interest-bearing liabilities are calculated as the average of daily balances during the applicable period.

Net changes in interest income and interest expense—volume and rate analysis

The following table provides a comparative analysis of net changes in interest income and interest expense of the Bank by reference to changes in the average volume and average rates for the periods indicated. Net changes in net interest income are attributed to either changes in average balances (volume change) or changes in average rates (rate change) for interest-earning assets and interest-bearing liabilities on which interest is earned or incurred. Changes in interest income or interest expense are attributed to either (i) changes in average balances (volume change) of interest bearing assets or interest bearing liabilities or (ii) changes in average rates (rate change) at which interest income was earned on such assets or at which interest expense was incurred on such liabilities or (iii) changes in rate/volume. Volume change is calculated as the change in volume multiplied by the previous rate, while rate change is the change in rate multiplied by the previous volume. The rate/volume change (change in rate multiplied by change in volume) is allocated between volume change and rate change at the ratio each component bears to the absolute value of their total. See "*—Average balances and interest rates*" above for an explanation of the calculation of the average balances.

	Changes from 30 September 2019 to 30 September 2020				Changes from 31 December 2018 to 31 December 2019			
	Increase/(decrease) due to changes in				Increase/(decrease) due to changes in			
	Volume	Rate	Volume/ Rate	Net change	Volume	Rate	Volume/ Rate	Net change
				(₦ *millions*)				
Interest-earning assets:								
Government Securities	42,745	18.8	302,467	(9,472)	56,827	14.8	384,235	(242)
Interbank Placements	570	8.3	9,197	198	567	0.8	71,768	158
Total Loans & Advances	53,481	10.9	651,028	(9,158)	108,075	13.0	829,434	(36,466)
Total	**96,796**	**13.4**	**962,691**	**(18,432)**	**165,469**	**12.9**	**1,285,437**	**(36,550)**
Interest-bearing liabilities:								
Borrowing	7,925	13.1	80,548	(6,439)	3,018	2.0	153,276	6,277
Interbank Takings	14,517	13.9	139,044	(4,366)	14,914	9.7	154,130	3,688
Total Deposits	54,591	7.3	991,882	(25,847)	58,049	5.1	1,131,215	14,455
Total	**77,033**	**8.5**	**1,676,226**	**(36,652)**	**75,982**	**5.3**	**1,436,621**	**24,420**

Deposits

The following table shows the composition of the Bank's average deposits, and the average rate paid on such deposits, for the periods indicated. For the purposes of this table, the average deposits and average rates on deposits for the Bank have been calculated on the basis of daily averages.

	As at 30 September		As at 31 December			
	2020		2019		2018(1)	
	Volume	Rate (%)	Volume	Rate (%)	Volume	Rate (%)
	(₦ millions, except percentages)					
Non-interest bearing demand deposits............	323,942	0.4	257,770	0.4	233,874	0.7
Savings deposits.............	392,504	2.6	275,438	2.9	239,830	2.95
Time deposits.................	397,419	4.3	442,132	9.1	368,068	8.95
Domiciliary deposits........	384,254	0.2	379,359	0.2	441,401	0.2
Total deposits................	**1,498,118**	2.7	**1,354,699**	6.0	**1,283,173**	5.13

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

The following table sets forth the maturity analysis of total deposits of the Bank as at 30 September 2020.

	Three months or less	From over three months to 12 months	Over 12 months
		(₦ millions)	
Total deposits...............................	1,399,377.12	92,781.70	5,959.98

Loan portfolio

Distribution of loans by economic sector

The following sets forth the Bank's gross loans and advances to customers by economic sector as at the dates indicated.

	As at 30 September	As at 31 December		
	2020	2019	2018(1)	2017
		(₦ millions)		
Agriculture	101,864	91,756	75,128	72,025
Oil and gas....................................	388,651	364,249	395,540	392,704
Capital markets............................	-	1	1	1
Consumer credit...........................	23,160	25,380	17,115	20,959
Trade...	76,377	73,342	77,103	70,377
Services and others.......................	33,518	27,903	37,971	26,962
Manufacturing	108,325	101,881	73,741	87,833
Mining and quarrying....................	2,113	1,800	1,821	1,615
Mortgage.....................................	1,610	2,222	2,847	3,427
Real estate and construction	30,970	30,137	27,511	40,615
Finance and insurance...................	12,988	13,134	39,898	11,020
Government.................................	34,107	33,761	39,412	36,992
Power..	21,649	21,799	23,607	23,729
Public utilities..............................	38,823	37,617	42,978	42,554
Transportation..............................	15,582	13,585	7,917	16,435
Communication.............................	73,298	71,699	61,185	68,205
Education	3,613	2,816	2,772	2,614
Total	**966,648**	**913,082**	**926,547**	**918,067**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

Maturity profile of the Bank's loan portfolio

The following table sets forth the maturity analysis of the net loans and advances to customers as at the dates indicated.

	Within 30 days	From 31–90 days	From 91– to 365 days	From 1 to 5 years	Over 5 years	Total
			(₦ millions)			
As at 30 September 2020...........	86,739	52,194	339,163	227,820	155,245	862,002
As at 31 December 2019............	112,356	270,621	39,109	236,203	153,317	811,606
As at 31 December 2018(1)	145,126	272,781	57,550	278,074	88,990	813,534
As at 31 December 2017............	267,492	139,171	29,017	348,487	47,406	831,573

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

Loan concentration

The following table sets forth information on the Bank's exposure to borrowers with the ten largest balances of outstanding loans, which constituted 47.7 per cent. of total gross loans and advances, as at 30 September 2020.

	As at 30 September	As at 31 December		
	2020	**2019**	**2018(1)**	**2017**
		(₦ millions)		
Loans extended to the Bank's 10 largest borrowers	461,051	437,539	385,516	312,190
Loans extended to other borrowers	505,597	475,543	541,030	605,878
Total gross loans and advances.........	**966,648**	**913,082**	**926,546**	**918,068**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

Geographical distribution of the Bank's loan portfolio

The following sets forth the geographical distribution of the Bank's gross loans and advances to customers as at the dates indicated.

	As at 30 September	As at 31 December		
	2020	**2019**	**2018(1)**	**2017**
		(₦ millions)		
South South	109,605	109,257	123,557	114,585
South West	742,545	699,973	704,905	707,012
South East....................................	14,699	13,613	12,662	12,024
North West	18,364	15,219	5,708	5,580
North Central................................	24,501	17,504	20,380	24,447
North East....................................	3,601	1,328	962	886
Outside Nigeria	53,333	56,186	58,372	53,534
Total	**966,648**	**913,082**	**929,546**	**918,068**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

Loans and investment securities by credit quality classification

The following table shows the Bank's loans and investment securities portfolio by credit quality classification as at the dates indicated.

	Loans and advances to customers				Loans and advances to banks				Investment securities			
	As at 30 September	As at 31 December			As at 30 September	As at 31 December			As at 30 September	As at 31 December		
	2020	2019	2018[(1)]	2017	2020	2019	2018[(1)]	2017	2020	2019	2018[(1)]	2017
						(₦ millions)						
Assets at amortised cost												
Individually impaired:												
Grade 6: Impaired	167,402	181,180	90,094	54,633	-	-	-	-	-	-	-	-
Grade 7: Impaired	33,328	26,368	26,654	54,573	-	-	-	-	-	-	-	-
Grade 8: Impaired	8,551	10,982	10,098	23,809	-	-	-	-	-	-	-	-
					-	-	-	-	-	-	-	-
Allowance for impairment	90,927	91,657	63,859	62,089	-	-	-	-	-	-	-	-
Carrying amount	118,356	126,873	62,987	70,962	-	-	-	-	-	-	-	-
Collectively impaired:												
Grade 1–3: Low–fair risk	525,831	428,365	480,730	661,963	69,914	31,610	13,342	27,709	22,668	1,432	28,275	40,510
Grade 4–5: Watch list	231,535	266,187	318,970	123,090	-	-	-	-	-	-	-	-
Grade 6: Impaired	-	-	-	-	-	-	-	-	-	-	-	-
Grade 7: Impaired	-	-	-	-	-	-	-	-	-	-	-	-
Grade 8: Impaired	-	-	-	-	-	-	-	-	-	-	-	-
Gross amount	757,366	694,552	799,700	785,053	69,914	31,610	13,342	27,709	22,668	1,432	28,275	40,510
Allowance for impairment	14,561	9,819	20,212	24,406	-	-	-	-	-	-	-	-
Carrying amount	742,805	684,733	779,488	760,647	69,914	31,610	13,342	27,709	22,668	1,432	28,275	40,510
Past due but not impaired												
Grade 4–5: Low–fair risk	-	-	-	-	-	-	-	-	-	-	-	-
Gross amount	966,647	913,082	926,546	918,068	69,914	31,610	13,342	27,709	22,668	1,432	28,275	40,510
Allowance for impairment	105,486	101,476	84,071	86,495	-	-	-	-	-	-	-	-
Carrying amount	861,161	811,606	842,475	831,573	69,914	31,610	13,342	27,709	22,668	1,432	28,275	40,510
Total carrying amount	861,161	811,606	842,475	831,573	**69,914**	**31,610**	**13,342**	**27,709**	**22,668**	**1,432**	**28,275**	**40,510**
Held to maturity									22,668	1,432	28,275	40,510
Available for sale securities									**331,769**	**329,514**	**340,997**	**321,644**
Allowance for impairment									-	(1,398)	2,211	-

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

Non-performing loans

Loans and advances under close monitoring

The following table sets forth the breakdown of the Bank's performing but past due loans as at the dates indicated.

	As at 30 September	As at 31 December		
	2020	**2019**	**2018[(1)]**	**2017**
		(₦ millions)		
Non-perfoming loans.......................	209,282	218,515	126,844	133,015
Past due but not impaired..................	119,196	126,858	34,044	86,495

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

Distribution of non-performing loans by sector

The following table presents the Bank's non-performing loans by sector as at the dates indicated.

	As at 30 September	As at 31 December		
	2020	**2019**	**2018[(1)]**	**2017**
		(₦ millions)		
Agriculture	1,244	1,041	1,057	35
Oil and gas	82,602	78,966	24,324	29,581
Capital markets	-	1	1	-
Consumer credit	6,520	10,478	5,386	254
Trade	33,157	40,718	31,413	17,417
Services and others...........................	5,603	6,225	5,159	3,698
Manufacturing..................................	17,618	19,161	18,160	25,924
Mortgage	162	493	93	43
Real estate and construction..............	28,738	28,234	6,114	20,357
Finance and insurance	93	174	174	5,810
Government	230	242	243	-
Public utilities	17,976	18,331	18,584	18,175
Transportation..................................	9,636	8,334	6,728	9,101
Communication................................	1,562	1,811	1,783	1,214
Education...	1,857	2,131	2,081	1,407
Mining and quarrying	-	5	5	-
Power	2,283	2,172	5,537	-
Total	**209,282**	**218,517**	**126,842**	**133,016**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

Distribution of non-performing loans by geography

The following table presents the Bank's non-performing loans by geography as at the dates indicated.

	As at 30 September	As at 31 December	
	2020	**2019**	**2018[(1)]**
		(₦ millions)	
South South..	69,619	66,732	65,498
South West..	111,052	118,688	38,888
South East...	12,436	12,822	4,815
North West..	1,715	3,962	3,505
North Central	9,469	11,522	8,889
North East...	411	618	621
Outside Nigeria	4,579	4,172	4,626
Total	**209,282**	**218,515**	**126,842**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

Changes in provision for loan impairment

The following table sets out details of movements in the Bank's provision for loan losses for the nine months ended 30 September 2020 and 2019 and for the years ended 31 December 2019, 2018 and 2017.

	For the nine months ended 30 September		For the year ended 31 December		
	2020	**2019**	**2019**	**2018[(1)]**	**2017**
			(₦ millions)		
Balance at the beginning of the period	**101,476**	**113,012**	**113,012**	**131,559**	**48,201**
Acquired through business combination	-	-	-	-	-
Impairment loss for the period:					
Charge for the year	9,764	10,496	19,502	57,839	62,482
Write-back of impairment charge	(6,469)	6,944	(8,349)	(5,415)	(2,997)
Net impairment for the period	**104,771**	**116,564**	**124,165**	**183,983**	**107,686**
Write offs	(10,362)	(4,100)	(4,127)	(65,761)	(21,191)
Other movements	11,077	17,364	(18,563)	(5,209)	(45,064)
Balance at the end of the period	**105,486**	**99,203**	**101,476**	**113,012**	**131,559**

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

Investment securities

The following table sets out details of the Bank's investment securities held for sale as at the dates indicated.

	As at 30 September	As at 31 December		
	2020	**2019**	**2018[(1)]**	**2017**
		(₦ millions)		
Government bonds, treasury bills and other bonds	289,954	288,843	308,724	292,476
Equity securities at fair value through other comprehensive income – unlisted	41,815	40,671	32,272	29,168
Total investment securities held for sale	331,769	329,514	340,996	321,644

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

The following table shows the contractual maturity distributions of securities held as at the dates indicated.

	Maturity periods					
	Due within 3 months	**Due within 3 to 12 months**	**Over 12 months**	**Total net**	**Allowance for impairment**	**Total gross**
			(₦ millions)			
As at 30 September 2020	258,890	140,510	136,677	536,077	-	536,077
As at 31 December 2019	94,680	311,669	106,029	512,378	-	512,378
As at 31 December 2018[(1)]	67,412	286,619	150,222	504,253	-	504,253
As at 31 December 2017	30,664	205,886	322,781	559,331	-	559,331

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

Credit-related commitments

The following table sets forth the Bank's credit-related commitments as at the dates indicated.

	As at 30 September	As at 31 December		
	2020	2019	2018[(1)]	2017
	(₦ millions)			
Bonds and guarantees	92,769	116,461	132,348	145,328
Documentary and commercial letters of credit	168,827	211,405	173,633	107,263
FX transactions	104,086	89,552	147,674	328,383
Bankers' acceptance	-	-	21	-

(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".

Return on assets and equity

The following table shows the Bank's return on assets and equity as at the dates indicated.

	For the nine months ended and as at 30 September		For the year ended and as at 31 December		
	2020	2019	2019	2018[(1)]	2017
	(₦ millions, except percentages)				
Profit for the year	7,925	(4,092)	1,256	(1,786)	20,204
Average total assets[(2)]	2,110,208	1,956,758	1,959,465	1,878,825	1,819,131
Return on average total assets (%)[(3)]	0.4	(0.2)	0.1	(0.1)	1.1
Return on average total equity (%)[(4)]	2.9	(1.7)	0.5	(0.7)	8.3
Average equity[(5)]	276,654	241,406	242,935	244,052	247,476
Equity to assets ratio (%)[(6)]	13.0	13.9	13.3	11.3	14.6

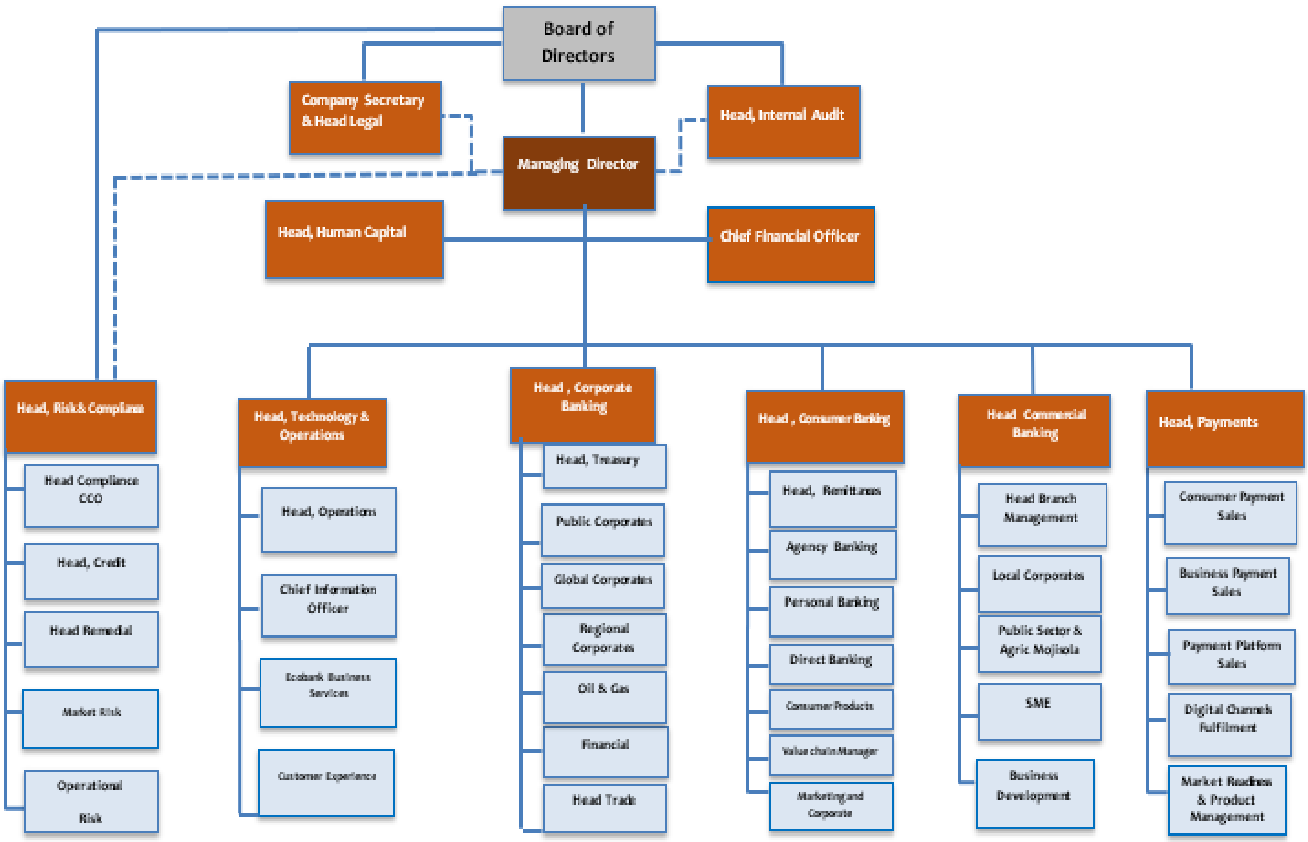
(1) Comparative figures for 2018 have been restated. See "*Presentation of Financial and Certain Other Information*".
(2) Average total assets is calculated as the average opening (1 January) and closing (31 December) balances of total assets.
(3) Return on average total assets is calculated as net profit for the year attributable to equity holders divided by the average total assets.
(4) Return on average total equity is calculated as net profit for the year attributable to equity holders divided by the average equity.
(5) Average equity is calculated as the average opening (1 January) and closing (31 December) balances of equity attributable to equity holders.
(6) Equity to assets ratio is calculated as total equity divided by the total assets.

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 banks and other financial institutions. Under Nigerian law, a company acts directly through its shareholders or its Board or indirectly through officers or agents appointed by, or under the authority derived from, the shareholders or the Board. The respective powers of the shareholders and the Board are contained in the articles of association of a company. Except as otherwise contained in the Articles of Association, the business of a company is to be managed by the Board who may in turn delegate some of their powers to committees or the office of a Managing Director. Every company is required to register a Memorandum and Articles of Association with the Corporate Affairs Commission – Nigeria's company registry. The Memorandum of Association shall state the nature of the business of the company and any restrictions on its powers. The Articles of Association shall prescribe internal regulations of the company. 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 Bank's management structure is as follows:



The Board of Directors

The Board of Directors of the Bank as at 30 September 2020 comprised ten members, four of whom are Executive Directors (including the Managing Director) and the remaining six are Non-Executive Directors, one of whom is an Independent Director. The Board members are professionals in their respective fields and are knowledgeable in business matters with extensive experience and credible track records. The Non-Executive Directors are not employees of the Bank and contribute actively to the Board of Directors deliberations and decision making.

The responsibilities of the Directors are well defined with no individual Director dominating the Board. The Chairman of the Board is not a member of any Board Committees. The role and office of the Chairman is separate from that of the Managing Director, in line with CBN's Code of Corporate Governance policy requirements. The Chairman does not have any involvement in the day-to-day operations of the Bank. No two members of the same extended family occupy the position of Chairman and that of Managing Director or Executive Director of the Bank at the same time.

The Board of Directors meets regularly, at least once every quarter. Sufficient notice and a detailed agenda and/or reports are provided in advance of such meetings.

The Board of Directors is responsible for formulating the broad policies of the Bank and makes decisions in respect of the management and operations of the Bank with a view to attaining its overall corporate objectives. Directors are appointed in line with the Bank's Corporate Governance Charter and with the CBN's Policy on Approved Persons Regime. All Directors on the Bank's Board have been approved by the CBN.

Directors on the Board of the Bank are nominated by shareholders and then presented to the Board of Directors for approval after initial recommendation by the Board Governance Committee. All appointments are also subject to the approval of the CBN in addition to ratification of the shareholders at General Meetings of the Bank. Eligibility requirements for Directors are set forth in the Bank's Corporate Governance Charter and applicable policies of the CBN.

Director Profiles

Mr. John Oche Aboh

Born in 1956, Mr. John Oche Aboh served as Managing Director and Chief Executive Officer of Oceanic Bank International Plc. after the CBN intervention in the Bank in 2009 until he successfully stabilised the Bank for its acquisition by Ecobank Transnational Incorporated and its subsequent merger with the Bank in December 2011. Mr. Aboh has built a legacy of professionalism and integrity that brought him global acclaim in the financial services sector. He served as Executive Director, in charge of Banking Operations & Services with First Bank of Nigeria Plc up until December 2008. An astute banker with over 30 years of work experience, he remains a leading light in Nigeria's financial services sector. In 16 out of those 30 years, he worked at senior management and Board of Directors' levels in large Nigerian banks with well-defined organisational structures and strong corporate governance practices. At the height of Wema Bank Plc crisis in January 2008, he was drafted to the Bank as the Acting Managing Director/Chief Executive Officer by the CBN. He successfully stabilised the Bank and restored customer confidence within a very short period to the delight of the CBN and other stakeholders of the Bank. This achievement was attested to by a Letter of Commendation dated 19th September 2008 written to him by the Governor of the CBN. He has in-depth knowledge of all facets of finance and banking. He has an exceptional record of achievements in Banking Operations, International Trade Finance, Corporate Banking, Credits, Financial Management, Information Technology and Projects Implementation. Mr. Aboh was Chairman at Old Mutual Nigeria Life Assurance Company Limited, a Director of Africa Finance Corporation and an Executive Director of FBN Holdings Plc (formerly known as First Bank of Nigeria Plc). He holds a B.Sc - Finance with Second Class Upper Division from University of Nigeria, Nsukka - 1980, and MBA - Finance and Accounts from University of Jos - 1985, AMP Harvard University Boston - 2003. He joined the Board of the Bank in June 2015 and was appointed Chairman of the Board.

Mrs. Funmi Oyetunji

Born in 1957, Mrs. Oyetunji graduated from the University of Nigeria, Nsukka in 1977 with a BSc in accountancy. She is a Fellow of both the Institute of Chartered Accountants of Nigeria and The Association Of Certified Accountants of the UK.

Mrs Oyetunji brings over 30 years of experience in audit, financial services, banking and asset management. From 1981 to 1992, she built a career in audit and business/financial advisory with the firms of Coopers and Lybrand and Z.O Ososanya & Co in Nigeria and KPMG in the UK. Her previous banking experience spanned ten years from 1992 to 2002 when she held senior management positions including head of Foreign Operations and Bank Treasurer at First Bank of Nigeria. Since 2002, she has been the Managing Director of Abitos Financial Services Limited, a financial advisory and real estate investment company.

Mrs. Oyetunji has taught Accounting and Finance on the executive programs of the Lagos Business School and IBFC Agusto. She has also taught Asset & Liability Management for the Money Market Association of Nigeria. She is a member of the International Women Society and Governing Council of Bank Directors Association of Nigeria ("**BDAN**"). She is on the Board of American Tower Corporation - ATC Nigeria Wireless Infrastructure Limited, as an Independent Director. Mrs. Oyetunji joined the Board in April 2012.

Mallam Garba Imam

Born in 1950, Mallam Garba Imam has work experience that spans over 30 years beginning with the Kano State Civil Service as Executive & Administrative Officer in Governor's office and also served in other capacities, which include Assistant Secretary (Project Planning). He started his banking career in 1985 with Chase Merchant Bank Nigeria Ltd (Continental Merchant Bank Plc) as Credit/Financial Analyst and later became Assistant General Manager, Divisional Head, Corporate Banking.

He joined African International Bank Limited in 1996 and became Deputy General Manager in charge of Operations, Corporate Banking, Risk Management, Branch Supervision, Corporate Finance and Lagos Regional Business Development Department.

In 2002, he joined the Board of NAL Bank Plc (now Sterling Bank Plc) as a Non-Executive Director, and became Executive Director in 2003, where he served in various capacities including Corporate Banking, Retail and Consumer Banking; Lagos; South-West; and South Regions, Treasury & Public Sector, and Management Services.

Mallam Imam retired from the services of Sterling Bank in August, 2011 upon attaining the retirement age.

In November 2011, he was appointed as a Non-Executive Director at Enterprise Bank Limited by AMCON where he also served on the Board's Credit and Risk Management Committees.

Mallam Imam is a Fellow, Chartered Institute of Management, U.K., Fellow, Institute of Credit Administrators, Honorary Senior Member, Chartered Institute of Bankers, Member, Institute of Directors and a Member of Bank Directors Association of Nigeria. Mallam Garba Imam holds a B.S.C (Hons) Degree in Sociology from Ahmadu Bello University, Zaria and a Masters of Social Science from Birmingham University, United Kingdom. He also obtained a PGD in Agricultural Development from Imperial College University of London.

Mr. Emeka Onwuka

Born in 1964, Emeka Onwuka has over 28 years' experience in financial services in Sub-Saharan Africa, out of which 19 years were at Diamond Bank Plc in various roles. He was appointed Group Managing Director of Diamond Bank in 2005, a position he held until 2011. He was appointed by the CBN as Chairman, Board of Directors, Enterprise Bank Limited in 2011, to guide the Management team in restructuring the Bank's business and operating model.

His achievements include channelling Diamond Bank through the industrywide consolidation and recapitalization challenges in 2004 through private placements and listing on the Nigerian Stock Exchange in 2005 and the acquisition of Lion Bank Plc. which was awarded by This Day as the "Best Bank in Mergers & Acquisition in 2006". He also achieved a successful turnaround of Diamond Bank in Benin Republic when it became the largest bank in the country with record RoE of 41 per cent. which subsequently led to the regional expansion of Diamond Bank to Senegal, Ivory Coast and Togo. In 2007, Emeka Onwuka concluded a strategic partnership with Actis and launched in 2008 a GDR offering on the London Stock Exchange (LSE).

He sits on the Board of African Foundries Ltd, Nigeria, African Steel Mills, Nigeria and Abuja Steel Mills, Nigeria. He was also previously a director in FMDQ OTC Plc and First Atlantic Bank Ghana.

Emeka has a B.Sc in Political Science (University of Nigeria, Nsukka) and an MBA from the University of Benin. He has concluded various Advanced Management Programmes at Harvard Business School, Wharton University and Lagos Business School. He is a Fellow of the Institute of Chartered Accountants of Nigeria (FCA).

He is an Officer of the Order of the Niger ("**OON**") a National Honour of the Federal Republic of Nigeria conferred on him in 2014. He is a Partner, Andersen Tax Nigeria, an independent tax firm with worldwide presence. He joined the Board of the Bank in August 2018 as an Independent Director.

Mr. Ade Ayeyemi

Born in 1962, Mr. Ade Ayeyemi was appointed Group Chief Executive Officer of Ecobank Transnational Incorporated (ETI) in June 2015. He is an experienced banker, who, before joining Ecobank, had a long and successful career with Citigroup, where he was CEO of Citigroup's sub-Saharan Africa division based in

Johannesburg. Ade Ayeyemi is an accounting graduate of the University of Ife, now Obafemi Awolowo University, Ile-Ife, Nigeria, where he earned a Bachelor of Science degree with First Class Honours.

He also studied at the University of London and is an alumnus of Harvard Business School's Advanced Management Programme. A Chartered Accountant, he is also a trained UNIX Administrator and Network Operating Systems Manager. His many interests include business strategy, economics and process.

He joined the Board of the Bank in December 2017.

Mr. Eric Odhiambo

Born in 1963, Mr. Eric Odhiambo joined Ecobank Transnational Incorporated, the parent company of the Bank in September 2017 as the Chief Risk Officer and Group Head, Risk Management where he oversees and ensures the strategic management of the overall Risk Management platform across the Ecobank Group.

Eric Odhiambo has in-depth, extensive experience and knowledge of the African banking landscape, having worked for various financial institutions in similar roles across the continent and outside Africa for about 30 years. He joined Ecobank from the Atlas Mara Group, where he was Chief Risk Officer for the Group.

Eric Odhiambo started his career in 1986 at Price WaterHouse Kenya before joining ABN AMRO Bank in Kenya in 1993, and later on to Citibank in 2001.

He has worked within the Risk Management function and has occupied various leadership positions in Kenya, East Africa, Sub-Saharan Africa and Europe. His previous positions include Country Risk Officer, Head Risk Analyst and Remedial Management, Head of Risk, Country Risk Manager, Senior Credit Officer, Group Chief Risk Officer amongst others.

He has significant and deep technical knowledge of Enterprise Risk Management, Credit, Market, Operational, Regulatory Risks and Remedial Management, as well as a strong experience at best practice level within and outside Africa. Eric Odhiambo holds a B.Com having majored in Accounting and Finance from the University of Nairobi, Kenya.

He joined the Board of the Bank in August 2018 as a Non-Executive Director.

Mr. Patrick Akinwuntan

Born in 1962, Mr. Patrick Akinwuntan started his career with Ecobank in 1996 as Head of Commercial Bank and Regional Head in the Bank and since then he has held various senior and executive positions in Nigeria and within the Ecobank Group, including Executive Director, Retail Bank, Ecobank Nigeria, Group Chief Finance Officer, ETI, Group Executive Director, Operations and Technology, amongst others. Mr. Akinwuntan was the Group Executive, Consumer Banking responsible for leading the Consumer Banking business across Ecobank's global network.

As a seasoned banker with over 20 years of senior and executive management experience, he has held several strategic positions within the Ecobank Group in Ghana, Togo and Nigeria.

Before joining Ecobank, Patrick was a General Manager, Springfountain Management Consultants, Lagos from 1993- 1996; Deputy Manager – Corporate Finance, Credit and Marketing, Manufacturers Merchant Bank Plc, Lagos from 1991-1993, and was a Supervisor in Ernst & Young International (Chartered Accountants), Lagos from 1987-1991. A fellow of the Institute of Chartered Accountants of Nigeria (FCA), he also holds a Masters in Business Administration from the Obafemi Awolowo University, Ile-Ife. He is an alumnus of the Senior Executive Program ("**SEP**") of the Harvard Business School, an honorary fellow of the Chartered Institute of Bankers in Nigeria and an associate of the Chartered Institute of Taxation of Nigeria.

Mr. Akinwuntan joined the Board of the Bank in September 2018 as Managing Director.

Mrs. Carol Oyedeji

Born in 1971, Mrs. Carol Oyedeji has spent over 27 years in the Financial Services Industry with extensive experience in Consumer / Retail Banking, Commercial Banking and Emerging Corporates. Prior to joining Ecobank, she was the Regional Head of Client Acquisition & Client Relationship for Africa and the Middle

East at Standard Chartered Bank, where she was in charge of Retail Distribution for the Region. Carol was also Regional Head for Consumer Banking in West Africa at Standard Chartered Bank between 2010 and 2014 and Non-Executive Director at Standard Chartered Bank Gambia. She started her Career in Commercial Banking with the then FSB International Bank (now Fidelity Bank).

She is a graduate of Chemistry from the University of Lagos and also holds an MSc in Financial Management from the University of London and an MBA in Banking and Finance from the University of Lagos. She has attended several Leadership courses in Oxford University, Insead Singapore and Stanford and is a member of several industry Bodies in Nigeria.

Carol Oyedeji joined the Bank in September 2017 as Executive Director Consumer Banking and now covers the Commercial Banking Business.

Mr. Biyi Olagbami

Born in 1967, Mr. Biyi Olagbami has over 27 years of banking experience with over 21 years in Risk Management. He was the Chief Credit Officer at Union Bank of Nigeria Plc prior to joining Ecobank. He was also the Chief Risk Officer at Fidelity Bank Ghana, Chief Risk & Compliance Officer at Keystone Bank Ltd (formerly Bank PHB) and Head Credit (CIB) at Stanbic IBTC Bank Plc. Prior to the foregoing, he worked with Citigroup where he was Risk Manager (Central Africa), Risk Manager (Egypt) and Country Portfolio Manager, amongst others.

Biyi Olagbami holds a BSc & MSc in Architecture from Obafemi Awolowo University, Ile Ife and an MBA from IESE University of Navarra, Spain.

He joined the Bank in November 2017 as Executive Director & Chief Risk Officer. He is also the Executive Compliance Officer of the Bank.

Mr. Adekola Adeleke

Born in 1965, Adekola Adeleke has over 29 years' experience in financial services out of which 14 years have been at the Bank and in various roles. He was appointed Managing Director of Ecobank Liberia in 2010, a position he held until 2015. He was appointed as the Managing Director, Ecobank Zambia in 2015 and also SADC Cluster Managing Director responsible for Zimbabwe, Congo DR, Malawi and Mozambique in 2016.

Before joining Ecobank, Adekola was an Assistant General Manager at Springbank Plc (now Heritage Bank Plc) from 2005-2006, Senior Manager – Citizens International Bank from 1991-2005, and was a Security/Financial Analyst at Arbitrage Fin. and Inv. Ltd.

A fellow of the Chartered Institute of Bankers of Nigeria, he also holds a Global Executive Masters in Business Administration from TRIUM (jointly issued by HEC Paris/London School of Economics/New York University). Adekola is a graduate of Finance/Banking and holds an MSc in Finance from the University of Lagos.

He was appointed to the Board of the Bank as Executive Director in February 2020.

Business Address of the Board of Directors

The business address of each of the members of the Bank's Board of Directors is the Bank's registered office at Plot 21, Ahmadu Bello Way, P. O. Box 72688, Victoria Island, Lagos, Nigeria. There are no potential conflicts of interest between any duties of the Bank's Board of Directors towards the Bank and the members' private interests and/or other duties.

Board Committees

The Bank at present has the following Board Committees:

Board Credit Committee

The Credit Committee is made up of five members, comprising three non-executive Directors and two executive Directors. The primary function of this Committee is to consider all matters pertaining to the granting of credits by the Bank in accordance with approved policies. Approval from the Credit Committee is required for the following matters: (i) the approval of credits that exceed Management's delegated approval limit; (ii) transactions involving or credits to individuals considered "insiders" or related parties; (iii) accounts to be written off and other related matters; and (iv) exceptions to the credit policy. In addition, this Committee is also responsible for reviewing remedial accounts, past-due obligations, classified accounts, periodic reports as well as performing assessments of portfolio performance.

Members of the Credit Committee are: Mallam Garba Imam (Chairman), Mr. Eric Odhiambo, Mr. Emeka Onwuka, Mr. Patrick Akinwuntan and Mrs. Carol Oyedeji.

Board Governance Committee

The Governance Committee is made up of three non-executive Directors. This Committee is responsible for the overall governance of the Bank. Some functions of the Committee include: (i) ensuring compliance with governance codes, laws and regulations; (ii) corporate governance issues and assessment and evaluation of the Board; (iii) approval of contractors and major contracts; (iv) human resources matters, matters relating to employment, termination of employment, review of performance appraisals of assistant general managers and above, staff salary changes, and loans; and (v) appointment of directors and approval of their emoluments.

Members of the Governance Committee are: Mr. Ade Ayeyemi (Chairman), Mallam Garba Imam and Mrs. Funmi Oyetunji.

Board Risk Committee

The Risk Committee is made up of five members, comprising three Non-Executive Directors and two Executive Directors. The functions of the Committee include: (i) reviewing and recommending changes to the Board as needed to ensure that the Bank always has in place a Risk Management Policy; (ii) approving and recommending risk tolerance levels, limits and metrics; (iii) reviewing the annual risk assessment report, which is prepared by Management and identifies and evaluates all material risks; (iv) providing oversight to ensure that the Bank's risk management monitoring and reporting functions are independent of business line or risk-taking processes; (v) discussing and evaluating the Bank's risk exposures in light of current market conditions, established risk limits, operating performance, and other relevant factors; (vi) reviewing reports that monitor compliance with risk parameters established by regulation or Bank policy and measuring the adequacy of risk monitoring, testing, and governance; (vii) informing the Board of the status of risk exposures and risk management processes in place at the Bank; (viii) overseeing the Bank's risk framework and controls and monitoring the activities of management-level risk committees; and (ix) periodically reviewing and approving proposals regarding financial, investment, credit, and operating risk management strategies as well as key decisions of the management-level risk committee.

Members of the Risk Committee are: Mrs. Funmi Oyetunji (Chair), Mr. Eric Odhiambo, Mr. Emeka Onwuka, Mr. Patrick Akinwuntan and Mr. Biyi Olagbami.

Board Audit and Compliance Committee

The Audit and Compliance Committee is made up of three Non-Executive Directors. The primary function of this Committee is to ensure compliance with all applicable laws, regulations and operating standards. This Committee is responsible for reviewing fraud and forgeries, the Bank's compliance requirements, the financial performance, the scope and planning of audits, audited accounts, Management control reports, capital expenditures, and operating expenses. In addition, the Audit and Compliance Committee reviews and assesses all internal and external audit reports and monitors internal controls to ensure their effectiveness. This Committee functions as the liaison between external auditors and internal auditors and Management.

Members of the Audit and Compliance Committee are: Mr. Emeka Onwuka (Chairman), Mrs. Funmi Oyetunji and Mr. Eric Odhiambo.

The Management Team

The executive management team, led by the Managing Director and three Executive Directors, oversees the day-to-day activities of the Bank and are directly responsible to the Board. The profile of the executive management staff is given below:

Members of the Management Team

Mr. Patrick Akinwuntan

Mrs. Carol Oyedeji

Mr. Biyi Olagbami

Mr. Adekola Adeleke

For profiles of the members of the executive management team please see the respective profiles in "*The Board of Directors – Director Profiles*"

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 at Plot 21, Ahmadu Bello Way, P. O. Box 72688, Victoria Island, Lagos, Nigeria. There are no potential conflicts of interest between any duties 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 executive management to ensure that adequate information about the Bank's businesses and operations is provided to the Board of Directors on a timely basis, at appropriate intervals and in a manner that enables the Board to carry out its responsibilities effectively.

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 on the Bank from Executive Management. The expectations from the role of Company Secretary are as contained in the Companies and Allied Matters Act and the Bank's Corporate Governance Charter. The appointment or removal of the Company Secretary are functions exclusive to the Board.

Management Committees

The Bank's management committees comprise members of senior management and have been established with the general purpose of identifying, assessing and making recommendations in respect of all risks and exposures arising from, or otherwise affecting the operations of the Bank.

As at the date of this prospectus, the Bank has eight management committees, as follows:

Executive Management Committee

The Executive Management Committee is chaired by the Bank's Managing Director. This committee is responsible for defining and implementing the Bank's goals and objectives, ensuring the alignment of such with the Ecobank Group's overall strategic plans and advising the Group and the Board on the adaptation of Group strategy to the Nigerian market. The Executive Management Committee tracks the Bank's overall performance, as well as the performance of specific initiatives and projects, and compares actual results against articulated plans and expected results. In addition, this committee approves marketing and business-unit strategies, deliberates on operating plans and budgets, reviews the Bank's financial reporting and control frameworks, and informs and advises the Board of appropriate responses to environmental, regulatory, government policy, competition, and other conditions.

Human Resources Committee

The Human Resources Committee is chaired by an Executive Director. The Human Resources Committee reviews and makes recommendations on policies regarding manpower planning and career development; recruitment, selection and training of staff; performance management and staff appraisal; compensation, staff welfare and benefits schemes; staff movement and audit; moderation of staff appraisal exercises and the implementation of the existing staff personnel policies and guidelines.

Assets and Liabilities Committee ("ALCO")

ALCO is chaired by the Bank's Managing Director. ALCO seeks to create a balance sheet structure that efficiently allocates resources and funds, primarily in order to improve the Bank's financial performance and maximise the value of capital over time whilst controlling risk exposure. ALCO puts together a mix of assets and liabilities in anticipation of future events and the potential consequences of liquidity constraints, changes in interest rates, foreign exchange exposure and capital adequacy. As accounting balance sheets do not necessarily reveal risk associated with the movements of rates and prices in the market, the ALCO team examines these hidden factors to ensure that the level of risk being taken is consistent with the Bank's strategy. The team considers both on-balance sheet items and activities in off-balance sheet instruments.

ALCO is primarily concerned with the following issues.

- *Portfolio Mix* – Sets the boundaries for the maximum proportion of the Bank's portfolio that can be committed to any one business sector or group of industries. A diversified portfolio will enable the Bank to avoid the problems associated with cyclical effects of industry and regional/group concentrations. Portfolio diversification is applied to both sides of the balance sheet (i.e. loans as well as deposits) such that the Bank's has beneficial pricing strategy and is able to hedge against market volatility.

- *Liquidity Management* – ALCO has put in place a policy to manage liquidity. The key focus areas include management of the bank's portfolio of liquid assets, control of cash flow, control of short-term borrowing capacity, monitoring of undrawn commitment and contingency funding plans.

- *Interest Rate Sensitivity* – ALCO determines position limits to control the effect of interest rate fluctuations on the Bank's balance sheet. These limits are monitored against the results of a GAP analyses, simulation analyses or value at risk analyses. ALCO's role also includes the supervision of pricing or spreads on earning assets and funding liabilities.

- *Foreign Exchange Exposure* – ALCO monitors the Bank's exposures in foreign currency to ensure prudent management of the balance sheet. This is particularly important because of the need to ensure the appropriate matching of funding and transaction type to ensure optimal management of the balance sheet. Monitoring of foreign currency positions are regularly carried out to ensure that the price risks inherent in the various positions/transactions are understood and within the Bank's defined risk appetite.

Disciplinary Committee

The Disciplinary Committee is chaired by a Senior Management staff. The Disciplinary Committee reviews breaches and infractions of the Bank's policies and procedures by staff and recommends adequate sanctions to the Managing Director where necessary.

Disciplinary Appeals Committee

The Disciplinary Appeals Committee is chaired by an Executive Director. The Disciplinary Appeals Committee reviews appeals emanating from decisions of the Disciplinary Committee and makes recommendations to the Managing Director where necessary.

Criticised Asset Committee

The Criticised Asset Committee is chaired by an Executive Director. This committee ensures the efficient and effective management of loans to minimise delinquencies and may take appropriate actions, including the sanctioning of staff members, in order to effectively carry out its mandate.

Information Technology Steering Committee

The Information Technology Steering Committee is chaired by the Managing Director. The Committee serves as a think tank for all Information Technology ("**IT**") matters and determines IT strategy and policies and coordinates the implementation of these policies.

Management Risk Committee

The Management Risk Committee is chaired by an Executive Director or the Chief Risk Officer. The Management Risk Committee provides central oversight over risk management across the Bank, formulates policies and standards for the management of risk within the Bank, monitors implementation of risk policies and implements the Board's decisions across the Bank.

Corporate Governance

Since 2002, the Ecobank Group has maintained for itself and its subsidiaries a Group Code of Corporate Governance in line with international best practice, and as a result the Bank's operations are in line with best corporate governance practices. In Nigeria, corporate governance practices for the Bank are dictated by the CBN Code of Corporate Governance (the "**CBN Code**") and the Nigerian Code of Corporate Governance (the "**NCCG**"). The CBN Code is issued by the CBN under its regulatory powers and it sets out the corporate governance requirements for banks and discount houses in Nigeria. The NCCG, which is issued by the Financial Reporting Council of Nigeria, a multi-sector regulator, is a principle-based list of recommended corporate governance practices intended to apply to companies of varying sizes and complexities across industries. The Bank complies with the provisions of the CBN Code, the Group Code of Corporate Governance and the NCCG in all material aspects.

The role of the Bank's Board is well documented in the Bank's Corporate Governance Charter, which is revised from time to time based on the evolving nature of the Board's responsibilities. In line with the CBN Code, the performances of the Board and individual Directors are reviewed by an independent consultant. For the years ended 31 December 2019 and 2018, KPMG carried out reviews of the Board. Another review is expected for the 2020 financial year during 2021.

The Board continues to receive training on corporate governance and other relevant areas of banking. In 2019, its Directors attended training on the following:

- Conference on Cybersecurity in Banks: The Role of The Board;
- Executive Education Programme;
- Board's Role in Strategy;
- Audit Committee in a New Era of Governance;
- AML/CFT Training;
- Cybersecurity Awareness;
- Corporate Governance Program; and
- Value Creation for Owners and Directors.

The Board's oversight of the operations and activities of the Bank continues to be carried out transparently.

CBN Approvals

The CBN requires that any appointment of a person to the level of assistant general manager or higher be approved in advance by the CBN. The Bank is strictly compliant with the CBN's requirements in this regard, as no appointment is substantiated without the prior approval of the CBN.

Compensation of Directors and Senior Management

For the year ended 31 December 2019, the aggregate expenses and remuneration paid to the Bank's Non-Executive Directors, amounted to ₦345 million, compared to an aggregate amount of ₦333 million paid for the year ended 31 December 2018. This increase can mainly be attributed to an increase in the annual and sitting fees payable to non-executive directors.

For the year ended 31 December 2019, the Chairman received an aggregate remuneration of ₦35 million. The Chairman is the highest paid Non-Executive Director. Apart from the Chairman, all Non-Executive Directors received equal annual Directors' fees in the year 2019 while sitting allowances paid to each Non-Executive Director depends on the number of meetings they attend in each financial year.

Executive Directors' remuneration and other expenses for the year ended 2019 was ₦779 million compared to ₦491 million in 2018, primarily due to an increase in the benefit-in-kind payments.

SHARE CAPITAL AND OWNERSHIP

Capital Structure

As at 30 September 2020, the authorised share capital of the Bank was ₦15,000,000,000, comprised of 30,000,000,000 ordinary shares of 50 kobo each. As at 30 September 2020, the Bank's issued and fully paid up share capital was ₦13,718,986,601 comprised of 27,437,973,202 ordinary shares of 50 kobo each.

Major Shareholders

The following table lists the shareholders of the Bank as indicated in its share register as at 30 September 2020. All of the shareholders of the Bank have the same voting rights and right to receive notice of, and to attend, meetings.

	30 September 2020	
	Number of Shares held	**% of Shareholding**
ECOBANK TRANSNATIONAL INC..	27,437,973,201	99.99999999635542%
ECOBANK DEVELOPMENT CO. LTD......................................	1	0.000000000364458%

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 IMF, the DMO, the NBS, the Nigerian Federal Ministry of Finance ("**FMF**") and the Central Intelligence Agency ("**CIA**"), as indicated herein. There is not necessarily any uniformity of views among such sources as to such information provided. The Issuer and the Bank 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 Issuer and the Bank have accurately reproduced such information and, so far as each of them is aware and able to ascertain, no facts have been omitted that would render the reproduced information inaccurate or misleading. The Issuer and the Bank have relied on the accuracy of this information without independent verification.*

Introduction

Nigeria is a sovereign nation consisting of 36 states and the Federal Capital Territory ("**FCT**") of Abuja. Nigeria operates under a federal system of government comprising three tiers: the Federal Government, state governments and local governments. At both federal and state levels, there is a separation of power among the executive, legislative and judicial arms of the government.

As the largest economy in sub Saharan Africa, Nigeria's nominal GDP was U.S.$448.0 billion at the end of 2019, according to the World Bank. According to NBS, the country's GDP grew by 2.3 per cent. in the fourth quarter of 2018, which is a 0.27 per cent. increase as compared with the same quarter in 2017. In the fourth quarter of 2019, Nigeria's GDP grew by 2.6 per cent. year-on-year, in real terms, compared to the fourth quarter of 2018 which recorded a growth of 1.8 per cent., indicating an increase of 17 basis points and an increase of 27 basis points when compared with the third quarter of 2019. However, on a quarter-on-quarter basis, real GDP grew in 2019 by 5.6 per cent. The growth rate in the fourth quarter of 2019 represents the second highest quarterly growth rate recorded since the 2016 recession, with the non-oil and oil sectors contributing 92.7 per cent. and 7.3 per cent. Respectively, the economy of Nigeria advanced 1.87 per cent. year-on-year in the first quarter of 2020 compared to a 2.6 per cent. growth in the previous period; this is against the backdrop of significant global disruptions resulting from the COVID-19 public health crisis, a sharp fall in oil prices and restricted international trade. In the first quarter of 2020, GDP contracted by 0.23 per cent. compared to the first quarter of 2019 and 0.68 per cent. compared to the fourth quarter of 2019, reflecting the earliest effects of the disruption caused by COVID-19, particularly on the non-oil economy. The subsequent contraction of the GDP by 6.10 per cent. in the second quarter of 2020 and 3.62 per cent. in the third quarter of 2020 formally threw the economy into the second recession within the span of four years. For the non-oil sector, the NBS recorded a 2.82 per cent. decline in internal trade in the first quarter of 2020, compared with a 0.85 per cent. increase recorded in the first quarter of 2019 and a 0.58 per cent. decline in the fourth quarter of 2019. The accommodation and food services sector, in nominal terms, grew by -9.64 per cent. year-on-year in the third quarter of 2020, indicating a decline of 29.07 per cent. relative to the third quarter of 2019. However, the third quarter growth was higher than the preceding quarter by 20.52 per cent. points when growth was -30.16 per cent. Quarter-on-quarter growth stood at 99.4 per cent. In real terms, the sector contracted by -22.61 per cent. compared to a growth rate of 2.28 per cent. recorded in the previous year. The administrative and support services sector, in nominal terms, grew by 1.38 per cent. year-on-year in the third quarter of 2020, or 4.37 per cent. points lower when compared to the third quarter of 2019, but 1.85 per cent. points higher than the growth rate in the previous quarter. Quarter-on-quarter, growth rate in the sector was 19.76 per cent. in the third quarter of 2020. In real terms, the sector recorded a growth rate of -1.21 per cent., a decrease of 4.26 per cent. points from the corresponding quarter of 2019, but an increase of 1.18 per cent. points from the rate recorded in the second quarter of 2020 The manufacturing sector in the third quarter of 2020, was recorded at 13.54 per cent. (year-on-year), -26.15 per cent. points lower than figure recorded in the corresponding period of 2019 (39.69 per cent.) points higher than the preceding quarter's figure of -0.14 per cent.. Quarter-on-quarter growth of the sector was recorded at 32.13 per cent.. The real GDP growth in the third quarter was -1.51 per cent. (year-on-year) lower than the same quarter of 2019 but higher than the preceding quarter by -2.60 per cent. points and 7.27 per cent. points respectively. However, the oil sector in the third quarter of 2020 grew by -13.89 per cent. (year-on-year), indicating a sharp contraction of -20.38 per cent. points relative to the rate recording in the corresponding quarter of 2019. Furthermore, real oil growth decreased by -7.26 per cent. points when compared with oil sector growth recorded in second quarter of 2020 (6.63 per cent.). Quarter-on-quarter however, the sector recorded a growth rate of 9.64 per cent. in the third quarter of 2020.

In recent years, the Federal Government has approved and ordered the implementation of several fiscal policy measures. The fiscal policy measures released in July 2019 included a plan to encourage investments in industries critical to the Federal Government's economic growth agenda, whilst discouraging importation and consumption of certain items. In the fourth quarter of 2019, fiscal expenditure of the Federal Government stood at approximately U.S.$6.7 billion, which is 14.1 per cent. lower than the preceding quarter. A breakdown of the expenditure in the fourth quarter of 2019, showed that recurring expenditure accounted for 73.0 per cent., while capital and statutory transfers accounted for 21.3 per cent. and 5.7 per cent., respectively. In response to the COVID-19 pandemic, the Federal Government seeks to cut planned spending in the 2020 budget by about ₦1.5 trillion (U.S.$4 billion) including a 20 per cent. cut to capital expenditure and a 25 per cent. cut to recurrent expenditure, the crude oil benchmark was also reduced from U.S.$57 TO U.S.$30, the central bank also pledged to pump ₦1.1 trillion (U.S.$3 billion) into critical sectors of the economy to cushion the effect of the outbreak of the COVID-19 pandemic.

In January 2019, the Ministry of Finance, Budget and National Planning launched the Strategic Revenue Growth Initiative ("**SRGI**") to boost government revenues from oil and non-oil sectors. In January 2020 and January 2021, President Muhammadu Buhari signed the Finance Act 2019 and the Finance Act 2020 into law, which seek to promote fiscal equity, incentivise investments in infrastructure and the capital markets, support SMEs and raise revenue for the government.The Finance Act 2020 has made a number of clarifications to some issues which caused controversy under the Finance Act, 2019 (see "*The Nigerian Economy— Reforms*").

From 2015 to 2019, monetary policy has been contractionary as reflected by significantly increased sales of OMO Bills by the CBN in an effort to reduce the money supply and decrease the rate of inflation. In the last quarter of 2019, CBN monetary policy initiatives aimed at increasing foreign portfolio investments, stimulating the domestic equity market, increasing external reserves, and keeping the exchange rate stable. However, in 2020, largely as a result of the Covid-19 pandemic's economic impact, the CBN has struggled with the divergence in the exchange rates in the parallel market and the importers and exporters window. The CBN introduced several foreign exchange policies to try to increase dollar liquidity in Nigeria, such as requesting for international money transfer operators to pay remittances in dollars to beneficiaries. The CBN also devalued the Naira twice in 2020, which led to a cumulative devaluation of 24 per cent. from an official rate of ₦306.5 in January 2020. Recently, as of 1 December 2020, the CBN introduced Special Bills as part of efforts to deepen the financial markets and avail the monetary authority with an additional liquidity management tool. The CBN aims to continue to ensure optimal regulation of systemic liquidity and promote efficient financial markets in Nigeria in support of economy recovery and sustain growth. See "*Risk Factors—Risks related to the Bank — The Bank's net interest margin may be under pressure due to government monetary policies*" and "*Management's Discussion and Analysis of Results of Operations and Financial Condition—Significant factors affecting results of operations —Nigeria's banking regulatory environment*".

Area and Population

Nigeria is situated in the West African subregion and occupies 923,768 square kilometres. Nigeria is bordered to the north by the Republics of Niger and Chad and to the west by the Republic of Benin. It shares its eastern border with the Republic of Cameroon, and the Atlantic Ocean forms its southern border. The capital, Abuja, is located in central Nigeria, but Lagos, which is situated in the south west, is the country's principal commercial centre and main port. The topography and vegetation of Nigeria varies considerably and include swamps and tropical rain forests in the south and savannah and open woodland in the central part of the country. The official language in Nigeria is English. There are three predominant ethnic groups in the country, each with their own language. These ethnic groups are the Yorubas in the west, the Hausa-Fulani in the north and the Igbos in the east. There is also a vernacular known as "broken/pidgin English", which is a Nigerian adaptation of the English language, that is spoken and understood by most Nigerians. In total, there are over 250 other languages spoken in Nigeria by ethnic groups, including Urhobo, Edo, Efik, Ijaw and Kanuri, and over 500 dialects within the ethnic groups.

Demographics

Nigeria is the African continent's most populous country (and the seventh most populous country in the world) with an estimated population of over 214 million people accounting for 2.6 per cent. of the total world population. The population is forecast to grow by 2.5 per cent. on average over the next 30 years, with total population projected to reach 392 million people by 2050. The table below presents some of Nigeria's key demographic information.

Estimated population (millions)	214
Yearly change (%)	2.5
Urban population (as % of total population)	52.0
Age structure (as % of total population)	
— 0 to 14 years	41.2
— 15-64 years	55.0
— 65 years and over	3.3

Source: CIA - The World Factbook, January 2020

Nigeria consists of 36 states and the FCT. Lagos is the most populous city in Nigeria with a population of approximately 17 million. Other major cities include Port Harcourt, Kaduna and Kano.

Nigeria is politically divided into six geopolitical zones: North-central (comprising Benue, Kogi, Kwara, Nasarawa, Niger and Plateau states), North-east (comprising Adamawa, Bauchi, Borno, Gombe, Taraba and Yobe states), North-west (comprising Jigawa, Kaduna, Kano, Katsina, Kebbi, Sokoto and Zamfara states), South-east (comprising Abia, Anambra, Ebonyi, Enugu and Imo states), South-west (comprising Ekiti, Lagos, Ogun, Ondo, Osun and Oyo states) and South-south (comprising Akwa-Ibom, Bayelsa, Cross River, Delta, Edo and Rivers states).

Constitution, Government and Political Parties

Constitution

Nigeria is a federation made up of three tiers of government: federal, state and local governments. The Constitution of Nigeria (the "**Constitution**") was adopted in May 1999 and has been amended four times since it came into force. The Constitution 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, the National Assembly and an independent judicial system as well as specifying the persons and bodies which may validly exercise government powers.

Executive branch

Nigeria operates a presidential system of government with the executive powers of the Federal Government vested in the President. Such executive powers are subject to the provisions of the Constitution and of any law passed by the National Assembly. These powers may be exercised by the President directly or through the Vice-President, ministers of the government or public officers of the Federal Government. The President has the power to appoint ministers and any such appointment will be effective if confirmed by the Senate, the higher chamber of the National Assembly. In appointing ministers, the President must appoint at least one minister from each state. The executive is accountable to the bicameral National Assembly. The President is elected by popular vote for a four-year term and is eligible to serve a maximum of two terms. 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 and in carrying out these responsibilities, he or she is 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 or her 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 comprises a Senate and a House of Representatives. The National Assembly is empowered to legislate with respect to matters set out in the Exclusive Legislative List and the Concurrent Legislative List, as set out in the Schedules to the Constitution.

The Senate is made up of members elected into the upper house for a four-year term. Each state elects three senators while the FCT elects one, making 109 seats in total. The head of the Senate is referred to as the Senate President.

The current House of Representatives, formed in February 2019, 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 referred to as the Speaker.

The two chambers of the National Assembly work in collaboration with the executive arm in areas such as budgetary appropriation and the enactment of laws. A bill may originate from either of the chambers or from the executive, but it must be passed by both chambers in order for it to be signed into law by the President.

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 of the FCT; the National Industrial Court, the Sharia Court of Appeal and Customary Court of Appeal of the FCT; the High Court of a State; Sharia Court of Appeal and Customary Court of Appeal of each state; and such other courts as may be authorised by law to exercise jurisdiction over matters with respect to which the National Assembly may make laws at first instance or on appeal over matters with respect to which a state House of Assembly may make laws.

Nigerian courts are empowered to hear and determine disputes between private parties, disputes between a private party and any of the three tiers of government or their agencies or disputes between/among the three tiers of government and/or their agencies. 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 with jurisdiction and power to deal with commercial, civil, criminal and constitutional matters, mentioned above, are:

Supreme Court of Nigeria – The Supreme Court is the highest court in Nigeria and is situated in the FCT. The Supreme Court consists of the Chief Justice of Nigeria ("**CJN**") and such number of additional justices as may be prescribed by the National Assembly. The total number of justices on the Supreme Court cannot exceed 21. The CJN and other justices of the Supreme Court are appointed by the President on the recommendation of the National Judicial Council ("**NJC**") subject to confirmation of such appointment by the Senate. The CJN heads the judiciary of Nigeria and presides over the Supreme Court.

The Supreme Court exercises original jurisdiction with respect to disputes between (i) the Federal Government and the states, (ii) the states of the federation, (iii) the National Assembly and the President, (iv) the National Assembly and a state, and (v) the National Assembly and a state's House of Assembly. The Supreme Court also has jurisdiction to review decisions of the Court of Appeal and possesses appellate jurisdiction over matters from the Court of Appeal. The Supreme Court is duly constituted by seven justices when it is exercising its original jurisdiction or sitting to consider an appeal requiring interpretation of any provision of the Constitution or to consider alleged violations of human rights. In all other cases, the court is duly constituted by not less than five justices.

Court of Appeal – The Court of Appeal, comprising the President of the Court of Appeal and the justices of the Court of Appeal (who are no fewer than 89 in number), ranks immediately below the Supreme Court. It exercises original jurisdiction with respect to questions of whether any person has been validly elected to the office of the President or Vice President of Nigeria, whether the term of those offices has ceased and whether those offices have become vacant. The Court of Appeal has exclusive jurisdiction to hear appeals from the Federal High Court, the High Courts, the National Industrial Court, the Sharia Courts of Appeal and the Customary Courts of Appeal of each state and the FCT, as well as decisions of any court martial or any other tribunal established pursuant to the Act of the National Assembly. The court is composed of three or five justices (depending on the nature of the matter before it) for the purpose of exercising any of its stated jurisdictions. For administrative convenience, the court is divided into judicial divisions which sit in various parts of the country, including Abuja, Lagos, Enugu, Kaduna, Ibadan, Benin, Jos, Calabar, Ilorin, Sokoto, Owerri, Yola, Ekiti, Akure, Makurdi and Port Harcourt. The President of the Court of Appeal is appointed by the President on the recommendation of the NJC, subject to confirmation by the Senate. Justices of the Court of Appeal are appointed by the President on the recommendation of the NJC.

Federal High Court – The Federal High Court comprises the Chief Judge of the Federal High Court and such number of judges of the Federal High Court as may be prescribed by an act of the National Assembly. The Federal High Court is a specialised court which hears and determines civil cases and matters arising from (but not limited to) the operation of CAMA bankruptcy and insolvency, the taxation of companies and other bodies established or carrying out business in Nigeria, the taxation all other persons subject to federal tax laws, and regulation relating to banking and securities, foreign investments and foreign exchange. The Federal High Court hears appeals on tax matters from Nigeria’s Tax Appeal Tribunal. All judges of the Federal High Court are appointed by the President on the recommendation of the NJC, subject to confirmation by the Senate. The court has at least one judge for the purpose of exercising any of its stated jurisdictions.

High Court – There is a High Court for each state and the FCT. 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 High Court in the exercise of its appellate and supervisory jurisdiction in respect of lower courts of the various states such as the Magistrate Courts, District Courts and Area Courts. The High Court exercises jurisdiction over matters pertaining to contract, tort and negligence, and a number of other matters. The judges of a state High Court are appointed by the governor of the state on the recommendation of the NJC and subject to the confirmation of the House of Assembly of a state.

The National Industrial Court – The National Industrial Court has exclusive jurisdiction in civil cases and matters relating to labour, employment, trade unions, industrial relations, terms of service and matters arising in relation to the workplace. The National Industrial Court also has exclusive jurisdiction on matters relating to or arising from legislation passed in Nigeria relating to labour, employment, industrial relations or workplaces including but not limited to the Factories Act, the Trade Disputes Act, the Trade Unions Act and the Employee’s Compensation Act. In 2017, the Vice President Professor Yemi Osinbajo, as Acting President approved the appointment of 19 new judges for the National Industrial Court. There are currently 32 judges at the National Industrial Court.

Other courts

In addition to the courts mentioned above, there are also courts established by the states pursuant to their state laws including magistrates courts, district courts, area courts and customary courts. These courts have limited jurisdiction as specified in their enabling laws, and decisions from them are appealed to the High Court, the Sharia Court of Appeal or the Customary Court of Appeal, as the case may be.

The Constitution also establishes the election tribunals and authorises the National Assembly to constitute other tribunals as may be required. The most prominent of these special tribunals is the Investment and Securities Tribunal, which handles disputes in relation to capital market activities. Further, the recently enacted BOFIA introduces a special credit tribunal which will preside on matters pertaining to the enforcement and recovery of eligible loans by banks, specialised banks and other financial institutions.

State and local government

The chief executive of each state is its Governor, who is elected to a four-year term of office and is eligible for one further final four-year 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. The House of Assembly of each state may legislate with respect to matters within its legislative competence, as set out in the Constitution. It is made up of representatives from all the local government areas within the state and exercises identical functions at the state level to those of the National Assembly at the federal level. A state House of Assembly must consist of not less than 24 and not more than 40 members.

State governments are vested with the power to collect personal income tax from its residents, certain forms of stamp duties and capital gains tax from individuals among other taxes, charges, rates and levies.

There are 774 local governments (including the six area councils of the FCT) in Nigeria. Each local government area or area council is administered under a council consisting of a chairman who is the chief executive of the local government area/area council and other elected members who are referred to as councillors. The functions of local governments and area councils include considering and making 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 licences, establishment and maintenance of cemeteries, burial grounds and homes for the destitute or infirm, naming of roads and streets, numbering of houses and such other functions as may be conferred on a local government council by the state House of Assembly or on an area council by the National Assembly.

Political parties

According to the Independent National Electoral Commission ("**INEC**"), there are 92 political parties currently registered in Nigeria. In February 2013, the main opposition parties ACN, ANPP, CPC and a faction of All Progressives Grand Alliance ("**APGA**") announced a merger of the parties to form the All Progressive Congress ("**APC**"). This merger was subsequently approved and the APC formally registered as a political party with the INEC in July 2013. APC has in recent times held the majority both at the federal and state levels especially since General Mohammadu Buhari emerged as the President of the Federal Republic of Nigeria in 2015 while the People's Democratic Party ("**PDP**") has remained the main opposition party in Nigeria. In addition to the ruling parties, the main political parties include Accord, African Democratic Congress, Action Democratic Party, the Labour Party, Social Democratic Party and the All Progressive Grand Alliance (APGA).

February 2019 Elections

The most recent presidential and National Assembly elections in Nigeria were held on 23 February 2019. The African Union's Observation Mission described the elections as 'largely peaceful and orderly and in conformity with the country's legal framework'. The Electoral Commission described the elections as mostly peaceful. Although the elections were generally reported as free, fair, peaceful and credible, there were alleged pockets of violence and other irregularities. The presidential elections were initially scheduled for 16 February 2019 but were postponed due to logistical challenges. The elections were held on 23 February 2019, and suffered from voting disruptions and reports of deaths as a result of violent incidents during the final 48 hours prior to the closing of all polls.

Despite these disruptions, the INEC and international observers declared the elections relatively well-conducted and the INEC formally announced General Mohammadu Buhari as re-elected President, with over 55.6 per cent. of the total votes cast. Buhari secured more than 25 per cent. of the votes cast in over two-thirds of the states in Nigeria.

On 9 March 2019, gubernatorial elections were conducted in 29 states. The APC won gubernatorial seats in 15 states and the PDP won seats in 14 states. On 14 January 2020, the Supreme Court ruled that Hope Uzodinma of the APC was the validly elected governor of Imo State thus bringing the total states controlled by the APC to 16 out of the 29 states in which elections were conducted in 2019.

The Nigerian Economy

Overview

Nigeria is the eleventh largest oil producing country and holds the tenth largest natural gas reserves in the world. As the largest economy in sub Saharan Africa, Nigeria's nominal GDP was U.S.$448.0 billion at the end of 2019, according to the World Bank. According to NBS, the country's GDP grew by 2.3 per cent. in the fourth quarter of 2018, which is a 0.27 per cent. increase as compared with the same quarter in 2017. In the fourth quarter of 2019, Nigeria's GDP grew by 2.6 per cent. year-on-year, in real terms, compared to the fourth quarter of 2018 which recorded a growth of 1.8 per cent., indicating an increase of 17 basis points and an increase of 27 basis points when compared with the third quarter of 2019. However, on a quarter-on-quarter basis, real GDP grew in 2019 by 5.6 per cent. The growth rate in the fourth quarter of 2019 represents the second highest quarterly growth rate recorded since the 2016 recession, with the non-oil and oil sectors contributing 92.7 per cent. and 7.3 per cent., respectively. The economy of Nigeria advanced 1.87 per cent. year-on year in the first quarter of 2020 compared to a 2.6 per cent. growth in the previous period; this is against the backdrop of significant global disruptions resulting from the COVID-19 public health crisis, a sharp fall in oil prices and restricted international trade. In the first quarter of 2020, GDP contracted by 0.23 per cent. compared to the first quarter of 2019 and 0.68 per cent. compared to the fourth quarter of 2019, reflecting the earliest effects of the disruption caused by COVID-19, particularly on the non-oil economy. The subsequent contraction of the GDP by 6.10 per cent. in the second quarter of 2020 and 3.42 per cent in the third quarter of 2020 formally threw the economy into a second recession in four years.

The non-oil sector, contributed approximately 92.9 per cent. to GDP in 2018 and approximately 92.7 per cent. in the fourth quarter of 2019, while the oil sector contributed approximately 7.1 per cent. in 2018 and approximately 8.8 per cent. in 2019. Despite the low contribution to GDP, the oil and gas sector remains critical to the development of the country, as oil proceeds account for approximately 95.0 per cent. of exports earnings, over 90.0 per cent. accretion to external reserves and about 70.0 per cent. of Federal Government revenue in Nigeria, according to the CBN. In its most recent GDP report, the NBS stated that in the fourth quarter of 2019, Nigeria recorded average daily oil production of 2.0 mbpd. This output is 0.1 mbpd higher than the daily average production of 1.9 mbpd recorded in the fourth quarter of 2018, and the same as the production volume of 2.0 mbpd recorded in the third quarter of 2019. In the fourth quarter of 2019, GDP growth in the non-oil sector of the economy experienced a slight downward trend of 50 basis points lower than the growth rate of the sector in the fourth quarter of 2018, but 40 points higher than the third quarter of 2019. In the first quarter of 2020 represented GDP contracted by 0.23 per cent. compared to the first quarter of 2019 and 0.68 per cent. compared to the fourth quarter of 2019, reflecting the earliest effects of the disruption, particularly on the non-oil economy. For the non-oil sector, the NBS recorded 2.82 per cent. decline in internal trade in the first quarter of 2020, compared with 0.85 per cent. increase recorded in the first quarter of 2019 and 0.58 per cent. decline in the fourth quarter of 2019. The accommodation and food services sector declined by 2.99 per cent. in the first quarter of 2020 compared to the 4.15 per cent. growth recorded in the first quarter of 2019 and 2.05 growth in the last quarter of 2019. Quarter-on-quarter, the public administration sector declined by 34.38 per cent. in the first quarter of 2020 and declined year-on-year by 8.72 per cent. The administrative and support services sector declined by 1. per cent. year-on-year in the first quarter of 2019 and declined by17.45 per cent. quarter-on-quarter. The manufacturing sector grew by 0.43 per cent. year-on-year but contracted by 5.38 per cent when compared to the last quarter of 2019.

A review of the CBN's balance sheet shows that the Government's deposits with the CBN entered a negative balance in third quarter of 2019, for the first time since 2009, settling at approximately ₦2.9 billion as at 30 September after dipping by 574.2 per cent. since January 2018. Nigeria's external debt obligation as at December 2019 was estimated at U.S.$27,676.1 million. Standard & Poor's credit rating for Nigeria stands at B- with stable outlook. Moody's credit rating for Nigeria was last set at B2 with negative outlook. Fitch's credit rating for Nigeria was last reported in September 2020 at B with outlook revised to stable.

Over the last decade, attempts have been made to improve the country's macroeconomic environment. In the face of revenue pressures, recurrent spending continues to increase due to the rising wage bill and cost of borrowing. A review of the 2020 budget showed that total expenditure of the Federal Government will increase to ₦0.6 trillion in 2020, which is larger than the 2019 budget. The sum of ₦4.9 trillion is budgeted for non-debt recurrent spending, and capital expenditure (excluding the statutory spending of ₦0.6 trillion) is estimated at ₦2.5 trillion (as compared to. ₦2.7 trillion for 2019) above planned borrowing of ₦2.18 trillion but well below debt service cost of ₦2.7 trillion. In response to the COVID-19 pandemic, the Federal Government seeks to cut planned spending in the 2020 budget by about ₦1.5 trillion (U.S.$4 billion) including a 20 per cent. cut to capital expenditure and a 25 per cent. cut to recurrent expenditure.

There is an expectation that investment in infrastructure such as power projects, rail projects, roads, and similar social amenities will continue in a bid to bridge the infrastructure gap. Also, there is an ongoing drive to diversify government revenue via improving the efficiency of tax authorities (such as the FIRS, and Customs and Ports Authorities), supporting SMEs and boosting job creation especially in the agricultural sector. The Presidential Enabling Business Environment Council ("**PEBEC**") was established in July 2016 and charged with the responsibility to establish initiatives and reforms aimed at improving the ease of doing business in Nigeria. The reform agenda of PEBEC was centred on the removal of obstacles to doing business in Nigeria and has resulted in moving Nigeria upwards by 20 positions on the World Bank Ease of Doing Business Index, thus furthering Nigeria's competitive economy. On 21 February 2018, the Federal Government of Nigeria, through the PEBEC, introduced a set of reform initiatives, known as the National Action Plan ("**NAP**"), which are aimed at driving the third phase of its 60-Day plan to improve ease of doing business in Nigeria, known as the National Action Plan ("**NAP**"). The NAP is executed in phases, the fourth of which ran from 1 March to 29 April 2019, and focused on further reducing the challenges encountered by SMEs and businesses in starting a business, getting credit, paying taxes, enforcing contracts or trading within and across borders, and among others, by eliminating critical bottlenecks and constraints to doing business in Nigeria. The first, second and third phases of the NAP have had significant progress over the past three years, resulting in Nigeria advancing 24 places up the World Bank Ease of Doing Business Index.

Nigeria is one of the signatories of the Africa Continental Free Trade Agreement ("**AfCFTA**"), which membership includes 54 out of 55 African member states. Nigeria has now ratified its membership of the AfCFTA but is yet to enact the AfCFTA into Nigerian domestic law. The AfCFTA, which is meant to establish a free trade area across the African continent, is expected to positively impact economies across Africa generally. It remains to be seen the extent to which the countries who have signed are willing to fully commit to the implementation of the provisions of the AfCFTA, especially in light of the Nigerian government's border closure policies intended to curtail smuggling, boost revenue from trade, and promote local production.

Nigeria's main exports are petroleum, petroleum products, cocoa, rubber and palm products and its main imports are machinery, chemicals, motor vehicles and manufactured consumer goods. The leading trade partners are the United States, India, Brazil and Spain, with China and Canada becoming increasingly important. Nigeria is a member of the Commonwealth of Nations, the African Union and the Economic Community of West African States.

According to the NBS' Nigerian Capital Importation report, FDI inflows into Nigeria in 2019 amounted to U.S.$934.3 million, representing a 21.8 per cent. decrease from the FDI inflow in 2018. FDI in Nigeria registered a growth equal to 0.4 per cent. of the country's nominal GDP in December 2019, compared with a growth equal to 0.4 per cent. in the previous quarter. FDI increased by U.S.$495.4 million in December 2019 while Nigeria's direct investment abroad (defined as investments by Nigerian residents in business enterprises operating in other countries) expanded by U.S.$378.9 million in December 2019. Nigeria's foreign portfolio investment decreased by U.S.$6 billion in December 2019. According to the NBS Nigeria received U.S.$5.85 billion capital importation (inflows) in the first quarter of 2020, as against U.S.$8.51 billion in the first quarter of 2019. The U.S.$5.85 billion worth of capital importation in the first quarter of 2020 represents an increase of 53.97 per cent. when compared to how much was received in the fourth quarter of 2019.

Nigeria – key macroeconomic indicators

The following table sets forth certain Nigerian economic indicators as at and for the periods indicated.

Economic Indicators	As at or for the six months ended 30 June 2020	As at or for the years ended 31 December 2019	2018	2017
Nominal GDP at 2010 basic prices at market exchange rates (U.S.$ billions)...................	185	446.5	398.2	376.4
Real GDP growth at 2010 constant basic prices (%)...	(2.18)	2.3	1.9	0.8
GDP per capita (U.S.$ at purchasing power parity ("**PPP**") market exchange rates).................	2,737	6,050	5,970	5,860
Inflation (all items, year-on-year change, as at December in each year) (%)	11.9	11.3	12.0	15.4
Population (millions)................................	214	201.0	195.9	190.9
Total external debt (U.S.$ billions).............	31	29.8	27.3	25.3
Government net lending (% of GDP)..........	(6.4)	(5.0)	(4.5)	(5.4)
Exchange rate ₦/U.S.$ (average)................	380	306.5	306.5	305.5

Sources: NBS, CBN, DMO, IMF, the World Bank

In the fourth quarter of 2019, the CBN sustained its interventions at both the inter-bank and the BDC segments of the foreign exchange market. Consequently, the average exchange rate of the Naira vis-à-vis the U.S. dollar at the inter-bank segment, was ₦306.95/U.S.$, representing a depreciation of 0.01 per cent. in the preceding quarter and 0.1 per cent. in the corresponding period of 2018. At the BDC segment, the average exchange rate, depreciated by 0.1 per cent. compared to the level in the preceding quarter to ₦359.42/U.S.$, but appreciated by 0.8 per cent. relative to the corresponding period of 2018. The average Naira exchange rate vis-à-vis the US dollar depreciated at the inter-bank segment, BDC segment, and the importers and exporters window. The average exchange rate at the importers and exporters window, the BDC segment and the inter-bank segments of the market were ₦362.8/U.S.$, ₦359.4/U.S.$ and ₦307.0/U.S.$, respectively.

In the first quarter of 2020, foreign exchange inflows and outflows through the CBN increased by 11.2 per cent and 9.4 per cent, respectively, relative to their levels in the fourth quarter of 2019. The average exchange rates for the first quarter of 2020 at the importers and exporters window, the BDC and the Inter-bank segments of the foreign exchange market were N365.06/U.S.$1, N363.48/U.S.$1 and N310.57/U.S.$1, respectively. For the third quarter of 2020, the average exchange rate at the inter-bank, BDC and the importers and exporters window, were N379.73/U.S.$, N463.00/U.S.$ and N386.00/U.S.$, respectively.

According to the NBS, the CPI increased by 12.2 per cent. year-on-year in February 2020. This is seven basis points higher than the rate recorded in January 2020. Increases were recorded in all 12 Classification of Individual Consumption by Purpose divisions that yielded the headline index. On a month-on-month basis, the headline index increased by 0.8 per cent. in February 2020, this is eight basis points lower than the rate of 0.87 per cent. recorded in January 2020. As of December 2020, according to the CBN, the CPI stood at 15.75 per cent., an increase from October and November 2020 where the CPI stood at 14.23 per cent. and 14.89 per cent. respectively.

Second quarter of 2020 GDP by sector contribution

Sector	(%)
Agriculture	24.65
Construction	3.23
Crude oil and Natural Gas..	8.93
Education..	1.43
Finance & Insurance	0.02
Mining & Quarrying	9.08
Manufacturing...	8.82

Other Services..	2.87
Professional, Scientific and Technical Services...	3.20
Trade..	14.28
Telecommunications & Information Services..	17.83

Source: NBS

Oil production

Nigeria has been producing oil for approximately 62 years. The Nigerian economy is highly impacted by oil and gas production, which accounted for 58.1 per cent. of Nigeria's federally-collected revenue for 2018 according to the CBN's economic report. Gross oil revenue for the fourth quarter of 2019, at 60.1 per cent. of the total receipts, was slightly below the oil revenue in the corresponding quarter in 2018 by 0.6 per cent. In 2016 and 2017, oil revenue was 48.0 per cent. and 56.2 per cent. respectively, of total federally-collected revenue.

World crude oil demand and supply were estimated at 100.95 mbpd and 99.32 mbpd, respectively, in the fourth quarter of 2019, compared with 100.63 mbpd and 99.26 mbpd demanded and supplied in the third quarter of 2019. Nigeria's crude oil production, including condensates and natural gas liquids, averaged 2.00 mbpd in the fourth quarter of 2019. This represented a 1.96 per cent. decrease, compared to the 2.04 mbpd produced in the preceding quarter. Nevertheless, oil production remained consistently at or above 2.0 mbpd all through 2019. The average price of Nigeria's reference crude, the Bonny Light (370 API), was U.S.$64.87 per barrel in the fourth quarter of 2019, compared with U.S.$64.25 per barrel in the third quarter of 2019. According to the latest estimate by the U.S. Energy Information Administration ("**EIA**"), oil supply exceeded demand by around 6 million barrels per day in the first quarter of 2020 and the gap is expected to extend to 11.4 million barrels per day in the second quarter. Movement in oil prices were driven, mainly, by optimism that a trade agreement between the U.S. and China would be reached, as well as the improved outlook for global oil demand amid better-than-expected economic performance of some major economies.

In the oil sector, real growth was 6.4 per cent. year-on-year in the fourth quarter of 2019 indicating an increase of 798 basis points relative to the rate recorded in the corresponding quarter of 2018. The rate was lower by 13 basis points when compared to the third quarter of 2019 which was 6.5 per cent. Real growth stood at 5.2 per cent. year-on-year in the second quarter of 2019, indicating a 910 basis point increase relative to the rate documented in the equivalent quarter of 2018. Also, it shows a rise of 6.6 per cent. relative to the first quarter of 2019. Quarter-on-quarter, the oil sector recorded a growth rate of 20.9 per cent. in the fourth quarter of 2019. On an annual basis, oil recorded 4.6 per cent. growth in 2019, compared to 1.0 per cent. recorded in 2018. The sector contributed 7.3 per cent. to total real GDP in the fourth quarter of 2019, up from figures recorded in the corresponding period of 2018 as well as the preceding quarter and down compared to the preceding quarter, where it contributed 7.1 per cent. and 9.8 per cent. respectively. Oil contributed 8.8 per cent. to real GDP in 2019.

Nigeria's oil sector recorded a real growth rate of 5.06 per cent. (year-on-year) in the first quarter of 2020, indicating an increase of 6.51 per cent. relative to the rate recorded in the corresponding quarter of 2019 (a decrease of 1.46 per cent.). However, when compared to the fourth quarter of 2019 which recorded a growth rate of 6.36 per cent., oil sector growth decreased by 1.30 per cent. The contribution of the Oil sector to aggregate GDP stood at 9.50 per cent. in the first quarter of 2020, up from figure recorded in the corresponding period of 2019 (9.22 per cent.) and the preceding quarter (7.32 per cent.) as the share of the non-oil economy declined. During the first quarter of 2020, average daily oil production of 2.07 million barrels per day (mbpd) was recorded. The production level was higher than the 1.99mbpd recorded in the same quarter of 2019. The second quarter of 2020, however, witnessed a real decrease of 6.63 per cent., a decrease of 13.80 per cent. relative to the rate recorded in the corresponding quarter of 2019. The oil sector contributed 8.93 per cent. to real GDP in the second quarter of 2020.

A divide between the oil producing states and the non-oil producing states has developed over how 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 and oil-related violence. In the Niger Delta region, which is made up of nine states in the centre of the country and covers approximately 112,110 square kilometres or 12 per cent. of Nigeria's land mass, sporadic violence and vandalism of oil pipelines has been a recurring problem for multinational oil companies operating in the Niger Delta.

In June 2019, production was disrupted by a shutdown of the Bonny Nembe Creek Line due to fires around the Awoba manifold and riser. Likewise, the Trans Niger Pipeline was shut down due to leaks at the Owokiri axis. Production was also interrupted at Agbami, Erha, Amenam, Pinington, Qua Ibom and other terminals due to loss of main power, flare management, pump inefficiency, pipeline leakage, equipment failure and maintenance work. In July 2019, a total of 228 pipeline points were vandalised representing an increase of 115.0 per cent. from the 106 points vandalised in June 2019. Out of the vandalised points, fifteen failed to be welded while five points were ruptured. The Aba-Enugu axis accounted for 35.0 per cent. while the PHC-Aba route accounted for 22.0 per cent. and the Ibadan-Ilorin layout recorded 16.0 per cent. of the breaks. The ATC-Mosimi zone logged 12.0 per cent. and other locations the remaining 15.0 per cent. of the total breaks.

Data from the NNPC showed that between January 2019 to July 2019, the daily average natural gas production marginally increased by 1.9 per cent. year-on-year to 8,032.7 mmscfd, as finalised investments in gas production slowed during the period. The bulk of the gas production was directed towards exports, at 43.0 per cent. as compared to 15.4 per cent. to domestic sources. The last component, non-commercialisation uses, including reinjection and gas flaring, accounted for 41.7 per cent. Sustained levels of gas flaring (8.8 per cent.) continued to be cause for concern, as the ultimate goal of eliminating routine gas flaring or reducing it to 2.0 per cent. by 2020, through the Nigerian Gas Flare Commercialisation Programme, remains unachieved.

Fiscal deficit

Nigeria's Minister of Finance, Budget, and National Planning, Mrs. Zainab Ahmed, launched the Strategic Revenue Growth Initiative ("**SRGI**") in 2019. According to the Minister, the implementation of the SRG is targeted at significantly boosting government revenue across the various sectors in the face of Nigeria's sharply rising debt profile.

In 2018, the fiscal operations of the Federal Government resulted in primary and overall deficits of ₦2,130.6 billion (1.7 per cent. of GDP), and ₦4,393.3 billion (3.4 per cent. of GDP), compared with deficits of ₦2,477.7 billion (2.2 per cent. of GDP) and ₦4,388.6 billion (3.9 per cent. of GDP), respectively, in 2017. For the fourth quarter of 2019, there is an estimated overall deficit of ₦1,135.74 billion, compared to an estimated deficit of ₦910.4 billion for the corresponding quarter in 2018.

Reforms

Recent reforms include various reforms to promote the ease of doing business through PEBEC, the launching of SRGI by the Minister of Finance, and the passage of the 2020 Appropriation Act in December 2019, and returning Nigeria to the January to December budget cycle rather than the traditional July to June which has continued for more than a decade.

A notable fiscal reform is the passage of the Finance Act 2019 into law on 13 January 2020. The amendments made by the Finance Act are intended to raise necessary revenue required to defray public expenditure, support increases in public revenue and ensure that tax law provisions are consistent with national tax policy objectives. The amendments are staged across five broad thematic areas to: (a) promote fiscal equity by mitigating instances of regressive taxation; (b) reform domestic tax law to align with global best practice, (c) introduce tax incentives for investment in infrastructure and capital markets, (d) support small businesses in line with the ease of doing business reforms and (e) raise revenue for government, by various fiscal measures, including for instance, an increase in the Value Added Tax ("**VAT**") rate from 5.0 per cent. to 7.5 per cent.

Another notable fiscal reform was the introduction of the Finance Act 2020, which was recently passed into law on 31 December 2020 and came into effect on 1 January 2021. It has introduced significant changes to Nigeria's tax and regulatory landscape and clarifies some issues which caused controversy under the 2019 Finance Act. It amends several provisions of Nigeria's key tax legislation including the Capital Gains Tax Act, Companies Income Tax Act, Industrial Development (Income Tax Relief) Act, Personal Income Tax Act, Tertiary Education Trust Fund Act, Customs & Excise Tariff (Consolidation) Act, Value Added Tax Act and Federal Inland Revenue Service (Establishment) Act. It also amends some other non-tax legislations such as Fiscal Responsibility Act, Public Procurement Act, Companies and Allied Matters Act, Nigerian Export Processing

Zone Act and the Oil and Gas Export Processing Free Zone Act. Some of the changes include (i) a reduction in the minimum tax rate for Companies Income Tax from 0.5 per cent. to 0.25 per cent. in order to cushion the impact of COVID-19 on Companies, (ii) VAT exemption for commercial flights, (iii) confirmation that no VAT is chargeable on dispositions of land or issuances of securities, and (iv) the reduction of import duty on vehicles from 35 per cent. to 5 per cent. for tractors, from 30 per cent. to 5 per cent. for cars, and from 35 per cent. to 10 per cent. for trucks and vehicles for the transport of more than 10 persons.

Power sector

Nigeria has large oil, gas, hydro and solar resources. The installed generation capacity stands at 2,522 megawatts (MW) of electric power from existing plants, but with actual energy generation of approximately 4,000 MW. As such, manufacturers, businesses and retail consumers that need to maintain a reliable power supply are forced to equip themselves with costly generators that are expensive to operate and even then, the possibility of fuel shortages can result in generators not being able to operate. Power generation continues to dwindle owing to disruptions of gas supplies to thermal plants and low water levels at the hydro power stations. Poor transmission and distribution infrastructure results in significant load shedding, further worsening electricity supply in the country. The IMF estimates that Nigeria's economy loses about U.S.$29.0 billion a year because of electricity supply problems.

In a drive to address these challenges, the Government initiated sector reform and passed the Electric Power Sector Reform Act ("**EPSRA**") in 2005 to liberalise the sector and privatise key assets of the dominant public power provider, the Power Holding Company of Nigeria ("**PHCN**") (formerly the National Electricity Power Authority), while promoting independent power production. The PHCN was unbundled into 18 new successor companies (which were intended to be privatised) consisting of six generating companies, one transmission company and eleven distribution companies. The EPSRA also established the Nigerian Electricity Regulatory Commission ("**NERC**"), which is responsible for licensing and regulating the generation, transmission, distribution and supply of electricity, enforcing performance standards, consumer rights and obligations and determining tariffs. The EPSRA provides for the restructuring of the Nigerian electricity supply industry and the development of a competitive electricity market for trading in electricity. In 2005, the Government also launched a capital investment programme under the Nigerian National Integrated Power Project (the "**NIPP**").

The NIPP comprises investments in gas-fired power plants and transmission lines across the country in Abia, Akwa-Ibom, Bayelsa, Cross River, Delta, Edo, Imo, Kogi, Ogun, Ondo and Rivers states. The target for the NIPP generation projects, which are currently at various advanced stages of completion, is to add a total generated capacity (of electricity) of approximately 5,091MW to the national grid.

In August 2010, the Government launched the "Roadmap for Power Sector Reform" which sought to, among other objectives, remove obstacles to private sector investment in the power sector (including through the provision of credit enhancement and the establishment of an appropriate pricing regime), permit the privatisation of the generation and distribution companies which were unbundled from the PHCN, as well as facilitate the construction of new transmission networks and reform the fuel-to-power sector. The Government conducted bids for the 17 successor (generation and distribution) companies from the unbundling of the PHCN. In this process, 207 bidders were shortlisted, from which preferred bidders emerged in October 2012 for 15 of the successor companies. In November 2013, the privatisation process was completed and the Government officially handed over legal control of the 15 state-owned electricity companies to their new private sector owners, for an estimated profit of approximately U.S.$2.5 billion. One of the two remaining companies were sold during the first half of 2014. Following the privatisation, many of the distribution companies have been unable to collect a significant proportion of the total billings to customers. As a result, the 11 distribution companies have been struggling to meet their obligations to the Nigerian Bulk Electricity Trading Company Plc (the "**Bulk Purchaser**") and Market Operators ("**MO**") as evidenced in their low remittances to the Bulk Purchaser and MO. Consequently, the Bulk Purchaser has in turn been unable to meet its obligation to the generation companies, thus creating a liquidity challenge that has plagued the electricity industry since the privatisation exercise in 2013.

In May 2010, the Minister of Petroleum Resources announced the President's approval for the implementation of a new gas-to-power price regime as part of its efforts to encourage more gas production for electricity generation. Under the approved price regime, gas prices were to progressively increase from current U.S.$0.6 per million British thermal units ("**mmbtu**") to U.S.$1.0/mmbtu from the end of 2010, U.S.$1.50/mmbtu from the end of 2011 and 2012 and U.S.$2.0/mmbtu from the end of 2013. This regulated price regime only applies in respect of gas compulsorily set aside for domestic supply under the National Domestic Gas Supply and Pricing Regulation and does not apply to gas which is exported. In practice, however there are challenges with implementation as the PHCN has not been fulfilling its payment obligation. In addition, the Government established and appointed the governing board of the Bulk Purchaser, a government-owned bulk buyer which carries out contract management and bulk trading from independent power producers and successor generation companies. The presence of the Bulk Purchaser is expected to act as an incentive for new investment into the power generation market and to help stabilise the market for the successor distribution companies of PHCN.

In August 2010, driven by concerns over the poor state of infrastructure across the country, the CBN created the ₦300.0 billion Power and Aviation Sector Intervention Fund for investment in debentures to be issued by the BOI to finance aviation and power projects. The CBN further decided in September 2010 to provide guarantees to the National Pension Commission and unlock ₦400.0 billion from pension funds into the Power and Aviation Sector Intervention Fund to add to the initial ₦300.0 billion invested in an effort to make a more stable power supply.

In March 2011, the CBN disbursed ₦198.0 billion of funds to Nigeria's BOI for further disbursement as discounted loans to companies in both the power and aviation sectors.

In February 2012, the NERC, in conjunction with the Bureau of Public Enterprises, announced that electricity prices are set to rise by an estimated 11.0 per cent. further to the removal of electricity tariffs under the NERC's Multi-Year Tariff Order ("**MYTO**") programme. The new tariff, which commenced on 1 June 2012, was part of the privatisation plan of the power sector, and aimed to provide cost-reflective electricity tariffs across several years that are fair to generation, transmission and distribution companies and other industry stakeholders. However, certain categories of consumers classified as "special customers" (such as hospitals and public amenities suppliers, small- and medium-sized enterprises, as well as residents in rural areas and impoverished urban residents) are expected to be subject to a lower tariff increase and to continue to receive a subsidy from the Government. It was expected that the increase in tariff would serve as a form of encouragement to potential investors in the power sector who were concerned with the return on their investment under the former tariff regime. The 2012 MYTO was revised in 2015. The 2015 MYTO became effective on 1 January 2015 and will remain effective until 31 December 2024. Industry participants often complain that electricity charges to customers do not reflect the cost of generation, transmission and distribution.

Following the announcement of removal of the older tariffs, the NERC, in March 2012, also issued two landmark regulations which would enable state and local governments, private investors and suppliers and communities to generate and distribute electricity. The "Nigerian Electricity Regulatory Commission Regulations for Independent Electricity Distribution Networks 2012" regulation permits state and local governments, private investors and suppliers and communities to generate and distribute electricity for their exclusive consumption through the use of existing facilities of electricity distribution companies or independent electricity distribution network operators. The second regulation, "Nigerian Electricity Regulatory Commission Regulations For Embedded Generation 2012", permits state and local governments, investors and communities to invest in generating electricity for transportation through electricity distribution networks in areas without access to the grid or distribution network or areas with poorly serviced distribution networks. These regulations are intended to further support the aim of the EPSRA by privatising and creating a competitive and attractive power sector for investments.

The new regulations are expected to increase access to electricity for the approximately 40.0 per cent. of Nigeria's population that do not currently have access, through the deregulation of power generation and distribution, which is expected to have a positive impact on the quality of electricity supply.

In July 2012 the Government entered into a contract with Manitoba Hydro International ("**MHI**") of Canada, to manage the Transmission Company of Nigeria ("**TCN**") and inject international best practices and technical expertise and ensure the requisite restructuring of the company. MHI is contracted to manage the TCN for three years, with the possibility of an extension to five years. In March 2013, the contract was ratified by President Goodluck Jonathan.

In February 2014, the Ministry of Finance transferred U.S.$550.0 million to the Nigerian Sovereign Wealth Funds to be used for investment in the power sector and continued support of the sector's privatisation process.

On 7 November 2017, the NERC released the Eligible Customer Regulations 2017, which outlines the terms guiding the direct purchase of electricity by end-users from power generation companies, and designating the 11 electricity distribution companies as suppliers of last resort in the trading framework of the regulation. The distribution companies had opposed prior attempts to enact this regulation, stating that the high demand customers that may qualify for eligible customer status are within their respective franchise areas, and only the Discos may deal with such customers on electricity transactions. This argument was however refuted.

In the 2020-2022 Medium-Term Expenditure Framework, pursuant to a Letter of Agreement signed by President Muhammadu Buhari and German Chancellor Angela Merkel, the Federal Government allocated ₦61.0 billion for the Nigeria Electrification Road Map which will be developed in partnership with Siemens AG. The electrification project aims at achieving 25,000MW of electric power in the country by 2025. Power projects in the budget include the 3,050MW Mambila hydropower plant in Taraba State, 2x60MVA 132/33kV substation at Gwaram in Jigawa State (₦717.0 million), 215MW power station in Kaduna (₦190.0 million), and Kashambilla transmission in Taraba (₦506.0 million).

However, at the moment, increased power interruptions and power failures continue to negatively impact the country and its business sector, and as a result most businesses continue to seek alternative and more reliable means of power supply, including self-generation, resulting in increased operating costs.

In addition to the power shortage, there is thought to be a widespread billing problem attributable to the lack of functioning meters among electricity providers. This has resulted in difficulties in accounting for inflows of electricity into networks and outflows of electricity delivered to customers. It is estimated that, as at April 2019, 5,046,906 consumers lack proper metering, out of a total consumer base of 8,840,801, representing a 57.0 per cent. deficit in metering. The Electricity Power Sector Reform Act (Amendment) Bill, 2019 and the Meter Asset Provider (MAP) Regulation are the regulatory interventions to address the metering gap. The MAP Regulation which became effective on 8 April 2018, provides for the supply, installation and maintenance of electricity meters by approved third parties.

The Power Sector Recovery and Implementation Plan ("**PSRIP**") approved by the Nigerian Federal Executive Council estimates that the sector will require approximately U.S.$1.5 billion annually for the next five years to achieve viability. Nigeria's National Integrated Infrastructure Master Plan (2014-2043) sets out a 30 year, U.S.$3.1 trillion, action plan to address the nation's infrastructure challenges including, among others, powers and transport. The aim of the plan is to raise the country's stock on infrastructure from its current level of 20-25.0 per cent. of GDP to 70.0 per cent. by 2043.

Telecommunications sector

The data released by Nigerian Communications Commission on 16 March 2020 showed an increase in the telecommunications industry's contribution to the GDP of Nigeria. According to the statistics, this sector contributed 10.6 per cent. to the country's GDP during the fourth quarter of 2019. This is a 0.8 per cent. increase from 9.9 per cent. recorded for the fourth quarter of 2018. The contribution of the information and communications (ICT) sector to Nigeria's total GDP dropped to ₦1.28 trillion in the first quarter of 2020, according to the National Bureau of Statistics (NBS). this represents 7.65 per cent. of total GDP.

Debt

According to Nigeria's Debt Management Office (the "**DMO**"), Nigeria's external debt has increased to U.S.$27,676.14 million as at December 2019 from U.S.$26,941.5 million as at 30 September 2019.

As at 30 September 2019, Nigeria's total public debt was U.S.$ 85,390.8 million. According to the DMO, the country's total public debt increased from ₦21.7 trillion in December 2017 to ₦26.2 trillion at the end of September 2019, the Government's outstanding debt alone settled at 53.03 per cent. of the total public debt. This increase was largely driven by a sharp increase in external debt due to a fast-rising budget deficit. The DMO stated that the debt figures reflect the impact of the implementation of the debt management strategy, which entailed substituting high-cost domestic debt with low-cost external debt. Particularly, the DMO raised U.S.$5.3 billion in Eurobonds over 2018, which brought the country's outstanding Eurobond obligation to U.S.$11.2 billion. Nigeria's external debt increased by U.S.$10.7 billion (mostly driven by Eurobonds worth U.S.$7.0 billion) to U.S.$22.1 billion between 2016 and 30 June 2018 while the domestic component stood at ₦15.6 trillion as at 30 June 2018.

In June 2017, the DMO offered its first diaspora bond, a debt offering specifically targeted at Nigerian nationals living abroad. A total of U.S.$300.0 million was offered at a coupon rate of 5.625 per cent. for a five year tenor. Similarly, a sovereign sukuk bond worth ₦100.0 billion for a tenor of seven years was launched in September 2017. More recently, the DMO extended the domestic bond yield curve by 10-year to 30-year.

On 19 February 2020, World Bank approved a loan worth approximately U.S.$2.2 billion for Nigeria to drive human capital and economic development across the country in 2020. On 23 June 2020, the World Bank approved U.S.$750 million loan to Nigeria to solve the electricity problem in the country and revive the economy, especially the private sector. On 5 June 2020, the Board of Directors of the African Development Bank approved a U.S.$288.5 million loan to help Nigeria tackle the COVID-19 pandemic and mitigate its impact on people and businesses. Prior to this, on April 28, 2020 the IMF Executive Board approved U.S.$3.4 billion in emergency support to Nigeria to address the COVID-19 pandemic.

Capital markets

Market sentiments were generally uncertain during the first quarter of 2019, largely due to concerns surrounding the 2019 general elections, as well as portfolio rebalancing by investors from equities market to money market instruments, particularly Nigeria Treasury Bills. Consequently, volatility in the market intensified, leading to mixed developments on the Nigerian Stock Exchange in the first quarter of 2019. Thus, in the first quarter of 2019, the aggregate volume of traded securities rose by 9.5 per cent. to 20.5 billion shares, while the value of traded securities fell by 1.2 per cent. to ₦208.7 billion in 240,990 deals, compared with 18.9 billion shares worth ₦211.2 billion in 196,065 deals, recorded in the fourth quarter of 2018.

The aggregate market capitalisation for all listed securities rose by 1.9 per cent. to ₦2.3 trillion at 31 March 2019, compared with ₦21.9 trillion at the end of the fourth quarter of 2018. However, market capitalisation for the equity segment fell by 0.5 per cent. to ₦11.67 trillion and constituted 52.3 per cent. of the aggregate market capitalisation, compared with ₦11.73 trillion and 53.4 per cent. at 31 December 2018.

The All Share Index ("**ASI**") is a measure of the magnitude and direction of general movement in share prices across all companies listed on the Nigerian Stock Exchange. The ASI, which opened at ₦31,430.5 at the beginning of the first quarter of 2019, fell by 1.2 per cent. to ₦31,041.4 at 31 March 2019. Developments in the sectoral indices reflected mixed performance of quoted stocks on the Exchange. The NSE-Premium, NSE-AseaM, NSE-Banking, NSE-Lotus and NSE-Industrial indices rose by 0.4 per cent., 1.7 per cent., 1.3 per cent., 1.5 per cent. and 0.02 per cent., respectively, to ₦2,203.8, 807.2, ₦40.0, ₦2,267.6, and ₦1,239.7. In contrast, the NSE-Insurance, NSE-Consumer Goods, NSE-Oil and Gas and NSE-Pension indices fell by 0.4 per cent., 5.0 per cent., 3.9 per cent. and 1.6 per cent., respectively, to close at ₦126.0, ₦711.3, ₦290.5, and ₦1,188.0 at end of 31 March 2019.

Central Securities Clearing System Limited (the "**CSCS**") which is the Clearing House of the Nigerian Stock and Bond Markets, was incorporated in July 1992 as a subsidiary of the Nigerian Stock Exchange (the "**NSE**"). It was commissioned in April 1997 and commenced operations in the same year, acting as a clearing and settlement platform for stock (and later, bond) market transactions. The CSCS also acts as an integrated central securities depository for all share certificates of quoted securities including new issues on the NSE, and a sub-registry for all quoted securities in conjunction with registrars of quoted companies. The CSCS provides safe-keeping and custodial services for participants in the Nigerian capital market as well as a digital data storage and retrieval centre. On 16 May 2012, CSCS became a public limited company.

CSCS participants include banks (including the CBN), securities brokers and dealers and other professional financial intermediaries. The CSCS is regulated by the Nigerian Securities and Exchange Commission (the "**SEC**" or the "**Nigerian SEC**"). The CSCS facilitates the clearing and settlement of transactions among its participants through electronic book-entry changes in the accounts of the participants thereby, eliminating the need for physical transfer of certificates, which significantly reduces the period it takes a transaction to commence and end.

The SEC is the principal regulatory institution of the Nigerian capital market and derives its powers from the Investments and Securities Act No 29 of 2007, as amended (the "**Nigerian ISA**"). In regulating the market, the SEC registers securities and market intermediaries, carries out inspection and surveillance of capital market operators, investigates breaches and enforces provisions of the Nigerian ISA, and makes rules pursuant to its powers under the Nigerian Act. The SEC joined the International Organisation of securities commissions

("**IOSCO**") in June 1985. The IOSCO is a body of securities commissions with the goal of cooperating in developing, implementing and promoting adherence to internationally recognised and consistent standards of securities market regulation.

The NSE was founded in 1960, registered as a company limited by guarantee with a licence under the Nigerian Act and regulated by the Nigerian SEC. The NSE offers listing and trading services, licensing services, market data solutions, ancillary technology services, and more. On 29 August 2018, President Muhammadu Buhari signed the Demutualisation of The Nigerian Stock Exchange Bill (the "**Demutualisation Bill**") into law. The Demutualisation Bill authorised the NSE to become a shareholder-owned public company. The SEC approved the planned demutualisation on 23 December 2019. The scheme of arrangement for the demutualisation is currently underway. On 3 March 2020, members of the NSE passed the requisite demutualisation resolutions approving the demutualisation and the registration of the NSE under the name "Nigerian Exchange Group Plc" at the CAC. The NSE is a member of IOSCO and a founding member and executive committee member of the African Securities Exchanges Association.

The FMDQ Securities Exchange Limited ("**FMDQ**"), a wholly-owned subsidiary of FMDQ Holding Plc, was registered by Nigeria's SEC as an OTC Market in 2012, and as a securities exchange in 2019. It focuses on organising the financial markets and creating a platform for the registration, listing, quotation, noting, trading and reporting of securities across all product lines – fixed income, foreign exchange, derivatives, funds, equities, Islamic finance, etc.

The NASD OTC Securities Exchange ("**NASD**") wholly owned by NASD Plc, is a licensed securities exchange registered by the SEC under the ISA. It is licensed to trade all registered securities within the meaning of the Nigerian ISA as an OTC Securities Exchange. As a self-regulatory organisation, the NASD regulates the conduct of member firms on its market, monitors trading and market activities and maintains rules and guidance to provide a fair and transparent platform for raising capital and trading securities.

External sector

In 2018, an overall balance of payments surplus of ₦990.5 billion, equivalent to 0.8 per cent. of GDP, was recorded. In 2017, the external sector recorded an improved performance with an overall balance of payments surplus of ₦3.7 trillion or 3.3 per cent. of GDP, as against a deficit of 0.2 per cent. of GDP in 2016. The improved performance was driven mainly by the recovery in the crude oil price in the international market, domestic production, and the sustained reforms in the foreign exchange market, which resulted in the accumulation of external reserves.

The current account in 2018 recorded a surplus of 2.3 per cent. of GDP, lower than the 2017 surplus of 2.8 per cent. of GDP and higher than a surplus of 0.7 per cent. of GDP in 2016. The capital and financial account recorded a net financial liability of 3.3 per cent. of GDP as against a net financial asset of 1.2 per cent. of GDP in 2017, driven largely by higher inflow of portfolio investment and other investment liabilities. The capital and financial account in 2016 recorded a net financial liability 0.7 per cent. of GDP.

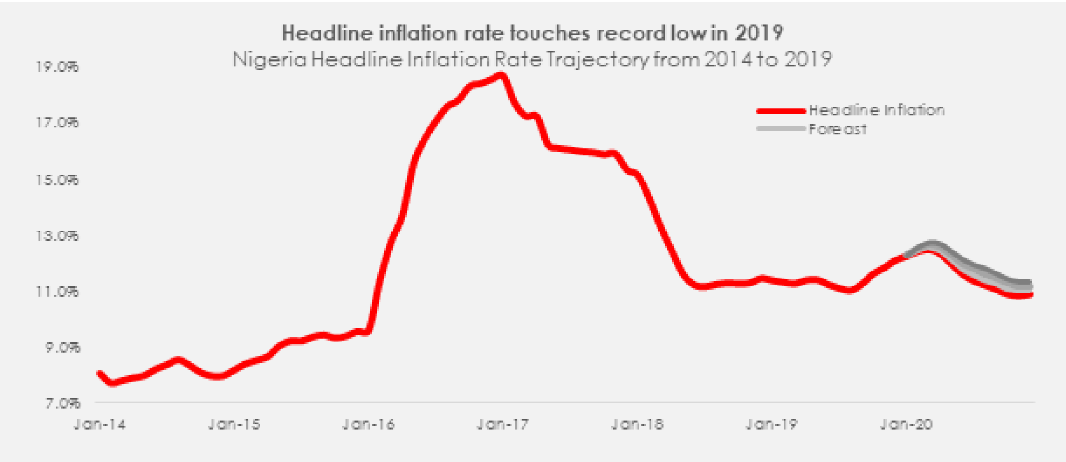
According to the CBN's 2018 Annual Report, the stock of external reserves at 31 December 2018 was U.S.$42.6 billion, an increase from U.S.$39.4 billion at 31 December 2017. The stock of external reserves at 31 December 2019 stood at U.S.$38.1 billion, according to the CBN's Economic Report for Fourth Quarter 2019. At 31 December 2019, the level of external reserves could finance only 5.2 months of imports of goods and services and 9.1 months of imports of goods only, based on the estimated value of imports in the third quarter of 2019. At 31 December 2018, the level of external reserves could finance 13.0 months of imports of goods only or 7.5 months of imports of goods and services.

In the first half of 2020, investment inflows fell by 66.6 per cent or U.S.$10.09 billion in the first half of 2020 from U.S.$15.15 billion recorded in the corresponding period of 2019. In the first quarter of 2020, foreign capital inflows into Nigeria amounted to U.S.$5.85 billion representing an increase of 54 per cent from U.S.$3.8 billion in 2019 fourth quarter but a 31.2 per cent decrease from U.S.$8.5 billion recorded in the first quarter of 2019. In the fourth quarter of 2019, on a quarter-on-quarter basis, foreign exchange inflow, through the CBN, rose by 6.1 per cent., while outflow through banks fell by 3.9 per cent., relative to their levels in the third quarter of 2019. Also, total non-oil export proceeds received by banks fell by 37.8 per cent., compared with the level at 30 September 2019. According to the CBN, aggregate capital inflows stood at U.S.$6.4 billion between January and May 2020, relative to U.S.$12.6 billion as at May 2019, and aggregate capital outflows from January to

May 2020 stood at U.S.$9.5 billion, compared with $3.3 billion in the same period in 2019. At U.S.$7.94 billion in May 2020, the value of Nigeria's total trade declined by 6.7 per cent and 31.2 per cent, compared with the U.S.$8.51 billion in April 2020 and US$11.53 billion in May 2019, reflecting the disruptive effects of the COVID-19 pandemic. With the domestic lockdown to contain the pandemic, Nigeria's imports and exports in May 2020 declined by 4.8 per cent and 8.4 per cent to U.S.$3.92 billion and U.S.$4.02 billion, relative to their respective levels in April 2020. Accordingly, trade surplus declined to U.S.$0.10 billion from U.S.$0.28 billion. The average exchange rate at the 'Investors' and 'Exporters' window, the BDC and the Inter-bank segments of the market were ₦362.8/U.S.$, ₦359.4/U.S.$ and ₦37.0/U.S.$, respectively, in the fourth quarter of 2019, and ₦383.29/U.S.$, ₦465./U.S.$, and ₦380./U.S.$, as at 30 September 2020. At U.S.$38.17 billion, the gross external reserves fell by 6.4 per cent., compared with the level at 30 September 2019. Nigeria's international reserves decreased, from U.S.$38.17 billion at 30 September 2019 to U.S.$36.19 billion as at 31 May 2020.

Inflation

In Nigeria, the CPU measures the change over time in prices of 740 goods and services consumed by people for day-to-day living. The index weights are based on expenditures of both urban and rural households in the 36 states. The most important categories in the CPI are food and non-alcoholic beverages (51.8 per cent. of total weight); housing, water, electricity, gas and other fuel (16.7 per cent.) and clothing and footwear (7.7 per cent.). Transportation accounts for 6.5 per cent. of the total index, furnishings and household equipment maintenance account for 5.0 per cent., education accounts for 3.9 per cent. of total index, health accounts for 3.0 per cent., miscellaneous goods and services account for 1.7 per cent., restaurants and hotels account for 1.2 per cent. alcoholic beverages, tobacco and kola account for 1.1 per cent. of the total index, communications for 0.7 per cent. and recreation and culture account for the remaining 0.7 per cent.



Source: NBS

The annual inflation rate in Nigeria rose for the sixth straight month to 13.22 per cent. (year-on-year) in August 2020 from 12.82 per cent. in the prior month. The inflation rate was 11.98 per cent. in December 2019, the highest it had been since April 2018. Food prices also increased by the highest margin in nearly two years (14.9 per cent. as compared to 14.7 per cent. in December 2019), amid shortages caused by prolonged borders closure. Additional upward pressure came from all other categories, namely clothing and footwear (10.1 per cent. as compared to 9.9 per cent. in December 2019); alcoholic beverages, tobacco and kola (9.8 per cent. as compared to 9.8 per cent. in December 2019); housing and utilities (7.8 per cent. as compared to 7.7 per cent. in December 2019); transport (9.4 per cent. as compared to 9.3 per cent. in December 2019); health (9.8 per cent. as compared to 9.6 per cent. in December 2019); furnishings (9.2 per cent. as compared to 9.1 per cent. in December 2019); communication (8.1 per cent. as compared to 8.0 per cent. in December 2019); recreation and culture (8.3 per cent. as compared to 8.2 per cent. in December 2019); education (8.9 per cent. as compared to 8.8 per cent. in December 2019); restaurants and hotels (8.5 per cent. as compared to 8.4 per cent. in December 2019); and miscellaneous goods and services (9.3 per cent. as compared to 9.1 per cent. in December 2019). On a monthly basis, consumer prices inched up 0.36 per cent. in August 2020, after increasing 0.26 per cent. in the prior month.

Interest rates

Monetary policy in the first half of 2016 was shaped by a number of global and domestic economic developments which weakened consumer and business confidence, as well as domestic spending, and slowed economic activity. The Nigerian economy was in a recession in response to which the CBN's MPC steered a cautious monetary tightening policy by raising the MPR from 11.0 to 12.0 per cent. Concurrently, the spread on a CBN standing lending facility was approximately 200 basis points above the MPR, while the rate on a CBN standing deposit facility was at 500 basis points below the MPR. The MPC also increased the CRR from 20.0 to 22.5 per cent. of total reserve deposits. The Liquidity Ratio ("**LR**") was at 30.0 per cent.

As at 31 August 2017, monetary policy was aimed to address domestic vulnerabilities and weak economic activity, stimulate the economy out of recession, and achieve overall macroeconomic stability. The MPC sustained its tight monetary policy stance by maintaining the MPR at 14.0 per cent. and the associated asymmetric corridor of +200/-500 basis points. For 2017, the CRR and LR were retained at 22.5 and 30.0 per cent., respectively. For 2018, the CBN kept the MPR at 14.0 per cent. and retained its standing facility corridor at +200/-500 basis points as well as the CRR and LR at 22.5 and 30.0 per cent., respectively.

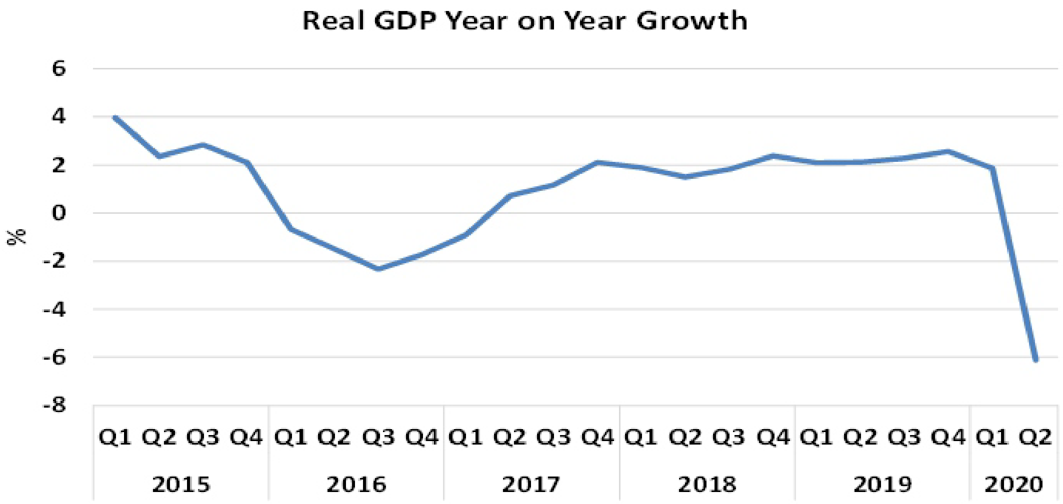
In March 2019, the MPC, in an effort to promote strong growth by way of encouraging credit flow to the productive sectors of the economy, voted to reduce the MPR by 50 basis points to 13.5 per cent. while retaining the asymmetric corridor at +200/-500 basis points. This slight loosening of the policy rate was stated to be backed by the substantial stability of the major macroeconomic indicators. In response to the effect of the outbreak of COVID-19 pandemic on the economy, the Monetary Policy Committee ("**MPC**") of the CBN has reduced the Monetary Policy Rate ("**MPR**") from 13.5 per cent. to 12.5 per cent. in May 2020 and subsequently reduced to 11.5 per cent. in September 2020, where it remained as of 24 November 2020.

The CBN left its benchmark interest rate unchanged at 12.5 per cent. during its July 2020 meeting as an attempt to contain price pressures. At the January 2020 meeting, the MPC voted to increase the CRR by 500 basis points from 22.5 to 27.5 per cent. The increase in the CRR is aimed at curtailing liquidity surfeit in the banking system from maturing OMO bills, to help address monetary-induced inflation whilst retaining the benefits from the LDR policy in increasing credit to the private sector and pushing market interest rates downwards. At both the July and November meetings in 2020, the MPR voted to retain the CRR at 27.5 per cent.

In the fourth quarter of 2019, interest rates moved in tandem with the level of banking system liquidity during the review period. The average term deposit rate fell by 0.3 per cent. to 8.1 per cent. The weighted average prime lending and maximum lending rates fell by 0.4 per cent. and 1.2 per cent. to 15.0 per cent. and 30.0 per cent. at 31 December 2019, respectively. At the inter-bank segment, the weighted average inter-bank call rate, which stood at 8.8 per cent. at 30 September 2019, significantly decreased by 5.4 per cent. to 3.4 per cent. at 31 December 2019. Similarly, the Nigeria inter-bank offered rate, for the 30-day tenor, fell from 12.6 per cent. in the preceding quarter to 12.3 per cent. at 31 December 2019.

Impact of COVID-19 on the Nigerian Economy

As at 3 January 2021, Nigeria recorded over 90,100 cases of COVID-19. The effects of the COVID-19 pandemic on the Nigerian economy started to show in economic reports for the second quarter of 2020. According to the NBS, Nigeria's GDP contracted by 6.10 per cent. (year-on-year) in real terms in the second quarter of 2020, ending the 3-year trend of low but positive real growth rates recorded since the 2016/2017 recession. When compared with second quarter of 2019 which recorded a growth of 2.12 per cent., the rate of contraction in the second quarter of 2020 is approximately 8.22 per cent., and 7.97 per cent. when compared to the first quarter of 2020 which recorded a growth rate of 1.87 per cent.. Consequently, for the first half of 2020, Nigeria's real GDP fell by 2.18 per cent. year on year, compared with the 2.11 per cent. increase recorded in the first half of 2019. Quarter on quarter, real GDP fell by 5.04 per cent. Furthermore, only 13 activities recorded positive real growth in the second quarter of 2020, compared to 30 in the preceding quarter. In the second quarter of 2020, aggregate GDP stood at ₦34,023,197.60 million in nominal terms, or -2.8 per cent. lower than the second quarter of 2019 which recorded an aggregate of ₦35,001,877.95 million.



Source: NBS

Economic activities remained challenging owing to unprecedented restriction of movements, supply shocks, loss of jobs and reduced income, as well as frozen business activities in many sectors due to the COVID-19 pandemic and local restriction measures. According to the CBN, aggregate foreign exchange inflow, capital importation and external reserves declined by 43.2 per cent, 21.0 per cent and 0.7 per cent to U.S.$5.52 billion, U.S.$0.25 billion and U.S.$36.19 billion in May 2020, below their respective levels in the preceding month. However, the trade sector recorded a surplus of U.S.$0.10 billion in May 2020 due to the significant contraction in imports.

Nigeria's unemployment rate as at the second quarter of 2020 was 27.1 per cent. indicating that about 27.1 million Nigerians remain unemployed. In April 2020, the NBS, with support from the World Bank, launched the "COVID-19 NLPS" which is a monthly survey of a nationally representative sample of 1,950 households to monitor the socioeconomic impact of the pandemic and other shocks. On the employment rate, it was found that only 34 per cent. of respondents have been working continuously since April/May, while 60 per cent. have experienced periods without work and 6 per cent. have not worked at all since the start of the pandemic. Over 67 per cent. of households reported that their total income decreased compared to the same period one year ago in August 2019, and this decrease was evident across the three main sources of income (wages, agriculture, and non-farm enterprise). The share of households experiencing moderate or severe food insecurity remained high at 68 per cent. in August 2020.

THE NIGERIAN BANKING SECTOR

The information in this section has been derived substantially from publicly available documents published by the Nigerian government or regional agencies or other third party sources as indicated in the text. The Issuer and the Bank have accurately reproduced such information and, so far as each of them is aware and is able to ascertain from information published by such third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

According to data from the CBN, total assets and liabilities of commercial banks amounted to ₦41,425.1 billion at the end of October 2019, a 4.6 per cent. increase compared with the level at the end of the preceding month due to increases in unclassified liabilities and the mobilisation of time, savings and foreign currency deposits. The funds were primarily used to acquire unclassified and foreign assets and to boost reserves. Total specified liquid assets of banks stood at ₦14,272.4 billion at the end of October 2019, representing 59.3 per cent. of their total current liabilities. At that level, the liquidity ratio was 0.9 per cent. lower than the level at the end of the preceding month, and was 29.3 per cent. above the stipulated minimum liquidity ratio of 30.0 per cent. The loan-to-deposit ratio at the end of October 2019 was 61.9 per cent., which was 0.3 per cent. below the level at the end of the preceding month and was lower than the maximum ratio of 80.0 per cent. by 18.1 per cent.

NPLs as a proportion of total loans in the sector was at 6.0 per cent. as at 30 September 2020 and 6.1 per cent. as at 31 December 2019, compared with 5.6 per cent. in 2008. Subsequent to the AMCON acquisition of NPLs on 31 December 2010, the industry NPL ratio dropped to 16.0 per cent. of the total loans and dropped further to 4.8 per cent. by end of 2011. See "*—Asset Management Corporation of Nigeria*". Following the record low of 3.0 per cent. in 2014, NPLs increased to 4.9 per cent., 12.8 per cent., 14.8 per cent., in 2015, 2016 and 2017 respectively. In 2018, The proportion of NPL to total loans fell to 11.4 per cent. in 2018. In the second quarter of 2019, NPLs dropped to ₦1.4 trillion from ₦1.9 trillion. According to NBS data, the percentage of NPLs to total loans dropped to a single digit of 9.3 per cent. in the second quarter of 2019 from 10.8 per cent. in the previous quarter. In the third quarter of 2019, NPLs dropped further to ₦1.1 trillion representing only 6.7 per cent. of total loans in the industry, and further decreased to ₦1.059 trillion in December 2019. However, according to data from the NBS, the downward trend in NPLs was upended as the industry witnessed a 10.0 per cent increase in the third half of 2020 as NPLs rose from ₦1.059 trillion recorded at the end of 2019 to ₦1.169 trillion by 30 September 2020.

As at 1 October 2020, there are 22 deposit money banks in operation in Nigeria.

The total value of loans to consumers by commercial banks is approximately 10.0 per cent. of their total loans. This is very low compared with over 40.0 per cent. in South Africa and about 33.0 per cent. in Brazil. The economy is cash based but experiencing increase in penetration of electronic payment channels with over 800 million electronic transactions of ₦42.75 billion in value as at the third quarter of 2019. According to the NIBSS report, as of January 2020, electronic transactions nationwide reached ₦10.89 trillion. This is a 29 per cent. increase compared to ₦8.41 trillion recorded in January 2019. This figure represents an aggregate of electronic transactions carried out on Point of Sale terminals, mobile inter-bank transfers, NIBSS' Instant Payments, e-bill payments and central pay across the country.

Supervision and Regulation of Banks in Nigeria

The major regulators of Nigeria's financial sector are the CBN and NDIC. Since January 1999, the CBN has acted autonomously from the FMF (which formerly supervised the CBN), and now has the power to formulate and implement monetary and exchange rate policies. The principal governing body of the CBN is its board of directors, which consists of the Governor of the CBN, who acts as Chairman, four Deputy Governors and six non-executive board members, including the Accountant General of the Federation, the Permanent Secretary of the FMF and four directors. Each Deputy Governor overlooks one directorate of the CBN. The directorates are Operations, Corporate Services, Financial System Stability, Governors and Economic Policy. The current Governor of the CBN, Mr. Godwin Emefiele, was reappointed for a second term of five years on 3 June 2019.

There are five departments under the remit of the CBN directorate charged with overseeing the stability of the Nigerian financial system ("**Financial System Stability Directorate**"): banking supervision, consumer protection, financial policy and regulation, payments systems management and other financial institutions supervision. The functions of the Financial System Stability Directorate include supervision of banks, which entails 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 basis and quarterly basis, evaluates the development of the finance sector and monitors other financial institutions. Activities such as changes of auditors, announcements of audited financial statements, opening of branches, changes in control and appointments of directors by banks are subject to the prior approval of the CBN. The CBN also develops and implements consumer protection frameworks for the financial sector.

As the regulator of the Nigerian banking sector, the CBN intends to introduce a more robust and risk-sensitive supervisory framework in line with global best practice, including greater collaboration among the financial sector regulators and supervisory agencies. The aim is to facilitate the evaluation of the banking industry as a whole through stress-testing and other methods, and to bring to the attention of regulators the risks which the operations of each entity within the industry present as a whole to allow regulators to take proactive remedial actions.

The CBN's monetary policy mandate includes issuing currency (Naira and kobo), the maintenance of Nigeria's external reserves, promoting and maintaining monetary stability and a sound and efficient financial system, and acting as both banker and financial adviser to the Federal Government and the banker and lender of last resort to commercial banks. The CBN also regulates payment and settlement systems in Nigeria. The CBN is the agency of the government which maintains general surveillance over the Nigerian foreign exchange system. It designates licensed banks as authorised dealers who may deal in foreign exchange. By virtue of Section 1(2) of the Foreign Exchange (Monitoring and Miscellaneous Provisions) Act, Cap F34 LFN 2004, the CBN may make regulations from time to time pertaining to foreign exchange transactions.

The NDIC, established pursuant to the Nigerian Deposit Insurance Corporation Decree No. 22 of 15 June 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 ₦200,000.0 per depositor for primary mortgage institutions and micro finance banks, and ₦500,000.0 per depositor for deposit money banks. 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 practices and promote fair competition among banks in Nigeria. From time to time the NDIC carries out examinations of the financial institutions within its purview, particularly banks. It also plays a major role in co-ordinating with the CBN in the liquidation of banks in Nigeria. The powers and functions of the NDIC are stated in the Nigeria Deposit Insurance Corporation Act No. 16 of 2006, which repealed the Nigeria Deposit Insurance Corporation Decree of 1988.

In addition to the CBN's regulatory oversight, the Financial Reporting Council of Nigeria ("**FRCN**"), which was established under the Financial Reporting Council of Nigeria Act, has the powers to enforce compliance with accounting, auditing, corporate governance and financial reporting standards. The FRCN also develops and publishes accounting and financial reporting standards for the preparation of financial statements of public interest entities, which includes banks and other financial institutions. There are, however, unresolved controversies relating to the extent of the powers of the FRCN.

The FRCN released a revised draft National Code of Corporate Governance in January 2016 that is aimed at providing a minimum national standard for the not-for-profit, private and public sectors and would apply alongside any sector-specific code that the sector regulator may issue. In October 2016, the FRCN issued the National Code of Corporate Governance (the "**2016 Code**"), with separate codes applicable to the private sector, not for profit entities and the public sector, taking effect from 17 October 2016. However, the Federal Government suspended the implementation of the Code in November 2016. On 15 January 2019, the FRCN released the 2018 Nigerian Code of Corporate Governance (the "**2019 Code**"). The 2019 Code seeks to incorporate corporate governance best practices in Nigerian companies. The implementation of the Code is based on the "Apply and Explain" principle. That is, the principles are to be applied and entities are to explain how the principles have been applied to suit their organisational objectives.

In October 2015, the FRCN purportedly removed certain directors of Stanbic IBTC Bank Plc ("**Stanbic**") in connection with perceived irregularities in Stanbic's financial statements, and requested the CBN to take disciplinary actions against Stanbic. However, in a letter to the FRCN, the CBN declined to take any disciplinary actions against Stanbic, and contradicted the findings of the FRCN in respect of Stanbic's financial statements, noting that the FRCN did not have the power to impose such sanctions on Stanbic. This dispute was resolved in the last quarter of 2016 and the suspension on Stanbic's directors was lifted.

Banking Sector Reform – 2017 to Present

The CBN embarked on a systemic reform of the banking sector in June 2009 to assist and support the banking sector in overcoming the 2008-2009 global financial crisis and its impact. The reform was founded on four key pillars: enhance the quality of the banks, establish financial stability, enable healthy financial sector evolution and ensure the financial sector contributes to the real economy. Following a special examination and investigation of the 24 banks that comprised the then Nigerian banking sector, the CBN found significant irregularities and capital adequacy deficiencies at 10 of the 24 banks (the "**Intervened Banks**"). The governor of the CBN adopted several measures to address this issue, including replacing the chief executives and executive directors of most of the Intervened Banks, and injecting ₦620.0 billion into the Intervened Banks so as to prevent a systemic banking crisis. Furthermore, in October 2010, the CBN repealed the Universal Banking Guidelines which had been in operation since 2000 and issued new rules and guidelines for the banking licences regime titled Regulation on the Scope of Banking Activities and Ancillary Matters, No. 3, 2010 (the "**New Banking Model Regulations**"). The New Banking Model Regulations streamlined banking operations in Nigeria such that only commercial banks, merchant banks, and specialised banks, which include non-interest banks, microfinance banks, development banks and mortgage banks, would be permitted to carry on banking business in Nigeria. The New Banking Model Regulations effectively required banks to divest all non-banking business or to adopt a non-operating holding company structure and to maintain a minimum paid up share capital of ₦10.0 billion for institutions granted a regional banking licence, ₦25.0 billion for institutions granted a national banking licence and ₦50.0 billion for institutions granted an international banking licence.

In 2010, weaknesses in the Nigerian financial system and banking sector prompted the CBN to implement additional initiatives to reform the Nigerian financial system and, in particular, the banking sector, through the "Project Alpha Initiative", predicated on a four-pillar policy framework of: enhancing the quality of banks, establishing financial stability, allowing for a healthy financial sector evolution and ensuring that the financial sector contributes to the real economy. Key interventions under the fourth pillar have been the ₦200.0 billion Commercial and Agricultural Credit Scheme and the ₦300.0 billion Power and Airline Intervention Fund administered through the Bank of Industry, a development financing institution in Nigeria, to stimulate the economy. The CBN also established a credit guarantee scheme for SMEs for promoting access to credit by SMEs in Nigeria. Other sector-specific initiatives were also introduced, including in agriculture where the CBN introduced several financing schemes such as a ₦200.0 billion credit scheme focused on commercial agriculture, as well as in power and aviation. The New Banking Model Regulations are also intended to produce greater transparency and disclosure.

Following these banking sector reforms, the CBN has implemented a number of changes to banking regulations, including:

- the "cashless policy" was introduced by the CBN in 2012 and became effective nationwide on 1 July 2014. Pursuant to the cashless policy, daily cash withdrawals and deposit of individual and corporate customers are pegged at ₦500,000.0 and ₦3.0 million respectively, with charges for carrying out cash transactions beyond the set limits. Cash-in-transit lodgement services rendered by Nigerian banks to merchant customers were also discontinued. However, on 1 July 2015, the CBN directed that the application of the policy in the remaining states of Nigeria be put on hold until further directives were received from the CBN, and directed banks in the remaining states, which had applied the policy to their customers' accounts, to reverse the charges immediately. In February 2017, the CBN reviewed the cashless policy charges on withdrawal and deposit and extended the implementation of the policy to the 30 remaining states of Nigeria. The new charges were to take effect in the existing cashless states from 1 April 2017 while the policy was to be implemented with the charges taking effect in the other states in phases. The policy was to take effect in the first 10 states on 1 May 2017, in the next 10 states on 1 August 2017 and in the remaining states on 1 October 2017. However, in April 2017 the CBN suspended its February 2017 directive and instructed banks to revert to the old charges and refund customers who had been debited;

- the release in September 2019 of new guidelines for the cashless policy in the country under which bank customers are to pay cash handling charges for daily cash deposit and withdrawal in excess of ₦500,000.0 for individuals and ₦3.0 million for corporates. The CBN also reduced the fee that businesses pay for accepting electronic payments at points-of-sale by 33.3 per cent. from 0.8 per cent. to 0.5 per cent. of the transaction value with a ceiling or maximum charge of ₦1,000.0. From 18

September 2019, the scheme started to apply to banks in Lagos, Ogun, Kano, Abia, Anambra, Rivers and Abuja and would apply to other states from 31 March 2020;

- in 2017, the CBN commenced operation of the National Collateral Registry, established by the Secured Transactions in Moveable Assets Act 2017, to deepen financial inclusion as it facilitates the use of movable assets as collateral for either business or consumer credit. The Collateral Registry is a public data base of ownership of assets, allowing borrowers to prove their credit worthiness and potential lenders to assess their ranking priority in potential claims against particular collaterals;

- the reduction, in February 2017, by the CBN of the foreign exchange net open position limit from 20.0 per cent. to 10.0 per cent. of shareholders' funds unimpaired by losses;

- for the fiscal years 2018 and 2019, the CBN appeared to have consolidated on the gains of the MSME Development Fund (MSMEDF) and National Collateral Registry. In addition, the CBN developed modalities for non-interest windows in all its development finance initiatives to enhance financial inclusiveness;

- effective from 1 January 2018, the CBN mandated the implementation of IFRS 9. IFRS 9 which was first established in July 2014, and adopted by the CBN in 2012 prescribed new guidelines for the classification and measurement of financial assets and liabilities. It requires banks to make fundamental changes to the methodology of measuring impairment losses, by replacing the "incurred loss" model with a forward looking "expected-loss" model. The implementation of the new standard revealed a lower capital position following the shift to this model. Consequently, banks had approximately a 1.0 per cent. to 5.0 per cent. reduction in their capital base, which resulted in a significant decline in the Capital Adequacy Ratio ("**CAR**") of banks. As a result, for CAR computation, the CBN has introduced a four-year transitional arrangement that allows banks to spread the initial impact of IFRS 9 on impairment losses over a four-year period;

- the issue of the CBN Anti-Money Laundering and Combating the Financing of Terrorism (administrative sanctions) regulations, 2018 stipulating fines on banks, their directors and other key officials for money laundering infractions; and

- the enactment of the CBN (Anti-money Laundering and Combating the Financing of Terrorism in Banks and Other Financial Institutions) (Amendment) Regulations 2019 to increase the effectiveness of controls put in place to mitigate their AML/CFT risks.

In February 2017, the CBN authorised the sale of foreign currency for personal travel allowances in the amount of U.S.$4,000.0 per quarter per qualified applicant and for qualified school fees in the amount of U.S.$15,000.0 per term or semester. In March 2017, the CBN directed all banks to adopt certain measures aimed at facilitating and expediting authorised retail sales of foreign currency. In April 2017, the CBN opened a special foreign exchange window dedicated to investors, exporters and end-users. According to the CBN, the new window will boost liquidity in the foreign exchange market and ensure timely execution and settlement of eligible transactions.

Beginning in November 2013, the CBN issued a draft paper where it designated certain Nigerian banks as SIBs and thus required them to hold more liquid assets and maintain higher liquidity and capital adequacy ratios. In 2014, the CBN commenced the implementation of the Framework for the Regulation and Supervision of Domestic Systemically Important Banks. By 31 December 2015, the CBN had fully implemented the D-SIBs framework, with eight DMBs designated as D-SIBs. The CBN adopted the indicator-based measurement approach as recommended by the Basel Committee on Banking Supervision and utilised the following indices in identifying banks which were systemically important to the Nigerian financial system:

- total assets (size measure);

- net interbank placements (interconnectedness measure);

- total credits and total deposits (substitutability measure); and

- total number of branches and foreign subsidiaries (complexity measure).

As at 31 December 2018, seven banks were categorised as D-SIBs. The banks were selected based on the D-SIB supervisory framework, size, interconnectedness, substitutability and complexity. The D-SIBs accounted for 63.8 per cent. of the industry total assets of ₦35.1 trillion and 65.2 per cent. of the industry total deposit of ₦21.7 trillion as well as 66.0 per cent. of the industry total loans of ₦15.3 trillion. The examination revealed that the D-SIBs were largely in compliance with the regulatory requirements, including capital adequacy and liquidity ratios. The average CAR for the D-SIBs stood at 19.8 per cent., while the average liquidity ratio stood at 46.2 per cent. There was an improvement in the average non-performing loans ratio from 11.3 per cent. at end-June 2018 to 9.8 per cent. as at 31 December 2018.

Asset Management Corporation of Nigeria

AMCON was established on 19 July 2010, pursuant to the Asset Management Corporation of Nigeria Act No. 4, 2010 (the "**AMCON Act**"). AMCON was established in response to the 2009 Nigerian banking sector crisis, as a resolution and recapitalisation vehicle to acquire eligible bank assets ("**EBAs**") of Nigerian banks and provide financial accommodation towards recapitalisation of the Intervened Banks. By acquiring NPLs from DMBs, and recapitalising banks with negative Net Asset Value, AMCON provided liquidity and capital to the system, strengthened banks' balance sheets, facilitated M&A transactions, stimulated lending and confidence and created an avenue for loan restructuring for borrowers.

Since its inception, AMCON has purchased 12,743 NPLs and eligible bank assets worth ₦3.8 trillion from 22 financial institutions for ₦1.8 trillion. The corporation injected ₦2.2 trillion into 10 banks, capitalising three and provided financial accommodation to five. AMCON has resolved about 4,000 EBAs out of the 12,743 EBAs bought while more than 8,000 EBAs are still outstanding. The corporation reportedly has 71 EBAs currently under receivership.

In July 2010, the CBN agreed with the then-existing 24 DMBs in Nigeria to establish a sinking fund, the Banking Sector Resolution Cost Fund, to cover any net deficits incurred by AMCON. Each such DMB agreed to contribute, for each of the next 10 years, 0.3 per cent. of its total assets as at the date of its audited financial statements for the immediately preceding financial year to the sinking fund. The CBN agreed to contribute ₦50.0 billion per year to the sinking fund. AMCON intends to use the sinking fund, plus recoveries earned on the NPLs purchased from the banks, proceeds from the sale of its holding in the Intervened Banks, as well as acquired bridge banks, and foreclosures of collaterals of debtors who cannot redeem their debt, to repay the AMCON bonds at maturity. The memorandum of understanding between the CBN and the relevant DMBs for the "Banking Sector Resolution Cost Trust Fund" (the "**BSRCTF**"), which set out the above arrangements, was signed in January 2011. The sinking fund is managed by a board of trustees independent of AMCON and the fund constitutes up to 65 per cent. of AMCON's cash flows.

To give the sinking fund legislative backing, the Asset Management Corporation of Nigeria (Amendment) Act, 2015 was enacted on 26 May 2015. By virtue of the provisions of this legislation, every licensed bank, including the Bank, is required to contribute an amount equal to 0.5 per cent. of its total assets as of the date of its audited financial statements, which shall be payable on or before 30 April in each calendar year commencing in the 2014 calendar year, and for every calendar year during the tenor. The obligation of the Bank to contribute to the sinking fund will have the effect of reducing its net earnings.

The Government estimates the total net cost to recapitalise the banks and recover the bad debts and NPLs will be between ₦1.0 trillion to ₦1.5 trillion, most of which the Government expects to recover from the Banking Sector Resolution Cost Sinking Fund, recoveries from the bad debts and NPLs, and dividends paid on any equity capital injected into banks participating in the AMCON scheme.

In May 2013, AMCON announced a plan for repaying or refinancing its ₦5.6 trillion zero coupon bonds maturing in 2013 and 2014. Accordingly, in December 2013, AMCON issued ₦3.8 trillion 6.0 per cent. fixed rate redeemable notes to the CBN in a bilateral transaction. Proceeds of the notes issuance were used to refinance part of the Corporation's outstanding bonds. Series I bonds (with face value of ₦1.7 trillion) were redeemed at maturity in December 2013, while an early redemption of Series II – IV bonds (with total face value of ₦3.0 trillion) was undertaken also in December 2013. Currently, the CBN holds all of AMCON's outstanding liabilities of ₦3.8 trillion bonds due in 2023 and ₦500.0 billion debentures due in 2022.

AMCON's initial capital was provided by the CBN and the Federal Ministry of Finance. In addition, the Corporation has so far financed its operations utilising the proceeds from the issuance of Federal Government guaranteed debt securities as well as income from the management of EBAs and realisation of collateral.

In December 2016, as a measure to address the increase in NPLs, the CBN and the NDIC set up a joint committee to consider the potential need to establish a second AMCON to acquire NPLs from the banks, which would be funded by the private sector and pave the way for the gradual transition or folding up of the current AMCON. The CBN has also issued a "Supervisory Intervention" framework, and it is expected that the intervention will be dependent on the financial condition of the affected banks. In 2016, the CBN intervened to support Skye Bank Plc. The management of Skye Bank Plc has been changed and the CBN has provided a line of guarantee to creditors and depositors of Skye Bank Plc, although it has not yet been called on. The CBN has extended the guarantees for another year from July 2017.

As at 2017, the total collection in the BSRCF stood at ₦190.9 billion, and ₦228.3 billion in 2018. The carrying value of AMCON's liabilities increased from ₦4.5 trillion at the end of June 2018 to ₦5.4 trillion at the end of December 2018, arising from the Corporation's investment of ₦898.5 billion in Polaris Bank Limited. Polaris Bank Limited is a bridge bank established by the CBN following its regulatory action on Skye Bank Nigeria Plc to save depositors' funds and to ensure that the bank continued as a going concern, being a D-SIB.

In 2018, the CBN notified all DMBs that, due to an erroneous application of the definition of "Total Assets" to exclude off-balance sheet items, banks across the Nigeria had underpaid their contributions in 2016 and 2017. This was being computed as 0.05 per cent. of on-balance sheet assets plus 33.3 per cent. of eligible off-balance sheet commitment. However, the fee was revised to 0.05 per cent. of both on-balance sheet and off-balance sheet assets which is responsible for the increased AMCON costs.

Although s. 47 of the AMCON Act contemplates that AMCON will eventually be dissolved and wound up, there is no clear provision as to its lifespan or its dissolution date. The sinking fund created under the 2015 amendment of the Act (Banking Sector Resolution Cost Fund ("**BSRCF**") for the redemption of debt securities issued by AMCON has a tenor of 10 years "from the calendar year 2010" (that Act became law on 19 July 2010), which may be extended by the National Assembly for a further period of no more than five years. In December 2014, AMCON bonds were fully repaid to the public in a restructuring exercise that led to the conversion of ₦3.8 trillion into 6.0 per cent. AMCON Notes for the CBN to hold to maturity in 2023, as the sole investor. The possibilities are that when the corporation is dissolved, it may be (i) completely shut down, (ii) shut down and a new statutory undertaker body is created to inherit its remaining assets, or (iii) shut down with its assets sold to private sector funds.

In August 2019, the Asset Management Corporation of Nigeria (Amendment) Act (No. 2), 2019 was enacted, empowering AMCON to access the financial details of any of its debtors.

Non-interest Banking

In 2011, the CBN issued the "Guidelines for the Regulation and Supervision of Institutions Offering Non-Interest Financial Services in Nigeria". These guidelines provide the framework for the provision of non-interest banking (particularly Islamic banking) services in Nigeria and the licensing of such institutions. In February 2015, the CBN released the "Guidelines on the Governance of Financial Regulation Advisory Council of Experts for Non-Interest (Islamic) Financial Institutions in Nigeria" and in 2017, the CBN released the "Guidelines on the Regulation and Supervision of Non-interest (Islamic) Microfinance Banks in Nigeria". These guidelines focus on non-interest financial institutions ("**NIFIs**") operating under the principles of Islamic jurisprudence. Non-interest banking has been the subject of debate in Nigeria, on whether its religious connotations align with the constitutional secularity of the country. The guidelines provide for the establishment of an advisory body at the level of the CBN to provide assurance that the strategic direction and conduct of financial transactions of NIFIs are in compliance with the rules and principles underpinning their operations. The advisory body is called the Financial Regulation Advisory Council of Experts ("**FRACE**"). The guidelines also seek to define the working relationship between the FRACE and the individual Advisory Committee of Experts of NIFIs, among other functions.

Credit Bureaux in Nigeria

Rising levels of NPLs in the banking sector and the need for a central database from which credit information on prospective borrowers could be obtained led to the establishment of the Credit Risk Management System ("**CRMS**") by the CBN. The CRMS aims to gather information on a borrower's credit history from various sources, and analyse the merged information to form a comprehensive credit history for the borrower, which helps in ascertaining the creditworthiness of the borrower.

Previously, financial institutions in Nigeria had little information regarding the credit history of borrowers and principally relied on their own internal data, or shared data with other financial institutions as a business courtesy.

The CBN Act No. 7 of 2007 ("**CBN Act**") empowers the CBN to collect credit information on customers of banks and other financial institutions from any person or credit bureau, and to disclose such information collected as deemed appropriate. The CBN Act also requires banks to obtain credit information from the CBN before granting a loan, advance or credit facility to any customer of over ₦1.0 million or such other sums as may be set from time to time by the CBN. However, the "Guidelines for the Licensing, Operations and Regulation of Credit Bureaux and Credit Bureaux Related Transactions in Nigeria" issued by the CBN require banks to obtain credit reports from at least two credit bureaux before granting any facility to their customers.

Currently, the CRMS is web-enabled thus allowing banks and other stakeholders to directly access the CRMS database for the purpose of rendering the statutory returns or conducting status enquiries on borrowers.

In addition, the CBN has also licensed some private credit bureaux, including Credit Registry and XDS Credit Bureau, to provide credit information to banks and other entities that are registered with the relevant bureau. In a letter dated 14 March 2013, the CBN informed all credit bureaux in Nigeria of its revision of the existing "Guidelines for Licensing, Operations and Regulation of Credit Bureaux and Credit Bureaux Related Transactions in Nigeria" and released the exposure draft of the guidelines. The proposed changes in the exposure draft included a requirement that a data provider give notice to all its customers of its duty to report positive and negative information to a licensed bureau. In addition, the guidelines provide that the consent of the customer who is the subject of the data is not required where the credit report is required by law. Furthermore, the guidelines mandate banks to obtain credit reports for quarterly credit review from at least two licensed credit bureaux.

In May 2017, as part of its drive towards increasing the ease of doing business in Nigeria, the Credit Reporting Act ("**CRA**") was signed into law to replace the CBN guidelines on credit bureau and credit reporting. The key objectives of the CRA include: (i) facilitating and promoting access to credit; (ii) enhancing risk management in credit transactions; (iii) promoting responsibility in the credit market by encouraging responsible borrowing; and (iv) discouraging reckless credit granting by credit providers. The CRA also provides a framework for licensing credit bureaux including the terms and conditions upon which the licences may be suspended or revoked.

The CRA mandates all credit information providers to provide credit and credit-related information to credit bureaux upon entering into a credit-related transaction with their customers. The credit information providers are thereafter required to provide information on a periodic basis on the status of performance of such customer's obligations under the transaction. Additionally, a credit information provider does not require the consent of the customer in order to provide a credit bureau with information relating to such customer or client.

When credit information providers furnish the credit bureaux with the credit information of their customers or clients, the credit bureaux are authorised to disclose such information to "credit information users" who may require them. A credit information user must have entered into a data exchange agreement with a credit bureau before a person's credit information can be released by the credit bureaux to the credit information user. In the case of those credit information users who do not have data exchange agreements with the credit bureaux, such users must obtain the written consent of the relevant customer or client before such customer's information can be released to the credit information user.

National Collateral Registry

In May 2017, the Secured Transactions in Moveable Assets No. 3, 2017 ("**Collateral Registry Act**") was signed into law to replace the CBN directive and provide for the establishment of a National Collateral Registry within the CBN to register and store information on security interests created over movable assets. Under the Collateral Registry Act, when security is created, the secured creditor may perfect the security by filing the prescribed forms and other relevant information relating to the security interest at the National Collateral Registry. Under the Collateral Registry Act, where a registered security interest is transferred, the transfer is valid without the need to register an amendment financing statement with the National Collateral Registry. A registered security interest that is subsequently transferred has the same priority that it had at the time of the transfer. Upon registration of a security interest, all obligations (whether existing or future) secured by that security interest have the same priority.

To protect creditors, the Collateral Registry Act provides that the security interests created over movable assets in favour of creditors attach not only to the collateral itself, but also to all identifiable and traceable proceeds of the collateral. Even if the security interest was created before the collateral was turned into a mass or product, the security interest automatically continues in that mass or product. In this way, the Collateral Registry Act has given creditors a statutory right to trace and claim their security interests even if the essential character of the collateral materially changes.

Prudential Guidelines

As part of its initiative of enhancing the quality of banks in Nigeria and with a view to adhering to international best practices, the CBN issued revised prudential guidelines which came into effect on 1 July 2010. The CBN Prudential Guidelines revised the previous guidelines issued in November 1990 and aimed to address various key aspects of banks' operations such as risk management, corporate governance, know-your-customer, anti-money laundering, financing of terrorism and loan loss provisioning. The CBN Prudential Guidelines are to be regarded as minimum requirements, and licensed banks are required to implement more stringent policies and practices to enhance mitigation of risks. In addition to the CBN Prudential Guidelines, the CBN also prescribes certain mandatory ratios that must be maintained by Nigerian banks.

The CBN issued "Monetary, Credit, Foreign Trade and Exchange Policy Guidelines for Fiscal Years 2020/2021", which state that the CBN Prudential Guidelines shall, subject to review based on developments in the industry, continue to apply through 2020 and 2021 unless the CBN indicates otherwise.

Mandatory Ratios	**CBN Maximum/Minimum Mandatory Ratio Requirements**
Cash reserve ratio/requirement....................	27.5 per cent. of public sector deposits to be held at the CBN
Specified liquidity ratio..............................	30.0 per cent. of deposits
Specified capital adequacy ratio	10.0 / 15.0 per cent. of risk-weighted assets(1)
Guaranteed BAS/CPS to shareholders funds..	150.0 per cent. of shareholders' funds
Statutory minimum capital base..................	Minimum capital base (inclusive of reserves) of ₦25.0 billion
Long term equity investments.....................	25.0 per cent. of paid up capital and statutory reserves
Single exposure limit.................................	20.0 per cent. of shareholders' funds unimpaired by losses
Statutory limit to a single obligor.................	33 1/3 per cent. of a bank's off-balance sheet engagement
Large exposure limit..................................	Total of all large exposures cannot exceed eight times shareholders' funds unimpaired by losses
Total outstanding exposure to all tiers of government and their agencies......................................	10.0 per cent. of total credit portfolio

(1) A minimum regulatory capital adequacy ratio (CAR) of 15.0 per cent. will be applicable to banks with international authorisation and Systemically Important Banks (SIBs), while a CAR of 10.0 per cent. will be applicable to other banks.

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 factors to be taken into consideration in recognising losses on off-balance sheet engagements include the date the liability was incurred, expiration date, security pledge, performance of other facilities provided to the customer and perceived risk.

The CBN Prudential Guidelines prescribe a maximum tenure of 10 years for the chief executive officer of every bank. Under the CBN Prudential Guidelines, the CEO shall not qualify for appointment in his former bank or subsidiaries in any capacity until after three years following the expiration of his tenure as CEO. Non-executive directors may serve a maximum of 12 years on the board of directors of a bank under the CBN Prudential Guidelines.

Additionally, the CBN Prudential Guidelines require banks to rotate their firm of external auditors after the expiration of 10 years following the auditors' appointment. The auditors shall not be reappointed until an additional 10 year period has passed.

In August 2019, the CBN issued an exposure draft of Prudential Guidelines for DMBs following its review of the 2010 Guidelines, which, if effected would replace the "Monetary, Credit, Foreign Trade and Exchange Policy Guidelines for Fiscal Years 2020/2021". The draft guidelines differ from the CBN Prudential Guidelines in several respects. Under the current guidelines, Tier 2 capital of a DMB may be up to 100.0 per cent. of Tier 1 capital, but under the draft guidelines, Tier 2 capital will be limited to one third (33.3 per cent.) of Tier 1 capital. Furthermore, the draft guidelines stipulate that general provisions for credit facilities cannot form part of the Tier 2 capital. Additionally, where exposure to a particular sector is in excess of 30.0 per cent. of total credit facilities of a bank, the risk weight of the entire portfolio in that sector will be 150 per cent. The draft guidelines also increase the minimum capital requirements for D-SIBs to 16 per cent.

Legal and Regulatory Developments

In September 2019, the CBN issued the Regulation on Electronic Payments and Collections for Public and Private Sectors in Nigeria (the "**Regulation**"). The Regulation governs the operational procedures for end-to-end electronic payments and collections in Nigeria. The Regulation is a revision of the "Guidelines on Electronic Payment of Salaries, Pensions, Suppliers and Taxes in Nigeria", issued by the CBN in 2014, and seeks to ensure availability of safe, effective and efficient mechanisms for conveniently making and receiving all types of payments from any location and at any time, through multiple electronic channels. In the same month, the CBN issued the Guidelines on the Issuance and Treatment of Bankers Acceptances and Commercial Papers (the "**Guidelines**"). The Guidelines set uniform procedures for the issuance of Bankers Acceptances ("**BAs**") and Commercial Papers ("**CPs**") in Nigeria.

In May 2020, the CBN published the Guidelines on Operations of Electronic Payment Channels in Nigeria (the "**2020 Guidelines**"). The 2020 Guidelines provides guidelines on Automated Teller Machine ("**ATM**") operations, point-of-sale ("**POS**") card acceptance services, mobile POS ("**MPOS**") acceptance services and web acceptance services in Nigeria.

TAXATION

Potential investors and sellers of Notes should be aware that they may be required to pay stamp taxes or other documentary taxes or fiscal duties or charges in accordance with the laws and practices of the country where the Notes are transferred or other jurisdictions. In addition, payments of interest on the Notes, or income derived from the Notes, may be subject to taxation, including withholding taxes, in the jurisdiction of the Issuer, in the jurisdiction of the holder of Notes, or in other jurisdictions in which the holder of Notes is required to pay taxes. Any such tax consequences may have an impact on the net income received from the Notes.

Prospective investors should carefully consider the tax consequences of investing in the Notes and consult their own tax adviser about their own tax situation. Finally, potential investors should be aware that tax regulations and their application by the relevant taxation authorities change from time to time, with or without retroactive effect. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time.

The following is a general description of certain Dutch, Nigerian and United States tax considerations relating to the Notes and the Senior Note. It does not purport to be a complete analysis of all tax considerations relating to the Notes and the Senior Note, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the Senior Note, and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

Also investors should note that the appointment by an investor in Notes, or any person through which an investor holds Notes, of a custodian, collection agent or similar person in relation to such Notes in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment.

The Netherlands

Scope of Discussion

The following is a general summary of certain material Dutch tax consequences of the acquisition, holding and disposal of the Notes. This summary does not purport to describe all possible tax considerations or consequences that may be relevant to a holder or prospective holder of Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as trusts or similar arrangements) may be subject to special rules. In view of its general nature, this general summary should be treated with corresponding caution.

This summary is based on the tax laws of the Netherlands, published regulations thereunder and published authoritative case law, all as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. Where the summary refers to "the Netherlands" or "Dutch" it refers only to the part of the Kingdom of the Netherlands located in Europe.

This discussion is for general information purposes only and is not Dutch tax advice or a complete description of all Dutch tax consequences relating to the acquisition, holding and disposal of the Notes. Holders or prospective holders of Notes should consult their own tax advisers regarding the Dutch tax consequences relating to the acquisition, holding and disposal of the Notes in light of their particular circumstances.

Withholding tax

Non-related holders of Notes

All payments made by the Issuer under the Notes to holders of Notes other than holders that are related entities (within the meaning of the Dutch Withholding Tax Act 2021; *Wet bronbelasting 2021*) (see below) in respect of the Issuer 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.

Entities related to the Issuer

Payments made by the Issuer under the Notes to holders of Notes that are related entities (within the meaning of the Dutch Withholding Tax Act 2021) (see below) in respect of the Issuer may become subject to Dutch withholding tax at a rate of 25 per cent. (rate for 2021), if such related entity:

(i) is considered to be resident (*gevestigd*) in a jurisdiction that is listed in the yearly updated Dutch Regulation on low-taxing states and non-cooperative jurisdictions for tax purposes (*Regeling laagbelastende staten en niet-coöperatieve rechtsgebieden voor belastingdoeleinden*) (a "Listed Jurisdiction"); or

(ii) has a permanent establishment located in a Listed Jurisdiction to which the interest payment is attributable; or

(iii) is entitled to the interest payment for the main purpose or one of the main purposes to avoid taxation for another person; or

(iv) is a hybrid entity (a hybrid mismatch), or

(v) is not resident in any jurisdiction,

all within the meaning of the Dutch Withholding Tax Act 2021.

Listed Jurisdiction

For the fiscal year 2021, the following 23 jurisdictions are Listed Jurisdictions: American Samoa, Anguilla, Bahamas, Bahrain, Barbados, Bermuda, the British Virgin Islands, the Cayman Islands, Fiji, Guam, Guernsey, Isle of Man, Jersey, Palau, Panama, Samoa, Seychelles, Trinidad and Tobago, Turkmenistan, Turks and Caicos Islands, Vanuatu, the United Arab Emirates and the U.S. Virgin Islands.

Related entity

For purposes of the Dutch Withholding Tax Act 2021, an entity is considered a related entity if:

(i) such entity has a Qualifying Interest (as defined below) in the Issuer;

(ii) the Issuer has a Qualifying Interest in such entity; or

(iii) a third party has a Qualifying Interest in both the Issuer and such entity.

The term "**Qualifying Interest**" means a directly or indirectly held interest – either individually or jointly as part of a collaborating group (*samenwerkende groep*) – that confers a definite influence over the entity's decisions and allows the holder of such interest to determine its activities (within the meaning of case law of the European Court of Justice on the freedom of establishment (*vrijheid van vestiging*)).

Taxes on income and capital gains

Please note that the summary in this section does not describe the Dutch tax consequences for:

(i) holders of Notes if such holders, and in the case of individuals, such holder's partner or certain of their relatives by blood or marriage in the direct line (including foster children), have a substantial interest (*aanmerkelijk belang*) or deemed substantial interest (*fictief aanmerkelijk belang*) in the Issuer under the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*). Generally speaking, a holder of securities in a company is considered to hold a substantial interest in such company, if such holder alone or, in the case of individuals, together with such holder's partner (as defined in the Dutch Income Tax Act 2001), directly or indirectly, holds (i) an interest of 5 per cent. or more of the total issued and outstanding capital of that company or of 5 per cent. or more of the issued and outstanding capital of a certain class of shares of that company; or (ii) rights to acquire, directly or indirectly, such interest; or (iii) certain profit sharing rights in that company that relate to 5 per cent. or more of the company's annual profits or to 5 per cent. or more of the company's liquidation proceeds. A deemed substantial interest may arise if a substantial interest (or part thereof) in a company has been disposed of, or is deemed to have been disposed of, on a non-recognition basis;

(ii) pension funds, investment institutions (*fiscale beleggingsinstellingen*), exempt investment institutions (*vrijgestelde beleggingsinstellingen*) (as defined in the Dutch Corporate Income Tax Act 1969; *Wet op de vennootschapsbelasting* 1969) and other entities that are, in whole or in part, not subject to or exempt from Dutch corporate income tax; and

(iii) holders of Notes who are individuals for whom the Notes or any benefit derived from the Notes are a remuneration or deemed to be a remuneration for activities performed by such holders or certain individuals related to such holders (as defined in the Dutch Income Tax Act 2001).

Dutch Resident Entities

Generally speaking, if the holder of Notes is an entity that is a resident or deemed to be resident of the Netherlands for Dutch corporate income tax purposes (a "**Dutch Resident Entity**"), any payment under the Notes or any gain or loss realised on the disposal or deemed disposal of the Notes is subject to Dutch corporate income tax at a rate of 15 per cent. with respect to taxable profits up to €245,000 and 25 per cent. with respect to taxable profits in excess of that amount (rates and brackets for 2021).

Dutch Resident Individuals

If the holder of Notes is an individual resident or deemed to be resident of the Netherlands for Dutch income tax purposes (a "Dutch Resident Individual"), any payment under the Notes or any gain or loss realised on the disposal or deemed disposal of the Notes is taxable at the progressive Dutch income tax rates (with a maximum of 49.5 per cent. in 2021), if:

(i) the Notes are attributable to an enterprise from which the holder of Notes derives a share of the profit, whether as an entrepreneur (*ondernemer*) or as a person who has a co-entitlement to the net worth (*medegerechtigd tot het vermogen*) of such enterprise without being a shareholder (as defined in the Dutch Income Tax Act 2001); or

(ii) the holder of Notes is considered to perform activities with respect to the Notes that go beyond ordinary asset management (*normaal, actief vermogensbeheer*) or derives benefits from the Notes that are 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 Notes, such holder will be taxed annually on a deemed return (with a maximum of 5.69 per cent. in 2021) on the individual's net investment assets (*rendementsgrondslag*) for the year, insofar the individual's net investment assets for the year exceed a statutory threshold (*heffingvrij vermogen*). The deemed return on the individual's net investment assets for the year is taxed at a rate of 31 per cent.. Actual income, gains or losses in respect of the Notes are as such not subject to Dutch income tax.

The net investment assets for the year are the fair market value of the investment assets less the allowable liabilities on 1 January of the relevant calendar year. The Notes are included as investment assets. For the net investment assets on 1 January 2021, the deemed return ranges from 1.90 per cent. up to 5.69 per cent. (depending on the aggregate amount of the net investment assets of the individual on 1 January 2021). The deemed return will be adjusted annually on the basis of historic market yields.

Non-residents of the Netherlands

A holder of Notes that is neither a Dutch Resident Entity nor a Dutch Resident Individual will not be subject to Dutch taxes on income or capital gains in respect of any payment under the Notes or in respect of any gain or loss realised on the disposal or deemed disposal of the Notes, provided that:

(i) such holder does not have an interest in an enterprise or deemed enterprise (as defined in the Dutch Income Tax Act 2001 and the Dutch Corporate Income Tax Act 1969) which, in whole or in part, is either effectively managed in the Netherlands or carried on through a permanent establishment, a deemed permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise the Notes are attributable; and

(ii) in the event the holder is an individual, such holder does not carry out any activities in the Netherlands with respect to the Notes that go beyond ordinary asset management and does not derive benefits from the Notes that are taxable as benefits from other activities in the Netherlands.

Gift and inheritance taxes

Residents of the Netherlands

Gift or inheritance taxes will arise in the Netherlands with respect to a transfer of the Notes by way of a gift by, or on the death of, a holder of Notes who is resident or deemed resident of the Netherlands at the time of the gift or such holder's death.

Non-residents of the Netherlands

No gift or inheritance taxes will arise in the Netherlands with respect to a transfer of the Notes by way of a gift by, or on the death of, a holder of Notes who is neither resident nor deemed to be resident of the Netherlands, unless:

(i) 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 of the Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident of the Netherlands; or

(ii) in the case of a gift of a Note is made under a condition precedent, the holder of the Notes is resident or is deemed to be resident of the Netherlands at the time the condition is fulfilled; or

(iii) the transfer is otherwise construed as a gift or inheritance made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident of the Netherlands.

For purposes of Dutch gift and inheritance taxes, amongst others, a person that holds the Dutch nationality will be deemed to be resident of the Netherlands if such person has been a resident of the Netherlands at any time during the ten years preceding the date of the gift or such person's death. Additionally, for purposes of Dutch gift tax, amongst others, a person not holding the Dutch nationality will be deemed to be resident of the Netherlands if such person has been a resident of the Netherlands at any time during the twelve months preceding the date of the gift. Applicable tax treaties may override deemed residency.

Value added tax (VAT)

No Dutch VAT will be payable by a holder of Notes on (i) any payment in consideration for the issue of the Notes or (ii) the payment of interest or principal by the Issuer under the Notes.

Other taxes and duties

No Dutch registration tax, stamp duty or any other similar documentary tax or duty will be payable by a holder of Notes in respect of (i) the issue of the Notes or (ii) the payment of interest or principal by the Issuer under the Notes.

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 advisers 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

Being a non-Nigerian company, the Issuer (together with its activities and the Notes) is only subject to Nigerian tax laws in limited circumstances as discussed subsequently. Payments of principal and interest on the Notes to an individual who is a non-resident of Nigeria or to a legal entity that is not incorporated in Nigeria or otherwise has no significant economic 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 otherwise has a significant economic 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 where such income is brought into Nigeria through government-approved banking channels (i.e. commercial banks and other entities licensed to deal in foreign exchange). In those instances, such income will be exempt from tax in Nigeria.

There is no capital gain payable upon the disposal of any Nigerian government securities, stocks or shares in Nigeria under the provisions of the Capital Gains Tax Act C1 LFN 2004, as amended (the "**CGT Act**"), but there is capital gains tax on disposal of corporate bonds or other debt instruments not issued by the Federal Government of Nigeria. Although it appears that capital gains tax may, in the near future, no longer be payable on the disposal of corporate bonds or other non-governmental debt instruments given that the Federal Government has approved a waiver of capital gains tax on gains realised from the disposal of corporate bonds, the legislative and administrative processes required to give legal effect to the waiver have not yet been implemented. Even if the Federal Government waiver was to become effective, it is unclear from the Federal Government approval whether the exemption will extend to bonds issued by non-Nigerian corporates such as the Issuer. The CGT Act states that any gain paid, used or enjoyed in or in any manner or form transmitted or brought into Nigeria shall be treated as derived from Nigeria for the purpose of the CGT Act. Disposals of the Notes by a Nigerian Holder or an individual, trust or corporate Noteholder who is in Nigeria for a period or aggregate of the periods in a year of assessment exceeding 182 days will be subject to capital gains tax in Nigeria at the rate of 10 per cent. if any portion of the gain from the disposal is brought into Nigeria, even if such individual Noteholder is in Nigeria for a temporary purpose and has no view or intent to establish residence 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 Senior Note from the Bank to the Issuer

Under Nigerian law, income accruing in, derived from, brought into, or received in Nigeria in respect of dividends, interest, royalties, discounts, charges or annuities is subject to tax. Interest shall be deemed to be derived from Nigeria if:

(a) there is a liability to payment of the interest by a Nigerian company or a company in Nigeria regardless of where or in what form the payment is made; or

(b) the interest accrues to a foreign company or person from a Nigerian company or a company in Nigeria regardless of whichever way the interest may have accrued.

In addition, whilst there is no capital gains tax payable upon the disposal of any Nigerian government securities, stocks or shares in Nigeria under the provisions of the CGT Act, there is capital gains tax on disposal of corporate bonds or other debt instruments not issued by the Federal Government of Nigeria. Although, it appears capital gains tax may in the nearest future no longer be payable on corporate bonds or other non-governmental debt instruments given that Federal Government has approved a waiver of capital gains tax but the legislative and administrative processes required to give legal effect to the waiver has not yet been implemented. The CGT Act states that any gain paid, used or enjoyed in or in any manner or form transmitted or brought to Nigeria shall be treated as derived from Nigeria for the purposes of the CGT Act. With regards to an individual who is in Nigeria for some temporary purpose only and not with any view or intent to establish his residence in Nigeria, such gain will be subject to tax if the period or sum of the periods for which he is present in Nigeria in that year of assessment exceeds 182 days.

With particular reference to the Senior Note, interest payments thereunder from Nigerian subsidiaries to the Issuer will be treated as income "derived from" Nigeria and should therefore ordinarily be liable to withholding tax at a reduced rate of about 7.5 per cent. pursuant to the double taxation agreement between the Netherlands and Nigeria.

By Article 11(2) of the Nigeria-Netherlands Double Taxation Treaty (1991) (the "**DTT**"), income taxes charged on interests paid out of Nigeria to residents of the Netherlands may be taxed in accordance with Nigerian law but the tax rate may not exceed 12.5 per cent. Under the Companies Income Tax Act, 1977, as amended ("**CITA**"), the corporate Nigerian resident making interest payment to a Netherlands corporate resident is required to withhold (and remit to the Federal Inland Revenue Service ("**FIRS**")) 7.5 per cent. of the total amount of interest being paid. This withholding tax rate of 7.5 per cent. is pursuant to CITA and the DTT. The rate is also contained in circular No. 9302 of March 1993 (Taxation of Non-Residents in Nigeria), and more recently, circular No. 2019/03 of December 2019 (Information Circular on the Claim of Tax Treaties Benefits in Nigeria). Under CITA, withholding tax remitted to FIRS on payments made to non-resident entity is final tax, unless such entity has other tax obligations.

The Federal Government has issued the Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order 2011 which exempts, among other things, bonds issued by corporate bodies and interest payments thereon from companies' income tax for a period of 10 years from the commencement date of the Order, being 2 January 2012 (the "**Exemption Period**"). In addition, by the combined effect of the Finance Act 2019 and 2020, securities are specifically excluded from the application of Value Added Tax ("**VAT**").

Therefore, the interest payment from the Bank to the Issuer will not be liable to any form of taxation in Nigeria during the above-mentioned Exemption Period.

The foregoing notwithstanding, there is a risk that the above tax treatment of the Senior Note could be adversely affected or otherwise challenged on account of certain factors. Primarily, the Exemption Order does not clarify what would constitute a "bond" for the purpose of the tax exemptions granted under it and the tax laws in Nigeria do not provide any guidance on this point. For instance, it is not clear whether the tax authorities in Nigeria will insist that, in order for a bond to qualify for the exemptions under the Exemption Order, such bond must first be approved or cleared (or exempt from approval or clearance) by the Nigerian SEC or must first satisfy some other regulatory or administrative processes or requirements. If the tax authorities in Nigeria were to take this extreme view with respect to the Senior Note, then interest payments on the Senior Note may become liable to withholding tax in Nigeria.

The Notes have a stated maturity of 16 February 2026. Therefore, in the event that the Senior Note continues to be outstanding at the time the Exemption Period ends (or is not extended), the Senior Note may be subject to withholding tax. However, the Bank has agreed in Condition 8(a) (*Additional Amounts and Indemnity Amounts—Additional Amounts*) of the Senior Note to gross up for any withholding or other taxes and pay such additional amounts as shall be necessary to ensure that the net amount received by the Issuer after the withholding or deduction shall equal the respective amount which would have been receivable in respect of the Senior Note in the absence of the withholding or deduction. See "*Senior Note—Condition 8(a)* (*Additional Amounts and Indemnity Amounts—Additional Amounts*)".

Stamp Duties

Stamp duty is payable in Nigeria either on a flat rate or *ad valorem* basis. The Senior Note, the Notes, the Trust Deed, the Agency Agreement and the Subscription Agreement (as defined below) are intended to be executed and held outside of Nigeria and are not required to be stamped in Nigeria. However, if any such documentation is brought into, received in or deemed to be received in Nigeria for the purpose of admission in evidence before a Nigerian court and enforcement by such courts, or for any purpose whatsoever, such document(s) will be required to be stamped within 30 days of being brought into, received in or deemed to be received in Nigeria and will be subject to the payment of the relevant rate of stamp duty, assessed by the Nigerian Commissioner for Stamp Duties as prescribed by the Stamp Duties Act.

By the combined effect of the Finance Act 2019 and the FIRS Information Circular on the Clarifications on the Provisions of the Stamp Duties Act, any document executed outside Nigeria will be deemed to be received in Nigeria (and hence liable to stamping and stamp duty as stated above) if: (a) such document is retrieved or accessed electronically in or from Nigeria; (b) such document (or an electronic copy of it) is stored on a device (including a computer, magnetic storage etc.) and brought into Nigeria; or (c) such document (or an electronic copy of it) is stored on a device or computer in Nigeria. Failure to stamp a document would not affect the validity of such document but would render it inadmissible in any civil or arbitration proceedings in Nigeria for the purpose of enforcement.

Based on the schedule to the Stamp Duties Act, the maximum rate of stamp duty payable in Nigeria in respect of the security documents securing payment or repayment of money (where the security is not a marketable security transferable by delivery) is 0.375 per cent. levied on an *ad valorem* basis on the value of the underlying transaction. However, based on current practice in Nigeria, it is unclear whether stamp duty will be assessed on the Trust Deed on an *ad valorem* or nominal basis. However, it is more likely that stamp duty will be assessed on the Trust Deed at an *ad valorem* rate of 0.375 per cent. since the Notes are secured.

Pursuant to the Stamp Duties Act and only in the event that the Senior Notes or the Notes are brought into or received in Nigeria, the stamp duty payable on the issuance of the securities transferable by delivery is 2.25 per cent. however, with respect to marketable securities that are not transferable by delivery, and again only in the event that the Notes are brought into Nigeria, the applicable rate of stamp duties is 0.375 per cent.

See "*Risk Factors—Risks Relating to the Senior Note, the Notes and the Trading Market—Risks related to the Notes generally*".

Other Taxes and Duties

Save as set out above, no 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.

Certain U.S. Federal Income Tax Considerations

The discussion of tax matters in this Prospectus is not intended or written to be used by any person for the purpose of avoiding U.S. federal, state or local tax penalties, and was written to support the promotion or marketing of the Notes. Each taxpayer should seek advice based on such person's particular circumstances from an independent tax adviser.

The following is a general description of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of the Notes. Except as specifically noted below, this discussion applies only to:

- Notes purchased in this offering at their issue price;
- Notes held as capital assets (generally, property held for investment); and
- U.S. Holders (as defined below).

This discussion does not describe all of the tax consequences that may be relevant in light of a Noteholder's particular circumstances or to Noteholders subject to special rules, such as certain financial institutions, insurance companies, real estate investment trusts, regulated investment companies, investors liable for the alternative minimum tax, certain U.S. expatriates, individual retirement accounts and other tax-deferred accounts, partnerships or other pass-through entities for U.S. federal income tax purposes, tax-exempt organisations, dealers in securities or currencies, securities traders that elect mark-to-market tax accounting, investors using the accrual method of accounting for U.S. federal income tax purposes and who are required to recognise income for such purposes no later than when such income is taken into account on an applicable financial statement, investors that will hold the Notes as part of constructive sales, straddles, hedging, integrated or conversion transactions for U.S. federal income tax purposes or investors whose "**functional currency**" is not the U.S. dollar.

This summary is based on the U.S. Internal Revenue Code of 1986, as amended to the date hereof (the "**Code**"), administrative pronouncements, judicial decisions and final, temporary and proposed U.S. Treasury Regulations all as of the date of this Prospectus and any of which may at any time be repealed, revised or subject to differing interpretation, possibly retroactively so as to result in U.S. federal income tax consequences different from those described below. Persons considering the purchase of the Notes should consult their tax advisers with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under other U.S. federal tax rules (such as the U.S. federal estate and gift taxes or the Medicare contribution tax) or the laws of any state, local or non-U.S. taxing jurisdiction.

As used herein, the term "**U.S. Holder**" means a beneficial owner of a Note that is for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organised in or under the laws of the United States or of any state thereof or the District of Columbia; or
- a trust or an estate the income of which is subject to U.S. federal income taxation regardless of its source.

If an entity or arrangement that is classified as a partnership for U.S. federal income tax purposes holds Notes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and upon the activities of the partnership. Partners of partnerships holding Notes should consult with their tax advisers regarding the U.S. federal tax consequences of an investment in the Notes.

Characterisation of the Notes

There are no regulations, published rulings or judicial decisions directly addressing the characterisation for U.S. federal income tax purposes of securities issued under the same circumstances and with substantially the same terms as the Notes. To the extent relevant, the Issuer intends to take the position, and the below discussion assumes that the Notes constitute debt of the Issuer for U.S. federal income tax purposes. However, no ruling will be sought from the U.S. Internal Revenue Service ("**IRS**") with respect to the characterisation of the Notes as debt or otherwise, and there can be no assurance that the IRS or the courts would agree with the characterisation of the Notes described below. If the IRS were to successfully assert a different characterisation, the Notes may be characterised as equity for U.S. federal income tax purposes or U.S. Holders may be treated as investing directly in the Senior Notes. If the Notes were treated as equity interests in the Issuer, U.S. Holders may be treated as owning interests in a "passive foreign investment company" (a "**PFIC**") and the U.S. Holders could be subject to a materially greater tax liability on gain from the sale or exchange of the Notes and certain "excess distributions." Prospective investors should consult their tax advisers regarding the characterisation of the Notes and the consequences of owning an equity interest in a PFIC. The Issuer also intends to take the position and the discussion below assumes that certain features of the Notes do not cause them to be "contingent payment debt instruments" for U.S. federal income tax purposes. If the Notes were subject to the contingent payment debt instrument rules, this would affect the character, timing and amount (in a given tax period) of income earned by a U.S. Holder, possibly negatively.

Payments of Stated Interest

It is expected, and therefore this discussion assumes, that the Notes will not be issued with original issue discount ("**OID**") for U.S. federal income tax purposes. In general, a payment of stated interest paid on a Note (including additional amounts, if any) will be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received in accordance with the U.S. Holder's regular method of accounting for U.S. federal income tax purposes. U.S. Holders should consult their own tax advisers about the U.S. federal income tax rules applicable to any taxes withheld from payments on the Notes as the relevant rules are very complex and the application of the rules to securities like the Notes is not entirely clear.

Interest income with respect to a Note will constitute foreign source ordinary income for U.S. federal income tax purposes, which may be relevant in calculating a U.S. Holder's foreign tax credit limitation. The rules governing foreign tax credits are complex and U.S. Holders should consult their own tax advisers regarding the availability of foreign tax credits in their particular circumstances.

Sale, Exchange or Retirement of the Notes

Upon the sale, exchange, redemption or retirement of a Note, a U.S. Holder will recognise U.S. source taxable gain or loss equal to the difference between the amount realised on the sale, exchange, redemption or retirement and the U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note generally will equal the acquisition cost of the Note. For these purposes, the amount realised does not include any amount attributable to accrued but unpaid stated interest on the Note, which is treated like payments of interest as described under "—*Payments of Stated Interest*." Gain or loss realised on the sale, exchange, redemption or retirement of a Note will be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange, redemption or retirement the U.S. Holder has held the Note for more than one year. Long-term capital gains recognised by a non-corporate U.S. Holder generally are subject to U.S. federal income taxation at preferential rates. The deductibility of capital losses is subject to limitations.

Substitution of Issuer

The terms of the Notes provide that, in certain circumstances, the obligations of the Issuer under the Notes may be assumed by another entity (See "*Terms and Conditions of the Notes*", Condition 10). Any such assumption might be treated for U.S. federal income tax purposes as a deemed disposition of the Notes by a U.S. Holder in exchange for new notes issued by the new obligor. As a result of this deemed disposition, a U.S. Holder could be required to recognise capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the issue price of the new notes (as determined for U.S. federal income tax purposes) and the U.S. Holder's adjusted tax basis in the Notes. U.S. Holders should consult with their tax advisers concerning the U.S. federal income tax consequences to them of a change in obligor with respect to the Notes.

Further Issues

The Issuer may issue additional Notes as described under Condition 16 (*Further Issues*) of the Terms and Conditions of the Notes. These additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such case, the additional Notes may be considered to have OID which may affect the market value of the original Notes if the additional Notes are not otherwise distinguishable from the original Notes.

Information Reporting and Backup Withholding

Information returns may be filed with the IRS in connection with payments on the Notes and the proceeds from a sale or other disposition of the Notes, unless a U.S. Holder establishes that it is an exempt recipient. A U.S. Holder may be subject to U.S. backup withholding on payments subject to information reporting if it fails to provide its tax identification number and comply with certain certification procedures. The amount of any backup withholding from a payment to a U.S. Holder 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, *provided that* the required information is timely furnished to the IRS.

U.S. Holders should consult their tax advisers about any reporting or filing obligations that apply as a result of the holding or disposition of the Notes. Failure to comply with certain reporting obligations could result in the imposition of substantial penalties.

CERTAIN ERISA CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), impose certain restrictions on (i) employee benefit plans (as defined in Section 3(3) of ERISA) that are subject to Title I of ERISA, (ii) plans (as defined in Section 4975(e)(1) of the Code) that are subject to Section 4975 of the Code, including individual retirement accounts and Keogh plans, (iii) persons and entities whose underlying assets include, or are deemed to include pursuant to the U.S. Department of Labor regulation at 29 C.F.R. § 2510.3-101, as modified by Section 3(42) of ERISA (the "**Plan Asset Regulation**"), or otherwise for purposes of Title I of ERISA or Section 4975 of the Code, "**plan assets**" by reason of any such employee benefit plans or plan's investment in such the person or (each of the foregoing, a "**Plan**") and (iv) persons who have certain specified relationships to a Plan or its assets ("**parties in interest**" under Section 3(14) of ERISA and "**disqualified persons**" under the Section 4975 of the Code; collectively, "**Parties in Interest**"). ERISA also imposes certain duties on persons who are fiduciaries of Plans subject to ERISA, and ERISA and Section 4975 of the Code prohibit certain transactions between a Plan and its Parties in Interest. Violations of these rules may result in the imposition of excise taxes and other penalties and liabilities under ERISA and the Code.

Parties in Interest that participate in a prohibited transaction may be subject to penalties imposed under ERISA and/or excise taxes may be imposed pursuant to Section 4975 of the Code, unless a statutory or administrative exemption is available. These prohibited transactions generally are set forth in Section 406 of ERISA and Section 4975 of the Code. Certain employee benefit plans, including governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA), and non-U.S. plans (as described in Section 4(b)(4) of ERISA) are not subject to the fiduciary responsibility and prohibited transaction rules of ERISA or the Code but may be subject to a U.S. federal, state, local or non-U.S. law or regulation that contains one or more provisions that are substantially similar to the foregoing provisions of ERISA and the Code ("**Similar Law**").

Under the Plan Asset Regulation, if a Plan invests in an "*equity interest*" of an entity (which is an interest other than an instrument that is treated as indebtedness under applicable local law and which has no substantial equity features) that is neither a "*publicly offered security*" nor a security issued by an investment company registered under the Investment Company Act, the Plan's assets include both the equity interest and an undivided economic interest in each of the entity's underlying assets, unless it is established that the entity is an "*operating company*" (which is as an entity that is primarily engaged, directly or through a majority-owned subsidiary or subsidiaries, in the production or sale of a product or service other than the investment of capital) or that equity participation in the entity by "*Benefit Plan Investors*" is not "*significant*".

A "**Benefit Plan Investor**" means a Plan. The Plan Asset Regulation generally defines equity participation in an entity by Benefit Plan Investors as "*significant*" if 25 per cent. or more of the total value of any class of equity interest in the entity is held by Benefit Plan Investors, excluding the value of any equity interest held by persons, other than Benefit Plan Investors, that have discretionary authority or control over the assets of the entity, or that provide investment advice with respect to such assets for a fee, directly or indirectly, or "affiliates" within the meaning of paragraph (f)(3) of the Plan Asset Regulation of the foregoing persons.

If the assets of the Trustee were deemed to be "plan assets" of a Plan, the Trustee would be subject to certain fiduciary obligations under ERISA and certain transactions that the Trustee might enter into, or may have entered into, in the ordinary course of business might constitute or result in non-exempt prohibited transactions under ERISA or Section 4975 of the Code and might have to be rescinded.

ERISA Transfer Restrictions

Plans may not purchase or hold any interest in a Note. Accordingly, each purchaser or transferee of the Notes (or any interest therein) will be deemed to have acknowledged, represented and agreed that (a) it is not and is not acting on behalf of and will not be a Plan; (b) if it is an employee benefit plan subject to any Similar Law, the purchase and holding of the Notes (or any interest therein) does not and will not violate any such Similar Law; and (c) it will not sell or otherwise transfer any such Note (or any interest therein) to any person unless the same foregoing representations and warranties apply to that person. Any purchase by or transfer to a person described in clause (a) above will be null and void *ab initio*.

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 ADVISERS PRIOR TO INVESTING IN THE NOTES TO REVIEW THESE IMPLICATIONS IN LIGHT OF SUCH INVESTOR'S PARTICULAR CIRCUMSTANCES.

SUBSCRIPTION AND SALE

The Joint Lead Managers have, pursuant to a subscription agreement dated 15 February 2021 (the "**Subscription Agreement**"), severally and not jointly agreed with the Issuer and the Bank, subject to the satisfaction of certain conditions, to subscribe the Notes at the issue price of 100.000 per cent. of their principal amount of U.S.$300,000,000. Each of the Joint Lead Managers has agreed severally and not jointly to purchase from the Issuer the principal amount of Notes set forth opposite its name below:

Joint Lead Manager	Purchase Commitment (U.S.$)
Citigroup Global Markets Europe AG	75,000,000
Mashreqbank psc	75,000,000
Renaissance Securities (Cyprus) Limited	75,000,000
Standard Chartered Bank	75,000,000
Total	**300,000,000**

The Issuer has agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the issue of the Notes. The Subscription Agreement entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer. The Issuer and the Bank have agreed in the Subscription Agreement to indemnify the Joint Lead Managers against certain liabilities.

The Notes are a new issue of securities for which currently there is no market. Certain of the Joint Lead Managers have advised the Issuer that following the completion of the offering of the Notes, they may make a market in the Notes. They are not obligated to do so, however, and any market-making activities with respect to the Notes may be discontinued at any time at their sole discretion without notice. In addition, such market-making activity will be subject to the limits imposed by the Securities Act, the Exchange Act and any other applicable laws. Accordingly, the Issuer cannot give any assurance as to the development of any market or the liquidity of any market for the Notes.

In connection with the offering of the Notes, the Joint Lead Managers may engage in over-allotment, stabilising transactions and syndicate covering transactions. Over-allotment involves sales in excess of the offering size, which creates a short position for the Joint Lead Managers. Stabilising transactions involve bids to purchase the Notes in the open market for the purpose of pegging, fixing or maintaining the price of the Notes. Syndicate-covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Any of these activities may prevent a decline in the market price of the Notes, and may also cause the price of the Notes to be higher than they would otherwise be in the absence of these transactions. The Joint Lead Managers may conduct these transactions in the OTC market or otherwise. If the Joint Lead Managers commence any of these transactions, they may discontinue them at any time.

The Joint Lead Managers and their affiliates may have performed certain investment and commercial banking or financial advisory services for the Issuer, the Bank and their affiliates from time to time, for which they have received customary fees and commissions, and they expect to provide these services to the Issuer, the Bank and their affiliates in the future, for which they expect to receive customary fees and commissions.

In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Bank or their affiliates. If the Joint Lead Managers or their affiliates have a lending relationship with the Issuer or the Bank, they routinely hedge their credit exposure to the Issuer or the Bank (as applicable) consistent with their customary risk management policies. Typically, the Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's or the Bank's (as applicable) securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

To the extent permitted by law, the Joint Lead Managers and the Issuer have agreed that commissions may be offered to certain brokers, financial advisers and other intermediaries in connection with the purchase of Notes by such intermediary and/or its customers. Any disclosure and other obligations in relation to the payment of such commission to such intermediary are solely the responsibility of the intermediary and none of the Joint Lead Managers, the Issuer, the Bank or any affiliate of any of them, nor any person who controls or is a director, officer, employee or agent of any such person accepts any liability or responsibility whatsoever for compliance with such obligations.

It is expected that delivery of the Notes will be made against payment on the Notes on or about 16 February 2021, which will be four business days (as such term is used for purposes of Rule 15c6-1 of the Exchange Act) in the United States following the date of pricing of the Notes (this settlement cycle is being referred to as T+4). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date hereof or the next succeeding business day will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisers.

United States

The Notes have not been, and will not be, registered under the Securities Act and, subject to certain exceptions, may not be offered or sold, directly or indirectly, into or within the United States or to, or for the account or benefit of, a "U.S. person" (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Joint Lead Manager has represented, warranted and agreed that, except as permitted by the Subscription Agreement, it will not offer, sell, pledge, transfer or deliver the Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (the "**distribution compliance period**") within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells Notes (other than a sale pursuant to Rule 144A) during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons substantially to the following effect:

*"The securities covered hereby have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold, directly or indirectly, into or within the United States or to, or for the account or benefit of, "U.S. persons", (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the* commencement *of the offering and the closing date, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used above have the meanings given to them by Regulation S under the Securities Act".*

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of the Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

The Subscription Agreement provides that each Joint Lead Manager may directly or through its U.S. broker dealer affiliate arrange for the offer and resale of Notes within the United States only to persons whom they reasonably believe are QIBs that are also QPs who can represent and warrant that (a) they are QPs that are QIBs within the meaning of Rule 144A; (b) they are not broker-dealers that own and invest on a discretionary basis less than U.S.$25 million in securities of unaffiliated issuers; (c) they are not participant-directed employee plans, such as a 401(k) plan; (d) they are acting for their own account, or the account of one or more QIBs, each of which is also a QP; (e) they are not formed for the purpose of investing in the Issuer or the Notes; (f) each account for which they are acquiring the Notes will hold and transfer at least U.S.$200,000 in principal amount of Notes at any time; (g) they understand that the Issuer may receive a list of participants holding positions in its securities from one or more book-entry depositaries; and (h) they will provide notice of the transfer restrictions set forth in this Prospectus to any subsequent transferees.

Terms used in this section have the meanings given to them by Regulation S or Rule 144A, as applicable, under the Securities Act.

The Issuer and the Joint Lead Managers reserve the right to reject any offer to acquire the Notes, in whole or in part, for any reason. This Prospectus does not constitute an offer to any person in the United States or to any U.S. person other than any QIB that is also a QP and to whom an offer has been made directly by one of the Joint Lead Managers or its U.S. broker-affiliate. Distribution of this Prospectus by any non-U.S. person outside the United States or by any QIB that is also a QP within the United States to any U.S. person or any person within the United States other than any QIB that is also a QP, and those persons, if any, retained to advise such person outside the United States or QIB that is also a QP with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or any person within the United States other than any QIB that is also a QP and those persons, if any, retained to advise such non-U.S. person outside the United States or QIB that is also a QP, is prohibited.

See also "*Transfer Restrictions*".

Prohibition of Sales to EEA Retail Investors

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a "**retail investor**" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of EU MiFID II; or (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II. Consequently no key information document required by the PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

United Kingdom

Prohibition of sales to United Kingdom Retail Investors

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For these purposes, a "**retail investor**" means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of UK MiFIR. Consequently no key information document required by the UK PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the United Kingdom has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.

Other regulatory restrictions

Each Joint Lead Manager has represented and agreed that:

(a) 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 the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Federal Republic of Nigeria

This Prospectus and the Notes have not been and will not be registered with the Nigerian SEC or under the Nigerian ISA. Further, neither this Prospectus nor any other offering material related to the Notes may be utilised in connection with any offering to the public within Nigeria, and the Notes may not be offered or sold within Nigeria to persons resident in Nigeria, except to the extent that the Notes have been registered with the Nigerian SEC and its written approval obtained in accordance with the provisions of the Nigerian ISA and other Nigerian securities law. The Notes may, however, be offered and sold in Nigeria in certain transactions exempt from the registration requirements of the Nigerian ISA. Accordingly, this Prospectus 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 Prospectus has been addressed as a private sale, or domestic concern, within the exemption and meaning of Section 69(2) of the Nigerian ISA.

Each Joint Lead Manager has agreed that, subject to the provisions of the Nigerian ISA and regulations made thereunder, it will not offer, sell or deliver the Notes, directly or indirectly, in Nigeria as part of their distribution at any time.

In addition, investors in Nigeria should note that in line with recent directives from the CBN, their ability to purchase foreign currency in Nigeria for the purpose of investing in foreign currency-denominated securities is now limited to the extent that they can no longer access the interbank market to purchase foreign currency for the purpose of purchasing the Notes. Such investors in Nigeria will need to source foreign currency from alternative sources available to them in order to purchase the Notes.

Singapore

Each Joint Lead Manager has acknowledged that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, the Prospectus or any document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**Securities and Futures Act**"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the Securities and Futures Act, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where the Notes are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the Securities and Futures Act) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the Securities and Futures Act except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the Securities and Futures Act, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the Securities and Futures Act; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

General

Each Joint Lead Manager has represented and agreed that no action has been or will be taken by any Joint Lead Manager in any jurisdiction that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action or approval for that purpose is required.

Each Joint Lead Manager has represented, warranted and agreed that it has, to the best of its knowledge and belief, complied and will comply in all material respects with applicable laws and regulations in each jurisdiction in which it offers, sells or delivers Notes or distributes this Prospectus (and any amendments thereof and supplements thereto) or any other offering or publicity material relating to the Notes, the Issuer or the Bank.

The Bank is a party to the Subscription Agreement and has given certain representations and warranties, covenants and indemnities to the Joint Lead Managers and the Issuer therein.

Other than the approval of the Prospectus by the CBN, no action has been or will be taken in any jurisdiction by the Issuer, the Bank or any Joint Lead Manager that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Prospectus comes are required by the Bank, the Issuer and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of each of DTC, Euroclear or Clearstream, Luxembourg (together, the "**Clearing Systems**") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but none of the Issuer nor any Joint Lead Manager takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of such facilities.

None of the Issuer 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 the Clearing Systems or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Custodial and depository links are to be established between the Clearing Systems to facilitate the initial issue of the Notes and cross market transfers of the Notes associated with secondary market trading. See "*—Book—Entry Ownership*" and "*—Settlement and Transfer of Notes*" below.

Investors may hold their interests in the Global Notes directly through DTC, Euroclear or Clearstream, Luxembourg if they are accountholders ("**Direct Participants**") or indirectly (*"Indirect Participants" and together with Direct Participants, "Participants"*) through organisations which are accountholders therein.

Book-Entry Systems

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. 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 customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations.

DTC

DTC is a limited purpose trust company organised under the laws of the State of New York, a "banking organisation" under the laws of the State of New York, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and to facilitate the clearance and settlement of securities transactions between Participants through electronic computerised book-entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, which clear through or maintain a custodial relationship with a DTC Direct Participant, either directly or indirectly.

Investors may hold their interests in the Restricted Global Note directly through DTC if they are Direct Participants in the DTC system, or as Indirect Participants through organisations which are Direct Participants in such system.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Direct Participants and only in respect of such portion of the aggregate principal amount of the Restricted Global Note as to which such Participant or Participants has or have given such direction. However, in the circumstances described under "*The Form of Global Notes*", DTC will surrender the Restricted

Global Note for exchange for Restricted Note Certificates (which Restricted Note Certificates will bear the legend applicable to transfers pursuant to Rule 144A).

Book-entry Ownership

Euroclear and Clearstream, Luxembourg

The Unrestricted Global Note representing the Unrestricted Notes will have an ISIN and a Common Code and will be registered in the name of a nominee for, and deposited with a common depositary on behalf of, Euroclear and Clearstream, Luxembourg. The address of Euroclear is 1 Boulevard du Roi Albert II, 1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855, Luxembourg.

DTC

The Restricted Global Note representing the Restricted Notes will have an ISIN, a Common Code, and a CUSIP number and will be deposited with a custodian (the "**DTC Custodian**") for, and registered in the name of Cede & Co. as nominee of, DTC. The DTC Custodian and DTC will electronically record the principal amount of the Notes held within the DTC system. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of the Clearing Systems as the holder of a Note evidenced by a Global Note must look solely to the Clearing Systems (as the case may be) for their share of each payment made by the Issuer to the holder of such Global Note and in relation to all other rights arising under such Global Note, subject to and in accordance with the respective rules and procedures of the relevant Clearing System. The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note, the common depositary by whom such Note is held, or the nominee in whose name it is registered, will immediately credit the relevant Participants' or accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note as shown on the records of the relevant common depositary or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in any Global Note held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note, and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note in respect of each amount so paid. None of the Issuer, the Trustee or any Agent (as defined in "*Terms and Conditions of the Notes*") will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Notes

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Notes on the clearing system's records. The ownership interest of each actual purchaser of each such Note (the "**Beneficial Owner**") will in turn be recorded on the Direct and Indirect Participants' records.

Beneficial Owners will not receive written confirmation from any clearing system 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 such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within the clearing system will be effected 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 such Notes, unless and until interests in any Global Note held within a clearing system are exchanged for Note Certificates.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system, and its records will reflect only the identity of the Direct Participants to whose accounts such 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 the clearing systems 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.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note to such persons may be limited. As DTC can only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, the ability of a person having an interest in the Restricted Global Note to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by a lack of physical certificate in respect of such interest.

Trading between Euroclear and/or Clearstream, Luxembourg Participants

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

Trading between DTC Participants

Secondary market sales of book-entry interests in the Notes between DTC Participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's same-day funds settlement system in same-day funds, if payment is effected in U.S. Dollars, or free of payment, if payment is not effected in U.S. Dollars. Where payment is not effected in U.S. Dollars, separate payment arrangements outside DTC are required to be made between the DTC Participants.

Trading between DTC seller and Euroclear/Clearstream, Luxembourg purchaser

When book-entry interests in Notes are to be transferred from the account of a DTC Participant holding a beneficial interest in the Restricted Global Note to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in the Unrestricted Global Note (subject to the certification procedures provided in the Agency Agreement), the DTC Participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream, Luxembourg Participant. On the settlement date, the DTC Custodian of the Restricted Global Note will instruct the Registrar to: (i) decrease the amount of Notes registered in the name of Cede & Co. and evidenced by the Restricted Global Note of the relevant class; and (ii) increase the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Unrestricted Global Note. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

Trading between Euroclear/Clearstream, Luxembourg seller and DTC purchaser

When book-entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC Participant wishing to purchase a beneficial interest in the Restricted Global Note (subject to the certification procedures provided in the Agency Agreement), the Euroclear or Clearstream, Luxembourg Participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7:45 p.m. (Brussels or Luxembourg time) one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depositary for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC Participant on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depositary for Euroclear and Clearstream, Luxembourg will: (a) transmit appropriate instructions to the DTC Custodian of the Restricted Global Note who will in turn deliver such book-entry interests in the Notes free of payment to the relevant account of the DTC Participant; and (b) instruct the Registrar to (i) decrease the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Unrestricted Global Note; and (ii) increase the amount of Notes registered in the name of Cede & Co. and evidenced by the Restricted Global Note.

Although the Clearing Systems have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in Global Notes among Participants and accountholders of the Clearing Systems, they are under no obligation to perform or continue to perform such procedure, and such procedures may be discontinued at any time. None of the Issuer, the Trustee or any Agent will have the responsibility for the performance by the Clearing Systems or their respective Direct or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

Pre-issue Trades Settlement

It is expected that delivery of the Notes will be made against payment therefor on the Closing Date, which could be more than two business days following the date of pricing. Under Rule 15c6-l under the Exchange Act, trades in the United States secondary market generally are required to settle within two business days (T+2), unless the parties to any such trade expressly agree otherwise.

Accordingly, purchasers who wish to trade the Notes in the United States on the date of pricing or the next succeeding business days until two days prior to the Closing Date will be required, by virtue of the fact the Notes initially will settle beyond T+2, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary.

Purchasers of the Notes may be affected by such local settlement practices, and purchasers of the Notes between the relevant date of pricing and the Closing Date should consult their own advisers.

TRANSFER RESTRICTIONS

Because of the following transfer restrictions, investors are advised to consult legal counsel prior to making any reoffer, resale, pledge, transfer or disposal of the Notes.

The Notes have not been, and will not be, registered under the Securities Act or the securities laws of any state or territory of the United States or any other jurisdiction and, therefore, the Notes may not be offered or sold, directly or indirectly, into or within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

A beneficial interest in the Unrestricted Global Note may be transferred to a person who wishes to take delivery of such beneficial interest through the Restricted Global Note in denominations greater than or equal to the minimum denominations applicable to interests in a Restricted Global Note and only upon receipt by the Registrar of a written certification from the transferor (in the form set out in the schedule to the Agency Agreement), to the effect that such transfer is being made to a person whom the transferor reasonably believes is a "qualified institutional buyer" as defined in Rule 144A that is also a "qualified purchaser" within the meaning of section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state or territory of the United States or any other jurisdiction. A beneficial interest in the Restricted Global Note may also be transferred to a person who wishes to take delivery of such beneficial interest through the Unrestricted Global Note only upon receipt by the Registrar of a written certification from the transferor (in the form set out in the schedule to the Agency Agreement) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available) under the Securities Act or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Any beneficial interest in either the Restricted Global Note or the Unrestricted Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in the other Global Note will, upon transfer, cease to be a beneficial interest in such Global Note and become a beneficial interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such other Global Note for so long as such person retains such an interest.

The Notes are being offered and sold in the United States only to qualified institutional buyers as defined in Rule 144A that are also "qualified purchasers" within the meaning of section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended, in reliance on Rule 144A. Because of the following restrictions, persons seeking to acquire Notes offered in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Notes.

Rule 144A Notes (Restricted Global Note)

Each purchaser of Notes offered hereby pursuant to Rule 144A will be deemed to have represented and agreed as follows (terms used herein that are defined in Rule 144A are used herein as defined therein):

(i) the purchaser (a) is a "qualified institutional buyer" (a "**QIB**") as defined in Rule 144A that is also a "qualified purchaser" (a "**QP**") within the meaning of section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended, (b) is not a broker-dealer that owns and invests on a discretionary basis less than U.S.$25 million in securities of unaffiliated issuers, (c) is not a participant-directed employee plan, such as a 401(k) plan, (d) is acquiring the Notes for its own account or for the account of another QIB that is also a QP (e) is not formed for the purpose of investing in the Notes or the Issuer, and (f) such person is aware that the offer and sale of the Notes to it is being made in reliance on Rule 144A;

(ii) the purchaser will (a) along with each account for which it is purchasing, hold and transfer beneficial interests in the Restricted Global Note in a principal amount that is not less than U.S.$200,000 at any time and (b) provide notice of these transfer restrictions to any subsequent transferees. In addition, it understands that the Issuer may receive a list of participants holding positions in its securities from one or more book-entry depositories.

(iii) the Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, and the Notes offered hereby have not been, and will not be, registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except in accordance with the legend set out below;

(iv) It understands and acknowledges that its acquisition and holding of such Restricted Notes (or any interest therein) constitutes a representation, warranty and agreement by it that at the time of its acquisition and throughout the period in which it holds such Restricted Notes (or any interest therein) (a) it is not and is not acting on behalf of and will not be: (i) an "employee benefit plan" as described in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") that is subject to the provisions of Title I of ERISA, (ii) a "plan" described in Section 4975(e)(1) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") to which Section 4975 of the Code applies, or (iii) any person or entity whose underlying assets include, or are deemed to include under the U.S. Department of Labor regulation at 29 C.F.R. § 2510.3-101, as modified by Section 3(42) of ERISA, "plan assets" by reason of any such employee benefit plans or plan's "plan assets" by reason of any such employee benefit plans or plan's investment in the person or entity; (b) if it is an employee benefit plan subject to any U.S. federal, state, local or non-U.S. law or regulation that contains one or more provisions that are substantially similar to Title I of ERISA or Section 4975 of the Code ("**Similar Law**"), the purchase and holding of the Restricted Notes (or any interest therein) does not and will not violate any such Similar Law; and (c) it will not sell or otherwise transfer any such Restricted Note (or any interest therein) to any person unless the same foregoing representations and warranties apply to that person. Any purchase by or transfer to a person described in clause (a) above will be null and void *ab initio*; and

(v) the Restricted Global Note and any Restricted Definitive Certificates (as defined below) issued in exchange for an interest in the Restricted Global Note will bear a legend to the following effect, unless the Issuer and the Bank determine otherwise in accordance with applicable law:

"NEITHER THIS CERTIFICATE NOR THE SENIOR NOTE IN RESPECT THEREOF HAS BEEN OR WILL BE REGISTERED UNDER, AND EACH WAS ORIGINALLY ISSUED OR MADE IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER, THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), AND THE NOTES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. THE HOLDER OF THIS CERTIFICATE BY ITS ACCEPTANCE HEREOF REPRESENTS, WARRANTS AND AGREES, FOR THE BENEFIT OF THE ISSUER AND THE BANK, THAT (A) THIS CERTIFICATE (AND ANY INTEREST HEREIN) MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO THE ISSUER OR THE BANK, (2) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER ("**QIB**") AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT IS ALSO A QUALIFIED PURCHASER (WITHIN THE MEANING OF SECTION 2(A)(51) OF THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (4) OTHERWISE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, AND IN EACH OF SUCH CASES IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR TERRITORY OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND THAT (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OR TRANSFEREE OF THIS CERTIFICATE (OR INTEREST HEREIN) FROM IT OF THE TRANSFER RESTRICTIONS REFERRED TO IN (A) ABOVE.

EACH BENEFICIAL OWNER HEREOF REPRESENTS THAT (1) IT IS A QIB THAT IS ALSO A QP; (2) IT IS NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS; (3) IT IS NOT A PARTICIPANT-DIRECTED EMPLOYEE PLAN, SUCH AS A 401 (k) PLAN; (4) IT IS HOLDING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QIB THAT IS ALSO A QP; (5) IT WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER OR THIS NOTE; (6) IT, AND EACH ACCOUNT FOR WHICH IT HOLDS NOTES, WILL HOLD AND TRANSFER AT LEAST U.S.$200,000 IN PRINCIPAL AMOUNT OF NOTES AT ANY TIME; (7) IT UNDERSTANDS THAT THE

ISSUER MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN ITS SECURITIES FROM ONE OR MORE BOOK-ENTRY DEPOSITORIES; AND (8) IT WILL PROVIDE NOTICE OF THE FOREGOING TRANSFER RESTRICTIONS TO ITS SUBSEQUENT TRANSFEREES.

THE BENEFICIAL OWNER HEREOF HEREBY ACKNOWLEDGES THAT, IF AT ANY TIME WHILE IT HOLDS AN INTEREST IN THIS NOTE IT IS A U.S. PERSON WHO IS NOT A QIB THAT IS ALSO A QP, THE ISSUER MAY (A) COMPEL IT TO SELL ITS INTEREST IN THIS NOTE TO A PERSON (1) WHO IS A QIB THAT IS ALSO A QP AND WHO IS OTHERWISE QUALIFIED TO ACQUIRE THIS NOTE IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OR (2) IN AN OFFSHORE TRANSACTION TO A PERSON THAT IS NOT A U.S. PERSON IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT OR (B) COMPEL THE BENEFICIAL OWNER TO SELL ITS INTEREST IN THIS NOTE TO THE ISSUER OR AN AFFILIATE OF THE ISSUER OR TRANSFER ITS INTEREST IN THIS NOTE TO A PERSON DESIGNATED BY OR ACCEPTABLE TO THE ISSUER AT A PRICE EQUAL TO THE LEAST OF (X) THE PURCHASE PRICE THEREFOR PAID BY THE BENEFICIAL OWNER, (Y) 100 PER CENT. OF THE PRINCIPAL AMOUNT THEREOF OR (Z) THE FAIR MARKET VALUE THEREOF. THE ISSUER HAS THE RIGHT TO REFUSE TO HONOUR A TRANSFER OF AN INTEREST IN THIS NOTE TO A PERSON WHO IS NOT A QIB THAT IS ALSO A QP. THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE INVESTMENT COMPANY ACT.

EACH BENEFICIAL OWNER HEREOF (OR OF ANY INTEREST HEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT FOR SO LONG AS IT HOLDS THIS NOTE (OR ANY INTEREST HEREIN) (1) IT IS NOT AND IS NOT ACTING ON BEHALF OF AND WILL NOT BE (A) AN "*EMPLOYEE BENEFIT PLAN*" AS DESCRIBED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (B) A "*PLAN*" AS DEFINED IN SECTION 4975(e)(1) OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), AND TO WHICH SECTION 4975 OF THE CODE APPLIES OR (C) ANY PERSON OR ENTITY WHOSE UNDERLYING ASSETS INCLUDE, OR ARE DEEMED TO INCLUDE UNDER THE U.S. DEPARTMENT OF LABOR REGULATION AT 29 C.F.R. § 2510.3-101, AS MODIFIED BY SECTION 3(42) OF ERISA, OR OTHERWISE FOR PURPOSES OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE, "PLAN ASSETS" BY REASON OF ANY SUCH EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE PERSON OR ENTITY; (2) IF IT IS AN EMPLOYEE BENEFIT PLAN SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW OR REGULATION THAT CONTAINS ONE OR MORE PROVISIONS THAT ARE SUBSTANTIALLY SIMILAR TO TITLE 1 OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**"), THE PURCHASE AND HOLDING OF THIS NOTE (OR ANY INTEREST HEREIN) DOES NOT VIOLATE ANY SUCH SIMILAR LAW; AND (3) IT WILL NOT SELL OR OTHERWISE TRANSFER THIS NOTE (OR ANY INTEREST HEREIN) TO ANY PERSON UNLESS THE SAME FOREGOING REPRESENTATIONS, WARRANTIES AND COVENANTS APPLY TO THAT PERSON. ANY PURCHASE BY OR TRANSFER TO A PERSON DESCRIBED IN CLAUSE (1) ABOVE WILL BE NULL AND VOID *AB INITIO*.

THIS CERTIFICATE AND ALL RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS CERTIFICATE TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE RESALE OR TRANSFERS OF RESTRICTED SECURITIES GENERALLY. BY THE ACCEPTANCE OF THIS CERTIFICATE, THE HOLDER HEREOF SHALL BE DEEMED TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT."

THE ISSUER MAY COMPEL EACH BENEFICIAL OWNER HEREOF TO CERTIFY PERIODICALLY THAT SUCH OWNER IS A QIB THAT IS ALSO A QP.

Regulation S Notes (Unrestricted Global Note)

Each purchaser of interests in the Unrestricted Global Note will be deemed to have represented, warranted agreed and acknowledged as follows:

(i) it is, or at the time the Notes are purchased will be, the beneficial owner of such Notes and it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and it is not an affiliate of the Issuer, the Bank or a person acting on behalf of such an affiliate;

(ii) it understands that such Notes have not been, and will not be, registered under the Securities Act and that, prior to the expiration of the "distribution compliance period" (as such term is defined in Rule 902 of Regulation S), it will not offer, sell, pledge or otherwise transfer such Notes except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believes is a QIB that is also a QP purchasing for its own account or for the account of another QIB that is also a QP or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, and in accordance with any applicable securities laws of any state or other jurisdiction of the United States;

(iii) it understands that such Notes will be evidenced by the Unrestricted Global Note. Before any interest in the Unrestricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Restricted Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to its compliance with applicable securities laws; and

(iv) the Issuer, the Bank, the Registrar, the Joint Lead Managers and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements and agrees that, if any of the acknowledgements, representations, warranties or agreements deemed to have been made by it by its acquisition of Notes is no longer accurate, it shall promptly notify the Issuer, the Bank, and the Joint Lead Managers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power and authority to make the above acknowledgements, representations, warranties and agreements on behalf of each account.

GENERAL INFORMATION

1. Clearing Systems

The Notes have been accepted for clearance through the DTC, Clearstream, Luxembourg and Euroclear systems. The Common Code and ISIN of the Unrestricted Global Notes are 229719726 and XS2297197266, respectively.

The Common Code, ISIN and CUSIP of the Restricted Global Note are 229789473, US26824MAB63 and 26824MAB6, respectively.

2. Listing and Admission to Trading

Application has been made to the FCA for the Notes to be admitted to the Official List and to the London Stock Exchange for the Notes to be admitted to trading on its main market. It is expected that admission of the Notes to trading will be granted on or before 18 February 2021.

3. Authorisations

The Issuer and the Bank have obtained all necessary consents, approvals and authorisations in the Netherlands and Nigeria, as applicable, in connection with the issue and performance of the Notes and the Senior Note. The issue of the Notes was authorised by resolution of the board of managing directors of the Issuer passed on 10 February 2021 and the execution of the Senior Note and the issuance of the Senior Note by the Bank was authorised by resolutions of the Board passed on 28 October 2020.

4. Significant or material change

There has been no significant change in the financial performance or financial position of the Bank since 30 September 2020 and there has been no material adverse change in the financial position or prospects of the Bank since 31 December 2019.

There has been no significant change in the financial performance or financial position of the Issuer or material adverse change in the prospects of the Issuer since the date of its incorporation.

5. Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank is aware) in the 12 months preceding the date of this Prospectus which may have or have in such period had a significant effect on the financial position or profitability of the Bank.

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this Prospectus which may have or have in such period had a significant effect on the financial position or profitability of the Issuer.

6. Documents on Display

For so long as any of the Notes is outstanding, copies of the following documents may be inspected at the specified offices of each of the Paying and Transfer Agents during normal business hours or at https://www.ecobank.com/ng/personal-banking/countries:

(a) the constitutional documents of each of the Issuer and the Bank;

(b) the audited financial statements of the Bank for the financial years ended 31 December 2019, 31 December 2018 and 31 December 2017, including the audit report relating to such accounts;

(c) the unaudited interim financial statements of the Bank for the nine-months ended 30 September 2020;

(e) the Trust Deed;

(f) the Senior Note Certificate; and

(g) the Agency Agreement.

7. Independent Auditors

The Annual Financial Statements included in this Prospectus have been audited by Deloitte & Touche. The independent auditors of the Bank are Deloitte & Touche, a member of the Institute of Chartered Accountants of Nigeria ("**ICAN**"), who have audited the Bank's accounts in accordance with ISAs for each of the financial years ended 31 December 2019, 2018 and 2017. The business address of Deloitte is Civic Towers, Plot GA 1, Ozumba Mbadiwe Avenue, Victoria Island, Lagos, Nigeria.

The Interim Financial Statements included in this Prospectus have been reviewed by Deloitte & Touche, an independent registered public accounting firm, as stated in their reports appearing herein and elsewhere in the Prospectus.

The auditors of the Bank do not have any material interest in the Issuer or the Bank.

8. Joint Lead Managers transacting with the Bank

(a) The Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Bank and its affiliates in the ordinary course of business.

(b) Save for the commissions described under "*Subscription and Sale*", so far as the Issuer and the Bank are aware, no person involved in the issue of the Notes has an interest material to the offer.

9. Yield

On the basis of the issue price of the Notes of 100.000 per cent. of their principal amount, the gross real yield of the Notes, on an annual basis, is 7.125 per cent. It is not an indication of future yield.

10. Expenses

The estimated expenses associated with the admission to trading of the Notes on the main market of the London Stock Exchange are expected to be approximately GBP 5,515.

INDEX TO FINANCIAL STATEMENTS

Ecobank Nigeria Limited

Interim Condensed Financial Statements for the period
30 September 2020 (unaudited)

Deloitte.

P.O. Box 965
Marina
Lagos
Nigeria

Deloitte & Touche
Civic Towers
Plot GA 1, Ozumba Mbadiwe Avenue
Victoria Island
Lagos
Nigeria

Tel: +234 (1) 904 1700
www.deloitte.com.ng

Independent Auditors' Report

Report on Review of Interim Condensed Financial Information - Ecobank Nigeria Limited

Introduction

We have reviewed the accompanying interim condensed financial information of **Ecobank Nigeria Limited** as of 30 September 2020 and the related condensed statements of financial position, condensed statement of profit or loss and other comprehensive income, changes in equity and cash flows for the nine- months period then ended, and a summary of significant accounting policies and other explanatory notes.

Management are responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standard. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects the financial position of the entity as at 30 September, 2020 and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards applicable in Nigeria.

Yodetayo

For: Deloitte & Touche
Chartered Accountants
Lagos, Nigeria
04 February, 2021

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
36/ICAN
0554070

Engagement Partner: Yetunde Odetayo, FCA
FRC/2013/ICAN/00000000823

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME **(Unaudited)**

(All amounts in millions of Naira unless otherwise stated)	Note	30-Sep-20 N'million	30-Sep-19 N'million	31-Dec-19 N'million
Gross revenue		**121,980**	**139,729**	**194,870**
Interest income	3	94,516	102,357	138,919
Interest expense	4	(46,054)	(76,752)	(100,772)
Net interest income		48,462	25,605	38,147
Fee and commission income	5	9,989	17,015	21,859
Fee and commission expense	5	(5,572)	(7,092)	(10,130)
Net fee and commission income		4,417	9,923	11,729
Net gains from other financial instruments at FVTPL	6	435	144	426
Net trading income	7	15,649	16,181	29,129
Other operating income	8	1,391	4,031	4,536
Net operating income before impairment charge for losses		**70,354**	**55,884**	**83,967**
Impairment charge for losses	9	(6,664)	(5,231)	(2,703)
Net operating income after impairment charge for losses		**63,690**	**50,653**	**81,264**
Employee benefit expense	10	(19,570)	(24,869)	(28,844)
General and administrative expense	11	(14,166)	(15,751)	(19,260)
Depreciation and amortisation	12	(5,552)	(5,349)	(8,073)
Other operating expenses	13	(15,765)	(8,777)	(22,848)
Profit before income tax		**8,637**	**(4,093)**	**2,239**
Income tax	14	(712)	-	(982)
PROFIT FOR THE YEAR		**7,925**	**(4,093)**	**1,258**
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of net defined benefit liability	15	-	-	(450)
Items that may be reclassified subsequently to profit or loss:				
Allowance for ECL adjustment on securities	15	-	-	(2,209)
Foreign currency translation gain on equity instruments at FVOCI	15	1,082	-	-
Movement in investment revaluation reserve for debt instruments at FVTOCI	15	15,772	1,347	15,460
Other comprehensive income for the year, net of tax		**16,854**	**1,347**	**12,801**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**24,779**	**(2,746)**	**14,059**
Profit attributable to:				
Owners of the parent		7,925	(4,093)	1,258
		7,925	**(4,093)**	**1,258**
Total comprehensive income attributable to:				
Owners of the parent		24,779	(2,746)	14,059
		24,779	**(2,746)**	**14,059**
Earnings per share for profit attributable to owners of the parent				
Basic and diluted	16	29k	(18k)	5k

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

(All amounts in millions of Naira unless otherwise stated)	Note	30-Sep 2020 N'million	31-Dec 2019 N'million
ASSETS			
Cash and cash equivalents	17	139,882	138,396
Mandatory reserve deposits with Central Bank	18	507,739	350,366
Loans and advances to customers	19	862,002	811,606
Derivative financial assets	20	10,271	12,754
Investment securities:			
Fair Value through profit or loss	21	35,030	54,750
Fair Value through other comprehensive income	22	331,769	329,514
Held at amortised cost	23	22,668	1,433
Pledged assets	24	146,630	128,184
Property, plant and equipment	25	72,444	73,813
Intangible assets	26	3,350	5,181
Right-of-use assets	27	2,988	3,564
Deferred tax asset		12,312	12,312
Other assets	28	82,292	69,167
Total assets		**2,229,377**	**1,991,040**
LIABILITIES			
Deposits from banks	30	267,749	226,058
Deposits from customers	31	1,498,119	1,354,699
Derivative financial liabilities	20	6,225	8,327
Borrowings	32	53,416	79,896
Retirement benefit liability	29	1,803	1,800
Current income tax liability	14	1,971	2,184
Provision for litigation	33	1,726	1,651
Lease liabilities	34	86	86
Other liabilities	35	109,230	52,069
Total liabilities		**1,940,325**	**1,726,770**
EQUITY			
Share capital	36	13,719	13,719
Share premium	37	179,316	179,316
Retained earnings		(8,989)	(16,854)
Other reserves		105,006	88,089
Total equity		**289,052**	**264,270**
Total equity and liabilities		**2,229,377**	**1,991,040**

CONDENSED STATEMENT OF CHANGES IN EQUITY

(All amounts in millions of Naira unless otherwise stated	Attributable to equity holders of the parent								
	Share capital	Share premium	Retained earnings	Statutory reserve	SMIEIS/ AGSMEIS reserves	Capital reserve	Fair value/other reserves	Regulatory reserve	Total
At 1 January 2019	11,457	149,903	(27,891)	20,649	2,449	7,218	12,163	42,593	218,541
Total comprehensive income for the year:									
Profit for the year	-	-	1,258	-	-	-	-	-	1,258
Other comprehensive income, net of tax									
Remeasurement of defined benefit obligation	-	-	-	-	-	-	(450)	-	(450)
Gain arising during the year on FVOCI securities	-	-	-	-	-	-	15,460	-	15,460
Allowance for ECL adjustment on securities	-	-	-	-	-	-	(2,209)	-	(2,209)
Total other comprehensive income	-	-	-	-	-	-	12,800	-	12,800
Total comprehensive income	-	-	1,258	-	-	-	12,800	-	14,057
Additional share issue during the year	2,262	29,413	-	-	-	-	-	-	31,675
Appropriation									
Transfer from regulatory reserves	-	-	11,328	-	-	-	-	(11,328)	-
Transfer to statutory reserves	-	-	(188)	188	-	-	-	-	-
Transfer to AGSMEIS reserves	-	-	(1,358)	-	1,358	-	-	-	
	-	-	9,782	188	1,358	-	-	(11,328)	-
At 31 December 2019	**13,719**	**179,316**	**(16,854)**	**20,837**	**3,806**	**7,218**	**24,963**	**31,265**	**264,270**

AT 1 JANUARY	**13,719**	**179,316**	**(16,854)**	**20,837**	**3,806**	**7,218**	**24,963**	**31,265**	**264,270**
Total comprehensive income for the year:									
Profit for the year	-	-	7,926	-	-	-	-	-	7,926
Other comprehensive income, net of tax									
Remeasurement of defined benefit obligation	-	-	-	-	-	-	-	-	-
Gain arising during the year on FVOCI securities	-	-	-	-	-	-	15,772	-	15,772
Foreign currency translation gain on equity instruments at FVOCI	-	-	-	-	-	-	1,082	-	1,082
Allowance for ECL adjustment on securities	-	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	16,854	-	16,854
Total comprehensive income	-	-	7,926	-	-	-	16,854	-	24,780
Additional share issue during the year	-	-	-	-	-	-	-	-	-
Appropriation									
Transfer from regulatory reserves	-	-	-	-	-	-	-	-	-
Transfer to statutory reserves	-	-	-	-	-	-	-	-	-
Transfer to AGSMEIS reserves	-	-	(63)	-	63	-	-	-	-
	-	-	(63)	-	63	-	-	-	-
									-
At 30 September 2020	**13,719**	**179,316**	**(8,989)**	**20,837**	**3,869**	**7,218**	**41,817**	**31,265**	**289,052**

CONDENSED STATEMENT OF CHANGES IN EQUITY

(All amounts in millions of Naira unless otherwise stated	Attributable to equity holders of the parent								
	Share capital	Share premium	Retained earnings	Statutory reserve	SMIEIS/ AGSMEIS reserves	Capital reserve	Fair value/other reserves	Regulatory reserve	Total
At 1 January 2019	11,457	149,903	(27,891)	20,649	2,449	7,218	12,163	42,593	218,541
Total comprehensive income for the year:									
Profit for the year	-	-	(4,092)	-	-	-	-	-	(4,092)
Other comprehensive income, net of tax									
Remeasurement of defined benefit obligation	-	-	-	-	-	-	-	-	-
Gain arising during the year on FVOCI securities	-	-	-	-	-	-	1,347	-	1,347
Allowance for ECL adjustment on securities	-	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	1,347	-	1,347
Total comprehensive income	-	-	(4,092)	-	-	-	1,347	-	(2,745)
Additional share issue during the year	2,262	29,413	-	-	-	-	-	-	31,675
Appropriation									
Transfer from regulatory reserves	-	-	-	-	-	-	-	-	-
Transfer to statutory reserves	-	-	-	-	-	-	-	-	-
Transfer to AGSMEIS reserves	-	-	(1,358)	-	1,358	-	-	-	
	-	-	(1,358)	-	1,358	-	-	-	-
At 30 September 2019	**13,719**	**179,316**	**(33,341)**	**20,649**	**3,806**	**7,218**	**13,510**	**42,593**	**247,470**

CONDENSED STATEMENT OF CASHFLOWS
(All amounts in millions of Naira unless otherwise stated)

	Note	30 Sep 2020	31 Dec 2019
Cash flows from operating activities			
Profit after tax		7,925	1,258
Adjustments:			
Loan impairment charges		5,737	11,154
Losses from valuation	6	(435)	(426)
Impairment allowance no longer required - other assets	28	-	19
Depreciation	12	2,632	4,479
Amortisation of intangible assets	12	2,169	2,659
Amortisation of right-of-use assets	13	751	936
Short term lease expensed		-	539
Impairment on investment securities		-	(3,021)
Impairment losses on other assets	9	1,692	754
Impairment allowance on OBE		-	102
Profit from sale of property and equipment	8	(285)	(1,590)
Retirement benefit expense		2,253	1,200
Foreign exchange loss/(gain)		3,020	(7,606)
Interest paid on long term borrowings	4	1,964	9,173
Net interest income		(50,426)	(68,844)
Dividend income		(270)	(1,193)
Tax expense		712	947
Tax overprovision		-	(1,364)
Capital gain tax		-	34
		(22,561)	**(50,790)**
Movement in assets and liabilities			
Cash reserve balance		(157,373)	(33,840)
Interest received	3	94,516	159,607
Interest paid	4	(44,090)	(91,580)
Loans and advances to customers		(56,133)	(19,804)
Financial assets - FVTPL		20,154	(20,728)
Derivatives financial assets		545	(3,940)
Financial assets - FVTOCI		13,517	41,351
Financial assets - Amortised cost		(21,235)	39,846
Pledged assets		(18,446)	(40,623)
Other assets		(14,817)	(32,916)
Deposit from banks		41,691	55,976
Deposit from customers		143,420	71,526
Derivatives financial liabilities		(2,102)	14,114
Provision for litigation		76	575
Other liabilities		62,580	(36,433)
Cash generated from operations		**39,741**	**52,341**
Payment on retirement benefit obligations		(6,675)	(2,028)
Value added tax paid		(991)	(991)
Tax paid		(925)	(272)
Net cash from operating activities		**31,150**	**49,050**

Cash flows from investing activities			
Purchase of ROU		(176)	-
Dividend received		270	1,193
Purchase of intangible assets		(338)	(1,872)
Purchase of property and equipment	25	(1,588)	(7,964)
Proceeds from sale of investments		-	(345)
Proceeds from sale of property and equipment		611	3,239
Purchase of investments		-	(1,408)
Net cash used in investing activities		**(1,221)**	**(7,157)**
Cash flows from financing activities			
Share capital		-	31,675
Borrowings		7,098	113
Repayment of borrowings		(33,578)	(77,590)
Interest paid on long term borrowings	4	(1,964)	(12,640)
Net cash (used in) financing activities		**(28,444)**	**(58,442)**
Increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of year		138,396	154,945
Net cash from operating activities		31,150	50,243
Net cash from investing activities		(1,221)	(8,350)
Net cash from financing activities		(28,444)	(58,442)
Cash and cash equivalents at end of year	17	**139,882**	**138,396**

Notes to the financial statements

1 General Information

Ecobank Nigeria (hereinafter referred to as "the Bank") was incorporated as a public limited liability company on 7 October 1986, and was granted banking licence on 24 April 1989. The Bank was listed on the Nigerian Stock Exchange by introduction between 24 April 2006 and remained listed until 31 December 2011. On 30 December 2011, by a Federal High Court Sanction of a Scheme of Arrangement, Ecobank Transnational Incorporated (ETI), Lome, incorporated in the Republic of Togo which prior to that date held 85.1% equity shares in the Bank, became beneficial owner of 100% shareholding in the Bank. The Bank is now a fully owned subsidiary of ETI and has been re-registered as a private limited liability company at the Corporate Affairs Commission, Abuja.

ETI acquired 100% interest in Oceanic Bank Group on 28 October 2011 through the issue of shares to AMCON and the shareholders of Oceanic Bank. Oceanic Bank was delisted on the Nigerian Stock Exchange (NSE) on that date and became a limited liability entity. By reason of the cancellation of minority shareholding in Ecobank Nigeria on 28 October 2011, ETI acquired 100% holding in Ecobank Nigeria. As a result of common control in both Ecobank Nigeria and Oceanic Bank Limited, ETI decided to merge the two operations. The effective date of business combination is 1 November 2011.

The address of its registered office is as follows:
Plot 21, Ahmadu Bello Way,
P.O. Box 72688,
Victoria Island
Lagos, Nigeria

The principal activity of the Bank is commercial banking which includes commercial, consumer, corporate and investment banking services. The Bank operates under a commercial banking license with National Banking status in line with the Central Bank of Nigeria's present Banking model.

2 Summary of significant accounting policies

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

Therefore, they include an explanation of events and transactions that are significant to an understanding of the changes in the Bank’s financial position and performance since the end of 2019. These financial statements should be read in conjunction with the Ecobank Nigeria Limited Annual Report and Financial Statements for the year ended 31 December 2019 ("Annual Report and Accounts 2019").

2.1 Compliance with International Financial Reporting Standards

The financial statements have been prepared in accordance with the requirements of IAS 34 ‘Interim Financial Reporting, as issued by the International Accounting Standards Board (‘IASB’).

2.2 Use of estimates and judgements

Management believes that the critical accounting estimates and judgements are those that relate to Expected credit loss, impairment of amortised cost and FVOCI debt financial assets, the valuation of financial instruments, deferred tax assets, provisions for liabilities, and defined benefit obligations. There were no changes in the current period to the critical accounting estimates and judgements applied in 2019, which are stated on pages 73 and 112 of the Annual Report and Accounts 2019.

However, the level of estimation uncertainty and judgement for the calculation of expected credit losses (‘ECL’) has increased since 31 December 2019 as a result of the economic effects of the Covid-19 outbreak as set out in 'Impact of Covid -19 on Cred it Risk and Bank's model' on page 48. As outlined therein, estimates and judgements are regularly evaluated based on various factors including forward looking information and expectations. Similar to its impact on ECL, these forward looking estimates, driven by macroeconomic uncertainty, inherently result in greater estimates and judgments in the fair measurement of unlisted equity investments as well.

2.3 Going concern

The bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered several information relating to present and future conditions. These considerations include stressed scenarios that reflect the increasing uncertainty that the global Covid-19 pandemic has brought about.

Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

2.4 Accounting policies

Except as described below, the accounting policies that we applied for these interim financial statements are consistent with those described on pages 73 to 112 of the Annual Report and Accounts 2019, as are the methods of computation. There were no other new standards or amendments to standards that had an effect on these interim financial statements.

2.5 Accounting developments

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
c) There is no substantive change to other terms and conditions of the lease.

In the current financial year, the bank has applied the amendment to IFRS 16 (as issued by the IASB in May 2020) in advance of its effective date. The amendment did not materially impact the Bank.

Notes to the financial statements

(All amounts in millions of Naira unless otherwise stated)

	30 Sep 2020	31 Dec 2019	30 Sep 2019
3 Interest income			
Loans and advances:			
- To Banks	887	713	565
- To Customers	49,324	74,263	54,389
	50,211	74,976	54,954
Investment Securities:			
- from investment at FVOCI	44,305	63,725	47,208
- from investment at amortised cost	-	218	195
	94,516	**138,919**	**102,357**

The total interest income calculated using the effective interest rate (EIR) method for financial assets at amortised cost is N94.5 billion during the financial year 2020 (2019: N138.9 billion)

4 Interest expense			
Deposits from banks	11,858	19,064	14,910
Deposits from customers	32,232	72,533	54,665
Borrowings	1,964	9,175	7,177
	46,054	**100,772**	**76,752**

The total interest expense calculated using the effective interest rate (EIR) method for financial assets at amortised cost is N4 million during the financial year 2020 (2019: N 0.956 billion)

Net interest income	**48,462**	**38,147**	**25,605**

Interest income and expenses for all financial instruments except for those classified as held for trading or those measured or designated as at FVTPL are recognised in 'Net interest income' as 'interest income' and 'interest expense' in the profit or loss account using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the year, see 'Net trading income' and 'Net income from other financial instruments at FVTPL'.

Notes to the financial statements

(All amounts in millions of Naira unless otherwise stated)

		30 Sep 2020	31 Dec 2019	30 Sep 2019
5	**Net fee and commission income**			
	Fee and commission income			
	Credit related fees and commissions	1,556	3,973	4,021
	Loan commitments and performance guarantees fees	199	911	576
	Commission Current Account Maintenance	1,167	1,756	1,328
	Letters of credit commission	372	710	534
	Card related income	3,116	6,743	4,861
	Commission on transfers	779	2,023	1,486
	SMS alert income	743	669	508
	Other fees	2,057	5,074	3,701
	Fee and commission income	9,989	21,859	17,015
	Fee and commission expense			
	Card acquiring cost	4,759	7,847	5,382
	SMS alert fee expense	5	5	5
	Bank charges	126	317	176
	Fees paid on confirmation line	499	1,664	1,300
	Others	183	297	229
	Fee and commission expense	5,572	10,130	7,092
	Net fee and commission income	**4,417**	**11,730**	**9,923**

The total net fee and commission income are for financial assets that are not at FVTPL

		30 Sep 2020	31 Dec 2019	20 Sep 2019
6	**Net gains / (losses) from financial instruments at FVPL**			
	Net gains / (losses) arising on:			
	Financial instruments classified as FVPL:			
	- Interest rate instruments	**435**	**426**	**144**

7	**Net Trading Income**			
	Foreign exchange (loss)/gains	(3,020)	7,606	2,065
	Treasury bills trading income	11,282	12,111	8,373
	Bond trading income	7,387	9,411	5,743
		15,649	**29,129**	**16,181**

Foreign exchange gains includes net gains and losses from spot and forward contracts.

Notes to the financial statements

	(All amounts in millions of Naira unless otherwise stated)	30 Sep 2020	31 Dec 2019	30 Sep 2019
8	**Other operating income**			
	Dividend income	270	1,193	1,155
	Rental income	306	268	193
	Sundry income	530	1,485	1,367
	Profit on sale of property, plant and equipment	285	1,590	1,316
		1,391	**4,536**	**4,031**
9	**Impairment charge for losses**			
	Loans and advances to customers			
	Increase in ECL allowance on loans and advances	9,604	11,594	10,496
	Income received on loans previously written off	(765)	(7,097)	(6,752)
	Reversal of impairment	(3,867)	(440)	(193)
		4,972	4,057	3,551
	Investment securities			
	(Decrease)/Increase in ECL allowance for FVTOCI	-	(1,398)	-
	(Decrease)/Increase in ECL allowance for amortised cost	-	(812)	-
	Other assets			
	Increase in impairment	1,692	754	1,680
	Off-balance sheet engagements (OBE)			
	Increase in ECL allowance on off-balance sheet engagements (OBE)	-	102	-
		6,664	**2,703**	**5,231**
10	**Employee benefits expense**			
	Wages and salaries:			
	Core	16,410	23,533	17,779
	Outsource	-	-	3,449
	Pension costs:			
	- Defined contribution plans	734	1,058	807
	- Defined benefit plan	2,250	1,200	900
	- Other employee costs and benefits	176	3,053	1,934
		19,570	**28,844**	**24,869**

Notes to the financial statements

(All amounts in millions of Naira unless otherwise stated)

11 General and administrative expense

	30 Sep 2020	31 Dec 2019	30 Sep 2019
Information, communication and technology	3,822	1,881	2,574
Insurance expenses	414	547	426
NDIC insurance premium expense	4,789	7,197	5,332
Premises expenses	2,509	5,015	4,234
Equipment running costs	643	1,545	1,015
Advertisement and business promotion	1,118	1,342	918
Motor vehicle running costs	254	530	396
Business travels	359	715	505
Office consumables	207	424	329
Penalties	51	64	22
	14,166	**19,260**	**15,751**

12 Depreciation and amortisation

	30 Sep 2020	31 Dec 2019	30 Sep 2019
Depreciation of property and equipment	2,632	4,478	3,453
Amortisation of intangible assets	2,169	2,659	1,896
Depreciation of right of use of leased assets	751	936	-
	5,552	**8,073**	**5,349**

13 Other operating expenses

	30 Sep 2020	31 Dec 2019	30 Sep 2019
Auditors' remuneration	232	290	135
Directors' emoluments	169	345	293
Employee related expenses	3,215	5,473	648
Consultancy and advisory expenses	605	1,298	818
Cash processing costs	375	1,058	778
Banking resolution sinking fund cost	10,679	13,218	9,916
Operational losses	68	381	155
Donations	115	139	2
Finance cost on lease liability	-	10	-
Other operating expenses	307	636	(3,968)
	15,765	**22,848**	**8,777**

Notes to the financial statements

(All amounts in millions of Naira unless otherwise stated)

14 Taxation

	30 Sep 2020	31 Dec 2019	30 Sep 2019
Current taxes on income for the reporting period	615	926	-
Capital gain tax	11	34	-
Information Technology tax	86	22	-
Police Trust Fund Levy	0	0	-
Total current tax	**712**	**982**	**-**
Deferred tax	-	-	-
Total deferred tax	-	-	-
Income tax expense	**712**	**982**	

The movement in the current income tax liability is as follows:

	30 Sep 2020	31 Dec 2019	30 Sep 2019
At 1 January	2,184	2,839	2,839
Tax paid	(925)	(272)	(1,636)
Provision no longer required	-	(1,364)	-
Capital gain tax charge	11	34	-
Information Technology tax	86	22	-
Police Trust Fund Levy	0	0	-
Income tax charge	615	926	-
At End	**1,971**	**2,184**	**1,203**
Current	712	982	-
Non-current	1,259	1,203	1,203
	1,971	**2,184**	**2,184**

Reconciliation of effective tax rate	**30 Sep 2020**		**31 Dec 2019**	
Profit before income tax		8,638		2,237
Income tax using the domestic corporation tax rate @ 30%	30%	2,591	30%	671
Effect of;				
Minimum tax	7.1%	615	41.3%	926
IT tax	1%	86	1%	22
Capital gain tax	0.1%	11	2%	34
Police Trust Fund Levy	0%	0.4	0%	0.1
Effect of disallowed Expenses	15.1%	1,303	99%	2,225
Effect of Exempted Income	(308)%	(26,579)	(1369)%	(30,636)
Unrecognised deferred tax	263%	22,685	1240%	27,740
Total income tax expense in income statement	**8.2%**	**712**	**44%**	**982**

Notes to the financial statements

15 Income tax effects relating to components of other comprehensive income

	30 Sep 2020			31 Dec 2019			30 Sep 2019		
	Before tax	Tax (expense) / Benefit	Net of tax	Before tax	Tax (expense) / Benefit	Net of tax	Before tax	Tax (expense) / Benefit	Net of tax
Remeasurement of defined benefit obligations	-	-	-	(500)	50	(450)	-	-	-
Gain/(Loss) on fair valuation of FVOCI securities (note 15.1)	15,772	-	15,772	15,460	-	15,460	1,347	-	1,347
Foreign currency translation gain on equity instruments at FVOCI	1,082	-	1,082	-	-	-	-	-	-
Allowance for ECL adjustment on securities	-	-	-	(2,209)	-	(2,209)	-	-	-
Other comprehensive for the year	**16,854**	**-**	**16,854**	**12,750**	**50**	**12,800**	**1,347**	**-**	**1,347**

15.1 Gain/(loss) on fair valuation of FVOCI securities

	30 Sep 2020	31 Dec 2019
FGN bonds	12,090	5,759
Treasury bills	3,564	2,601
State bonds	543	603
Corporate bonds	-	19
Eurobonds	(425)	(486)
Unquoted equities	-	6,964
	15,772	**15,460**

Notes to the financial statements

16 Earnings per share

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

Diluted
Diluted EPS is determined by adjusting the profit or loss that is attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding for effects of all dilutive potential ordinary shares.

	30 Sep 2020	31 Dec 2019	30 Sep 2019
Profit/(loss) attributable to equity holders of the Bank (N'000)	7,925,962	1,257,580	(4,091,643)
Weighted average number of ordinary shares in issue (in '000)	27,438,973	27,438,973	22,912,961
Basic earnings per share (expressed in Kobo per share)	29k	5k	(18k)

The Bank does not have any dilutive potential ordinary shares. Therefore, Basic EPS and Diluted EPS are the same for the Bank.

17 Cash and cash equivalents

	30 Sep 2020	31 Dec 2019
Cash	26,488	35,223
Balances with Central Bank other than mandatory reserve deposits	-	30,729
Cash and balances with other banks and financial institutions (Note 17.1)	113,394	72,444
	139,882	**138,396**

These comprise cash and bank balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with other banks and other short-term highly liquid investments with original maturities less than three months.

17.1 Cash and balances with other banks and financial institutions

	30 Sep 2020	31 Dec 2019
Current balances with banks within Nigeria	623	1,309
Current balances with banks outside Nigeria	42,857	39,525
Placements with local banks and discount houses	31,042	10,643
Placements with foreign banks and discount houses	38,872	20,967
	113,394	**72,444**

	30 Sep 2020	31 Dec 2019
18 Mandatory reserve deposits with central banks	**507,739**	**350,366**

19 Loans and advances to customers

19.1 Loans and advances to customers comprise:

	Stage 1	Stage 2	Stage 3
30 Sep.2020			
Overdrafts	24,008	70	101,717
Term loans	501,096	231,465	107,565
Advances under finance lease	727	-	-
Gross loans	525,831	231,535	209,281
Expected credit loss allowance	(3,789)	(10,771)	(90,085)
Net loans	**522,042**	**220,764**	**119,196**
31 Dec.2019			
Overdrafts	47,472	92,433	79,369
Term loans	380,729	173,754	139,146
Advances under finance lease	179	-	-
Gross loans	428,380	266,187	218,515
Expected credit loss allowance	(4,078)	(5,741)	(91,657)
Net loans	**424,302**	**260,446**	**126,858**

	30 Sep 2020	31 Dec 2019
Performing	757,366	694,567
Non-Performing	209,282	218,515
	966,648	**913,082**

19.2 Advances under finance lease may be analysed as follows:

	30 Sep 2020	31 Dec 2019
Gross investment		
- No later than 1 year	218	51
- Later than 1 year and no later than 5 years	509	128
	727	179
Unearned future finance income on finance leases	-	-
Net investment	**727**	**179**

Notes to the financial statements

	30 Sep 2020	31 Dec 2019
The net investment may be analysed as follows:		
- No later than 1 year	218	51
- Later than 1 year and no later than 5 years	509	128
	727	179

19.3 Nature of security in respect of loans and advances:

Secured against real estate	683,219	575,320
Otherwise secured	223,544	104,674
Unsecured	59,885	233,088
	966,648	**913,082**
ECL Impairment allowances	(104,646)	(101,476)
	862,002	**811,606**

The Bank is not permitted to sell or repledge the collateral in the absence of default by the owner of the collateral

During the period, the Bank obtained assets by taking possession of collateral held as security:

	30 Sep 2020	31 Dec 2019
Nature of assets and carrying amount:		
Real estate	10,877	11,672
Others	24,655	22,157
	35,532	**33,829**

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness.

Notes to the financial statements

20 Derivative financial instruments

	Fair value	
30 Sep 2020	**Asset**	**Liability**
Foreign Exchange Derivatives:		
Foreign exchange forwards	10,271	6,225
	10,271	**6,225**
31 Dec 2019		
Foreign Exchange Derivatives:		
Currency swaps	22	7
Foreign exchange forwards	12,732	8,320
	12,754	**8,327**

The bank enters into forward foreign exchange contracts and currency swaps designed as held for trading.

- A forward foreign exchange contract is an agreement by two counterparties to exchange currencies at a predetermined rate on some future date. No funds change hands when a typical forward foreign exchange contract originates; a funds flow occurs only at the contract's stated future delivery time.
- A currency swap is the simultaneous spot sale (or purchase) of currency against a forward purchase (or sale) of approximately an equal amount. In a swap contract, there is an exchange, or notional exchange, of equivalent amounts of two currencies.

All derivative transactions of the bank are within one year tenor.

The bank's foreign exchange derivatives do not qualify for hedge accounting; therefore all gains and losses from changes in their fair values are recognised immediately in the condensed statement of profit or loss and are reported in Net gains/(losses) on financial instruments classified as held for trading.

21 Financial assets - FVTPL

	30 Sep 2020	**31 Dec 2019**
Treasury bills	17,470	45,870
Federal Government of Nigeria Bonds	17,560	8,880
Eurobonds	-	-
	35,030	**54,750**

Notes to the financial statements

		30 Sep 2020	31 Dec 2019
22	**Financial assets - FVTOCI**		
	Debt securities - at FVTOCI		
	- Listed		
	Federal Government of Nigeria Bonds-Fair value through other comprehensive income	86,651	41,520
	Treasury bills	188,599	239,059
	- Unlisted		
	Government Guaranteed Bonds - At fair value through other comprehensive income		
	State Government Bonds	9,718	8,264
	Eurobond	4,986	-
	Total Debt securities	**289,954**	**288,843**
	Equity securities - at FVTOCI		
	- Unlisted		
	African Finance Corporation	35,652	34,597
	Accion Microfinance Limited	788	788
	Afreximbank	1,056	1,029
	Nigerian Automated Clearing System/NIBSS	1,147	1,147
	FMDQ	185	185
	Unified Payment Services Limited	198	198
	AGSMEIS	2,720	2,658
	Credit Reference Company	19	19
	SANEF	50	50
	Total equity investments	41,815	40,671
	Total financial assets - FVTOCI	**331,769**	**329,514**
	Movement of equity instruments measured at FVTOCI		
	Opening balance at 1 January	40,671	32,272
	Addition during the year	63	1,408
	Net gain from FX translation	1,081	6,991
	Closing balance at 31 December	**41,815**	**40,671**
	Summary of financial assets measured at FVTOCI		
	Debt securities - at Fair value:		
	- Listed	275,250	280,579
	- Unlisted	14,704	8,264
	Equity securities - at Fair value:		
	- Unlisted	41,815	40,671
	Total securities: FVOCI	**331,769**	**329,514**

		30 Sep 2020	31 Dec 2019
23	**Financial assets - Amortised cost**		
	Debt securities – at amortised cost:		
	Promissory note (see note (a))	22,668	1,432
	Total securities at amortised cost	**22,668**	**1,433**

(a) FGN promissory notes issued by Debt Management Office (DMO) to banks on behalf of major oil marketers exposures to the banks. The note is issued at zero coupon rate.

Summary - Investment securities

Fair value through profit or loss (FVTPL) - Note 21	35,030	54,750
Fair value through other comprehensive income (FVTOCI) - Note 22	331,769	329,514
Amortised cost - Note 23	22,668	1,433
	389,467	**385,697**
Current	347,652	345,026
Non-current	41,815	40,671
Total investments	**389,467**	**385,697**

24 Pledged assets

Treasury Bills are pledged to various third parties in respect of the Bank's ongoing participation in the Nigerian settlement system. Included in Federal Government Bonds is N3.5 billion (2019: N10.6 billion) pledged to BOI (Bank of Industry) as collateral in respect of loans obtained for the purpose of on-lending to manufacturing customers. These instruments are classified as FVOCI

The nature and carrying amounts of the assets pledged as collaterals are as follows:

	30 Sep 2020	31 Dec 2019
Treasury Bills	137,900	106,598
Federal Government of Nigeria Bonds	4,100	17,210
Eurobonds	4,630	4,376
	146,630	**128,184**

Notes to the financial statements

		30 Sep 2020	31 Dec 2019
24.1	**Investments securities Treasury Bills**		
	Access Bank Nigeria	8,397	-
	Afrexim Bank Cairo EG	23,464	-
	Bank Of Industry Limited	21,947	14,836
	Central Bank Of Nigeria	23,600	13,905
	Ecobank Congo Kinshasha	1,572	-
	Ecobank South Sudan	6,171	-
	E-Tranzact International Plc	1,000	1,000
	FBN Merchant Bank Nigeria	3,935	-
	Federal Inland Revenue Services Firs	8,250	8,250
	FMDQ OTC	4,800	3,000
	FSDH Merchant Bank	6,389	3,997
	Globus Bank	926	-
	Goldman Sachs	-	9,105
	Interswitch Limited	2,320	1,520
	Keystone Bank	2,220	4,349
	Mashreq Bank UAE	11,474	-
	National Bank of Abu Dhabi	5,036	4,100
	Nigeria Inter-Bank Settlement System Plc (NIBSS)	3,132	8,627
	Nova Merchant Bank Limited	3,057	-
	Societe General Paris	-	19,390
	Systemspecs Nigeria	160	160
	Unified Payment Services Limited	50	50
	Wema Bank	-	14,309
		137,900	**106,598**
24.2	**Investments securities: Bonds**		
	Bank of Industry	3,500	10,610
	Central Bank of Nigeria	600	6,600
		4,100	**17,210**
24.3	**Eurobonds**		
	Mashreq	**4,630**	**4,376**
	Movement in pledged assets		
	At 1 January	128,184	87,561
	Additions during the year	143,464	77,794
	Matured pledges/redemption	(125,018)	(37,171)
	At 31 December	**146,630**	**128,184**

The pledged assets were subjected to ECL assessment and the impact of the allowance is recognised as part of the ECL assessment for financial assets measured by FVTOCI

Notes to the financial statements

		30 Sep 2020	31 Dec 2019
25	**Property, plant and equipment**		
	Carrying amounts of		
	Land	6,321	6,499
	Freehold buildings	31,387	32,157
	Leasehold buildings	3,386	3,651
	Office equipment	1,811	2,531
	Furniture & fittings	355	449
	Computer equipment	1,229	1,466
	Motor vehicles	374	434
	Work in progress	27,581	26,626
		72,444	**73,813**
26	**Intangible assets**		
	Cost		
	At 1 January	12,040	10,168
	Additions	338	1,872
	Reclassification	-	-
	At end	12,378	12,040
	Amortisation		
	At 1 January	6,860	4,200
	Amortisation charged	2,168	2,659
	Write-off	-	-
	At end	9,028	6,859
	Carrying Amount		
	At end	**3,350**	**5,181**

The amortisation charge for the period is included in depreciation and amortisation expenses in the Condensed Statement of comprehensive income.

		30 Sep 2020	31 Dec 2019
27	**Right-of-use assets**		
	Right-Of-Use Assets (note 27.1)	2,988	3,564

		30 Sep 2020	31 Dec 2019
27.1	Right-Of-Use Assets		
	Movement in right-of-use assets is as shown below:		
	Opening balance	3,564	-
	Reclassification from prepayment	-	4,617
	IFRS 16 adjustment	-	76
	Additions during the year	175	345
	Amortisation during the year	(751)	(936)
	Short term leases recognised on a straight-line basis as expense	-	(539)
		2,988	**3,564**

IFRS 16 "Leases" became effective on January 1, 2019. The new standard required a lessee in a lease contract to recognize. Right-of-use-assets for all types of leases and this must be amortised through P&L. For the Bank, the right-of-use assets relates to lease rentals on branches. The amortisation during the period is shown in Note 12. Lease rentals was reported as part of Prepayments in Other Assets before the introduction of the new standard.

		30 Sep 2020	31 Dec 2019
28	**Other assets**		
	Financial assets		
	Sundry receivables	38,054	50,384
	Card and e-banking receivables	19,997	7,606
	Due from affiliates and related entities	20,683	19,279
		78,734	**77,269**
	Less specific allowances for impairment (note 28.2)	(10,833)	(9,340)
		67,901	**67,929**
	Non-financial assets		
	Prepayments	14,391	1,238
		82,292	**69,167**
	Current	67,901	67,929
	Non-current	14,391	1,238
		82,292	**69,167**
28.2	**Reconciliation of impairment account**		
	At 1 January	9,340	8,484
	Increase in impairment	1,692	754
	Amount reclassified	-	121
	Impairment no longer required	(199)	(19)
	At end	10,833	9,340

Notes to the financial statements

		30 Sep 2020	31 Dec 2019
29	**Retirement benefit obligations**		
	The amounts recognised in the balance sheet are as follows:	**1,803**	**1,800**

This balance relates to outstanding accruals yet to be transferred to the fund administrators as at the end of the period.

		30 Sep 2020	31 Dec 2019
30	**Deposits from banks**		
	Items in course of collection	727	934
	Other deposits from banks	260,973	218,541
	Current account balances with banks	6,049	6,583
		267,749	**226,058**
	Current	267,749	226,058
	Non-current	-	-
		267,749	226,058

31 Deposits from customers

Deposits due to customers are primarily comprised of savings deposits, amounts payable on demand, and term deposits.

	30 Sep 2020	31 Dec 2019
LCY		
Demand	323,942	257,770
Savings	392,504	275,438
Term	397,419	442,132
		-
	1,113,865	975,340
Domiciliary (FCY)		
Demand	149,187	181,607
Savings	6,602	5,305
Term	228,465	192,447
	384,254	379,359
	1,498,119	**1,354,699**

		30 Sep 2020	31 Dec 2019
32	**Borrowings**		
	Long term borrowing comprise:		
	Bank of Industry (see note (i) below)	17,171	21,788
	A/B Syndicated subordinated term facility (FMO)(see note (ii) below)	22,481	27,663
	Micro, Small and Medium Enterprises Development Fund (see note (iii) below)	50	50
	Central Bank of Nigeria RSSF (see note (iv) below)	11,241	14,872
	Development Bank of Nigeria Fund (see note (v) below)	2,473	15,524
		53,416	**79,896**
	Current	-	-
	Non-current	53,416	79,896
		53,416	**79,896**

The borrowings are carried at amortised costs.

The Bank has not had any defaults of principal, interest or other breaches with respect to their liabilities during the year (2019: nil).

Summary of borrowing arrangements

(i) This represents CBN intervention funds on-lent to some of the Bank's customers in the manufacturing sector through Bank of industry (BOI). The fund is administered at an all-in interest rate of 7% per annum payable on a quarterly basis. The maximum tenor of the facility is 15 years.

(ii) The amount represents syndicated subordinated Tier II capital loan of $75 million granted to the Bank by FMO Entrepreneurial Development Bank. The facility has a tenure of 7 years with moratorium of 5 years and interest rate is 6.5% + LIBOR payable quarterly.

(iii) This represents CBN intervention funds on-lent to some of the Bank's customers in the micro, small and medium sector. The facility have a maximum tenor of one (1) year for micro enterprises and up to five (5) years for SMEs with option of moratorium. The Fund shall be administered at an interest rate of 3% per annum under the wholesale funding to the PFIs with a spread of 6% bringing the lending rate to borrowers at a maximum of 9 % per annum inclusive of all charges.

(iv) This represents intervention funds under the CBN Real Sector Support Fund (RSSF) on-lent to some of the Bank's customer real sector. The facilities have tenors ranging between 7 - 10 years with option of moratorium. The Fund shall be administered at an interest rate of 2% per annum under the wholesale funding to the PFIs with a spread of 7% bringing the lending rate to borrowers at a maximum of 9 % per annum inclusive of all charges. Principal and interest repayment to the CBN is on quarterly basis.

Notes to the financial statements

(v) This represents funds DBN provided for wholesale funding and risk-sharing to Participating Financial Institutions for on-lending to MSMEs. The facilities have tenors that is flexible (up to 10 years with a moratorium period of up to 18 months) and the rates of up to 9.6%. Principal and interest repayment to DBN is on monthly basis.

33 Provision for litigation

This relates to provision made on judgement sums for concluded cases which has not been settled as at year end because they are under appeal.

Movement in provision for litigation	**30 Sep 2020**	**31 Dec 2019**
At 1 January	1,651	1,438
Increase in provision	93	271
Provision no longer required	(18)	(58)
At 31 December	**1,726**	**1,651**

34 Lease liability

Lease liabilities	**86**	**86**

35 Other liabilities

Customer deposits for letters of credit	8,482	10,186
Accounts payable	37,052	17,523
Unearned income	2,763	127
Collection accounts	3	3
Accrued expenses	8,585	1,026
Card settlement accounts	22,170	8,557
Managers' cheques	6,862	6,593
Impairment allowance for off-balance sheet	1,530	4,161
Others	21,783	3,893
	109,230	**52,069**

Notes to the financial statements

		30 Sep 2020	31 Dec 2019
36	**Share capital**		
	Authorised		
	30,000,000,000 ordinary shares of 50k each	15,000	15,000
	Issued and fully paid		
	27,437,973,202 ordinary shares of 50 kobo each	13,719	13,719
	Movements during the period:		
	Balance at 1 January	13,719	11,457
	Issued during the year	-	2,262
	At 31 December	13,719	13,719
37	**Share premium and reserves**		
	At 1 January	179,316	149,903
	Issued during the year	-	29,413
	At End	179,316	179,316
	Bonds & Guarantees	92,769	116,461
	Documentary and commercial letters of credit	168,827	211,405
	FX transactions	104,086	89,552
		365,682	**417,417**

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

Share premium: Premium from the issue of shares are reported in share premium.

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

Statutory reserve: Undistributable earnings required to be kept by the Central Bank in accordance with national law.

SMEISS reserve: Appropriated from retained earnings by regulation for investment in small scale industries.

Revaluation reserve: The revaluation reserve shows the effects from the fair value measurement of equity instruments elected to be presented in other comprehensive income on initial recognition after deduction of deferred taxes. No gains or losses are recognised in the income statement.

38 CONTINGENT LIABILITIES AND COMMITMENTS

38.1 Loan commitments, guarantee and other financial facilities

In the normal course of business the Bank is a party to financial instruments with off-balance sheet risk. These instruments are issued to meet the credit and other financial requirements of customers. The estimated maximum exposure in respect of contingent liabilities and commitment granted are:

	30 Sep 2020	31 Dec 2019
Bonds & Guarantees	92,769	116,461
Documentary and commercial letters of credit	168,827	211,405
FX transactions	104,086	89,552
	365,682	**417,418**

39 Related party transactions

39.1 Key management personnel compensation for the year comprises;

Directors' emoluments

Remuneration paid to the Bank's directors was:

	N'million	
	30 Sep 2020	31 Dec 2019
Directors' fees	110	146
Sitting allowances	33	47
Other director expenses	26	153
	169	**345**

Fees and other emoluments disclosed above include amounts paid to:

	N'million	
	30 Sep 2020	31 Dec 2019
Chairman	23	35
Highest paid director	23	35

The number of directors who received fees and other emoluments (excluding pension contributions and certain benefit) in the following ranges was:

	Number	
	30 Sep 2020	31 Dec 2019
N5,000,001 and above	8	8
	8	**8**

39.2 Transactions with parents and other affiliates

The parent company of the Bank is Ecobank Transnational Incorporated (ETI)

The bank maintains business relationships with the parent company and a number of its affiliates for various services rendered to it, as follows:

- Ecobank Transnational Incorporated	- Parent	- Group Shared Service Agreement
- E-Process, Ghana	- Affiliate	- Information technology services

Also, a number of banking transactions are entered into with related parties in the normal course of business. These include loans and deposits.

39.3 Loans and advances to related parties

The bank granted various credit facilities to other companies which have common directors with the bank and those that are members of the Bank. The rates and terms agreed are comparable to other facilities being held in the bank's portfolio. Details of these are described below:

Included in loans and advances is an amount of N7.133 billion (2019: N7.30 billion) representing credit facilities to companies in which certain directors and shareholders have interests and personal loans to directors. The balances as at 30 September, 2020 are as follows:

Name of company/individual	Relationship	Facility Type	N'million	Status	Security
Shoreline Power Company Limited	Common director	Term Loan	5,212	Performing	Charge Over Assets
Costain West Africa Plc	Common director	Work Order	1,731	Performing	All Asset Debenture
Oyedeji Carol Edeinokun	Executive director	Mortgage	39	Performing	Legal mortgage
Ogbogu Edwin Igwebuike	Executive director at ETI	Mortgage	29	Performing	Legal mortgage
Adeleke Adekola Ayandele	Executive director	Mortgage	78	Performing	Legal mortgage
Atiomo Paul Ehichoya	Related to executive director	Personal	44	Performing	Domiciliation of Salary
			7,133		
Off-balance sheet engagements					
Costain West Africa Plc	Common director		464	Performing	Legal mortgage
			464		

39.4 Due from affiliates and related entities

	30 Sep 2020	31 Dec 2019
Cameroun	0.12	0.12
eProcess	16,123	15,510
ETI	4,015	1,958
Ghana	1	1
Liberia	0.05	0.05
Paris	10	10
	20,149	**17,479**

Notes to the financial statements

		30 Sep 2020	31 Dec 2019
39.5	**Due to affiliates and related entities**		
	Benin	12	12
	Burkina Faso	0.3	0.3
	Cameroun	1	-
	Cote d'Ivoire	1	1
	EDC	3	3
	eProcess	9,561	8,655
	ETI	201	411
	Gambia	24	24
	Guinea	0.1	0
	Kenya	14	14
	Liberia	1	1
	Malawi	2	2
	Mali	2	-
	Niger	2	2
	Paris	17	17
	Sao Tome	0.2	0
	Senegal	1	1
	Tanzania	0.1	0
	Togo	0.1	0
	Uganda	0.01	0
		9,842	**9,143**

40 Subsequent events disclosure

There are no post balance sheet events which could have a material effect on the state of affairs of the Bank as at 30 September 2020 which have not been adequately provided for or disclosed.

Notes to the financial statements

41 Segment reporting

The Bank has three reportable segments which are the Bank's strategic business units. The strategic business units offer varied products and services and are managed separately based on the Bank's management and internal reporting structure. For each of the strategic business units, the Executive Management Committee reviews internal management reports on a monthly basis.

All operating segments used by the Bank meet the definition of a reportable segment under IFRS 8.

The Bank operating segments are described below:
(i) Consumer banking - Focuses on serving banking customers that are individuals.
(ii) Commercial banking - Focuses on serving local corporates, small and medium corporates, SMEs, Schools, Churches and local NGOs and Public Sector.
(ii) Corporate and investment banking - Focuses on providing one-stop banking services to multinationals, regional companies, government and government agencies, financial institutions and international organizations across the network. This unit also provides Treasury activities.

Attributing revenue to geographical areas is based on branch geographical position and activities. Information regarding the results of each reportable segment is included below. Performance is measured based on segment operating profit before income tax, as included in the internal management reports that are reviewed by the Executive Management Committee. Segment operating profit before income tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.
No single external customer accounts for 10% or more of the Bank's revenue.

At 30 September 2020	**CIB**	**Consumer**	**Commercial**	**Others**	**Total**
Net interest income	57,522	(7,851)	(1,209)	-	48,462
Net fees and commission income	2,419	1,453	545	-	4,417
Other income	11,215	4,000	2,087	173	17,475
Revenue derived from other business segments	(29,205)	24,032	8,352	(3,178)	-
Operating income	41,951	21,634	9,775	(3,005)	70,354
Impairment on loan and advances and others assets	(6,757)	(370)	1,941	(1,478)	(6,664)
Staff expenses	(4,510)	(7,969)	(7,088)	(3)	(19,570)
Depreciation and Amortisation	(3,117)	(1,239)	(1,196)	-	(5,552)
Others operating expenses	(13,842)	(11,239)	(4,848)	(1)	(29,930)
Operating profit	13,725	817	(1,416)	(4,487)	8,638
Income tax	-	-	-	-	(712)
				-	
Income statement profit/(loss)	**13,724**	**817**	**(1,416)**	**(4,487)**	**7,926**
Loans and advances to customers	**798,538**	**18,164**	**45,299**	**-**	**862,002**
Deposits from customers	**634,373**	**566,206**	**297,539**	**-**	**1,498,119**

At 30 September 2019	**CIB**	**Consumer**	**Commercial**	**Others**	**Total**
Net interest income	45,041	(14,575)	(4,975)	115	25,605
Net fees and commission income	4,138	3,441	2,344	-	9,923
Other income	14,930	1,525	1,495	2,407	20,357
Revenue derived from other business segments	(50,520)	30,956	8,476	11,088	-
Operating income	13,589	21,347	7,340	13,610	55,885
Impairment on loan and advances and others assets	(2,694)	(334)	(2,203)	-	(5,231)
Staff expenses	(7,945)	(9,751)	(7,173)	-	(24,869)
Depreciation and Amortisation	(2,302)	(1,594)	(1,452)	-	(5,349)
Others operating expenses	(13,415)	(7,169)	(3,943)	-	(24,528)
Operating profit	(12,768)	2,498	(7,432)	13,610	(4,092)
Income tax	-	-	-	-	-
Income statement (loss)/profit	**(12,768)**	**2,498**	**(7,432)**	**13,610**	**(4,092)**
Loans and advances to customers	**748,044**	**15,907**	**25,975**	**-**	**789,926**
Deposits from customers	**571,556**	**489,388**	**261,274**	**-**	**1,322,217**

CREDIT RISK DISCLOSURES

3.1 Credit risk

Credit risk is the risk of suffering financial loss, should any of Ecobank Nigeria's customers, clients or market counterparties fail to fulfil their contractual obligations to Ecobank Nigeria. Credit risk arises mainly from interbank, commercial and consumer loans and advances, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as credit derivatives (credit default swaps), financial guarantees, letters of credit, endorsements and acceptances.

Ecobank Nigeria is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures') including non-equity trading portfolio assets and derivatives as well as settlement balances with market counterparties and reverse repurchase agreements.

Credit risk is the single largest risk for Ecobank Nigeria's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralised in a credit risk management team which reports regularly to the Board of Directors and head of each business unit.

3.1.1 Credit quality analysis

Ecobank Nigeria uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. Ecobank Nigeria use internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures) is incorporated into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the expected credit models enable expert judgement from the Credit Risk Officer to be incorporated into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade. For example, this means that the difference in the PD between an A and A- rating grade is lower than the difference in the PD between a B and B- rating grade.

The following are additional considerations for each type of portfolio held by Ecobank Nigeria:

Retail

After the date of initial recognition, for retail business, the payment behaviour of the borrower is monitored on a periodic basis to develop a behavioural score. Any other known information about the borrower which impacts their creditworthiness — Such as unemployment and previous delinquency history — is also incorporated into the behavioural score. This score is mapped to a PD.

Wholesale

For wholesale business, the rating is determined at the borrower level. A relationship manager will incorporate any updated or new information/credit assessments into the credit system on an ongoing basis. In addition, the relationship manager will also update information about the creditworthiness of the borrower every year from sources such as public financial statements. This will determine the updated internal credit rating and PD.

Investment Securities

For debt securities in the Treasury portfolio, external rating agency credit grades are used. These published grades are continuously monitored and updated. The PD's associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency.

Ecobank Nigeria's rating method comprises 10 rating levels. The master scale assigns each rating category a specified range of probabilities of default, which is stable over time. The rating methods are subject to an annual validation and recalibration so that they reflect the latest projections in the light of all actually observed defaults.

Ecobank Nigeria's internal rating scale and mapping of external ratings are set out below:

Credit rating	S & P	Description of the grade
1	AAA	Investment
2+	AA+	Investment
2	AA	Investment
2-	AA-	Investment
3+	A+	Investment
3	A	Investment
3-	A-	Investment
4+	BBB+	Investment
4	BBB	Investment
4-	BBB-	Investment
5+	BB+	Speculative
5	BB	Speculative
5-	BB-	Speculative
6+	B+	Speculative
6	B	Speculative
6-	B-	Speculative
7	CCC	Speculative
8	CC	Speculative
9	C	Highly vulnerable
10	D	Failed

3.1.2 Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by Ecobank Nigeria.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to note 3.1.2.1 for a description of how Ecobank Nigeria determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 3.1.2.2 for a description of how Ecobank Nigeria defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to note 3.1.2.2 for a description of inputs, assumptions and estimation techniques used in measuring the ECL
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 3.1.2.2 includes an explanation of how Ecobank Nigeria has incorporated this in its ECL models.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

Further explanation is also provided of how Ecobank Nigeria determines appropriate groupings when ECL is measured on a collective basis.

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12 month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

3.1.2.1 *Significant increase in credit risk*

Ecobank Nigeria considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria:

The quantitative criteria is based on either absolute or relative changes in credit quality. In both cases, the Bank is expected to specify the percentage change, for either 12-month or lifetime PDs in comparison to the corresponding 12-month or lifetime PDs as calculated at origination, respectively, that would indicate a significant increase in credit risk since origination.

As a result of COVID and government forbearance provided, the loans that have forbearance measures have been specifically evaluated to determine if the provision of forbearance results in a significant increase in credit risk.

Qualitative criteria:

Forward transitions: Credit Ratings

Ecobank Nigeria allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower. Notch differences between the current rating grade and initial rating grade can be indicative of significant increase in credit risks

The Bank specifies the number of notch increases that will be viewed as a significant increase in credit risk since origination. This number is specified separately for both low and high risk accounts. The split between low and high risk accounts is also specified by the Bank. Assuming the account is currently classified as Stage 1, if the current credit rating increases by more notches than the specified number since origination, the account is classified as Stage 2.

In addition, if the accounts current credit rating is worse than the default credit rating indicator, also specified by the Bank, the account is classified as Stage 3.

These credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Corporate exposure	Retail exposures	All exposures
· Information obtained during periodic review of customer files — e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes	· Internally collected data on customer behaviour — e.g. utilisation of credit card facilities	· Payment record —this includes overdue status as well as a range of variables about payment ratios
· Data from credit reference agencies, press articles, changes in external credit ratings	· Affordability metrics	· Utilisation of the granted limit
· Quoted bond and credit default swap (CDS) prices for the borrower where available	· External data from credit reference agencies including industry-standard credit scores	·Requests for and granting of forbearance
· Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities		· Existing and forecast changes in business, financial and economic conditions

Forward transitions: Days past due

Transition from Stage 1 to Stage 2 is based on the 30 days past due presumption. Transition from Stage 2 to Stage 3 is based on the 90 days past due presumption. The table below summarises the Stage classification based on the days past due.

Stage	Days Past Due
1	0 to 29
2	30 to 89
3	90+

Forward transitions: Watchlist & Restructure

The Bank classifies accounts that are included on their Watchlist or have been restructured as Stage 2. For restructures, however, the Bank can specify if the restructure is due to a significant increase in credit risk.

Forward transitions: Classification

In addition to the days past due, the Bank classifies accounts as either 'Performing', 'Substandard', 'Doubtful' or 'Loss'. This classification is considered together with days past due in determining the Stage classification. However, as noted above, for Ecobank Nigeria, only classification is used to classify accounts as Stage 3. The table below summarises the account classification and days past due.

Classification	Days Past Due
Performing	Up-to-date
Substandard	90 to 179
Doubtful	180 to 364
Loss	365+

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

3.1.2.2 *Definition of default*

Ecobank Nigeria considers a financial asset to be in default which is fully aligned with the credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent
- The borrower is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower's financial difficulty

  It is becoming probable that the borrower will enter bankruptcy
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by Ecobank Nigeria and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout Ecobank Nigeria's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per “Definition of default and credit-impaired” above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation
- EAD is based on the amounts Ecobank Nigeria expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, Ecobank Nigeria includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents Ecobank Nigeria’s expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

. For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.

. For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of Ecobank Nigeria's recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

. For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.

. For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and price.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. Refer to note 3.1.2.4 for an explanation of forward- looking information and its inclusion in ECL calculations.

The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on a quarterly basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

3.1.2.4 Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. Ecobank Nigeria has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by Ecobank Nigeria's Economics team on a quarterly basis and provide the best estimate view of the economy over the next five years. After five years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long run average rate (e.g. for unemployment) or a long run average growth rate (e.g. GDP) over a period of two to five years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

In addition to the base economic scenario, Ecobank Nigeria's Economics team also provide other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The assessment of SICR is performed using the Lifetime PD under each of the base, and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators (see note 3.1.2.1). This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, Ecobank Nigeria measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs). As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. Ecobank Nigeria considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within Ecobank Nigeria's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Sensitivity analysis

The most significant assumptions affecting the ECL allowance are as follows:

(i) Prime lending rate, given its impact on the general rate of borrowing.
(ii) Oil Exports, given the amount of income and expected cash-flows in the books of the counterparty and its ability to pay back the loans.
(iii) Real GDP Growth Rate: given on the overall outlook of the economy

Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

In performing this grouping, there must be sufficient information for Ecobank Nigeria to be statistically credible. Where sufficient information is not available internally, Ecobank Nigeria has considered benchmarking internal/external supplementary data to use for modelling purposes. The characteristics and any supplementary data used to determine groupings are outlined below:

Retail – Groupings for collective measurement

- Loan to value ratio band
- Credit Rating band
- Product type (e.g. Residential/Buy to Let mortgage, Overdraft, Credit Card)
- Repayment type (e.g. Repayment/Interest only)

Wholesale – Groupings for collective measurement

- Collateral type
- Credit Rating band

The appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Risk team.

3.1.3 *Credit risk exposure*

3.1.3.1 Maximum exposure to credit risk – Financial instruments subject to impairment

For ECL purposes, the bank's financial asset is segmented into sub-portfolios are listed below

- Retail loan Portfolio
- Corporate loan Portfolio
- Investment securities
- Financial Guarantee Contracts

3.1.3.2 The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents Ecobank Nigeria's maximum exposure to credit risk on these assets.

ECL staging

Retail loan portfolio 2020	Stage 1 12-month ECL N'million	Stage 2 Lifetime ECL N'million	Stage 3 Lifetime ECL N'million	Purchased credit-impaired N'million	Total N'million
Credit grade					
Investment grade	-	-	-	-	-
Speculative grade	25,217	218	6,611	-	32,046
Gross carrying amount	**25,217**	**218**	**6,611**	**-**	**32,046**
Loss allowance	(814)	(60)	(5,317)	-	(6,191)
Carrying amount	**24,403**	**158**	**1,294**	**-**	**25,855**

3.1.3.3 ECL staging

2019	Stage 1 12-month ECL N'million	Stage 2 Lifetime ECL N'million	Stage 3 Lifetime ECL N'million	Purchased credit-impaired N'million	Total N'million
Credit grade					
Investment grade	-	-	-	-	-
Speculative grade	16,480	153	10,970	-	27,603
Gross carrying amount	**16,480**	**153**	**10,970**	**-**	**27,603**
Loss allowance	(654)	(8)	(7,989)	-	(8,651)
Carrying amount	**15,826**	**145**	**2,981**	**-**	**18,952**

ECL staging

Corporate loan portfolio 2020	Stage 1 12-month ECL N'million	Stage 2 Lifetime ECL N'million	Stage 3 Lifetime ECL N'million	Purchased credit-impaired N'million	Total N'million
Credit grade					
Investment grade	107,734	-	-	-	107,734
Speculative grade	392,881	231,317	202,670	-	826,868
Gross carrying amount	**500,615**	**231,317**	**202,670**	**-**	**934,602**
Loss allowance	(2,975)	(10,712)	(84,769)	-	(98,456)
Carrying amount	**497,640**	**220,605**	**117,901**	**-**	**836,146**

ECL staging

2019	Stage 1 12-month ECL N'million	Stage 2 Lifetime ECL N'million	Stage 3 Lifetime ECL N'million	Purchased credit-impaired N'million	Total N'million
Credit grade					
Investment grade	114,607	6,654	-	-	121,261
Speculative grade	297,293	259,380	207,544	-	764,218
Gross carrying amount	**411,900**	**266,034**	**207,544**	**-**	**885,478**
Loss allowance	(3,424)	(5,733)	(83,668)	-	(92,825)
Carrying amount	**408,476**	**260,301**	**123,876**	**-**	**792,654**

ECL staging	Investment Securities 2020				
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Purchased credit-impaired**	**Total**
	N'million	N'million	N'million	N'million	N'million
Credit grade					
Investment grade	439,183	-	-	-	439,183
Speculative grade	-	-	-	-	-
Gross carrying amount	**439,183**	**-**	**-**	**-**	**439,183**
Loss allowance	(271)	-	-	-	(271)
Carrying amount	**438,912**	**-**	**-**	**-**	**438,912**

ECL staging	2019				
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Purchased credit-impaired**	**Total**
	N'million	N'million	N'million	N'million	N'million
Credit grade					
Investment grade	417,027	-	-	-	417,027
Speculative grade	-	-	-	-	-
Gross carrying amount	**417,027**	**-**	**-**	**-**	**417,027**
Loss allowance	(813)	-	-	-	(813)
Carrying amount	**416,214**	**-**	**-**	**-**	**416,214**

ECL staging	Financial Guarantee Contracts 2020				
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Purchased credit-impaired**	**Total**
	N'million	N'million	N'million	N'million	N'million
3.1.3.3 Credit grade					
Investment grade	11,670	-	-	-	11,670
Speculative grade	81,099	-	-	-	81,099
Gross carrying amount	**92,769**	**-**	**-**	**-**	**92,769**
Loss allowance	(1,530)	-	-	-	(1,530)
Carrying amount	**91,239**	**-**	**-**	**-**	**91,239**

ECL staging	2019				
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Purchased credit-impaired**	**Total**
	N'million	N'million	N'million	N'million	N'million
Credit grade					
Investment grade	9,823	-	-	-	9,823
Speculative grade	106,197	980	164	-	107,340
Gross carrying amount	**116,020**	**980**	**164**	**-**	**117,164**
Loss allowance	(4,161)	-	(0)	-	(4,161)
Carrying amount	**111,859**	**980**	**164**	**-**	**113,003**

Notes to the financial statements

3.1.3.4 Maximum exposure to credit risk – Financial instruments not subject to impairment

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e. FVPL):

	Maximum exposure to credit risk N'million	
	2020	2019
Trading assets		
• Debt Securities	35,030	54,750
• Derivatives	4,046	4,426
	-	-
Financial assets designated at fair value		
• Debt securities	439,183	417,027
• Loans and advances to customers	862,002	811,606

3.1.3.5 Collateral and other credit enhancements

Ecobank Nigeria employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. Ecobank Nigeria has internal policies on the acceptability of specific classes of collateral or credit risk mitigation. Ecobank Nigeria prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Margin agreement for derivatives, for which Ecobank Nigeria has also entered into master netting agreements;
- Charges over business assets such as premises, inventory and accounts receivable; and
- Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments. Derivatives are also collateralised.

Ecobank Nigeria's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by Ecobank Nigeria since the prior period.

Ecobank Nigeria closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that Ecobank Nigeria will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

	Gross exposure	**Impairment allowance**	**Carrying amount**	***Fair value of collateral held**
	2020			
Credit-impaired assets				
Loans to individuals:				
• Overdrafts	6,223	5,053	1,170	982
• Credit cards	12	10	2	0
• Lease	-	-	-	-
• Loans	137	113	24	533
• Mortgage	239	141	98	2,330
Loans to corporate entities:				
• Cards	1	1	0	-
• Lease	14	14	1	1,657
• Loans	95,278	15,894	79,384	2,678,732
• Mortgage	-	-	-	-
• Overdrafts	107,377	69,701	37,677	88,960
Total credit-impaired assets	**209,281**	**90,927**	**118,356**	**2,773,194**

Fair value collateral – this is not capped. However, all credit facility collateral are assessed on an individual basis (and not as a portfolio)

	2019			
Credit-impaired assets				
Loans to individuals:				
• Overdrafts	10,026	7,411	2,614	1,079
• Credit cards	510	383	128	-
• Lease	-	-	-	-
• Loans	213	143	70	48

• Mortgage	221	53	169	455
Loans to corporate entities:				
• Cards	1	1	0	-
• Lease	35	30	5	30
• Loans	77,024	12,891	64,134	261,602
• Mortgage	-	-	-	-
• Overdrafts	130,483	70,745	59,738	1,622,339
Total credit-impaired assets	**218,513**	**91,657**	**126,858**	**1,885,553**

The following table shows the distribution of LTV ratios for Ecobank Nigeria's mortgage credit-impaired portfolio:

Mortgage portfolio – LTV distribution	**Credit-impaired (Gross carrying amount)**	
	2020	**2019**
Lower than 50%	737	1,172
50 to 60%	90	156
61 to 70%	50	124
71 to 80%	88	53
81 to 90%	237	201
91 to 100%	-	81
Higher than 100%	184	141
Total	**1,386**	**1,928**

Personal lending
Ecobank Nigeria's personal lending portfolio consists of unsecured loans and credit cards.

3.1.4 Loss allowance
The loss allowance recognised in the period is impacted by a variety of factors, as described below:
- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period (see note 3.1.5).

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

As at 30 September 2020 **Loss allowance - Loans and advances to customers at amortised cost**	**Loans and advances to customers at amortised cost**				
	Stage 1	**Stage 2**	**Stage 3**		
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-impaired**	**Total**
	N'million	**N'million**	**N'million**	**N'million**	**N'million**
Loss allowance as at 1 January 2020	**4,078**	**5,741**	**91,657**	**-**	**101,476**
Movements with P&L impact					
Transfers:					
Transfer from Stage 1 to Stage 2	(12)	35	-	-	23
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 1	50	(1,063)	-	-	(1,013)
Transfer from Stage 2 to Stage 3	-	(4)	247		243
Transfer from Stage 3 to Stage 1	32	-	(965)		(933)
Transfer from Stage 3 to Stage 2		112	(121)		(9)
New financial assets originated or purchased	250	5	-	-	255
Changes in PDs/LGDs/EADs	-	-	-	-	-
Changes to model assumptions and methodologies	-	-	-	-	-

Modification of contractual cash flows of financial assets	-	-	-	-	-
Unwind of discount(a)		-	-	-	-
FX and other movements	(609)	5,945	2,032		7,369
Total net P&L charge during the period	**(289)**	**5,030**	**1,193**	**-**	**5,935**
Other movements with no P&L impact					
Transfers:					
Transfer from Stage 2 to Stage 3					-
Transfer from Stage 3 to Stage 2					-
Financial assets derecognised during the period	-	-	-	-	-
Write-offs	-	-	(10,362)	-	(10,362)
Other movements	-	-	7,597		7,597
Loss allowance as at 30 September 2020	**3,789**	**10,771**	**90,085**	**-**	**104,646**

As at 31 December 2019

Loss allowance - Loans and advances to customers at amortised cost	**Stage 1**	**Stage 2**	**Stage 3**		
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-impaired**	**Total**
	N'million	**N'million**	**N'million**	**N'million**	**N'million**
Loss allowance as at 1 January 2019	**4,921**	**15,291**	**92,800**	**-**	**113,012**
Movements with P&L impact					
Transfers:					
Transfer from Stage 1 to Stage 2	(1,854)	(4,518)	6,776	-	404
Transfer from Stage 1 to Stage 3	(177)	-	7,461	-	7,284
Transfer from Stage 2 to Stage 1	161	(417)	-	-	(256)
Transfer from Stage 2 to Stage 3	-	(1,320)	9,087		7,767
Transfer from Stage 3 to Stage 1	295	-	(2,583)		(2,288)
Transfer from Stage 3 to Stage 2		72	(1,887)		(1,815)
New financial assets originated or purchased	649	3,333	65	-	4,047
Changes in PDs/LGDs/EADs	-	-	-	-	-
Changes to model assumptions and methodologies	-	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-	-
Unwind of discount(a)		-	-	-	-
FX and other movements	83	(6,700)	2,627		(3,990)
Total net P&L charge during the period	**(843)**	**(9,550)**	**21,546**	**-**	**11,153**
Other movements with no P&L impact					
Transfers:					
Transfer from Stage 2 to Stage 3					-
Transfer from Stage 3 to Stage 2					-
Financial assets derecognised during the period	-	-	(28,941)	-	(28,941)
Write-offs	-	-	(1,167)	-	(1,167)
Other movements	-	-	7,418		7,418
Loss allowance as at 31 December 2019	**4,078**	**5,741**	**91,656**	**-**	**101,475**

Financial Guarantee/Loan Commitment

As at 30 September 2020

Financial Guarantee/Loan Commitment	**Stage 1**	**Stage 2**	**Stage 3**		
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-impaired**	**Total**
	N'million	**N'million**	**N'million**	**N'million**	**N'million**
Loss allowance as at 1 January 2020	**4,161**	**-**	**-**	**-**	**4,161**
Movements with P&L impact					
Transfers:	-	-	-		-
Transfer from Stage 1 to Stage 2	-	-	-		-
Transfer from Stage 1 to Stage 3	-	-	-		-
Transfer from Stage 2 to Stage 1	-	-	-		-
New financial assets originated or purchased	-	-	-		-
Changes in PDs/LGDs/EADs	-	-	-		-
Changes to model assumptions and methodologies	-	-	-		-
Modification of contractual cash flows of financial assets	-	-	-		-
Unwind of discount[a]	-	-	-		-
FX and other movements	-	-	-	-	-

Total net P&L charge during the period	**-**	**-**	**-**	**-**	**-**
Other movements with no P&L impact					
Transfers:					
Transfer from Stage 2 to Stage 3					-
Transfer from Stage 3 to Stage 2					-
Financial assets derecognised during the period	-	-	-	-	-
FX and other movements	(2,630)	-	-	-	(2,630)
Write-offs	-	-	-	-	-
Loss allowance as at 30 September 2020	**1,531**	**-**	**-**	**-**	**1,531**

As at 31 December 2019

Financial Guarantee/Loan Commitment	**Stage 1**	**Stage 2**	**Stage 3**		
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-impaired**	**Total**
	N'million	**N'million**	**N'million**	**N'million**	**N'million**
Loss allowance as at 1 January 2019	**1,325**	**2,614**	**120**	**-**	**4,059**
Movements with P&L impact					
Transfers:	-	-	-		-
Transfer from Stage 1 to Stage 2	-	-	-		-
Transfer from Stage 1 to Stage 3	-	-	-		-
Transfer from Stage 2 to Stage 1	254	-	-		254
New financial assets originated or purchased	416	-	-		416
Changes in PDs/LGDs/EADs	-	-	-		-
Changes to model assumptions and methodologies	-	-	-		-
Modification of contractual cash flows of financial assets	-	-	-		-
Unwind of discount[(a)]	-	-	-		-
FX and other movements	2,166	(2,614)	(120)	-	(568)
Total net P&L charge during the period	**2,836**	**(2,614)**	**(120)**	**-**	**102**
Other movements with no P&L impact					
Transfers:					
Transfer from Stage 2 to Stage 3					-
Transfer from Stage 3 to Stage 2					-
Financial assets derecognised during the period	-	-	-	-	-
Write-offs	-	-	-	-	-
Loss allowance as at 31 December 2019	**4,161**	**-**	**0**	**-**	**4,161**

The total amount of undiscounted expected credit losses at initial recognition for purchased or originated credit-impaired financial assets recognised during the year was nil.

3.1.5 Write-off policy

Ecobank Nigeria writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where Ecobank Nigeria's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

Ecobank Nigeria may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the period ended 30 September 2020 is N7 billion (year ended 31 December 2019: nil; 31 December 2018: N65.8 billion). Ecobank Nigeria still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery. During the period ended 30 September 2020, Ecobank Nigeria wrote off N10.362 billion (year ended 31 December 2019: N1.167 billion) of loans and advances to customers at amortised cost that were previously recorded in Stage 3. These Stage 3 financial assets written-off primarily related to loans in the oil and gas industry.

3.1.6 Modification of financial assets

Ecobank Nigeria sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximizing recovery.

Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset (refer to notes 1.2.1.1(iv) and (v) above). Ecobank Nigeria monitors the subsequent performance of modified assets. Ecobank Nigeria may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more. The gross carrying amount of such assets held as at 31 December 2018 was nil.

Ecobank Nigeria continues to monitor if there is a subsequent significant increase in credit risk in relation to such assets through the use of specific models for modified assets.

The following table includes summary information for financial assets with lifetime ECL whose cash flows were modified during the period as part of Ecobank Nigeria's restructuring activities and their respective effect on Ecobank Nigeria's financial performance:

	Loans and advance to customers 2020	**Loans and advance to customers 2019**
Gross Carrying amount before Modification	565,802	119,001
Loss allowance before modification	(22,061)	(19,372)
Amortised cost before modification	543,741	99,629
Net modification (loss)	-	-
Net amortised cost after modification	543,741	99,629

The contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity is nil at 31 December 2019.

3.1.7 Days past due

As discussed above in the significant increase in credit risk section, under Ecobank Nigeria's monitoring procedures a significant increase in credit risk is identified before the exposure has defaulted, and at the latest when the exposure becomes 30 days past due. This is the case mainly for loans and advances to customers and more specifically for retail lending exposures because for corporate lending and other exposures there is more borrower specific information available which is used to identify significant increase in credit risk. The table below provides an analysis of the gross carrying amount of loans and advances to customers by past due status.

	2020		**2019**	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Loans and advances to customers				
0-29 days	525,831	3,790	428,380	4,078
30-59 days	5,571	1,593	2,328	33
60-89 days	225,963	9,178	263,858	5,708
90-180 days	90,286	11,457	143,270	38,661
More than 181 days	118,995	78,628	75,245	52,996
Total	**966,646**	**104,646**	**913,081**	**101,476**

Notes to the financial statements

IMPACT OF COVID-19 ON CREDIT RISK AND BANK'S MODEL

The COVID-19 pandemic has caused widespread disruption to social and economic life globally. Countries around the world are on lockdown and global trade, business activities and commerce have all but slowed down significantly. Specific sectors like airlines, hospitality, transportation, entertainment/sports and upstream oil & gas have been severely impacted. Crude oil and other commodities prices have slumped, stock markets are volatile, and the global economy is slowing down. Life as we know it may never be the same again.

In Nigeria, many states have been on partial or total lockdown; taking a huge toll on economic activity. Our economy has been hit directly by the steep drop in global oil prices, local currency devaluation, disruptions in international and local supply chains, and drop in production output and reduction in consumer demand / purchasing power.

These have further resulted in paucity of FX liquidity, capital flight and shrinkage in FDIs, drop in fixed income & equity trading activity, elongated cash conversion cycles and ultimately defaults on customer obligations. Government around the world are enacting various emergency measures to cope.

CREDIT RISK

Prior to the COVID-19 pandemic, ENG had taken the conservative approach on its loan book leading to an increase in NPL ratio from 13.7 per cent. of total gross loans and advances as at 31 December 2018 to 23.9 per cent of total gross loans and advances as at 31 December 2019 before decreasing to 21.7 per cent of total gross loans and advances as at 30 September 2020. The slight decrease was as a result of increase in total loan portfolio, Recoveries and write off of loans with full provision in line with local regulation.

Following the onset of the pandemic, we carried out a stress test to assess the impact on our loan portfolio. The results indicate that NPL ratio may rise in more severe scenarios, if no evasive or mitigating actions are taken. Also, FCY debt service may fall under threat of delay/default over the next six months out of a total expectation. Our loan loss provisions were also increased in anticipation of potential impact of Covid-19 effort are intensified toward the monitoring of our credit portfolio to avoid deterioration.

Covid 19 Impact on Ecobank Nigeria Credit Risk Assessment and IFRS 9 model updates

1. Recalibrated ECL models and sub-models as at 30 September 2020.

All models have been fully re-calibrated using the most recent available data upto September 2020 (including Covid 19 period data).

Details of new assumptions used

Substantial judgment is required in estimating the impact of COVID 19 on the Bank's expected credit loss calculations. Judgment has been applied in determining the new assumptions such as macro-economic adjustments to the models. Further, the COVID environment has led to the application of management's judgment in determining collateral adjustments and probability weights assigned to various scenarios identified and applied.

1. All Corporate exposures above N360 million within the vulnerable sectors that have been restructured because of Covid-19, the gains/losses should be reported in the income statements.

2. All Covid-19 commercial exposures greater than N360 million in vulnerable sectors, that have been restructured because of Covid-19, the gains/losses should be reported in the income statements.

- In consumer Bank and in Covid-19 vulnerable sectors, down grade in the loan snapshot all ORRs by up to 2 notches (e.g., from ORR 5 to ORR 6+ or ORR 6+ to ORR 6- or ORR 6+ to ORR 6-, from ORR 7 to ORR 8, from ORR 8 to ORR 9 and from ORR 9 to ORR 10)
- In Commercial Bank and Corporate Bank and in Covid-19 vulnerable sectors, select only exposure below 360 million, down grade in the loan snapshot all ORRs by up to 2 notches (e.g. from ORR 5 to ORR 6+ or ORR 6+ to ORR 6-, from ORR 7 to ORR 8, from ORR 8 to ORR 9 and from ORR 9 to ORR 10.)
- Run the IFRS9 model with the COVID Loan snapshot after consider all the necessary staging impact of Covid 19 on the specific facility.
- Compute the COVID impact as the difference between **ECL(COVID) – ECL(BAU) 'Business As Usual'.** This is the COVID19 provision overlay.

ORR - Obligor Risk Rating
BAU – Business As Usual
Vulnerable sectors are Oil and gas, Manufacturing, Real Estate, Transport/Aviation, Agriculture, and General Commerce.

Covid-19 and IFRS 9 impact process
The exposures referred to here and in the subsequent lines are those in the vulnerable sectors as referred to in the Bank's Guideline in COVID19: e.g. Oil & Gas up-stream and down-stream, Airlines/transport, tourism, mining, construction, real-state and airlines.

Note: The impact of COVID-19 was assessed in Q3 of 2020.

3. Other parameter adjustments

Use of multiple scenarios to bring in COVID impact on the economy. The bank has used more than 3 scenarios, namely:

a) **Macro-Economic Adjustments to the Model:** The bank engaged a consultant to model the impact of Covid-19 (working around the GDP, Interest rates, 10 year bond yields and other economic factors – e.g. effect of Covid-19 on the GDP growth and applied same to the other Macroeconomics variables). For credit risk, the Bank uses statistical models that weighted for different economic scenarios. For example, annual GDP adjustments were made to the models under various probability weighted scenarios to stress the probability of default ('PD'), causing higher loan impairment charges and erosion of capital.

b) **Collateral values/adjustments, Hair-cut adjustment/assessments:** Adjusting the TTR (Time To Realise) of vehicles and debentures to reflect more reasonable estimates. The bank adjusted the TTR of vehicles from 2 years to 1 year and the TTR of debentures from 3 years to 2 years for all affiliates' LGD model

c) **Using the most recent S & P rates.** The most recent S&P rates have been used in the model, and these are S&P rates as published in 2020. All is in addition to the critical review of all Individual credit risk exposure of all material facilities.

COVID related quantitative criteria - forbearance or overlays
The Government through the Central Bank of Nigeria facilitated Covid-19 palliative programmes for deserving customers across various sectors. These palliatives involve extending the repayment period of these customers with moratorium period ranging from 6 to 12 months in line with CBN approval. This is to enable the customers recover from the effect of the nationwide lockdown and start cash flow generation to continue to service their obligation. The adopted approach was to evaluate all the credit risk exposure on a case by case basis to identify proper staging of the facilities as well as identifying loss events (where applicable). Credit risk assessment was done irrespective of the Forbearance of Government programmes to be able to determine the actual impairment position of the assessed facility.

4. Scenario weighting

The scenario weights were recalibrated to take account of the COVID event. The Base scenario weight was changed from 50% to 40% , the optimistic scenario weight was changed from 22.2% to 22.9%, and the downturn scenario was changed from 27.8% to 37.1%.

Financial risk management
The Bank's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice. The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance. The Bank defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

Risk management is carried out by the Bank Risk Management under policies approved by the Board of Directors. Bank Risk Management identifies, evaluates and hedges financial risks in close co-operation with the operating units of the Bank. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, the Internal Audit and Compliance is responsible for the independent review of risk management and the control environment.

The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate risk and other price risk.

(d) Industry sectors
The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorised by industry sector as of 30 September 2020. For this table, the Bank has allocated exposures to industry based on the sector of industry of our counterparties.

	2020	**2019**
	N'million	**N'million**
Agriculture	101,864	91,756
Oil and gas	388,651	364,249
Capital market	-	1
Consumer credit	23,160	25,380
Trade	76,377	73,342
Services & Others	33,518	27,903
Manufacturing	108,325	101,881
Mining and quarrying	2,113	1,800
Mortgage	1,610	2,222
Real estate and construction	30,970	30,137
Finance and insurance	12,988	13,134
Government	34,107	33,761
Power	21,649	21,799
Public Utilities	38,823	37,617
Transportation	15,582	13,585
Communication	73,298	71,699
Education	3,613	2,816
	966,648	**913,082**

(e) Geographical sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorised by geographical region as of 30 September 2020. For this table, the Bank has allocated exposures to regions based on the location of our counterparties.

	2020	2019
Nigeria	N'million	N'million
South south	109,605	109,257
South west	742,545	699,973
South east	14,699	13,613
North west	18,364	15,219
North central	24,501	17,504
North east	3,601	1,328
Outside Nigeria	53,333	56,188
	966,648	**913,082**

Stage 3 loans advances by Industry

Agriculture	1,244	1,041
Oil and gas	82,602	78,966
Capital market	-	1
Consumer credit	6,520	10,478
Trade	33,157	40,718
Services & Others	5,603	6,225
Manufacturing	17,618	19,161
Mortgage	162	493
Real estate and construction	28,738	28,234
Finance and insurance	93	174
Government	230	242
Public utilities	17,976	18,331
Transportation	9,636	8,334
Communication	1,562	1,811
Education	1,857	2,131
Mining and quarrying	-	5
Power	2,283	2,172
	209,281	**218,517**

Stage 3 loans and advances by geography

Nigeria		
South south	69,619	66,732
South west	111,052	118,688
South east	12,436	12,822
North west	1,715	3,962
North central	9,469	11,522
North east	411	618
Outside Nigeria	4,579	4,172
	209,281	**218,516**

(e) Quality of credit

The Bank's internal rating scale and mapping of external ratings as supplemented by the Bank's own assessment through the use of internal rating tools to determine the quality of risk assets as follows:

2020		2019	
Rating	Total exposure	Rating	Total exposure
AAA	13,133	AAA	13,435
A	17,219	A	65,491
BBB	89,251	BBB	42,335
BB	30,870	BB	31,576
B	125,247	B	199,295
CCC	50,386	CCC	129,360
CC	431,258	CC	303,942
C	167,402	C	90,298
D	41,882	D	37,350
Grand Total	**966,648**	**Grand Total**	**913,082**

Fair value of financial instruments

(a) Financial instruments not measured at fair value

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's statement of financial position at their fair value:

	Carrying Value		Fair Value	
Assets	**30 Sep 2020**	**31 Dec 2019**	**30 Sep 2020**	**31 Dec 2019**
Loans and advances to banks	113,395	72,444	113,395	72,444
Loans and advances to customers	966,648	913,082	862,002	811,606
Liabilities				
Deposits from banks	267,749	226,058	267,749	226,058
Due to customers	1,498,119	1,354,699	1,498,119	1,354,699
Borrowed funds	53,416	79,896	53,416	79,896

(i) Loans and advances to bank

Loans and advances to banks include inter-bank placements and items in the course of collection.

The carrying amount of floating rate placements and overnight deposits is a reasonable approximation of fair value.

The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

(ii) Loans and advances to customers

Loans and advances are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(iii) Investment securities

The fair value for loans and receivables and held-to-maturity financial assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

Investment securities (fair value through other comprehensive income) disclosed in the table above comprise only those equity securities held at cost less impairment. The fair value for these assets is based on estimations using market prices and earnings multiples of quoted securities with similar characteristics. All other available-for-sale financial assets are already measured and carried at fair value.

(iv) Deposits from banks and customers

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

(v) Off-balance sheet financial instruments

The estimated fair values of the off-balance sheet financial instruments are based on markets prices for similar facilities. When this information is not available, fair value is estimated using discounted cash flow analysis.

Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the group's market assumptions. These two types of inputs have created the following fail value hierarchy:

- Level 1 – Quoted prices (adjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is as prices) or indirectly (that is derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and department instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

	30 September 2020		
	Level 1	Level 2	Level 3
Financial assets - FVTPL	35,030	-	-
Derivative financial instruments	4,046	-	-
Financial assets - FVTOCI	289,953	39,045	2,770
Pledge assets	146,630	-	-
Total financial assets	475,659	39,045	2,770
	31 December 2019		
	Level 1	Level 2	Level 3
Financial assets - FVPL	54,750	-	-
Derivative financial instruments	4,426	-	-
Financial assets - FVOCI	288,843	37,964	2,707
Pledge assets	128,184	-	-
Total financial assets	476,203	37,964	2,707

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ECOBANK NIGERIA LIMITED

Opinion

We have audited the financial statements of Ecobank Nigeria Limited, which comprises of the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly in all material respects the financial position of Ecobank Nigeria Limited as at 31 December 2019, and the financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS), the Companies and Allied Matters Act Cap C20 LFN 2004, Banks and Other Financial Institutions Act Cap B3 LFN 2004 and the Financial Reporting Council of Nigeria Act, 2011.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the requirements of the Institute of Chartered Accountants of Nigeria Professional Code of Conduct and Guide for Accountants (ICAN Code) and other independence requirements applicable to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the ICAN Code and in accordance with other ethical requirements applicable to performing audits in Nigeria. The ICAN Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters

We draw attention to Note 44 in the financial statements regarding restatement of certain balances. Our opinion is not qualified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters below relate to the audit of Ecobank Nigeria Limited's financial statements.

Key Audit Matter	How the matter was addressed in the audit
Loan loss impairment including off-balance sheet items	
IFRS 9 requires the bank to recognise impairment using the Expected Credit Loss (ECL) model. The ECL model is dependent on significant judgement and estimates by management in the measurement and determination of impairment on loans and advances and other financial instruments. Our focus on this area was premised on the significant judgement and subjectivity inherent or applied by management in the estimation of the level of impairment, and the size of this portfolio.	Our approach was a combination of reliance on the operating effectiveness of controls and substantive procedures to obtain comfort in respect of the allowance for impairment and judgements applied by management. These audit procedures included the following:

Key Audit Matter	How the matter was addressed in the audit
The ECL model is forward looking which incorporates industry and prevailing economic events and requires an application of historical financial data of the bank. All of these are combined to develop and apply relevant models to the portfolio of the bank. Loans and advances make up a significant portion of the total assets of Ecobank Nigeria Limited with the total risk assets portfolio of N913 billion representing about 46% of the Bank's total assets. The total amount of impairment on loans and advances charged in the Statement of Profit or Loss for the year is N 101 billion as stated in note 19. The basis of the provisions is summarised in the accounting policies in the financial statements. Ecobank Nigeria Limited's impairment model addresses the three stages of credit classifications. Because of the significance of these estimates, judgments and the size of loans and advances portfolio, economic conditions experienced in Nigeria during the year which affected the performance of loans and advances portfolio, the audit of loan impairment is considered a key audit matter.	1. Updated our understanding of the controls put in place by the management to identify impaired loans and provisions against those assets and determined whether these controls have been appropriately designed and implemented. We also involved our internal credit specialists in the review of the quality and reliability of the data and assessment of the overall compliance of the model to the requirements of the IFRS 9. Other related testing includes: • System-based and manual controls over the timely recognition of impaired loans and advances; • Controls over the impairment calculation models including data inputs; • Controls over collateral valuation estimates; and • Governance controls, including review of minutes of meetings of Board Credit Committee that form part of the approval process for loan impairment and assessing management's analysis/review. 2. We applied a multi dimensioned risk based population coverage of the loan portfolio. Based on this we achieved an 85% coverage based on the combination of risk, size and application of relevant tools in the review of samples of loans and advances (including loans that had not been identified by management as potentially impaired) to form our own assessment as to whether there exists impairment triggers. 3. We challenged management's judgment and we increased the focus on loans that were not reported as being impaired in sectors that are currently experiencing difficult economic and market conditions, such as the oil and gas sector. 4. We subjected the data used in the models to test as well as assessing the model's methodology. We involved our credit risk specialists who assessed whether the modelling assumptions used considered all relevant risks, and assessed whether the

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ECOBANK NIGERIA LIMITED

Key Audit Matter	How the matter was addressed in the audit
	additional adjustments to reflect un-modelled risks were reasonable in the light of historical experience, economic climate, current operational processes and the circumstances of the customers as well as our own knowledge of practices used by other similar banks. We also tested the extraction from underlying systems of historical data used in the models. 5. Where we deemed them to be impaired, we tested the estimates of the realization of collaterals held. This work involved assessing the work performed by external experts used by the bank to value the collaterals. Where we determined that a more appropriate assumption or input in impairment measurement could be made, we recalculated the impairment loss allowance on that basis and compared the results in order to assess whether there was any indication of error or management bias. 6. We also confirmed with management and the board of directors if there were other matters and events, post balance sheet date or as at the date of approval of these financial statements, that should be considered in these financial statements. Management and the board of directors confirmed that there were no matters and events that have come to its attention that should be considered in these financial statements which have not been considered. Based on our review, we found that the bank's impairment methodology, including the model, assumptions and key inputs used by management to estimate the amount of loan impairment losses were comparable with historical performance, and prevailing economic situations and that the estimated loan loss impairment determined was appropriate in the circumstances.

Key Audit Matter	How the matter was addressed in the audit
Valuation of derivative financial instruments	
The bank has derivative transactions with counterparties. These consist of deliverable and non-deliverable FX forward contracts and cash/currency swaps. Valuation of Derivative contract at every reporting date is performed by the Market Risk unit of the bank. The bank carries out the valuation of the FX forward and swap contracts using Discounted cashflow technique which deals mainly with cash inflow and outflows at periods different from the valuation date. The information on NAFEX (NGN/USD) rates used for discounting are sourced from FMDQ data resource center, while the USD/EUR and USD/GDP are obtained from Bloomberg. Interpolations are done on the bid and offer rates and these are averaged to determine the mid-rates at directly observable dates. Given the judgments and complexities involved in the determination of the valuation parameters especially the discount rates where they are not obtainable in quoted markets, the method of discounting (daily/exponential), incorporating the probability of default in the valuation which is measured by credit and debit valuation adjustment etc., we considered the valuation of Derivative financial instruments a key matter.	We focused our attention on auditing the valuation of Derivative instruments by looking specifically into the valuation model, inputs and key assumptions made by management. Our audit procedures included: • Evaluating the operating effectiveness of controls over generation of key inputs that went into the valuation model. • Obtaining direct confirmation of the existence of the instruments from the counterparties. • Evaluated whether the model used by management to calculate the fair value of the Derivative instruments comply with the requirements of IFRS 9, Financial Instruments – Recognition and Measurement and IFRS 13, Fair value measurements. • Involved Deloitte Valuation specialists to review the appropriateness of valuation models, assumptions and inputs therein. • Involved Deloitte Valuation specialists to review and develop independent estimates of the fair values of Derivative financial instruments using proprietary models that are considered to be consistent with existing practices and are appropriate in the circumstances given the specific nature of the instruments valued. Based on our review, we concluded that with management estimates and assumptions in determining the fair value of derivatives as disclosed in the bank's financial statements appears reasonable. Furthermore, we concluded that the derivative instruments were appropriately recognised and the related disclosures were appropriate and in compliance with the accounting standards.

Other Information

The directors are responsible for the other information. The other information comprises the Chairman's Statement, Directors' Report, Audit Committee's Report, Corporate Governance report, Sustainability Report, Internal Control and Risk Management System Report and the Company Secretary's Report, which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ECOBANK NIGERIA LIMITED

Based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, if we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities Of The Directors For The Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies and Allied Matters Act CAP C20 LFN 2004, Banks and Other Financial Institutions Act Cap B3 LFN 2004, Financial Reporting Council Act, 2011 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee and the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee and Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee and Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the benefits derivable by the public from such communication.

i) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.

ii) The Bank has kept proper books of account, so far as appears from our examination of those books.

iii) The Bank's financial position and its statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.

- The Bank has complied with the requirements of the relevant circulars issued by the Central Bank of Nigeria
- In accordance with circular BSD/1/2004 issued by the Central Bank of Nigeria, details of insider-related credits are as disclosed in note 39.3.

During the year the bank contravened certain sections of CBN circulars/guidelines, the details of the contravention and the related penalties are as disclosed in Note 42 to the financial statements.

For: Deloitte & Touche
Chartered Accountants
Lagos, Nigeria

25 March, 2020

Engagement Partner: **Joshua Ojo FCA**
FRC/2013/ICAN/00000000849

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(All amounts in millions of Naira unless otherwise stated)	Note	=N= 31-Dec-19 N'million	=N= Restated 31-Dec-18 N'million	31-Dec-18 N'million
Gross revenue		**194,870**	**231,227**	**231,227**
Interest income	3	138,919	170,940	170,940
Interest expense	4	(100,773)	(84,744)	(84,744)
Net interest income		**38,146**	**86,196**	**86,196**
Fee and commission income	5	21,860	20,238	20,238
Fee and commission expense		(10,130)	(7,001)	(7,001)
Net fee and commission income		**11,730**	**13,237**	**13,237**
Net (loss)/gains from other financial instruments at FVTPL	6	426	(76)	(76)
Net trading income	7	29,129	31,074	31,074
Other operating income	8	4,536	9,051	9,051
Net operating income before impairment charge for losses		**83,967**	**139,482**	**139,482**
Impairment charge for losses	9	(2,704)	(56,301)	(27,360)
Net operating income after impairment charge for losses		**81,263**	**83,181**	**112,122**
Employee benefit expense	10	(28,844)	(29,422)	(29,422)
General and administrative expense	11	(19,261)	(23,555)	(23,555)
Depreciation and amortisation	12	(8,073)	(6,894)	(6,894)
Other operating expenses	13	(22,847)	(24,731)	(24,731)
Profit/(loss) before income tax		**2,238**	**(1,420)**	**27,521**
Income tax	14	(982)	(366)	(366)
PROFIT/(LOSS) FOR THE YEAR		**1,256**	**(1,786)**	**27,155**
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of net defined benefit liability	15	(450)	450	450
Items that may be reclassified subsequently to profit or loss:				
Allowance for ECL adjustment on securities	15	(2,209)	3,023	3,023
Movement in investment revaluation reserve for debt instruments at FVTOCI	15	15,460	(21,230)	(21,230)
Other comprehensive income/(losses) for the year, net of tax		**12,801**	**(17,756)**	**(17,756)**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**14,057**	**(19,542)**	**9,399**
Profit/(loss) attributable to:				
Owners of the parent		1,256	(1,786)	27,155
		1,256	**(1,786)**	**27,155**
Total comprehensive income/(losses) attributable to:				
Owners of the parent		14,057	(19,542)	9,399
		14,057	**(19,542)**	**9,399**
Earnings per share for profit attributable to owners of the parent				
Basic and diluted	16	5k	(8k)	119k

STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

(All amounts in millions of Naira unless otherwise stated	Not	31-Dec 2019 N'million	Restated 31-Dec 2018 N'million	31-Dec 2018 N'million
ASSETS				
Cash and cash equivalents	17	138,396	154,945	154,945
Mandatory reserve deposits with Central Bank	18	350,366	316,526	316,526
Loans and advances to customers	19	811,606	813,534	842,475
Derivative financial assets	20	12,754	8,814	8,814
Investment securities:				
Fair Value through profit or loss	21	54,750	35,114	35,114
Fair Value through other comprehensive income	22	329,514	340,997	340,997
Held at amortised cost	23	1,433	40,510	40,510
Pledged assets	24	128,184	87,561	87,561
Property, plant and equipment	25	73,813	71,977	71,976
Intangible assets	26	5,181	5,967	5,967
Right-of-use assets	27	3,564	-	-
Deferred tax asset	28	12,312	12,262	12,262
Other assets	29	69,167	39,682	39,682
Total assets		**1,991,040**	**1,927,889**	**1,956,830**
LIABILITIES				
Deposits from banks	31	226,058	169,663	169,663
Deposits from customers	32	1,354,699	1,283,173	1,283,173
Derivative financial liabilities	20	8,327	1,690	1,690
Borrowings	33	79,896	160,828	160,828
Retirement benefit liability	30	1,800	328	328
Current income tax liability	14	2,184	2,839	2,839
Provision for litigation	33	1,651	1,438	1,438
Lease liabilities	34	86	-	-
Other liabilities	35	52,069	89,389	89,389
Total liabilities		**1,726,770**	**1,709,348**	**1,709,348**
EQUITY				
Share capital	36	13,719	11,457	11,456
Share premium	37	179,316	149,903	149,903
Retained earnings		(16,854)	(27,891)	(3,023)
Other reserves		88,089	85,072	89,146
Total equity		**264,270**	**218,541**	**247,482**
Total equity and liabilities		**1,991,040**	**1,927,889**	**1,956,830**

The financial statements were approved by the Board of Directors and authorized for issue on 6 February, 2020 and signed on its behalf by:

John Aboh
Chairman
FRC/2015/IODN/00000007956

Patrick Akinwuntan
Managing Director
FRC/2013/ICAN/00000002861

Ibukun Oyedeji
Chief Financial Officer
FRC/2014/ICAN/00000007956

The notes to the financial statements form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent								
(All amounts in millions of Naira unless otherwise stated	Share capital	Share premium	Retained earnings	Statutory reserve	SMIEIS/ AGSMEIS reserves	Capital reserve	Fair value/ other reserves	Regulatory reserve	Total
At 1 January 2018	**10,074**	**131,928**	**17,498**	**20,649**	**1,439**	**7,218**	**29,920**	**-**	**218,726**
Total comprehensive income for the year:									
Profit for the year	-	-	(1,786)	-	-	-	-	-	(1,786)
Other comprehensive income, net of tax									
Remeasurement of defined benefit obligation	-	-	-	-	-	-	450	-	450
Gain arising during the year on FVOCI securities	-	-	-	-	-	-	(21,230)	-	(21,230)
Allowance for ECL adjustment on securities	-	-	-	-	-	-	3,023	-	3,023
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**(17,757)**	**-**	**(17,757)**
Total comprehensive income	**-**	**-**	**(1,786)**	**-**	**-**	**-**	**(17,757)**	**-**	**(19,543)**
Additional share issue during the year	1,383	17,975	-	-	-	-	-	-	19,358
Appropriation									
Transfer from regulatory reserves	-	-	(42,593)	-	-	-	-	42,593	-
Transfer to statutory reserves	-	-	-	-	-	-	-	-	-
Transfer to AGSMEIS reserves	-	-	(1,010)	-	1,010	-	-	-	
	-	-	(43,603)	-	1,010	-	-	42,593	-
At 31 December 2018/1 January 2019 (restated)	**11,457**	**149,903**	**(27,891)**	**20,649**	**2,449**	**7,218**	**12,163**	**42,593**	**218,541**
Total comprehensive income for the year:									
Profit for the year	-	-	1,256	-	-	-	-	-	1,256
Other comprehensive income, net of tax									
Remeasurement of defined benefit obligation	-	-	-	-	-	-	(450)	-	(450)
Gain arising during the year on FVOCI securities	-	-	-	-	-	-	15,460	-	15,460
Allowance for ECL adjustment on securities	-	-	-	-	-	-	(2,209)	-	(2,209)
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**12,800**	**-**	**12,800**
Total comprehensive income	**-**	**-**	**1,256**	**-**	**-**	**-**	**12,800**	**-**	**14,055**
Additional share issue during the year	2,262	29,413	-	-	-	-	-	-	31,675
Appropriation									
Transfer from regulatory reserves	-	-	11,328	-	-	-	-	(11,328)	-
Transfer to statutory reserves	-	-	(188)	188	-	-	-	-	-
Transfer to AGSMEIS reserves	-	-	(1,358)	-	1,358	-	-	-	-
	-	-	9,782	188	1,358	-	-	(11,328)	-
At 31 December 2019	**13,719**	**179,316**	**(16,854)**	**20,837**	**3,806**	**7,218**	**24,963**	**31,265**	**264,270**

STATEMENT OF CASHFLOWS

All amounts in millions of Naira unless otherwise stated	Note	31 Dec 2019	Restated 31 Dec 2018
Cash flows from operating activities			
Profit after tax		**1,256**	**(1,786)**
Adjustments:			
Loan impairment charges		11,154	52,424
Bad loans written off	9	-	2
Losses from valuation	6	(426)	76
Impairment allowance no longer required - other assets	29	(19)	(1,498)
Depreciation	12	4,479	5,416
Amortisation of intangible assets	12	2,659	1,477
Amortisation of right-of-use assets		936	-
Short term lease expensed		539	-
Impairment on investment securities	9	(3,021)	2,211
Impairment losses on other assets	9	754	1,478
Impairment allowance on OBE		102	856
Profit from sale of property and equipment	8	(1,590)	(1,152)
Gains on disposal of investments	8	-	(4,388)
Retirement benefit expense		1,200	1,200
Foreign exchange gain		(7,606)	(10,428)
Interest paid on long term borrowings	4	9,175	9,471
Net interest income		(68,844)	(106,145)
Dividend income		(1,193)	(1,197)
Tax expense		947	275
Tax overprovision		(1,364)	(1,986)
Capital gain tax		34	90
		(50,828)	**(53,602)**
Movement in assets and liabilities			
Cash reserve balance		(33,840)	(59,289)
Interest received	3	159,607	172,009
Interest paid	4	(91,580)	(74,779)
Loans and advances to customers		(19,804)	(72,211)
Financial assets - FVTPL		(20,728)	1,784
Derivatives financial assets		(3,940)	142
Financial assets - FVTOCI		41,351	(37,254)
Financial assets - Amortised cost		39,846	(11,961)
Pledged assets		(40,623)	3,799
Other assets		(32,950)	(9,340)
Deposit from banks		55,976	33,194
Deposit from customers		71,526	184,249
Derivatives financial liabilities		14,114	23,527
Provision for litigation		213	(3,782)
Other liabilities		(35,997)	(61,892)
Cash generated from operations		**52,343**	**34,590**

STATEMENT OF CASHFLOWS

All amounts in millions of Naira unless otherwise stated	Note	31 Dec 2019	Restated 31 Dec 2018
Payment on retirement benefit obligations		(2,028)	(2,269)
Value added tax paid		(991)	(875)
Tax paid		(272)	(212)
Net cash from operating activities		**49,052**	**31,235**
Cash flows from investing activities			
Dividend received		1,193	1,197
Purchase of intangible assets	26	(1,872)	(838)
Purchase of property and equipment	25	(7,964)	(5,140)
Proceeds from sale of investments		(345)	4,688
Proceeds from sale of property and equipment		3,239	2,735
Purchase of investments		(1,408)	(1,010)
Net cash used in investing activities		**(7,158)**	**1,632**
Cash flows from financing activities			
Share capital		31,675	19,358
Borrowings		(77,477)	(22,133)
Interest paid on long term borrowings	4	(12,640)	(8,640)
Net cash (used in)/generated from financing activities		**(58,443)**	**(11,415)**
Increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of year		**154,945**	**133,494**
Net cash from operating activities		49,052	31,235
Net cash from investing activities		(7,158)	1,631
Net cash from financing activities		(58,443)	(11,415)
Cash and cash equivalents at end of year	**16.1**	**138,396**	**154,945**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

1 General Information

Ecobank Nigeria (hereinafter referred to as «the Bank») was incorporated as a public limited liability company on 7 October 1986, and was granted banking licence on 24 April 1989. The Bank was listed on the Nigerian Stock Exchange by introduction between 24 April 2006 and remained listed until 31 December 2011. On 30 December 2011, by a Federal High Court Sanction of a Scheme of Arrangement, Ecobank Transnational Incorporated (ETI), Lome, incorporated in the Republic of Togo which prior to that date held 85.1% equity shares in the Bank, became beneficial owner of 100% shareholding in the Bank. The Bank is now a fully owned subsidiary of ETI and has been re-registered as a private limited liability company at the Corporate Affairs Commission, Abuja.

ETI acquired 100% interest in Oceanic Bank Group on 28 October 2011 through the issue of shares to AMCON and the shareholders of Oceanic Bank. Oceanic Bank was delisted on the Nigerian Stock Exchange (NSE) on that date and became a limited liability entity. By reason of the cancellation of minority shareholding in Ecobank Nigeria on 28 October 2011, ETI acquired 100% holding in Ecobank Nigeria. As a result of common control in both Ecobank Nigeria and Oceanic Bank Limited, ETI decided to merge the two operations. The effective date of business combination is 1 November 2011.

The address of its registered office is as follows:

Plot 21, Ahmadu Bello Way,
P. O. Box 72688
Victoria Island
Lagos, Nigeria

The principal activity of the Bank is commercial banking which includes commercial, consumer, corporate and investment banking services. The Bank operates under a commercial banking license with National Banking status in line with the Central Bank of Nigeria's present Banking model.

2 Summary of Significant Accounting Policies

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

2.1 Basis of presentation

The Bank's financial statements for the year 2019 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Additional information required by national regulations is included where appropriate.

For better understanding, certain disclosures and some prior year figures have been presented in line with the current year figures. Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

2.1.1 Statement of Compliance with International Financial Reporting Standards

The financial statements comprise the statement of profit or loss and other comprehensive income showing as one statement, the statement of financial position, the statement of changes in equity, the statement of cash flow and other explanatory notes to the financial statements.

2.1.2 Functional and Presentation currency

The financial statements have been prepared under the historical cost convention, except for the fair value for financial instruments. Except where indicated, financial information presented in Naira has been rounded to the nearest million.

2.1.3 Basis of Measurement

The financial statements have been prepared on a historical cost basis except for the following:

FVTOCI financial instruments are measured at fair value. However, when the fair value of the financial assets cannot be measured reliably, they are measured at cost less impairment.

* Derivative financial instruments are measured at fair value

* Non-derivative financial instruments at fair value through profit and loss are measured at fair value.

* Financial assets and liabilities held for trading are measured at fair value.

* Loans and receivables are measured at amortised cost.

* Asset and liabilities held to maturity are measured at amortised cost

2.1.4 Use of estimates and judgements

The preparation of these financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Bank's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgment or complexity or areas involving assumptions and estimates are significant to the financial statements.

2.1.5 New and revised IFRSs/IFRICs affecting amounts reported and/ or disclosures in these financial statement

New and amended IFRS Standards that are effective for the current year

Impact of initial application of IFRS 16 Leases

In the current year, The Bank has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in the financial statements. The impact of the adoption of IFRS 16 on The Bank's financial statements is described below:

*The date of initial application of IFRS 16 for The Bank is 1 January 2019

*The Bank has applied IFRS 16 using the full retrospective approach, with restatement of the comparative information

(a) Impact of the new definition of a lease

The Bank has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Bank applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2019. In preparation for the first-time application of IFRS 16, The Bank has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for The Bank.

(b) Impact on Lessee Accounting

(i) Former operating leases

IFRS 16 changes how The Bank accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), The Bank:

(a) Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;

(b) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;

(c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), the Bank has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other expenses' in profit or loss.

(ii) Former finance leases
The main differences between IFRS 16 and IAS 17 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Bank recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Bank's financial statements.

(c) Impact on Lessor Accounting
IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sub-lease as two separate contracts.

The intermediate lessor is required to classify the sub-lease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

Because of this change, The Bank has reclassified certain of its sub-lease agreements as finance leases. As required by IFRS 9, an allowance for expected credit losses has been recognised on the finance lease receivables

(d) Financial impact of the initial application of IFRS 16
The tables below show the amount of adjustment for each financial statement line item affected by the application of IFRS 16 for the current and prior years.

Impact on profit or loss	N'million 31/12/2019	N'million 31/12/2018
Impact on profit/(loss) for the year		
Decrease in operating sub-lease income	-	-
Increase in finance income	-	-
Increase in depreciation of right-of-use asset	936	-
Increase in finance costs	10	-
Increase in other expenses	539	-
Decrease in profit for the year	**1,485**	**-**

Impact on assets, liabilities and equity as at 1 January 2019 All in millions	As previously reported =N=	IFRS 16 Adjustments =N=	As restated =N=
Prepayment	4,617	(4,617)	-
Right-of-use assets	-	4,617	4,617
Net impact on total assets	**4,617**	**-**	**4,617**
Obligations under finance leases			
Lease liabilities	-	-	-
Provisions	-	-	-
Trade and other payables	-	-	-
Net impact on total liabilities	**-**	**-**	**-**

Impact on assets, liabilities and equity as at 31 December 2019 All in millions	As previously reported =N=	IFRS 16 Adjustments =N=	As restated =N=
Right-of-use assets	4,617	-	4,617
Recognition of lease liability	-	76	76
Additions during the year	-	345	345
Depreciation during the year	-	(936)	(936)
Short term leases recognised as expense	-	(539)	(539)
Net impact on total assets	**4,617**	**(1,053)**	**3,564**
Obligations under finance leases			
Lease liabilities	-	76	76
Provisions	-	-	-
Finance cost during the year	-	10	10
Net impact on total liabilities	**-**	**86**	**86**

For tax purposes The Bank receives tax deductions in respect of the right-of-use assets and the lease liabilities in a manner consistent with the accounting treatment

Bank as a lessee:

(1) The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets of N4,617 million and lease liabilities N76 million. It also resulted in an increase in other expenses by N539 million and an increase in depreciation by N936 million and interest expense of N9.8 million.

(2) The lease liability on leases previously classified as finance leases under IAS 17 and previously presented within other liabilities is now presented in the line 'Lease liabilities'. There has been no change in the liability recognised.

In the current year, The Bank has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statement

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

The amendment clarifies that IFRS 9, including its impairment requirements, applies to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The entity applies IFRS 9 to such long-term interests before it applies IAS 28. In applying IFRS 9, The Bank does not take account of any adjustments to the carrying amount of long term interests required by IAS 28 (i.e., adjustments to the carrying amount of long term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

The bank does not have any long term interest in associates and joint ventures.

Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs

The Bank has adopted the amendments included in the Annual Improvements to IFRS Standards 2015–2017 Cycle for the first time in the current year. The Annual Improvements include amendments to four Standards:

IAS 12 Income Taxes

The amendments clarify that The Bank should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where The Bank originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.
The amendment does not impact the Bank.

IFRS 3 Business Combinations

The amendments clarify that when The Bank obtains control of a business that is a joint operation, The Bank applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

IFRS 11 Joint Arrangements

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, The Bank does not re-measure its PHI in the joint operation.

The amendment does not impact the Bank.

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The Bank does not expect a significant impact as a result of applying IFRIC 23
The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. The Bank will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19:99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

IFRIC 23 Uncertainty over Income Tax Treatments

The Bank has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over

income tax treatments. The Interpretation requires The Bank to:

- determine whether uncertain tax positions are assessed separately or as a Bank; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:

––If yes, The Bank should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.

––If no, The Bank should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, The Bank has not applied the following new and revised IFRS Standards that have been issued but are not yet effective

IFRS 17	Insurance Contracts
IFRS 10 and IAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IFRS 3	Definition of a business
Amendments to IAS 1 and IAS 8	Definition of material
Conceptual Framework	Amendments to References to the Conceptual Framework in IFRS Standards

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Bank in future periods, except as noted below:

IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The Standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. An exposure draft Amendments to IFRS 17 addresses concerns and implementation challenges that were identified after IFRS 17 was published. One of the main changes proposed is the deferral of the date of initial application of IFRS 17 by one year to annual periods beginning on or after 1 January 2022.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Bank's financial statements in future periods should such transactions arise.

Amendments to IFRS 3 Definition of a business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Additional guidance is provided that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or set of similar assets

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework

The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with the IFRS requires the use of certain critical estimates. It also requires management to exercise its judgments in the process of applying the Bank's accounting policies.

The following estimates and judgments in note 2.28 are considered key significant judgments and in the preparation of these financial statements.

- Loan loss provisioning
- Fair value of financial instruments
- Taxation

The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

Going concern

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Presentation of financial statements

The Bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current). Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

Changes in accounting policies

Ecobank Nigeria has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. Ecobank Nigeria did not early adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, Ecobank Nigeria elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period. Ecobank Nigeria does not currently apply hedge accounting.

Consequently, for notes disclosures, the amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates ("the functional currency").

The financial statements are presented in Naira and figures are stated in millions of Naira, which is the Bank's presentation currency.

(b) Transactions and balances

Foreign currency transactions that are denominated, or that require settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. If several exchange rates are available, the rate to be used is the rate at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Changes in the fair value of monetary assets denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount, are recognised in other comprehensive income.

Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as available-for-sale financial assets, are included in other comprehensive income.

2.7 Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in deposits from banks or deposits from customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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. Securities lent to counterparties are also retained in the financial statements.

2.8 Financial assets and liabilities

All financial assets and liabilities – which include derivative financial instruments – have to be recognized in the statement of financial position and measured in accordance with their assigned category.

a) Initial recognition and measurement

The Bank uses trade date accounting for regular way contracts when recording financial asset transactions. Financial instruments at fair value through profit or loss are initially recognised at fair value while transaction costs, which are directly attributable to the acquisition or issue of the financial instruments, are recognised immediately through profit or loss. Financial instruments that are not carried at fair value through profit or loss are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

The Bank does not currently apply hedge accounting

b) Subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost depending on their classification.

c) Classification and related measurement

Management determines the classification of its financial instruments at initial recognition. Reclassification of financial assets are permitted in certain instances as discussed below:

2.8.1 Financial assets and liabilities

Measurement methods
Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired (`POCI') financial assets — assets that are credit-impaired at initial recognition — Ecobank Nigeria calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When Ecobank Nigeria revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

(a) POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.

(b) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

Initial recognition and measurement
Financial assets and financial liabilities are recognised when the entity becomes a

party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which Ecobank Nigeria commits to purchase or sell the asset.

At initial recognition, Ecobank Nigeria measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, as described in note 3.1.2, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

2.8.1.1 Financial assets

(i) Classification and subsequent measurement

- From 1 January 2018, Ecobank Nigeria has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

(i) Ecobank Nigeria's business model for managing the asset; and

(ii) the cash flow characteristics of the asset.

Based on these factors, Ecobank Nigeria classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

Net Investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within Net trading income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in net investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Business model: the business model reflects how the bank manages its assets in order to generate cash flows. That is, whether Ecobank Nigeria's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the bank's business model for the mortgage loan book is to hold to collect contractual cash flows, with sales of loans only being made internally to a consolidated SPV for the purposes of collateralising notes issued, with no resulting derecognition by Ecobank Nigeria. Another example is the liquidity portfolio of assets, which is held by Ecobank Nigeria as part of liquidity management and is generally classified within the hold to collect and sell business model.

Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

These securities are classified in the 'other' business model and measured at FVPL.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, Ecobank Nigeria assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the `SPPI test'). In making this assessment, Ecobank Nigeria considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Ecobank Nigeria reclassifies debt investments when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

IAS 32R(11) Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

Ecobank Nigeria subsequently measures all equity investments at fair value through profit or loss, except where Ecobank Nigeria's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. Ecobank Nigeria's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when Ecobank Nigeria's right to receive payments is established.

Gains and losses on equity investments at FVPL are included in the Net trading income' line in the statement of profit or loss.

ii) Impairment

Ecobank Nigeria assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. Ecobank Nigeria recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(iii) Modification of loans

IFRS 9(5.4.3) Ecobank Nigeria sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, Ecobank Nigeria assesses whether or not the new terms are substantially different from the original terms. Ecobank Nigeria does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, Ecobank Nigeria derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, Ecobank Nigeria also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the inability of the debtor to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and Ecobank Nigeria recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

(iv) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) Ecobank Nigeria transfers substantially all the risks and rewards of ownership, or (ii) Ecobank Nigeria neither transfers nor retains substantially all the risks and rewards of ownership and Ecobank Nigeria has not retained control.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

Ecobank Nigeria enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if Ecobank Nigeria:

(i) Has no obligation to make payments unless it collects equivalent amounts from the assets;

(ii) Is prohibited from selling or pledging the assets; and

(iii) Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by Ecobank Nigeria under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because Ecobank Nigeria retains substantially all the risks and rewards based on the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which Ecobank Nigeria retains a subordinated residual interest.

2.8.1.2 Financial liabilities

(i) Classification and subsequent measurement

In both the current and prior periods, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, Ecobank Nigeria recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments.

(ii) Derecognition

IFRS 9(3.3.1) Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between Ecobank Nigeria and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

2.8.2 Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance ; and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by Ecobank Nigeria are measured as the amount of the loss allowance. Ecobank Nigeria has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and Ecobank Nigeria cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

2.8.3 Derivatives and hedging activities

Ecobank Nigeria has elected to continue to apply the hedge accounting requirements of IAS 39 on adoption of IFRS 9.

Ecobank Nigeria has not provided comparative information for periods before the date of initial application of IFRS 9 for the new disclosures introduced by IFRS 9 as permitted by IFRS 7.

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives are embedded in hybrid contracts, such as the conversion option in a convertible bond. If the hybrid contract contains a host that is a financial asset, then Ecobank Nigeria assesses the entire contract as described in the financial assets section above for classification and measurement purposes. Otherwise, the embedded derivatives are treated as separate derivatives when:

(i) Their economic characteristics and risks are not closely related to those of the host contract;

(ii) A separate instrument with the same terms would meet the definition of a derivative

(iii) The hybrid contract is not measured at fair value through profit or loss.

These embedded derivatives are separately accounted for at fair value, with changes in fair value recognised in the statement of profit or loss unless Ecobank Nigeria chooses to designate the hybrid contracts at fair value through profit or loss.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged. Ecobank Nigeria designates certain derivatives as either:

(a) Hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges);

(b) Hedges of highly probable future cash flows attributable to a recognised asset or liability (cash flow hedges); or

(c) Hedges of a net investment in a foreign operation (net investment hedges).

Ecobank Nigeria documents, at the inception of the hedge, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. Ecobank Nigeria also documents its assessment, both at hedge inception and on an ongoing basis, of

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of profit or loss, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity and recorded as net interest income.

b) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss.

Amounts accumulated in equity are recycled to the statement of profit or loss in the periods when the hedged item affects profit or loss. They are recorded in the income or expense lines in which the revenue or expense associated with the related hedged item is reported.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the periods when the hedged item affects profit or loss. When a forecast transaction is no longer expected to occur (for example, the recognised hedged asset is disposed of), the cumulative gain or loss previously recognised in other comprehensive income is immediately reclassified to the statement of profit or loss.

(c) Net investment hedge
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised directly in other comprehensive income; the gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss. Gains and losses accumulated in equity are included in the statement of profit or loss when the foreign operation is disposed of as part of the gain or loss on the disposal.

Measurement of Expected credit losses
ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that Ecobank Nigeria expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to Ecobank Nigeria if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Reversal of impairment

- For assets measured at amortised cost: If an event occurring after the impairment was recognised caused the amount of impairment loss to decrease, then the decrease in impairment loss was reversed through profit or loss.
- For available-for-sale debt security: lf, in a subsequent period, the fair value of an impaired debt security increased and the increase could be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss; otherwise, any increase in fair value was recognised through OCI.

Any subsequent recovery in the fair value of an impaired available-for-sale equity security was always recognised in OCI.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Designation at fair value through profit or loss (FVTPL)

Financial assets

At initial recognition, Ecobank Nigeria has designated certain financial assets as FVTPL because this designation eliminates or significantly reduces an accounting mismatch, which would otherwise rise. Before 1 January 2018, Ecobank Nigeria also designated certain financial assets as at FVTPL because the assets were managed, evaluated and reported internally on a fair value basis.

Financial liabilities

Ecobank Nigeria has designated certain financial liabilities as at FVTPL in either of the following circumstances:

- the liabilities are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

2.8.4 Policy applicable before 1 January 2018

Objective evidence of impairment

At each reporting date, Ecobank Nigeria assessed whether there was objective evidence that financial assets not carried at FVTPL were impaired. A financial asset or a group of financial assets was 'impaired' when objective evidence demonstrated that a loss event had occurred after the initial recognition of the asset(s) and that the loss event had an impact on the future cash flows of the asset(s) that could be estimated reliably.

In addition, a retail loan that was overdue for 90 days or more was considered impaired. Objective evidence that financial assets were impaired included:

- significant financial difficulty of a borrower or issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by Ecobank Nigeria on terms that Ecobank Nigeria would not consider otherwise;
- indications that a borrower or issuer would enter bankruptcy;
- the disappearance of an active market for a security; or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in Ecobank Nigeria, or economic conditions that correlated with defaults in Ecobank Nigeria.

A loan that was renegotiated due to a deterioration in the borrower's condition was usually considered to be impaired unless there was evidence that the risk of not receiving contractual cash flows had

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

reduced significantly and there were no other indicators of impairment.

In addition, for an investment in an equity security, a significant or prolonged decline' in its fair value below its cost was objective evidence of impairment. Generally, Ecobank Nigeria considered a decline of 20% to be 'significant' and a period of nine months to be 'prolonged'. However, in specific circumstances a smaller decline or a shorter period may have been appropriate.

Ecobank Nigeria considered evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and a collective level. All individually significant loans and advances and held-to-maturity investment securities were assessed for specific impairment. Those found not to be specifically impaired were then collectively assessed for any impairment that had been incurred but not yet identified (IBNR). Loans and advances and held-tomaturity investment securities that were not individually significant were collectively assessed for impairment by grouping loans and advances and held-to-maturity investment securities with similar credit risk characteristics.

In making an assessment of whether an investment in sovereign debt was impaired, Ecobank Nigeria considered the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This included an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there was the capacity to fulfil the required criteria.

Individual or collective assessment

An individual measurement of impairment was based on management's best estimate of the present value of the cash flows that were expected to be received. In estimating these cash flows, management made judgements about a debtor's financial situation and the net realisable value of any underlying collateral. Each impaired asset was assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable were independently approved by the Credit Risk function.

The collective allowance for groups of homogeneous loans was established using statistical methods such as roll rate methodology or, for small portfolios with insufficient information, a formula approach based on historical loss rate experience. The roll rate methodology used statistical analysis of historical data on delinquency to estimate the amount of loss. Management applied judgement to ensure that the estimate of loss arrived at on the basis of historical information was appropriately adjusted to reflect the economic conditions and product mix at the reporting date. Roll rates and loss rates were regularly benchmarked against actual loss experience.

The IBNR allowance covered credit losses inherent in portfolios of loans and advances, and heldto-maturity investment securities with similar credit risk characteristics when there was objective evidence to suggest that they contained impaired items but the individual impaired items could not yet be identified.

In assessing the need for collective loss allowance, management considered factors such as credit quality, portfolio size, concentrations and economic factors. To estimate the required allowance, assumptions were made to define how inherent losses were modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowance depended on the model assumptions and parameters used in determining the collective allowance.

Loans that were subject to a collective IBNR provision were not considered impaired.

2.8.5 Determination of Fair Value

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

Subsequent to initial recognition, for financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges and broker quotes.

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

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the reporting dates.

The Bank uses widely recognised valuation models for determining fair values of non-standardised financial instruments of lower complexity, such as options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market-observable.

For more complex instruments, the Bank uses internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value derivatives transacted in the over-the-counter market, unlisted debt securities (including those with embedded derivatives) and other debt instruments for which markets were or have become illiquid. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The impact on net profit of financial instrument valuations reflecting non-market observable inputs (level 3 valuations) is disclosed in Note 21.

The Bank uses its own credit risk spreads in determining the current value for its derivative liabilities and all other liabilities for which it has elected the fair value option. When the Bank's credit spreads widen, the Bank recognises a gain on these liabilities because the value of the liabilities has decreased. When the Bank's credit spreads narrow, the Bank recognises a loss on these liabilities because the value of the liabilities has increased.

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

To value the unquoted equity investments, two (2) approaches were used: the market approach and the income approach. Under the market approach, two (2) models were applied - the operating profit model and the free cash flow to equity (FCFE) model. For the market approach, the price to book and the price to earnings multiples were used based on information from available comparable entities. In cases when the fair value of unlisted equity investments cannot be determined reliably, the instruments are carried at cost less impairment.

The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2.8.6 Derecognition

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

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

Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the statement of financial position as "Assets pledged as collateral".

2.8.7 Reclassification of financial assets

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

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

On reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives are re-assessed and, if necessary, separately accounted for.

2.9 Offsetting financial instruments

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

2.10 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognized within 'interest income' and 'interest expense' in the income statement using the effective interest method.

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

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

2.11 Fee and commission income

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

2.12 Income from performance bonds or guarantees and letters of credit

Income from bonds or guarantees and letters of credit are recognised on a straight line basis over the life of the bond or guarantee.

2.13 Dividend income

Dividends are recognized in the income statement in 'Dividend income' when the Bank's right to receive payment is established.

2.14 Impairment of financial assets

a) Assets carried at amortized cost

The Bank assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

(a) Delinquency in contractual payments of principal and interest;

(b) Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);

(c) Breach of loan covenants and conditions;

(d) Initiation of bankruptcy proceedings;

(e) Deterioration of borrower's competitive position

(f) Deterioration in the value of collateral;

(g) Downgrading below investment grade level;

(h) Significant financial difficulty of the issuer or obligor;

(i) A breach of contract, such as a default or delinquency in interest or principal payments;

(j) The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

(k) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;

(l) The disappearance of an active market for that financial asset because of financial difficulties; or

(m) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio including:

(i) adverse changes in the payment status of borrowers in the portfolio; and

(ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The estimated period between a loss occurring and its identification is determined by the directors for each identified portfolio. In general, the periods used vary between 3 and 12 months; in exceptional cases, longer periods are warranted.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are banked on the basis of similar credit risk characteristics (i.e., on the basis of the Banks grading process that considers industry, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

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

Estimates of changes in future cash flows for Bank of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Impairment charges relating to loans and advances to banks and customers are classified in loan impairment charges whilst impairment charges relating to investment securities (held to maturity and loans and receivables categories) are classified in 'Net gains/(losses) on investment securities'.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss.

b) Assets classified as fair value through other comprehensive income

The Bank assesses at each date of the statement of financial position whether there is objective evidence that a financial asset or a Bank of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

c) Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the asset is considered to be past due and disclosed only if renegotiated again.

2.15 Impairment of non-financial assets

Assets that have an indefinite useful life such as goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are Banked at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

2.16 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.17 Leases

The Bank has adopted IFRS 16, «Leases» as issued by the IASB in July 2014 with a date of transition of 1 January 2019, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements

Based on the accounting policy applied the Bank recognizes a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified assets for a period. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

The right-of-use assets are initially measured at cost, which comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives;
- any initial direct costs incurred by the Bank;
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying assets or restoring the site on which the assets are located.

After the commencement date the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability.

Depreciation is calculated using the straight-line method over the estimated useful lives

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

of the leased asset

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. These include:

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on a rate, initially measured using the rate as at the commencement date;
- amounts expected to be payable by the bank under residual value guarantees;
- the exercise price of a purchase option if the Bank is reasonably certain to exercise that option.

The lease payments are discounted using the Bank's incremental borrowing rate or the rate implicit in the lease contract.

2.18 Property, plant and equipment
Land and buildings comprise mainly branches and offices. All property and equipment used by the parent or its subsidiaries is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditures are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repair and maintenance costs are charged to other operating expenses during the financial period in which they are incurred.

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Work in progress consists of items of property and equipment that are not yet available for use. Work in progress is carried at cost less any required impairment. An impairment loss is recognised if the asset's recoverable amount is less than cost. The asset is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Once the items are available for use, they are transferred to relevant classes of property and equipment as appropriate.

Freehold Buildings	50 years
Leasehold improvements	5 years
Furniture and Fittings	5 years
Motor vehicles	4 years
Office equipment	5 years
Computer equipment	3 years
Leasehold land	Over the remaining lease period

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each date of the statement of financial position. Assets are subject to review for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in 'other operating expenses' in profit or loss.

2.19 Intangible assets

Computer software licences
Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on the basis of the expected useful lives. Software has a maximum expected useful life of 3 years.

Costs associated with developing or maintaining computer software programs are recognized as an expense incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Bank are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;

- management intends to complete the software product and use or sell it;

- there is an ability to use or sell the software product;

- it can be demonstrated how the software product will generate probable future economic benefits;

- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognized as assets are amortized using the straight-line method over their useful lives.

2.20 Income tax

a) Current income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is the aggregate of the charge to the profit and loss account in respect of current income tax, information technology (IT) tax and education tax.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Companies Income Tax Act (CITA). Education tax is assessed at 2% of the chargeable profits. Information Technology levy is assessed at 1% of profit before tax. The directors of the Bank continually evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. They establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.
Where the Bank has tax losses that can be relieved against a tax liability for a previous year, it recognizes those losses as a recoverable, because the tax relief is recoverable by refund of tax previously paid. This asset is offset against an existing current tax balance. Where tax losses can be relieved only by carry-forward against taxable profits of future periods, a deductible temporary difference arises.

b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different taxable entities where there is an intention to settle the balances on a net basis.

Those losses carried forward are set off against deferred tax liabilities carried in the statement of financial position. The Bank does not offset income tax labialise and current income tax assets.

2.21 Provisions

Provisions for restructuring costs and legal claims are recognised when: the Bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.22 Employee benefits

a) Staff Remuneration Policy
The Bank is committed to a total compensation policy that supports the goal of recruiting and retaining top talent which successfully delivers the Bank's strategic objectives in order to create sustainable value for all stakeholders over the short, medium and long term.

The purpose of Ecobank's compensation policy is to attract, retain and motivate employees to constantly exceed their goals.

Ecobank is committed to rewarding each employee based on their good performance and individual contribution to the success of the Bank and to ensure that the employee's total compensation is competitive in the relevant market place.

Performance-driven reward
Ecobank's remuneration policy is linked to the performance of Ecobank as a whole and are based on delivery of value creation by staff, teams in which employees work, the individual performance of each employee, and the ability to pay for the total compensation program.

Ecobank's compensation structure comprises of the following main components: Base Salary, Cash Allowances, Benefits, Cash Bonus, Stock/Share Scheme – Bonus & Option and Variable incentive payments and this is well aligned with all jobs in the Bank which are all graded into seven (7) Bands for ease of benchmarking, comparability and competitiveness.

Salary Survey/Review
Every year a competitive review or a salary survey is conducted to determine Ecobank's market positioning and competitiveness using independent external consultant and where possible re-align subject to Board's approval so that staff' remuneration is always on or above 50th percentile of the market.

Employee salaries may be reviewed annually to determine any merit increases in accordance with performance appraisal results based on the Bank's Balanced Score Card. The major factors affecting the merit increase are the employee's individual performance, the Bank's overall business performance and yearly salary increase budget. Salary increases are not granted on an automatic basis, but only as a result of demonstrated performance (merit) in support of the business objectives.

Individual salary increases are related to performance. The aim is to encourage the employees to strive harder to perform better and often exceed the requirements of the job thereby improving their performance rating.

Annual salary reviews for permanent staff are undertaken to evaluate performance and to make any required salary adjustments. The review:

- Rewards good performance
- Eliminates internal inequities
- Ensures that pay keeps pace with market and industry norms
- Supports retention of top talent
- Reflects any changes in responsibilities

Salary Payment
It is the policy of Ecobank to pay employees in an accurate and timely manner after the necessary deductions have been made. The pay period for all employees is monthly.

Benefit Programs
Ecobank seeks to ensure that the benefits arrangements for its employees are fair and provide adequate protection for current and retiring employees. The benefits program has been designed to provide employees with benefits that are competitive based on market practice in order to attract and retain

talent.

Benefits offered by Ecobank include but not limited to:

- Medical Insurance
- Pension or retirement benefits
- Group Life Insurance scheme
- Work, Injuries Benefits
- Employee Loans
- Salary Advances
- Bonus Scheme
- Different types of Leave programs

The Bank's remuneration policy supports this philosophy through balanced reward, which recognises incentivising sustainable earnings and by aligning the interests of our staff with those of our shareholders.

b) Defined contribution scheme

The Bank operates a defined contribution pension scheme in line with the provisions of the Pension Reform Act 2014. A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For defined contribution plans, the Bank pays contributions to publicly or privately administered pension insurance plans on a contractual basis. The Bank contributes 10% of basic salary, housing and transport allowances, with the employee contributing a further 8%. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

c) Defined benefit scheme

The Bank also operates a defined benefit scheme for employees who have spent 10 years and above in its employment. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality government bonds and that have terms to maturity approximating to the terms of the pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income statement in the period in which they arise. Past-service costs are recognised immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

d) Terminal Benefit/Severance pay

This is determined on need – basis. The Bank enters into Collective Bargaining Agreement with Staff Union (staff representatives) anytime there is a business imperative to optimize. Management endorses Collective Bargaining Agreement in this instance as the request comes up.

2.23 Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

facility to which it relates.

2.24 Share capital

Share issue costs

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

2.25 Dividends payable

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders. Dividends for the year that are declared after the date of the statement of financial position are dealt with in the subsequent events note.

2.26 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or Bank that allocates resources to and assesses the performance of the operating segments of an entity. The Bank has determined the Executive board as its chief operating decision maker.

All transactions between business segments are conducted on an arm´s length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance.

In accordance with IFRS 8, the Bank has the following business segments: Corporate and Investment Banking, Commercial Banking and Consumer Banking.

2.27 Acceptances and letters of credit

Acceptances and letters of credit are accounted for as off-balance sheet transactions and disclosed as contingent liabilities.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the Bank. The Bank has a present obligation as a result of past events which is not recognized because it is not probable that an outflow of resources will be required to settle the obligation, or the amount cannot be reliably estimated.

Contingent liabilities normally comprise of legal claims under arbitration or court process in respect of which a liability is not likely to crystalise.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank. Contingent assets are never recognized rather they are disclosed in the financial statements when an outflow of economic benefit is probable.

2.28 Key sources of estimation uncertainty

(i) Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on the basis described in the Bank's accounting policy.

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 merit, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Risk Management unit.

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. 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 interest losses are modeled 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 estimated future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances are made.

(ii) 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 techniques as described in accounting policy 2.4.3. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

2.29 Critical accounting judgements made in applying the Bank's accounting policies include:

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

Accounting policies and directors' judgements for certain items are especially critical for the Bank's results and financial situation due to their materiality.

(i) Valuation of financial instruments

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

(ii) Financial asset and liability classification

The Bank's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

(iii) 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.

(iv) Determination of impairment of property and equipment, and intangible assets

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 Bank 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.

(v) Determination of recognised deferred tax balances

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

Management is required to make judgements concerning the recoverability of unused tax losses. Judgement is required in determining the estimated future profitability from which tax assets are expected to be realised.

Critical accounting estimates and judgement

(a) Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in profit or loss, the Bank makes judgements as to whether there is any observable data indicating an impairment trigger followed by measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a bank, or national or local economic conditions that correlate with defaults on assets in the Bank. The directors use estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling future cash flows.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Impairment of fair value through other comprehensive income equity investments

The Bank determines that FVTOCI equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Bank evaluates among other factors, the volatility in share price. In addition, objective evidence of impairment may be deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.»

(c) Fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates.

(d) Amortised cost investments

In accordance with IFRS 9 guidance, the Bank classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as amortised cost. This classification requires significant judgement. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank were to fail to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – the Bank is required to reclassify the entire category as available-for-sale. Accordingly, the investments would be measured at fair value instead of amortised cost.

(e) Retirement benefits

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations.

The assumptions used in determining the net cost (income) for pensions include the discount rate. The Bank determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Bank considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions.

Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying Ecobank Nigeria's accounting policies.

This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 3.1.2.3, which also sets out key sensitivities of the ECL to changes in these elements

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and

Establishing groups of similar financial assets for the purposes of measuring ECL.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

(All amounts in millions of Naira unless otherwise stated)	31 Dec 2019	31 Dec 2018

3 Interest income

Loans and advances:		
- To Banks	713	519
- To Customers	74,263	116,314
	74,976	116,833
Investment Securities:		
- from investment at FVOCI	63,725	53,544
- from investment at amortised cost	218	563
	138,919	**170,940**

The total interest income calculated using the effective interest rate (EIR) method for financial assets at amortised cost is N0.956 billion during the financial year 2019 (2018: N2.632 billion)

	31 Dec 2019	31 Dec 2018

4 Interest expense

Deposits from banks	19,064	15,525
Deposits from customers	72,534	59,748
Borrowings	9,175	9,471
	100,773	**84,744**
Net interest income	**38,146**	**86,196**

Interest income and expenses for all financial instruments except for those classified as held for trading or those measured or designated as at FVTPL are recognised in 'Net interest income' as 'interest income' and 'interest expense' in the profit or loss account using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the year, see 'Net trading income' and 'Net income from other financial instruments at FVTPL'.

(All amounts in millions of Naira unless otherwise stated)	31 Dec 2019	31 Dec 2018

5 Net fee and commission income

Fee and commission income		
Credit related fees and commissions	3,973	2,899
Loan commitments and performance guarantees fees	911	982
Commission Current Account Maintenance	1,756	1,975
Letters of credit commission	710	792
Card related income	6,743	6,838
Commissions on transfers	2,023	1,884
SMS alert income	669	536
Other fees	5,075	4,331
Fee and commission income	**21,860**	**20,238**
Fee and commission expense		
Card acquiring cost	7,847	5,247
SMS alert fee expense	5	48
Bank charges	317	103
Fees paid on confirmation line	1,664	1,373
Others	297	230
Fee and commission expense	**10,130**	**7,001**
Net fee and commission income	**11,730**	**13,237**

6 Net (losses) / gains from financial instruments at FVTPL

6.1 Net (losses) / gains arising on:
Financial instruments classified as FVTPL:

- Interest rate instruments	**426**	**(76)**

7 Net Trading Income

Foreign exchange gains	7,606	20,596
Treasury bills trading income	12,111	7,777
Bond trading income	9,412	2,702
	29,129	**31,074**

Foreign exchange gains includes net gains and losses from spot and forward contracts.

8 Other operating income

	31 Dec 2019	31 Dec 2018
Dividend income	1,193	1,197
Rental income	268	332
Sundry income	1,485	1,983
Profit on sale of property, plant and equipment	1,590	1,152
Profit from disposal of investment securities	-	4,388
	4,536	**9,051**

9 Impairment charge for losses

Loans and advances to customers		
Increase in ECL allowance on loans and advances	11,594	57,838
Amount written off in the year as uncollectible	-	2
Income received on loans previously written off	(7,096)	(1,501)
Reversal of impairment	(440)	(5,415)
	4,058	50,924
Investment securities		
(Decrease)/Increase in ECL allowance for FVTOCI	(1,398)	2,211
(Decrease)/Increase in ECL allowance for amortised cost	(812)	812
Other assets		
Increase in impairment	754	1,498
Off-balance sheet engagements (OBE)		
Increase in ECL allowance on off-balance sheet engagements (OBE)	102	856
	2,704	**56,301**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

10 Employee benefits expense

Wages and salaries:		
Core	23,533	25,295
Outsource		
Pension costs:		
- Defined contribution plans	1,058	1,126
- Defined benefit plan	1,200	1,200
Other employee costs and benefits	3,053	1,801
	28,844	**29,422**

	31 Dec 2019	31 Dec 2018

11 General and administrative expense

Information, communication and technology	1,881	2,838
Insurance expenses	547	489
NDIC insurance premium expense	7,197	5,621
Premises expenses	5,015	7,010
Equipment running costs	1,545	2,887
Advertisement and business promotion	1,342	2,280
Motor vehicle running costs	530	697
Business travels	715	1,097
Office consumables	425	608
Penalties (note 42)	64	28
	19,261	**23,555**

12 Depreciation and amortisation

Depreciation of property and equipment (Note 25)	4,478	5,416
Amortisation of intangible assets (Note 26)	2,659	1,477
Depreciation of right of use of leased assets (Note 27)	936	-
	8,073	**6,894**

13 Other operating expenses

Auditors' remuneration	290	295
Directors' emoluments	345	329
Outsource services	4,971	5,690
Employee related expenses	502	1,696
Consultancy and advisory expenses	1,298	1,738
Cash processing costs	1,058	906
Banking resolution sinking fund cost	13,218	12,054
Operational losses	380	989
Donations	139	275
Finance cost on lease liability	10	-
Other operating expenses	636	759
	22,847	**24,731**

The sum of N5.182 billion (from note 10) relating to employee benefits for outsource staffs included in employee benefits expense for year ended 31 December 2018 was reclassified and appropriately presented in employee related expenses in these financial statements.

All amounts in millions of Naira unless otherwise stated	31 Dec 2019	31 Dec 2018

14 Taxation

	31 Dec 2019	31 Dec 2018
Current taxes on income for the reporting period	925	-
Capital gain tax	34	90
Information Technology tax	22	275
Police Trust Fund Levy	0.1	-
Total current tax	**982**	**366**
Deferred tax	-	-
Total deferred tax	**-**	**-**
Income tax expense	**982**	**366**
The movement in the current income tax liability is as follows:		
At 1 January	2,839	4,671
Tax paid	(272)	(212)
Provision no longer required	(1,364)	(1,986)
Capital gain tax charge	34	90
Information Technology tax	22	275
Police Trust Fund Levy	0.1	-
Income tax charge	925	-
At End	**2,184**	**2,839**
Current	-	275
Non-current	2,184	2,563
	2,184	**2,839**

Reconciliation of effective tax rate	31 Dec 2019		31 Dec 2018	
Profit before income tax		2,238		(1,420)
Income tax using the domestic corporation tax rate @ 30%	41%	925	30%	8,256
Effect of:				
IT tax	1%	22	1%	276
Education tax levy	-	-	0%	-
Capital gain tax	2%	34	0%	90
Police Trust Fund Levy	0.0%	0.1	0%	-
Effect of disallowed Expenses	99%	2,225	-624%	8,859
Effect of Exempted Income	-1369%	(30,636)	1065%	(15,129)
Unrecognised deferred tax	1331%	29,774	0%	-
(Over) / under provided in prior years	-61%	(1,364)	0%	(1,986)
Total income tax expense in income statement	**44%**	**982**	**473%**	**366**

The current tax charge has been computed at the applicable rate of 30% (31 December 2018: 30%) plus education levy of 2% (31 December 2018: 2%) on the profit for the year after adjusting for certain items of expenditure and income which are not deductible or chargeable for tax purposes. Non-deductible expenses include items such as legal fees, donations, public relations expenses and certain provisions which are not allowed as a deduction by the tax authorities. Tax exempt income include income such as dividend income and income from government bonds which are not taxable.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

15 Income tax effects relating to components of other comprehensive income

	31 Dec 2019 Before tax	31 Dec 2019 Tax (expense) / Benefit	31 Dec 2019 Net of tax	31 Dec 2018 Before tax	31 Dec 2018 Tax (expense) / Benefit	31 Dec 2018 Net of tax
Remeasurement of defined benefit obligations	(500)	50	(450)	500	(50)	450
Gain/(Loss) on fair valuation of FVOCI securities (note 15.1)	15,460	-	15,460	(21,230)	-	(21,230)
Allowance for ECL adjustment on securities	(2,209)	-	(2,209)	3,023	-	3,023
Other comprehensive for the year	**12,750**	**50**	**12,800**	**(17,707)**	**(50)**	**(17,757)**

15.1 Gain/(Loss) on fair valuation of FVOCI securities

	31 Dec 2019	31 Dec 2018
FGN bonds	5,759	(18,821)
Treasury bills	2,601	(3,593)
State bonds	603	(398)
Corporate bonds	18	2,246
Eurobonds	(486)	(75)
Unquoted equities	6,964	(589)
	15,460	**(21,230)**

16 Earnings per share

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

Diluted
Diluted EPS is determined by adjusting the profit or loss that is attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding for effects of all dilutive potential ordinary shares.

	31 Dec 2019	31 Dec 2018
Profit/(loss) attributable to equity holders of the Bank (N'000)	1,255,580	(1,785,670)
Weighted average number of ordinary shares in issue (in '000)	27,437,973	22,912,961
Basic earnings per share (expressed in Kobo per share)	5k	(8k)

The Bank does not have any dilutive potential ordinary shares. Therefore, Basic EPS and Diluted EPS are the same for the Bank.

17 Cash and cash equivalents

All amounts in millions of Naira unless otherwise stated	31 Dec 2019	31 Dec 2018
Cash	35,223	34,037
Balances with Central Bank other than mandatory reserve deposits	30,729	27,980
Cash and balances with other banks and financial institutions (Note 17.1)	72,444	92,928
	138,396	**154,945**

These comprise cash and bank balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with other banks and other short-term highly liquid investments with original maturities less than three months.

17.1 Cash and balances with other banks and financial institutions

	31 Dec 2019	31 Dec 2018
Current balances with banks within Nigeria	1,309	519
Current balances with banks outside Nigeria	39,525	79,067
Placements with local banks and discount houses	10,643	12,004
Placements with foreign banks and discount houses	20,967	1,337
	72,444	**92,928**

All amounts in millions of Naira unless otherwise stated	31 Dec 2019	31 Dec 2019
18 Mandatory reserve deposits with Central Bank	**350,366**	**316,526**

Mandatory reserve deposits are not available for use in the Bank and Bank's day-to-day operations. The Bank had total restricted cash balance of N350.4 billion (N316.5 billion: 31 December 2018). Included in the mandatory reserve deposits are the sums of:

(a) N34.4billion (31 December 2018: N34.4billion) which is 5% cash reserve requirement charged to a Special Intervention Reserve (SIR) Account.

(b) N9.788billion relating to Differentiated Cash Reserve Requirement (DCRR) Scheme. Under the DCRR scheme, Deposit Money Banks (DMBs) interested in providing credit financing to Greenfield (New) and Brownfield (expansion) projects in the Real Sector (Agriculture and Manufacturing) may request for the release of funds from their CRR to finance the projects. See Note 32 for more details

19 Loans and advances to customers

19.1 Loans and advances to customers comprise:

	Stage 1	Stage 2	Stage 3	Total
31 Dec 2019				
Overdrafts	47,472	92,433	79,369	219,274
Term loans	380,729	173,754	139,146	693,629
Advances under finance lease	179	-	-	179
Gross loans	428,380	266,187	218,515	913,082
Expected credit loss allowance	(4,078)	(5,741)	(91,657)	(101,476)
Net loans	**424,302**	**260,446**	**126,858**	**811,606**
31 Dec 2018				
Overdrafts	49,639	101,869	108,066	259,574
Term loans	423,633	217,067	18,777	659,478
Advances under finance lease	319	26	-	345
Bankers' acceptance	7,148	-	-	7,148
Gross loans	480,740	318,962	126,844	926,546
Expected credit loss allowance	(4,921)	(15,291)	(92,800)	(113,012)
Net loans	**475,818**	**303,671**	**34,044**	**813,534**

	31 Dec 2019	31 Dec 2019
Current	420,329	413,968
Non-current	492,752	512,578
	913,082	**926,546**
Performing	694,567	799,702
Non-Performing	218,515	126,844
	913,082	**926,546**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

	To customers			
Reconciliation of impairment allowance on loans and advances to customers:	Stage 1	Stage 2	Stage 3	Carrying amount
Balance at 1 January 2019	4,921	15,291	92,800	113,012
Additional impairment allowance	(843)	(9,550)	21,987	11,594
Loans written off during the year as uncollectible	-	-	(4,127)	(4,127)
Amounts derecognised during the year	-	-	(28,941)	(28,941)
Amounts recovered during the year	-	-	(440)	(440)
Other movements during the year	-	-	10,378	10,378
Balance at 31 December 2019	**4,078**	**5,741**	**91,657**	**101,476**
Balance at 31 December 2017 (IAS 39)	15,093	71,354	48	86,495
Day 1 IFRS 9 adjustment				45,064
	Stage 1	Stage 2	Stage 3	
Balance at 1 January 2018 (IFRS 9)	10,300	34,589	86,670	131,559
Additional impairment allowance	7,687	3,524	17,686	28,897
Additional impairment allowance due to interest reversal	-	-	28,941	28,941
Loans written off during the year as uncollectible	-	-	(65,761)	(65,761)
Amounts derecognised during the year	(13,066)	(22,822)	30,679	(5,209)
Amounts recovered during the year	-	-	(5,415)	(5,415)
Balance at 31 December 2018	**4,921**	**15,291**	**92,800**	**113,012**

*** All loans written off during the year were fully provided for.

All amounts in millions of Naira unless otherwise stated	31 Dec 2019	31 Dec 2019

19.2 Advances under finance lease may be analysed as follows:

Gross investment		
- No later than 1 year	51	283
- Later than 1 year and no later than 5 years	128	65
	179	348
Unearned future finance income on finance leases	-	(3)
Net investment	**179**	**345**
The net investment may be analysed as follows:		
- No later than 1 year	51	283
- Later than 1 year and no later than 5 years	128	62
	179	**345**

19.3 Nature of security in respect of loans and advances:

	31 Dec 2019	31 Dec 2018
Secured against real estate	575,320	612,580
Secured by shares	-	44,333
Otherwise secured	104,674	173,386
Unsecured	233,088	96,247
	913,082	926,546
ECL Impairment allowances	(101,476)	(113,012)
	811,606	**813,534**

The Bank is not permitted to sell or repledge the collateral in the absence of default by the owner of the collateral
During the period, the Bank obtained assets by taking possession of collateral held as security:

	31 Dec 2019	31 Dec 2018
Nature of assets and carrying amount:		
Real estate	11,672	34
Vehicles and equipment	-	-
Others	22,158	423
	33,829	**457**

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness.

20 Derivative financial instruments

	Fair value	
	Asset	Liability
31 December 2019		
Foreign Exchange Derivatives:		
Currency swaps	22	8
Foreign exchange forwards	12,732	8,320
	12,754	**8,328**
31 December 2018		
Foreign Exchange Derivatives:		
Currency swaps	-	-
Foreign exchange forwards	8,814	1,690
	8,814	**1,690**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

The Bank enters into forward foreign exchange contracts and currency swaps designed as held for trading.

- A forward foreign exchange contract is an agreement by two counterparties to exchange currencies at a predetermined rate on some future date. No funds change hands when a typical forward foreign exchange contract originates; a funds flow occurs only at the contract's stated future delivery time.

- A currency swap is the simultaneous spot sale (or purchase) of currency against a forward purchase (or sale) of approximately an equal amount. In a swap contract, there is an exchange, or notional exchange, of equivalent amounts of two currencies.

All derivative transactions of the Bank are within one year tenor.

The Bank's foreign exchange derivatives do not qualify for hedge accounting; therefore all gains and losses from changes in their fair values are recognised immediately in the statement of profit or loss and are reported in Net gains/(losses) on financial instruments classified as held for trading.

All amounts in millions of Naira unless otherwise stated	31 Dec 2019	31 Dec 2018
21 Financial assets - FVTPL		
Treasury bills	45,870	33,452
Federal Government of Nigeria Bonds	8,880	1,662
	54,750	**35,114**
22 Financial assets - FVTOCI		
Debt securities - at FVTOCI		
- Listed		
Federal Government of Nigeria Bonds-Fair value through other comprehensive income	41,520	94,760
Treasury bills	239,059	169,044
- Unlisted		
Government Guaranteed Bonds - At fair value through other comprehensive income		
State Government Bonds	8,264	1,569
Eurobond	-	38,650
Local Contractor/Corporate Bonds	-	4,702
Total Debt securities	**288,843**	**308,725**
Equity securities - at FVTOCI		
- Unlisted		
African Finance Corporation	34,597	27,999
Accion Microfinance Limited	788	1,018
Afreximbank	1,029	1,035
Nigerian Automated Clearing System/NIBSS	1,147	754
FMDQ	185	44
Unified Payment Services Limited	198	115
AGSMEIS	2,657	1,299
Credit Reference Company	19	9
SANEF	50	-
Total equity investments	**40,671**	**32,272**
Total financial assets - FVTOCI	**329,514**	**340,997**

All amounts in millions of Naira unless otherwise stated	31 Dec 2019	31 Dec 2018
Movement of equity instruments measured at FVTOCI		
Opening balance at 1 January	32,272	29,168
Addition during the year	1,408	1,010
Disposal during the year	-	(300)
Net gain from remeasurement	6,991	2,893
Derecognition of fair value on disposal	-	(499)
Closing balance at 31 December	**40,671**	**32,272**
Summary of financial assets measured at FVTOCI		
Debt securities - at Fair value:		
- Listed	280,579	263,804
- Unlisted	8,264	44,920
Equity securities - at Fair value:		
- Unlisted	40,671	32,272
Total securities: FVOCI	**329,514**	**340,997**
	-	0

23 Financial assets - Amortised cost

Debt securities – at amortised cost:		
TBPIC (see note (a))	-	21,606
Promissory note (see note (b))	1,433	18,904
Total securities at amortised cost	**1,433**	**40,510**

(a) Investment of N30.15 billion in Treasury Bond Protected Investment Corporation Limited at coupon rate of 2.25% for the tenure of 15 years. The outstanding balance of N21.6 billion was fully repaid during the year.

(b) FGN promissory notes issued by Debt Management Office (DMO) to banks on behalf of major oil marketers exposures to the banks. The note is issued at zero coupon rate with maturity of 14th December 2019. The promissory notes to Northwest Petroleum (N8.22 billion), Shorelink/Stock Gap Fuels (N8.05 billion) and A&E Petroleum (N2.64 billion) were redeemed during the year.

All amounts in millions of Naira unless otherwise stated	31 Dec 2019	31 Dec 2018
Summary - Investment securities		
Fair value through profit or loss (FVTPL) - Note 21	54,750	35,114
Fair value through other comprehensive income (FVTOCI) - Note 22	329,514	340,996
Amortised cost - Note 23	1,433	40,510
	385,697	**416,620**
Current	345,026	343,838
Non-current	40,671	72,782
Total investments	**385,697**	**416,620**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

24 Pledged assets

Treasury Bills are pledged to various third parties in respect of the Bank's ongoing participation in the Nigerian settlement system. Included in Federal Government Bonds is N10.6 billion (2018: N6.6 billion) pledged to BOI (Bank of Industry) as collateral in respect of loans obtained for the purpose of on-lending to manufacturing customers. These instruments are classified as available for sale.

The nature and carrying amounts of the assets pledged as collaterals are as follows:

All amounts in millions of Naira unless otherwise stated	31 Dec 2019	31 Dec 2018
Treasury Bills (note 24.1)	106,597	59,784
Federal Government of Nigeria Bonds (note 24.2)	17,210	13,210
Eurobonds (note 24.3)	4,376	14,567
	128,184	**87,561**

24.1 Investments securities Treasury Bills

Bank Of Industry Limited	14,836	27,836
Central Bank Of Nigeria	13,905	15,600
E-Tranzact International Plc	1,000	8,250
Federal Inland Revenue Services Firs	8,250	1,000
FMDQ OTC	3,000	720
FSDH Merchant Bank	3,997	1,132
Goldman Sachs	9,105	-
Interswitch Limited	1,520	-
Keystone Bank	4,349	-
National Bank of Abu Dhabi	4,100	-
Nigeria Inter-Bank Settlement System Plc (NIBSS)	8,627	-
Societe General Paris	19,390	50
Systemspecs Nigeria	160	-
Unified Payment Services Limited	50	-
Wema Bank	14,308	160
Suntrust Bank Nigeria	-	5,035
	106,597	**59,784**

24.2 Investments securities: Bonds

Bank of Industry	10,610	6,610
Central Bank of Nigeria	6,600	6,600
	17,210	**13,210**

24.3 Eurobonds

Mashreq	**4,376**	**14,567**

Movement in pledged assets		
At 1 January	87,561	91,360
Additions during the year	77,794	53,768
Matured pledges/redemption	(37,171)	(57,567)
At 31 December	**128,184**	**87,561**

The pledged assets were subjected to ECL assessment and the impact of the allowance is recognised as part of the ECL assessment for financial assets measured by FVTOCI

All amounts in millions of Naira unless otherwise stated	31 Dec 2019	31 Dec 2018

25 Property, plant and equipment

Carrying amounts of		
Land	6,499	6,678
Freehold buildings	32,157	24,146
Leasehold buildings	3,652	2,977
Office equipment	2,532	3,090
Furniture & fittings	449	508
Computer equipment	1,466	1,867
Motor vehicles	432	639
Work in progress	26,627	32,072
	73,813	**71,977**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

	Land N'million	Freehold buildings N'million	Leasehold buildings N'million	Office equipment N'million	Furniture & fittings N'million	Computer equipment N'million	Motor vehicles N'million	Work in progress N'million	Total N'million
Cost									
At 1 January 2019	6,678	39,368	7,092	10,286	2,363	16,771	6,099	32,072	120,729
Additions	-	1,125	97	633	125	282	113	5,589	7,964
Disposals	(179)	(1,901)	(21)	(150)	(35)	(13)	(452)	(39)	(2,790)
Reclassification		9,226	862	(13)	10	909	-	(10,996)	-
At 31 December 2019	**6,499**	**47,819**	**8,030**	**10,756**	**2,463**	**17,949**	**5,760**	**26,627**	**125,903**
Accumulated depreciation									
At 1 January 2019	-	15,223	4,115	7,195	1,855	14,905	5,461	-	48,753
Charge for the year	-	1,059	186	1,164	187	1,612	271	-	4,479
Disposals	-	(519)	(20)	(150)	(35)	(13)	(405)	-	(1,142)
Reclassification	-	(101)	98	16	7	(20)		-	-
At 31 December 2019	**-**	**15,662**	**4,378**	**8,224**	**2,014**	**16,484**	**5,328**	**-**	**52,090**
Net book amount at 31 December 2019	**6,499**	**32,157**	**3,652**	**2,532**	**449**	**1,465**	**432**	**26,627**	**73,813**

	Land N'million	Freehold buildings N'million	Leasehold buildings N'million	Office equipment N'million	Furniture & fittings N'million	Computer equipment N'million	Motor vehicles N'million	Work in progress N'million	Total N'million
Cost									
At 1 January 2018	6,520	35,824	11,253	9,472	1,853	16,129	6,114	36,109	123,274
Additions	-	589	83	1,447	174	556	472	1,819	5,140
Disposals	-	(1,275)	(12)	(189)	(5)	(22)	(487)	(507)	(2,497)
Reclassification	158	4,230	(4,230)	(445)	341	107	-	(161)	-
Transfer	-	-	-	-	-	-	-	(5,189)	(5,189)
At 31 December 2018	**6,678**	**39,368**	**7,092**	**10,286**	**2,363**	**16,771**	**6,099**	**32,072**	**120,729**
Accumulated depreciation									
At 1 January 2018	-	7,726	10,672	6,507	1,468	12,328	5,550	-	44,251
Charge for the year	-	948	240	1,112	191	2,526	399	-	5,416
Disposals	-	(237)	(12)	(152)	(5)	(21)	(487)	-	(914)
Reclassification	-	6,786	(6,786)	(273)	202	71	-	-	-
At 31 December 2018	**-**	**15,223**	**4,115**	**7,195**	**1,855**	**14,905**	**5,461**	**-**	**48,753**
Net book amount at 31 December 2018	**6,678**	**24,146**	**2,977**	**3,090**	**508**	**1,867**	**638**	**32,072**	**71,976**

The sum of N5.189 billion which relates to cost incurred for implementation of various software were capitalised and reclassified from work in progress to intangible assets in 2018.

All amounts in millions of Naira unless otherwise stated

26 Intangible assets

	31 Dec 2019	31 Dec 2018
Cost		
At 1 January	10,168	4,142
Additions	1,872	838
Reclassification	-	5,189
At 31 December	**12,040**	**10,168**
Amortisation		
At 1 January	4,201	2,723
Amortisation charged	2,659	1,478
At 31 December	**6,860**	**4,201**
Carrying Amount		
At 31 December	**5,181**	**5,967**

The amortisation charge for the period is included in depreciation and amortisation expenses in the Statement of comprehensive income.

All amounts in millions of Naira unless otherwise stated

27 Right-of-use assets

	31 Dec 2019	31 Dec 2018
Right-Of-Use Assets (note 27.1)	**3,564**	**-**

27.1 Movement in right-of-use assets is as shown below:

	31 Dec 2019	31 Dec 2018
Opening balance	-	-
Reclassification from prepayment	4,617	-
IFRS 16 adjustment	76	-
Additions during the year	345	-
Amortisation during the year	(936)	-
Short term leases recognised on a straightline basis as expense	(539)	-
	3,564	**-**

IFRS 16 “Leases” became effective on January 1, 2019. The new standard required a lessee in a lease contract to recognise Right-of-use-assets for all types of leases and this must be amortised through P&L. For the Bank, the right-of-use assets relate to lease rentals on branches. The amortisation during the year is shown in Note 12. Lease rentals was reported as part of Prepayments in Other Assets before the introduction of the new standard. As at December 2018, unamortised lease rentals amounting to N4.62 billion was included in prepayments for the Bank.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

28 Deferred tax

Deferred income taxes are calculated on all temporary differences under the liability method using the enacted tax rate of 30% (2018: 30%).

Deferred income tax assets and liabilities are attributable to the following items:

(All amounts in millions of Naira unless otherwise stated	31 Dec 2019	31 Dec 2018
At 1 January	12,262	12,312
Arising during the year:		
- tax effect on actuarial valuation of defined benefit obligation	50	(50)
Included in other comprehensive income	50	(50)
At 31 December	**12,312**	**12,262**

29 Other assets

Financial assets		
Sundry receivables	50,384	18,099
Card and e-banking receivables	7,606	14,639
Due from affiliates and related entities (note 39.4)	19,279	9,659
	77,269	**42,397**
Less specific allowances for impairment (note 29.1)	(9,340)	(8,484)
	67,929	**33,913**
Non-financial assets		
Prepayments	1,238	5,769
	69,167	**39,682**
Current	67,929	33,913
Non-current	1,238	5,769
	69,167	**39,682**

29.1 Reconciliation of impairment account

At 1 January	8,484	8,473
Day 1 IFRS 9 adjustment	-	338
Increase in impairment	754	1,498
Amount reclassified	120	49
Amount written-off	-	(396)
Impairment no longer required	(19)	(1,478)
At 31 December	**9,340**	**8,484**

(All amounts in millions of Naira unless otherwise stated) — 31 Dec 2019 — 31 Dec 2018

30 Retirement benefit obligations

(All amounts in millions of Naira unless otherwise stated)	31 Dec 2019	31 Dec 2018
The amounts recognised in the balance sheet are as follows:	**1,800**	**328**

This balance relates to outstanding accruals yet to be transferred to the fund administrators as at the end of the year.

Valuation methodology

Accrued liability

IAS19R requires that entities should have provided for their post-employment liabilities by the time that the employee and/or their dependants become entitled to receive the post-employment benefits, which is usually the date of withdrawal, retirement or death-in- service.

Under the Projected Unit Credit method, the liability accrues uniformly whilst the member is in service. In this way, the liability may be divided into two parts for each current in-service member:

- the accrued (past service) liability, based on service to date relative to total potential service, and
- the future service liability, which relates to service not yet completed

Net annual cost

The accrued liability in excess of any plan assets is expected to change each year, as a result of:

-The liability accrual in respect of an additional year of service for in-service members (resulting in the current service cost);
-The unwinding of the discount rate as the discounting period reduces (resulting in the interest cost);
-The interest income on any plan assets (offsetting the interest cost); and
-The employer benefit payments during the year that serve to reduce the liability (since the liability is a provision for future benefit payments).

As the current service cost is calculated at the beginning of the year, one should allow for one year's interest using the discount rate at the start of the year.

The interest cost on the liabilities and interest income on plan assets are based on the discount rate at the start of the year and are calculated allowing for expected benefit payments during the year.

A gain or loss arises in a particular year as a result of a change in actuarial assumptions and/or a difference between expected experience and actual experience.

Ignoring any gains or losses, the employer's net annual cost is the current service cost plus the interest cost on the liabilities minus the interest income on any plan assets. From the equation above, one can see that this corresponds to the change in the accrued liability in excess of plan assets plus the employer benefit payments.

Assumptions used:

Unless stated otherwise, the economic assumptions used in this valuation are based on a standard set of IAS19 economic assumptions determined using the best estimate approach agreed to by the actuaries employed by Alexander Forbes and reviewed on a regular basis to ensure that they are market-related.

IAS19 requires that assumptions be based on market data as at the valuation date. The economic assumptions used in this valuation are therefore based on market information as at 31 December 2019.

31 Deposits from banks

	31 Dec 2019	31 Dec 2018
Items in course of collection	934	975
Other deposits from banks (note 31.1)	218,541	166,679
Current account balances with banks	6,583	2,009
	226,058	**169,663**
Current	226,058	169,663
Non-current	-	-
	226,058	169,663

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

31.1 31 Dec 2019

Deposits from banks only include financial instruments classified as liabilities at amortised cost.

Inter-affiliate takings	Tenor (days)	Rate (%)	Amount
Ecobank Zambia	63	5.00%	2,391
Ecobank Zambia	63	5.50%	3,682
Ecobank South Sudan	28	5.50%	1,831
Ecobank Congo DR	32	5.50%	3,296
Ecobank Kenya	90	5.50%	3,694
Ecobank Kenya	90	5.50%	4,064
Ecobank Kenya	91	5.50%	1,847
Ecobank Kenya	90	5.50%	3,694
Ecobank Kenya	90	5.50%	1,847
Ecobank Kenya	31	5.75%	1,098
Ecobank Zambia	31	5.25%	1,098
Ecobank Zambia	31	5.25%	1,829
Ecobank Congo DR	31	5.40%	3,656
Ecobank Ghana	28	5.00%	731
Ecobank Congo DR	32	5.50%	3,654
Ecobank Tanzania	33	5.20%	731
Ecobank Cape Verde	90	5.50%	2,580
Ecobank Gambia	91	4.75%	1,067
Ecobank Congo DR	31	5.50%	3,650
Ecobank Guinea	30	5.50%	4,013
Ecobank Guinea	30	5.50%	7,296
Ecobank Congo DR	31	5.40%	3,648
Ecobank Congo DR	31	5.50%	2,189
Ecobank South Sudan	181	5.00%	371
Ecobank Rwanda	91	5.00%	550
Ecobank South Sudan	77	5.20%	3,654
Ecobank Gambia	91	5.25%	2,556
Ecobank South Sudan	360	5.50%	1,901
Ecobank Uganda	182	5.55%	370
Ecobank South Sudan	182	5.50%	5,541
Ecobank Uganda	365	6.00%	1,756
Ecobank South Sudan	357	5.50%	1,854
Ecobank Guinea	31	12.00%	10,873
Ecobank Congo DR	31	12.00%	5,424
Ecobank Congo DR	30	12.00%	3,636
Ecobank South Sudan	166	12.00%	4,745
Ecobank Kenya	90	12.00%	5,453
Ecobank Kenya	91	12.00%	2,908
Ecobank South Sudan	182	12.00%	3,638
Ecobank South Sudan	210	12.00%	3,688
Ecobank Transnational Incorporated	182	12.00%	1,520
Ecobank Transnational Incorporated	91	12.00%	11,637
Ecobank Transnational Incorporated	176	12.76%	4,494
			140,155

31.1 31 Dec 2019

Deposits from banks only include financial instruments classified as liabilities at amortised cost.

Interbank takings - offshore banks			
Goldman Sachs	Call	2.00%	628
Goldman Sachs	Call	2.00%	409
Mashreq Bank	94	2.78%	20,449
Mashreq Bank	151	3.17%	2,000
Mashreq Bank	151	3.17%	1,087
Union Bank UK	90	5.63%	4,201
First Abu Dhabi Bank	180	5.05%	4,512
First Abu Dhabi Bank	180	5.05%	1,592
First Abu Dhabi Bank	180	5.05%	1,861
ABSA Bank	173	5.20%	5,451
ABSA Bank	180	5.20%	5,446
Sky Enterprises	252	5.72%	1,184
Sky Enterprises	262	5.73%	3,943
			52,764
Interbank takings - local banks			
Wema Bank	32	5.50%	1,830
Wema Bank	32	5.50%	3,660
Wema Bank	32	5.50%	3,660
Wema Bank	60	5.50%	3,672
Keystone Bank	60	5.50%	3,672
Standard Chartered Bank	32	5.50%	1,827
FSDH Merchant Bank	34	6.00%	1,462
Wema Bank	31	5.00%	3,650
FSDH Merchant Bank	38	5.50%	2,191
			25,623
Total interbank takings			**218,541**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

31 Dec 2018
Deposits from banks only include financial instruments classified as liabilities at amortised cost.

Inter-affiliate takings	Tenor (days)	Rate (%)	Amount
Ecobank Ghana	30	6.00%	7,319
Ecobank Rwanda	91	5.25%	1,475
Ecobank Mozambique	28	5.00%	548
Ecobank Congo DR	30	6.25%	1,827
Ecobank Zambia	31	4.50%	2,372
Ecobank Uganda	91	6.30%	1,327
Ecobank Ghana	32	5.00%	729
Ecobank Cape Verde	90	5.50%	4,415
Ecobank Tanzania	31	5.00%	729
Ecobank Zambia	31	5.50%	1,822
Ecobank Kenya	30	5.00%	5,828
Ecobank Zambia	78	5.50%	3,669
Ecobank Equatorial Guinea	62	5.50%	730
Ecobank South Sudan	182	5.50%	3,707
Ecobank South Sudan	180	5.50%	5,509
Ecobank South Sudan	358	5.50%	1,850
Ecobank Kenya	90	3.00%	20,935
Ecobank Guinea	14	15.00%	2,533
Ecobank Guinea	2	15.00%	8,264
Ecobank Guinea	2	15.00%	8,264
Ecobank Congo DR	10	15.00%	7,584
Ecobank Congo DR	10	15.00%	7,584
Ecobank Congo DR	17	15.00%	3,306
Ecobank Congo DR	21	15.00%	3,306
Ecobank Congo DR	21	15.00%	3,306
Ecobank Gambia	91	15.00%	2,656
Ecobank South Sudan	182	15.00%	3,874
Ecobank South Sudan	182	15.00%	3,679
Ecobank Transnational Incorporated	91	15.00%	1,588
			120,734

Interbank takings - offshore banks			
First Abu Dhabi Bank	182	5.86%	5,057
First Abu Dhabi Bank	182	5.86%	4,456
Mashreq Bank	180	5.86%	2,585
Mashreq Bank	180	5.86%	519
ABSA Bank	90	6.00%	5,513
Standard Chartered Bank	177	6.07%	1,631
Standard Chartered Bank	177	6.07%	2,076
First Abu Dhabi Bank	169	6.15%	2,419
First Abu Dhabi Bank	169	6.15%	452
First Abu Dhabi Bank	169	6.15%	623
First Abu Dhabi Bank	169	6.15%	2,740
First Abu Dhabi Bank	169	6.15%	1,095
First Abu Dhabi Bank	169	6.15%	1,095
First Abu Dhabi Bank	169	6.15%	503
Mashreq Bank	92	5.25%	10,983
			41,747
Interbank takings - local banks			
Suntrust Bank Nigeria	58	6.75%	1,825
Suntrust Bank Nigeria	65	6.75%	1,825
Suntrust Bank Nigeria	70	6.75%	548
			4,198
Total interbank takings			**166,679**

32 Deposits from customers

Deposits due to customers are primarily comprised of savings deposits, amounts payable on demand, and term deposits.

	31 Dec 2019	31 Dec 2018
LCY		-
Demand	257,770	233,874
Savings	275,438	239,830
Term	442,132	368,068
	975,340	841,772
Domiciliary (FCY)		
Demand	181,607	196,390
Savings	5,305	4,206
Term	192,447	240,805
	379,359	441,401
	1,354,699	**1,283,173**
Current	1,341,528	1,276,232
Non-current	13,171	6,941
	1,354,699	**1,283,173**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

33 Borrowings

Long term borrowing comprise:		
International Finance Corporation (see note (i) below)	-	3,220
Bank of Industry (see note (ii) below)	21,788	29,008
Subordinated loan (see note (iii) below)	-	93,190
A/B Syndicated subordinated term facility (FMO)(see note (iv) below)	27,663	27,595
Micro, Small and Medium Enterprises Development Fund (see note (v) below)	50	112
Central Bank of Nigeria RSSF (see note (vi) below)	14,872	-
Development Bank of Nigeria Fund (see note (vii) below)	15,524	-
	79,896	**153,125**
Short term borrowing comprise:		
African Export-Import Bank (see note (viii) below)	-	7,703
	79,896	**160,828**
Current	-	7,703
Non-current	79,896	153,125
	79,896	**160,828**

The borrowings are carried at amortised costs.

The Bank has not had any defaults of principal, interest or other breaches with respect to their liabilities during the year (2018: nil).

Summary of borrowing arrangements

(i) The amount represents Tier II capital loan of $61.03 million granted to the Bank through ETI via a sub-loan from the International Finance Corporation. The facility had a tenure of 8 years with moratorium of 5 years and the interest rate was 8.5% above 6-month Libor payable semi - annually. The loan had been fully repaid as at the year end.

(ii) This represents CBN intervention funds on-lent to some of the Bank's customers in the manufacturing sector through Bank of Industry (BOI). The fund is administered at an all-in interest rate of 7% per annum payable on a quarterly basis. The maximum tenor of the facility is 15 years.

(iii) The amount represents Subordinated Tier 2 Note of $250 million Fixed Rate Limited Recourse Participation Notes due 2021. The Note has a tenure of 7 years while interest of 8.5% on the notes will be payable semi-annually in arrear in each year commencing 14 August 2014. The bond was recalled and fully paid during the year.

(iv) The amount represents syndicated subordinated Tier II capital loan of $75 million granted to the Bank by FMO Entrepreneurial Development Bank. The facility has a tenure of 7 years with moratorium of 5 years and interest rate is 6.5% + LIBOR payable quarterly.

(v) This represents CBN intervention funds on-lent to some of the Bank's customers in the micro, small and medium sector. The facility has maximum tenor of one (1) year for micro enterprises and up to five (5) years for SMEs, with option of moratorium. The Fund shall be administered at an interest rate of 3% per annum under the wholesale funding to the PFIs with a spread of 6% bringing the lending rate to borrowers at a maximum of 9 % per annum, inclusive of all charges.

(vi) This represents intervention funds under the CBN Real Sector Support Fund (RSSF) on-lent to some of the Bank's customer's real sector. The facilities have tenors ranging between 7 - 10 years with option of moratorium. The Fund shall be administered at an interest rate of 2% per annum under the wholesale funding to the PFIs with a spread of 7% bringing the lending rate to borrowers at a maximum of 9 % per annum inclusive of all charges. Principal and interest repayment to the CBN is on quarterly basis.

(vii) This represents funds the Development Bank of Nigeria (DBN) provided for wholesale funding and risk-sharing to Participating Financial Institutions for on-lending to MSMEs. The facilities have tenors that are flexible (up to 10 years with a moratorium period of up to 18 months) and the rates of up to 9.6%. Principal and interest repayment to DBN is on monthly basis.

(viii) The amount represents a short term loan of US$42 million from African Export-Import Bank. The facility has a tenure of 3 years with maturity of 4 April 2020, interest of 6.0% + LIBOR is payable quarterly while the principal repayment is payable quarterly. The facility was fully repaid during the year.

33 Provision for litigation

This relates to provision made on judgement sums for concluded cases which have not been settled as at year end because they are under appeal.

Movement in provision for litigation	31 Dec 2019	31 Dec 2018
At 1 January	1,438	5,170
Increase in provision	271	-
Amount paid during the year	-	(2,808)
Provision no longer required	(58)	(875)
Amount reclassified	-	(49)
At 31 December	**1,651**	**1,438**

34 Lease liability

Lease liabilities	**86**	**-**

35 Other liabilities

Customer deposits for letters of credit	10,186	10,523
Accounts payable	8,380	16,512
Due to affiliates and related entities (note 39.5)	9,143	12,851
Unearned income	127	572
Collection accounts	3	3
Accrued expenses	1,026	3,742
Card settlement accounts	8,557	13,044
Managers' cheques	6,593	6,348
Impairment allowance for off-balance sheet	4,161	4,059
Others	3,893	21,736
	52,069	**89,389**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

36 Share capital

Authorised		
30,000,000,000 ordinary shares of 50k each	15,000	15,000
Issued and fully paid		
27,437,973,202 ordinary shares of 50 kobo each	13,719	11,456
Movements during the period:		
Balance at 1 January	11,457	10,074
Issued during the year	2,262	1,383
At 31 December	**13,719**	**11,457**

During the year ended 31 December 2019, Ecobank Transnational Incorporated made an additional capital investment of N31,675,082 for a total of 4,525,011,720 units of shares at a unit cost of N7.00. An amount of N2,262,505,863 was credited to share capital while N29,412,576,219 was credited to share premium accounts. The Board of Directors approved allotment on 13 December, 2018. The allotment was registered by Corporate Affairs Commission (CAC) on 25 June, 2019.

37 Share premium and reserves

At 1 January	149,903	131,928
Issued during the year	29,413	17,975
At 31 December	**179,316**	**149,903**

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

Share premium:
Premium from the issue of shares is reported in share premium.

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

Statutory reserve:
Undistributable earnings required to be kept by the Central Bank by law.

SMEISS reserve:
Appropriated from retained earnings by regulation for investment in small scale industries.

Revaluation reserve:
The revaluation reserve shows the effects from the fair value measurement of equity instruments elected to be presented in other comprehensive income on initial recognition after deduction of deferred taxes. No gains or losses are recognised in the income statement.

38 Contingent liabilities and commitments

38.1 Capital commitments

	31 Dec 2019	31 Dec 2018
Authorised and contracted	**1,921**	**1,353**

38.2 Loan commitments, guarantee and other financial facilities

In the normal course of business the Bank is a party to financial instruments with off-balance sheet risk. These instruments are issued to meet the credit and other financial requirements of customers. The estimated maximum exposure in respect of contingent liabilities and commitment granted are:

	31 Dec 2019	31 Dec 2018
Bonds & Guarantees	116,461	132,348
Documentary and commercial letters of credit	211,405	173,633
FX transactions	89,552	147,674
Bankers' acceptance	-	21
	417,418	**453,676**

38.3 Litigation

The Bank is a party to legal actions arising out of its normal business operations for claims against it totalling N287.97 billion as at 31 December 2019 (2018: N282.95 billion).

The Directors believe that, based on currently available information and advice of counsel, none of the outcomes that result from such proceedings will have a material adverse effect on the financial position of the Bank, either individually or in the aggregate. Consequently, no provision has been made for these legal actions in these financial statements apart from that disclosed in note 33 which relates to provisions made on judgement sums for concluded cases not yet settled as at year end.

39. Related party transactions

39.1 Key management personnel compensation for the year comprises

	N'million	
	31 Dec 2019	31 Dec 2018
Executive directors:		
Short term employee's benefit	755	468
Defined contribution plan (pension)	24	24
	779	**491**

Directors' emoluments

Remuneration paid to the Bank's directors was:		
Directors' fees	146	139
Sitting allowances	47	52
Other director expenses	153	143
	345	**333**

Fees and other emoluments disclosed above include amounts paid

Chairman	35	37
Highest paid director	**35**	**37**

The number of directors who received fees and other emoluments (excluding pension contributions and certain benefit) in the following ranges

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

	Number	
	31 Dec 2019	31 Dec 2018
N5,000,001 and above	**8**	**8**

39.2 Transactions with parents and other affiliates
The parent company of the Bank is Ecobank Transnational Incorporated (ETI)

The Bank maintains business relationships with the parent company and a number of its affiliates for various services rendered to it, as follows:

- Ecobank Transnational Incorporated	- Parent	- Group Shared Service Agreement
- E-Process, Ghana	- Affiliate	- Information technology services

Also, a number of banking transactions are entered into with related parties in the normal course of business. These include loans and deposits.

39.3 Loans and advances to related parties
The Bank granted various credit facilities to other companies which have common directors with the Bank and those that are members of the Bank. The rates and terms agreed are comparable to other facilities being held in the Bank's portfolio. Details of these are described below:

Included in loans and advances is an amount of N7.30 billion (2018: N36.9 billion) representing credit facilities to companies in which certain directors and shareholders have interests and personal loans to directors. The balances as at 31 December, 2019 are as follows:

Name of company/individual	Relationship	Facility Type	N'million	Status	Security
Shoreline Power Company Limited	Common director	Term Loan	5,319	Non-Performing	Charge Over Assets
Costain West Africa Plc	Common director	Work Order	1,662	Non-Performing	All Asset Debenture
Costain West Africa Plc	Common director	Overdraft	276	Non-Performing	All Asset Debenture
Oyedeji Carol Edeinokun	Executive director	Mortgage	43	Performing	Legal mortgage
			7,300		
Off-balance sheet engagements					
Costain West Africa Plc	Common director		1,493	Non-Performing	Legal mortgage
			1,493		

	Key management personnel N'million	Common Directorship N'million
Year ended 31 December 2019		
Loans and advances to customers		
Loans outstanding at 1 January	50	36,923
Loans issued during the year	-	-
Net loan repayments	(7)	(29,665)
Loans outstanding at 31 December	43	7,258
Year ended 31 December 2018		
Loans and advances to customers		
Loans outstanding at 1 January	54	32,166
Loans issued during the year	-	30,955
Loan repayments during the year	(4)	(26,199)
Loans outstanding at 31 December	50	36,923

The loans issued to directors and other key management personnel (and close family members) during the year of N7.30 billion (2018: N36.9 billion) are repayable monthly/quarterly between one and five years and have variable interest rates. The loans advanced to the directors during the year are collateralised.

39.4 Due from affiliates and related entities

	31 Dec 2019	31 Dec 2018
Benin	-	-
Cameroun	0.12	-
EDC Nigeria	-	-
eProcess	15,510	8,071
ETI	1,958	1,526
Ghana	1	1
ESFC	-	57
Liberia	0.05	-
Paris	10	4
	17,479	**9,659**

39.5 Due to affiliates and related entities

	31 Dec 2019	31 Dec 2018
Benin	12	12
Burkina Faso	0.3	0.3
Cameroun	-	1
Cote d'Ivoire	1	1
EDC	3	3
eProcess	8,655	12,411
ETI	410	346
Gambia	24	24
Guinea	0.1	-
Kenya	14	14
Liberia	1	1
Malawi	2	2
Mali	-	2
Niger	2	2
Oceanic Capital	-	12
Paris	17	17
Sao Tome	0.2	-
Senegal	1	1
Tanzania	0.1	-
Togo	0.1	-
Uganda	0.01	-
	9,143	**12,851**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

40 Employees

The average number of persons employed by the Bank during the period was as follows:

	Number	
	31 Dec 2019	31 Dec 2018
Executive directors	4	5
Non-management	3,645	3,764
	3,865	3,996

	Number	
	31 Dec 2019	31 Dec 2018
Executive directors	779	491
Other staff (excluding executive directors)	28,066	34,113
	28,844	**34,604**

The number of employees of the Bank, other than directors, who received emoluments in the following ranges (excluding pension contributions) were:

	Number	
	31 Dec 2019	31 Dec 2018
Less than N1,000,001	1	1
N1,000,001 - N2,000,000	374	225
N2,000,001 - N3,000,000	623	517
N3,000,001 - N4,000,000	413	552
N4,000,001 - N5,000,000	467	267
N5,000,001 - N6,000,000	86	444
N6,000,001 - N8,000,000	746	944
N8,000,001 - N10,000,000	595	497
N10,000,001 and above	556	544
	3,861	**3,991**

In accordance with the provisions of the Pensions Act 2004, the Bank commenced a contributory pension scheme in January 2005. The contribution by employees and the Bank are 7.5% and 7.5% respectively. However, with the provisions of the Pensions Act 2014 Amended, the contribution by employees and the Bank are 8% and 10% respectively of the employees' basic salary, housing and transport allowances. The contribution by the Bank during the year was N1.1 billion (2018: N1.1 billion).

41 Subsequent events

The Tax Appeal Tribunal (TAT) on 20th of February, 2020 ruled against Ecobank in the case between the Bank and the Federal Inland Revenue Service. The decision of the Tax Appeal Tribunal was that excess dividend tax should be applicable on the dividend paid by the Bank from its 2015 financial statements. The excess dividend tax liability based on the decision of the Tax Appeal Tribunal is N1,311,673,367. The Bank has decided to file an appeal against the decision of the Tax Appeal Tribunal at the Federal High Court because the dividend declared relates to income from Treasury Bills and Bonds which are statutorily exempt from tax by virtue of the Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order, 2011. In view of this, and based on professional and legal advice that the appeal has merits, no specific provision for this liability has been included in these financial statements other than general prudent provision regarding possible future claims.

42 Compliance with banking regulations

The Bank contravened the following banking legislations and provisions during the year:

Banking legislation	Nature of Contravention	Penalties	
		N'million	
		31 Dec 2019	31 Dec 2018
Section 60 (1) of BOFIA 1991 Amended	Non-compliance with CBN AML/CFT regulatory guidelines	-	6
Section 60 (1) of BOFIA 1991 Amended	Penalty for contravention of the CBN regulation on the scope of banking activities & ancillary matters in respect of loan sale transaction	-	4
Section 64 (1) of BOFIA 2004 Amended	Penalty for contravention of approved card dispute guidelines	-	2
Section 64 (1) of BOFIA 1991 Amended	Penalty for breach of regulations on the risk assessment examination	16	6
Section 60 (1) of BOFIA 1991 Amended	Penalty for late submission of the Recovery and Resolution Plan (RRP)	4.3	-
Section 64 (1) of BOFIA 2004 Amended	Penalty imposed arising from failure to honour bank guarantee in favour of Falcon Corporation Limited in 2019	34	-
Section 64 (1) of BOFIA 2004 Amended	Penalty for unauthorised withdrawal complaints by Ugwuadu Rosemary	2	2
Section 25 (2) of BOFIA 1991 Amended	Penalty for leasing property without CBN approval	-	2
Section 60 (1) of BOFIA 1991 Amended	Contravention of rules and regulations on foreign exchange examination	6	-
Section 60 (1) of BOFIA 1991 Amended	Penalty for contravening CBN guidelines on operations of electronic payment channels	-	2
Section 20 (2) of BOFIA 1991 Amended	Penalty for constructing a new branch without prior approval of CBN	-	2
Section 60 (1) of BOFIA 1991 Amended	Failure to fully implement issues raised in management letter of external auditors	2	2
		64.33	**28**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

43 Divisional analysis

The Bank's operations by major business divisions during the year are summarised below:

(i) Consumer Banking - provides banking services and retail solutions to personal consumers.

(ii) Commercial Banking - provides banking services to governments, small and medium scale enterprises and local companies.

(ii) Corporate and Investment Banking - provides a broad range of financial solutions to multinationals, regional companies, state-owned companies, non-governmental organisations, international and multinational organisations and financial institutions, treasury, investment banking, and asset management businesses which focus on financial markets and investors.

At 31 December 2019	CIB	Consumer	Commercial	Others	Total
Net interest income	63,966	(19,273)	(6,504)	(44)	38,146
Net FTP income	(65,845)	40,429	11,417	13,999	-
Net fees and commission income	5,160	3,455	3,116	-	11,731
Other income	28,725	2,099	1,805	1,461	34,091
Operating income	32,006	26,711	9,834	15,416	83,967
Impairment on loan and advances and others assets	(1,016)	(422)	(1,268)	-	(2,704)
Staff expenses	(10,660)	(8,208)	(9,976)	-	(28,844)
Depreciation and Amortisation	(3,756)	(2,252)	(2,065)	-	(8,073)
Others operating expenses	(21,906)	(13,650)	(6,552)	-	(42,108)
Operating profit	**(5,332)**	**2,179**	**(10,026)**	**15,416**	**2,238**
Income tax	-	-	-	-	(982)
Total income	**(5,332)**	**2,179**	**(10,026)**	**15,416**	**1,256**
Loans and advances to customers	**766,843**	**17,001**	**27,761**	**-**	**811,606**
Deposits from customers	**567,261**	**529,003**	**258,435**	**-**	**1,354,699**

At 31 December 2018	CIB	Consumer	Commercial	Others	Total
Net interest income	105,333	(17,883)	(1,254)	-	86,196
Net fees and commission income	1,584	9,105	2,548	-	13,237
Other income	33,229	2,543	1,530	2,747	40,049
Operating income	140,146	(6,235)	2,824	2,747	139,482
Impairment on loan and advances and others assets	(53,125)	(495)	(2,680)	-	(56,301)
Staff expenses	(11,719)	(13,053)	(9,832)	-	(34,604)
Depreciation and Amortisation	(2,824)	(1,898)	(2,172)	-	(6,894)
Others operating expenses	(16,949)	(17,832)	(8,323)	-	(43,103)
Operating profit	**55,529**	**(39,513)**	**(20,183)**	**2,747**	**(1,420)**
Income tax	-	-	-	-	(366)
Total income	**55,529**	**(39,513)**	**(20,183)**	**2,747**	**(1,786)**
Loans and advances to customers	**759,702**	**20,572**	**33,260**	**-**	**813,534**
Deposits from customers	**550,407**	**481,280**	**251,485**	**-**	**1,283,173**

44. Note on restatement of comparative financial information

The Central Bank of Nigeria (CBN) issued a circular dated 18 January 2019 to all banks, with reference number BSC/01R/CON/LAB/12/001 and titled "Promissory Notes Issued by the Federal Government of Nigeria in Respect of Subsidy Payments to Petroleum Marketers." It instructed that banks make a 100% haircut on interest accrued for eighteen (18) months commencing from 1 July 2017 to 31 December 2018 on the loans of petroleum marketers related to Sovereign Debt Note (SDN) exposures. These transactions arose from valid contracts entered between the Bank and these customers.

The Bank complied with this directive in 2019 while it sought further clarifications on the directive given the significant retroactive impact As such the impact was not included in its assessment for Expected Credit Losses (ECL) as at 31 December 2018. Considering the amount involved, N9.54 billion (2017) and N19.40 billion (2018) totalling N28.94 billion; this has been assessed as a material adjusting event for 2018 financial statements. Consequently, this has been treated as a prior year error in compliance with the requirement of IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) with respect to Expected Credit Losses on loans and advances as the Bank did not factor in same information in arriving at its Expected Credit Losses for 2018 as required by IFRS 9. Thus, the Expected Credit Loss Allowance for 2018 was increased by N28.94 from N84.07 billion to N113.01 billion under the following lines: Expected Credit Loss Allowance under Loans and Advances to Customers (Note 19) and Increase in ECL Allowance on Loans and Advances under Impairment Charge for Losses (Note 9) from N28.89 billion to N59.84 billion

Impact on Earnings per Share is shown under Note 16

Income Statement

For year ended 31 December 2018 (in N'million)	As previously reported	Adjustments	As restated
Increase in ECL allowance on loans and advances	28,897	28,941	57,838
Profit/(loss) before tax	27,521	(28,941)	(1,420)
Profit/(loss) after tax	27,155	(28,941)	(1,786)
Earnings per share (in kobo)	119k		(8k)

Balance Sheet

For year ended 31 December 2018 (in N'million)	As previously reported	Adjustments	As restated
Loans and advances to customers	842,475	(28,941)	813,534
Total assets	1,956,830	(28,941)	1,927,889
Retained earnings and reserves	86,122	(28,941)	57,181
Total equity	247,482	(28,941)	218,541

For year ended 31 December 2018 (in N'million)	2019	2018 (Restated)	2018
Risk Weighted Capital Adequacy Ratio (CAR)	16.31%	11.13%	14.3%

*Regulatory threshold is 15% for Tier I Banks in Nigeria.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

Statement of prudential adjustments,
Reconciliation of IFRS and CBN recommended provision as at 31 December 2019

	2019	2018
Provisions per CBN		
- Loans and advances	134,199	124,092
- Off-balance sheet engagements	3,414	4,148
- Other known losses	10,279	12,405
(a) Total per CBN	**147,893**	**140,644**
IFRS allowances per Bank		
- Loans and advances	101,476	84,071
- Off-balance sheet engagements	4,161	4,059
- Other known losses	10,991	9,922
(b) Total per Bank	**116,628**	**98,051**
Balance per RRR (a - b)	**31,265**	**42,593**

Movement in Regulatory Risk Reserves

	2019	2018
Balance as at 1 January	42,593	34,422
Day 1 IFRS 9 adjustment	-	(34,422)
Transfer (from)/to RRR during the year	(11,328)	42,593
Balance as at 31 December	**31,265**	**42,593**

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ECOBANK NIGERIA LIMITED

Opinion

We have audited the financial statements of Ecobank Nigeria Limited, which comprise the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly in all material respects the financial position of Ecobank Nigeria Limited as at 31 December 2018, and the financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS), the Companies and Allied Matters Act Cap C20 LFN 2004, Banks and Other Financial Institutions Act Cap B3 LFN 2004 and the Financial Reporting Council of Nigeria Act, 2011.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the requirements of the Institute of Chartered Accountants of Nigeria Professional Code of Conduct and Guide for Accountants (ICAN Code) and other independence requirements applicable to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the ICAN Code and in accordance with other ethical requirements applicable to performing audits in Nigeria. The ICAN Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters below relate to the audit of Ecobank Nigeria Limited's financial statements.

Key Audit Matter	How the matter was addressed in the audit
Loan loss impairment including off-balance sheet items	

The Bank implemented IFRS 9 "Financial Instruments" for the first time on 1 January 2018. IFRS 9 requires the bank to recognise impairment using the Expected Credit Loss (ECL) model. The ECL model is dependent on significant judgement and estimates by management in the measurement and determination of impairment on loans and advances and other financial instruments. Our focus on this area was premised on the significant judgement and subjectivity inherent or applied by management in the estimation of the level of impairment, and the size of this portfolio.

The ECL model is forward looking which incorporates industry and prevailing economic events and requires an application of historical financial data of the bank. All of these are combined to develop and apply relevant models to the portfolio of the bank.

Loans and advances make up a significant portion of the total assets of Ecobank Nigeria Limited with the total risk assets portfolio of N842 billion representing about 43% of the Bank's total assets. The total amount of impairment on loans and advances charged in the Statement of Profit or Loss for the year is N84.1 billion as stated in note 19.

The basis of the provisions is summarised in the accounting policies in the financial statements.

Ecobank Nigeria Limited's impairment model addresses the three stages of credit classifications.

Because of the significance of these estimates, judgments and the size of loans and advances portfolio, economic conditions experienced in Nigeria during the year which affected the performance of loans and advances portfolio, the audit of loan impairment is considered a key audit matter.

Our approach was a combination of reliance on the operating effectiveness of controls and substantive procedures to obtain comfort in respect of the allowance for impairment and judgements applied by management. These audit procedures included the following:

1. Updated our understanding of the controls put in place by the management to identify impaired loans and provisions against those assets and determined whether these controls have been appropriately designed and implemented.

We also involved our internal credit specialists in the review of the quality and reliability of the data and assessment of the overall compliance of the model to the requirements of the IFRS 9.

A comparison of the effect and impact of IAS 39 with the new IFRS 9 on the day 1 adjustments.

Other related testing includes:

- System-based and manual controls over the timely recognition of impaired loans and advances;
- Controls over the impairment calculation models including data inputs;
- Controls over collateral valuation estimates; and
- Governance controls, including review of minutes of meetings of Board Credit Committee that form part of the approval process for loan impairment and assessing management's analysis/review.

2.We applied a multi dimensioned risk based population coverage of the loan portfolio. Based on this we achieved an 89% coverage based on the combination of risk, size and application of relevant tools in the review of samples of loans and advances (including loans that had not been identified by management as potentially impaired) to form our own assessment as to whether there exists impairment triggers.

3. We challenged management's judgment and we increased the focus on loans that

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ECOBANK NIGERIA LIMITED

Key Audit Matter	How the matter was addressed in the audit
	were not reported as being impaired in sectors that are currently experiencing difficult economic and market conditions, such as the oil and gas sector. 4. We subjected the data used in the models to test as well as assessing the model's methodology. We involved our credit risk specialists who assessed whether the modelling assumptions used considered all relevant risks, and assessed whether the additional adjustments to reflect un-modelled risks were reasonable in the light of historical experience, economic climate, current operational processes and the circumstances of the customers as well as our own knowledge of practices used by other similar banks. We also tested the extraction from underlying systems of historical data used in the models. 5. Where we deemed them to be impaired, we tested the estimates of the realization of collaterals held. This work involved assessing the work performed by external experts used by the bank to value the collaterals. Where we determined that a more appropriate assumption or input in impairment measurement could be made, we recalculated the impairment loss allowance on that basis and compared the results in order to assess whether there was any indication of error or management bias. Based on our review, we found that the bank's impairment methodology, including the model, assumptions and key inputs used by management to estimate the amount of loan impairment losses were comparable with historical performance, and prevailing economic situations and that the estimated loan loss impairment determined was appropriate in the circumstances.

Key Audit Matter	How the matter was addressed in the audit
Valuation of derivative financial instruments	
The bank has derivative transactions with counterparties. These consist deliverable and non-deliverable FX forward contracts and cash/currency swaps. Valuation of Derivative contract at every reporting date is performed by the Market Risk unit of the bank. The bank carries out the valuation of the FX forward and swap contracts using Discounted cashflow technique which deals mainly with cash inflow and outflows at periods different from the valuation date. The information on NAFEX (NGN/USD) rates used for discounting are sourced from FMDQ data resource center, while the USD/EUR and USD/GDP are obtained from Bloomberg. Interpolations are done on the bid and offer rates and these are averaged to determine the mid-rates at directly observable dates. Given the judgments and complexities involved in the determination of the valuation parameters especially the discount rates where they are not obtainable in quoted markets, the method of discounting (daily/ exponential), incorporating the probability of default in the valuation which is measured by credit and debit valuation adjustment etc., we considered the valuation of Derivative financial instruments a key matter.	We focused our attention on auditing the valuation of Derivative instruments by looking specifically into the valuation model, inputs and key assumptions made by management. Our audit procedures included: • Evaluating the operating effectiveness of controls over generation of key inputs that went into the valuation model. • Obtaining direct confirmation of the existence of the instruments from the counterparties. • Evaluated whether the model used by management to calculate the fair value of the Derivative instruments comply with the requirements of IFRS 9, Financial Instruments – Recognition and Measurement and IFRS 13, Fair value measurements. • Involved Deloitte Valuation specialists to review the appropriateness of valuation models, assumptions and inputs therein. • Involved Deloitte Valuation specialists to review and develop independent estimates of the fair values of Derivative financial instruments using proprietary models that are considered to be consistent with existing practices and are appropriate in the circumstances given the specific nature of the instruments valued. Based on our review, we concluded that with management estimates and assumptions in determining the fair value of derivatives as disclosed in the bank's financial statements appears reasonable. Furthermore, we concluded that the derivative instruments were appropriately recognised and the related disclosures were appropriate and in compliance with the accounting standards.

Other Information

The directors are responsible for the other information. The other information comprises the Chairman's Statement, Directors' Report, Audit Committee's Report, Corporate Governance report, Sustainability report, Internal Control and Risk Management systems report and the Company Secretary's Report, which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ECOBANK NIGERIA LIMITED

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, if we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies and Allied Matters Act CAP C20 LFN 2004, Banks and Other Financial Institutions Act Cap B3 LFN 2004, Financial Reporting Council Act, 2011 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements,

including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee and the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee and Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee and Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the benefits derivable by the public from such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the Sixth Schedule of Companies and Allied Matters Act CAP C20 LFN 2004 we expressly state that:

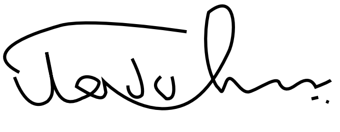
i) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.

ii) The Bank has kept proper books of account, so far as appears from our examination of those books.

iii) The Bank's financial position and its statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.

- The Bank has complied with the requirements of the relevant circulars issued by Central Bank of Nigeria
- In accordance with circular BSD/1/2004 issued by the Central Bank of Nigeria, details of insider-related credits are as disclosed in note 38.

During the year the bank contravened certain sections of CBN circulars/guidelines, the details of the contravention and the related penalties are as disclosed in Note 40 to the financial statements.



For: Deloitte & Touche
Chartered Accountants
Lagos, Nigeria
29 March 2019

Engagement Partner: **Joshua Ojo, FCA**
FRC/2013/ICAN/00000000849

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(All amounts in millions of Naira unless otherwise stated)	Note	31-Dec-18 N'million	31-Dec-17 N'million
Gross revenue		**231,227**	**251,061**
Interest income	3	170,940	180,417
Interest expense	4	(84,744)	(73,777)
Net interest income		**86,196**	**106,640**
Fee and commission income	5	20,238	21,270
Fee and commission expense		(7,001)	(11,884)
Net fee and commission income		**13,237**	**9,386**
Net (loss)/gains from other financial instruments at FVTPL	6	(76)	99
Net trading income	7	31,074	46,890
Other operating income	8	9,051	2,385
Net operating income before impairment charge for losses		**139,482**	**165,400**
Impairment charge for losses	9	(27,360)	(59,901)
Net operating income after impairment charge for losses		**112,122**	**105,499**
Employee benefit expense	10	(34,604)	(36,956)
General and administrative expense	11	(23,555)	(28,129)
Depreciation and amortisation	12	(6,894)	(6,750)
Other operating expenses	13	(19,549)	(13,253)
Profit before income tax		**27,521**	**20,411**
Income tax	14	(366)	(207)
Pofit for the year		**27,155**	**20,204**
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of net defined benefit liability	15	450	(1,299)
Items that may be reclassified subsequently to profit or loss:			
Allowance for ECL adjustment on securities	15	3,023	-
Movement in investment revaluation reserve for debt instruments at FVTOCI	15	(21,230)	27,649
Other comprehensive income for the year, net of tax		**(17,757)**	**26,350**
Total comprehensive income for the year		**9,398**	**46,554**
Profit attributable to:			
Owners of the bank		27,155	20,204
		27,155	**20,204**
Total comprehensive income attributable to:			
Owners of the bank		9,398	46,554
Total comprehensive income attributable to:		**9,398**	**46,554**
Earnings per share for profit attributable to owners of the parent			
Basic and diluted	16	119k	100k

STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

	Note	31-Dec 2018 N'million	31-Dec2017 N'million
ASSETS			
Cash and balances with Central Bank	17	154,945	133,494
Balances with other banks and financial institutions	18	316,526	257,237
Loans and advances to customers	19	842,475	831,573
Financial assets held for trading	20	35,114	34,452
Derivative financial assets	21	8,814	8,956
Investment Securities: available-for-sale	22	340,997	321,644
Loans and receivables	23	40,510	27,722
Pledged assets	24	87,561	91,360
Property, plant and equipment	25	71,977	79,025
Intangible assets	26	5,967	1,419
Deferred tax asset	27	12,262	12,312
Other assets	28	39,682	30,568
Total assets		1,956,830	1,829,761
LIABILITIES			
Deposits from banks	30	169,663	136,596
Deposits from customers	31	1,283,173	1,098,302
Derivative financial liabilities	21	1,690	6,816
Borrowings	32	160,828	160,922
Retirement benefit liability	29	328	1,856
Provision for litigation	14	2,839	4,671
Current income tax liability	33	1,438	5,170
Other liabilities	34	89,389	148,099
Total liabilities		1,709,348	1,562,432
EQUITY			
Share capital	35	11,457	10,074
Share premium	36	149,903	131,928
Retained earnings & other reserves		86,122	125,327
Total equity		247,482	267,329
Total equity and liabilities		1,956,830	1,829,761

These financial statements were approved by the Board of Directors and authorized for issue on 25 January, 2019 and signed on its behalf by:

John Aboh
Chairman
FRC/2015/IODN/00000013168

Patrick Akinwuntan
Managing Director
FRC/2013/ICAN/00000002861

Abiola Aderinola
Ag. Chief Financial Officer
FRC/2018/ICAN/0000017827

The notes to the financial statements form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Share capital N'million	Share premium N'million	Retained earnings N'million	Statutory reserve N'million	SMIEIS/ AGSMEIS reserves N'million	Capital reserve N'million	Fair value/ other reserves N'million	Regulatory reserve N'million	Total N'million
At 1 January 2017	**10,074**	**131,928**	**46,658**	**17,618**	**1,150**	**7,218**	**3,570**	**2,558**	**220,775**
Total comprehensive income for the year:									
Profit for the year	-	-	20,204	-	-	-	-	-	20,204
Other comprehensive income, net of tax									
Remeasurement of defined benefit obligation	-	-	-	-	-	-	(1,299)	-	(1,299)
Gain arising during the year on AFS securities	-	-	-	-	-	-	27,649	-	27,649
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**26,350**	**-**	**26,350**
Total comprehensive income	**-**	**-**	**20,204**	**-**	**-**	**-**	**26,350**	**-**	**46,554**
Appropriation									
Transfer from regulatory reserves	-	-	(31,864)	-	-	-	-	31,864	-
Transfer to statutory reserves	-	-	(3,031)	3,031	-	-	-	-	-
Transfer to AGSMEIS reserves			(289)	-	289	-	-	-	
	-	-	(35,183)	3,031	289	-	-	31,864	-
At 31 December 2017	**10,074**	**131,928**	**31,680**	**20,649**	**1,439**	**7,218**	**29,920**	**34,422**	**267,329**
Day 1 IFRS 9 adjustment	-	-	(14,181)	-	-	-	-	(34,422)	(48,603)
At 1 January 2018	**10,074**	**131,928**	**17,498**	**20,649**	**1,439**	**2,218**	**29,920**	**-**	**218,726**
Total comprehensive income for the year:									
Profit for the year	-	-	27,155	-	-	-	-	-	27,155
Other comprehensive income, net of tax									
Remeasurement of defined benefit obligation	-	-	-	-	-	-	450	-	450
Loss arising during the year on FVTOCI securities	-	-	-	-	-	-	(21,230)	-	(21,230)
Allowance for ECL adjustment on securities	-	-	-	-	-	-	3,023	-	3,023
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**(17,757)**	**-**	**(17,757)**
Total comprehensive income	**-**	**-**	**27,155**	**-**	**-**	**-**	**(17,757)**	**-**	**9,398**
Additional share issue during the year	1,383	17,975	-	-	-	-	-	-	19,358
Appropriation									
Transfer from regulatory reserves	-	-	(42,593)	-	-	-	-	(42,593)	-
Transfer to statutory reserves	-	-	(4,073)	4,073	-	-	-	-	-
Transfer to AGSMEIS reserves	-	-	(1,010)	-	1,010	-	-	-	-
	-	-	(42,676)	4,073	1,010	-	-	(42,593)	-
At 31 December 2018	**11,457**	**149,903**	**(3,023)**	**24,722**	**2,449**	**7,218**	**12,163**	**40,849**	**247,482**

STATEMENT OF CASHFLOWS

	31 December 2018	31 December 2017
Cash flows from operating activities		
Profit after tax	27,155	20,204
Adjustments:		
Loan impairment charges	23,483	59,485
Bad loans written off	2	598
Losses from valuation	76	(99)
Impairment allowance no longer required - other assets	(1,498)	-
Depreciation	5,416	5,858
Amortisation of intangible assets	1,477	892
Impairment on investment securities	2,211	
Impairment losses on other assets	1,478	55
Profit from sale of property and equipment	(1,152)	(95)
Gains on disposal of investments	(4,388)	-
Retirement benefit expense	1,200	1,000
Foreign exchange gain	(20,595)	(36,970)
Interest expense on long term borrowings	9,471	11,594
Net interest income	(106,145)	(116,561)
Dividend income	(1,197)	(1,069)
Tax expense	275	204
Tax overprovision	(1,986)	-
Capital gain tax	90	3
Deferred tax income	-	-
	(64,627)	**(54,901)**
Movement in assets and liabilities		
Cash reserve balance	(59,289)	(51,687)
Interest received	172,009	189,862
Interest paid	(74,779)	(87,251)
Loans and advances to customers	(72,211)	(21,609)
Financial assets - FVTPL	1,784	(14,529)
Derivatives financial assets	142	11,846
Financial assets - FVTOCI	(37,254)	(46,062)
Financial assets – Amortised cost	(11,961)	2,457
Pledged assets	3,799	66,693
Other assets	(9,340)	160
Deposit from banks	33,194	(5,632)
Deposit from customers	184,249	(26,661)
Derivatives financial liabilities	33,692	37,303
Provision for litigation	(3,782)	2,989
Other liabilities	(61,034)	31,905
Cash generated from operations	**34,592**	**34,883**
Payment on retirement benefit obligations	(2,269)	(1,038)
Value added tax paid	(875)	(806)
Tax paid	(212)	(62)
Net cash from operating activities	**31,236**	**32,977**

STATEMENT OF CASHFLOWS

	31 December 2018	31 December 2017
Cash flows from operating activities		
Dividend received	1,197	1,069
Purchase of intangible assets	(838)	(1,164)
Purchase of property and equipment	(5,140)	(6,883)
Proceeds from sale of investments	4,688	-
Proceeds from sale of property and equipment	2,735	1,334
Purchase of investments	(1,012)	(289)
Net cash generated from/(used in) investing activities	**1,630**	**(5,933)**
Cash flows from financing activities		
Share capital and premium	19,358	-
Borrowings	(22,133)	(16,674)
Interest paid on long term borrowings	(8,640)	(10,780)
Net cash used in financing activities	**(11,415)**	**(27,454)**
Increase in cash and cash equivalents		
Cash and cash equivalents at the beginning of year	133,494	133,904
Net cash from operating activities	31,236	32,977
Net cash from investing activities	1,630	(5,933)
Net cash from financing activities	(11,415)	(27,454)
Cash and cash equivalents at end of year	**154,945**	**133,494**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

1. General Information
Ecobank Nigeria (hereinafter referred to as «the Bank») was incorporated as a public limited liability company on 7 October 1986, and was granted banking licence on 24 April 1989. The Bank was listed on the Nigerian Stock Exchange by introduction between 24 April, 2006 and remained listed until 31 December 2011. On 30 December 2011, by a Federal High Court Sanction of a Scheme of Arrangement, Ecobank Transnational Incorporated (ETI), Lome, incorporated in the Republic of Togo which prior to that date held 85.1% equity shares in the Bank, became beneficial owner of 100% shareholding in the Bank. The Bank is now a fully owned subsidiary of ETI and has been re-registered as a private limited liability company at the Corporate Affairs Commission, Abuja.

ETI acquired 100% interest in Oceanic Bank on 28 October 2011 through the issue of shares to AMCON and the shareholders of Oceanic Bank. Oceanic Bank was delisted on the Nigerian Stock Exchange (NSE) on that date and became a limited liability entity. By reason of the cancellation of minority shareholding in Ecobank Nigeria on 28 October 2011, ETI acquired 100% holding in Ecobank Nigeria. As a result of common control in both Ecobank Nigeria and Oceanic Bank Limited, ETI decided to merge the two operations. The effective date of business combination is 1 November 2011

The address of its registered office is as follows:

Plot 21, Ahmadu Bello Way,
P.O. Box 72688,
Victoria Island
Lagos, Nigeria

The principal activity of the Bank is commercial banking which includes commercial, consumer, corporate and investment banking services. The Bank operates under a commercial banking license with National Banking status in line with the Central Bank of Nigeria's present Banking model.

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

2.1 Basis of presentation
The Bank's financial statements for the year 2018 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Additional information required by national regulations is included where appropriate.
For better understanding, certain disclosures and some prior year figures have been presented in line with current year figures. Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

2.1.2 Statement of Compliance with International Financial Reporting Standards
The financial statements comprise the statement of profit or loss and other comprehensive income showing as one statement, the statement of financial position, the statement of changes in equity, the statement of cash flow and other explanatory notes to the financial statements.

2.1.3 Functional and presentation currency
The financial statements have been prepared under the historical cost convention, except for the fair value for financial instruments. Except where indicated, financial information presented in Naira has been rounded to the nearest million.

2.1.4 Basis of measurement
The financial statements have been prepared on a historical cost basis except for the following:

FVTOCI financial instruments are measured at fair value. However, when the fair value of the financial assets cannot be measured reliably, they are measured at cost less impairment.

- Derivative financial instruments are measured at fair value.
- Non-derivative financial instruments at fair value through profit or loss are measured at fair value.

- Financial assets and liabilities held for trading are measured at fair value.
- Loans and receivables are measured at amortised cost.
- Assets and Liabilities held to maturity are measured at amortised cost.

2.1.5 Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. 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 and in any future periods affected. Information about significant areas of estimation, uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 2.28.

2.1.6 New and revised IFRSs/IFRICs affecting amounts reported and/ or disclosures in these financial statements

In the current year, the Bank has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2018.

i) IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS9 Financial Instruments that replaces IAS39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS9. IFRS9 brings together all three aspects of the accounting for the financial instruments project: classification and measurement; impairment; and hedge accounting. IFRS9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

Classification and measurement

IFRS 9 replaces the multiple classification and measurement models in IAS 39 with a single model that has only three classification categories: amortised cost, fair value through OCI and fair value through profit or loss. It includes the guidance on accounting for and presentation of financial liabilities and derecognition of financial instruments which was previously in IAS 39. Furthermore, for non-derivative financial liabilities designated at fair value through profit or loss, it requires that the credit risk component of fair value gains and losses be separated and included in OCI rather than in the income statement.

Impairment

IFRS 9 also requires that credit losses expected at the balance sheet date (rather than only losses incurred in the year) on loans, debt securities and loan commitments not held at fair value through profit or loss be reflected in impairment allowances.

Hedge accounting

The Bank believes that all existing hedge relationships that are currently designated in effective hedging relationships will still qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, the Bank does not expect a significant impact as a result of applying IFRS 9.

ii) IFRS 15 Revenue from Contracts with Customers:

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 defines principles for recognising revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g., IFRS 9, and IFRS 16 Leases). Revenue under IFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard also specifies a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

- Financial assets and liabilities held for trading are measured at fair value.
- Loans and receivables are measured at amortised cost.
- Assets and Liabilities held to maturity are measured at amortised cost.

2.1.5 Use of estimates and judgements
The preparation of the financial statements in conformity with IFRS requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. 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 and in any future periods affected. Information about significant areas of estimation, uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 2.28.

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i) IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS9 Financial Instruments that replaces IAS39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS9. IFRS9 brings together all three aspects of the accounting for the financial instruments project: classification and measurement; impairment; and hedge accounting. IFRS9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

Classification and measurement
IFRS 9 replaces the multiple classification and measurement models in IAS 39 with a single model that has only three classification categories: amortised cost, fair value through OCI and fair value through profit or loss. It includes the guidance on accounting for and presentation of financial liabilities and derecognition of financial instruments which was previously in IAS 39. Furthermore, for non-derivative financial liabilities designated at fair value through profit or loss, it requires that the credit risk component of fair value gains and losses be separated and included in OCI rather than in the income statement.

Impairment
IFRS 9 also requires that credit losses expected at the balance sheet date (rather than only losses incurred in the year) on loans, debt securities and loan commitments not held at fair value through profit or loss be reflected in impairment allowances.

Hedge accounting
The Bank believes that all existing hedge relationships that are currently designated in effective hedging relationships will still qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, the Bank does not expect a significant impact as a result of applying IFRS 9.

ii) IFRS 15 Revenue from Contracts with Customers:
In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 defines principles for recognising revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g., IFRS 9, and IFRS 16 Leases). Revenue under IFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard also specifies a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any

uncertainty of revenue and the corresponding cash flows with customers.

iii) Amendments to IAS 12 - Income Taxes:

The IASB issued the amendments to IAS 12 Income Taxes to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments are intended to remove existing divergence in practice in recognising deferred tax assets for unrealised losses. The amendment does not impact the bank.

iv) Amendments to IAS 7 - Statement of Cash Flows:

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The amendments are intended to provide information to help investors better understand changes in an entity's debt. The amendment results in additional disclosures being made by the Bank in its financial statements.

(b) New standards and interpretations yet to be adopted

The standards and interpretations that are issued, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

i) Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

The IASB has deferred the effective date of the amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Bank will apply these amendments when they become effective.

ii) IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

iii) IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

iv) IAS 7 – Statement of Cash Flows
Effective 1 January 2017. Amends IAS 7 to include disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment specifies that the following changes arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

v) IAS 40 – Investment Property
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date.

Retrospective application in accordance with IAS 8 is only permitted if that is possible without the use of hindsight. Early application of the amendments is permitted and must be disclosed. The amendments will eliminate diversity in practice.

The impact of this standard is currently being assessed

vi) IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration
The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The amendments are intended to eliminate diversity in practice, when recognising the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration received or paid in foreign currency. The impact of this standard is currently being assessed.

vii) Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)

The amendments clarify that an entity applies IFRS9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The amendments are effective for periods beginning on or after 1 January 2019. Earlier application is permitted. This will enable entities to apply the amendments together with IFRS 9 if they wish so but leaves other entities the additional implementation time they had asked for. The amendments are to be applied retrospectively but they provide transition requirements similar to those in IFRS 9 for entities that apply the amendments after they first apply IFRS 9. They also include relief from restating prior periods for entities electing, in accordance with IFRS 4 Insurance Contracts, to apply the temporary exemption from IFRS 9. Full retrospective application is permitted if that is possible without the use of hindsight.

vii) IFRIC 23 Uncertainty over Income Tax Treatment

The interpretation sets out how to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty over income tax treatments under IAS 12 Income Taxes. The Interpretation requires an entity to: determine whether uncertain tax positions are assessed separately or as a group; and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings: If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. If no, the entity should reflect the effect of uncertainty in determining its accounting tax position. Effective date: annual periods beginning on or after 1 January 2019. Entities can apply the Interpretation either on a fully retrospective or modified retrospective approach (where comparatives are not permitted or required to be restated).

viii) IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cashflows. IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021. The standard does not have any impact on this financial statement.

2.2 Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with the IFRS requires the use of certain critical estimates. It also requires management to exercise its judgments in the process of applying the Bank's accounting policies.

The following estimates and judgments in note 2.28 are considered key significant judgments and in the preparation of these financial statements.

- Loan loss provisioning
- Fair value of financial instruments
- Taxation

The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

2.3 Going concern

The bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2.4 Presentation of financial statements

The bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current). Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the bank.

2.5 Changes in accounting policies

Ecobank Nigeria has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. Ecobank Nigeria did not early adopt any of IFRS 9 in previous periods.As permitted by the transitional provisions of IFRS 9, Ecobank Nigeria elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period. Ecobank Nigeria does not currently apply hedge accounting.

Consequently, for notes disclosures, the amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'. Set out below are disclosures relating to the impact of the adoption of IFRS 9 on Ecobank Nigeria. Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous IAS 39 accounting policies applied in the comparative period) are described in more detail in sections below.

2.5.1 Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

	IAS 39		IAS 9	
	Measurement category	carrying amount N'million	Measurement category	carrying amount N'million
Financial Assets				
Cash and cash equivalents	Amortised cost (Loans and receivables)	105,785	Amortised cost	105,785
Placements with other banks	Amortised cost (Loans and receivables)	27,709	Amortised cost	27,709
Mandatory reserve deposits with central bank	Amortised cost (Loans and receivables)	257,237	Amortised cost	257,237
Treasury Bond Protected Investment Corporation (TBPIC)	Amortised cost (Loans and receivables)	27,722	Amortised cost	27,722
Loans and advances to customers (Specialised loans, Overdrafts, Term loans, Bankers' Acceptance and Advances under finance lease)	Amortised cost (Loans and receivables)	831,573	Amortised cost	786,510
Other assets	Amortised cost (Loans and receivables)	30,568	Amortised cost	30,230
Pledged assets	FVOCI (Available for sale)	91,360	FVOCI	91,360
Treasury Bills (listed)	FVOCI (Available for sale)	182,880	FVOCI	182,880
FGN Bonds (listed)	FVOCI (Available for sale)	54,831	FVOCI	54,831
Eurobond (unlisted)	FVOCI (Available for sale)	41,432	FVOCI	41,432
Local Contractor/ Corporate bonds (unlisted)	FVOCI (Available for sale)	2,758	FVOCI	2,758
State Government bonds (unlisted)	FVOCI (Available for sale)	10,575	FVOCI	10,575
Unlisted Equity Instruments	FVOCI (Available for sale)	29,168	FVOCI (Designation)	29,168
Trading assets	FVPL (Held for trading)	34,452	FVPL (Mandatory)	34,452
Derivative financial assets (Currency Swaps)	FVPL	8,956	FVPL (Mandatory)	8,956

Except for derivatives designated in cash flow hedging relationships where, to the extent that the hedge is effective, changes in fair value are taken to the hedging reserve through other comprehensive income. Any ineffectiveness is recognised in profit or loss.

There is no change in the classification and measurement rules of financial liabilities between IAS 39 and IFRS 9, except in the recognition of fair value gains or losses due to changes in own credit risk for financial liabilities measured at fair value through profit or loss.

Ecobank Nigeria does not have any financial liabilities measured at fair value through profit or loss.

2.5.2 Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

Ecobank Nigeria performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics.

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

Amortised cost	IAS 39 carrying amount N'million	Reclassifications N'million	Remeasurements N'million	IFRS 9 carrying amount N'million
Cash and cash equivalents				
Opening balance under IAS 39	105,785	-	-	105,785
Placements with other banks				
Opening balance under IAS 39	284,946	-	-	
ECL Allowance	-	-	-	
Closing balance under IFRS 9				284,946
Loans and advances to Customers				
Opening balance under IAS 39	831,573	-	-	
ECL Allowance		-	(45,063)	
Closing balance under IFRS 9				786,510
Investment securities - amortised cost				
Opening balance under IAS 39	27,722			
Closing balance under IFRS 9				27,722
Other assets				
Opening balance under IAS 39	30,568			
ECL Allowance			(338)	
Closing balance				30,230
Total financial assets measured at amortised cost	**1,280,594**	**-**	**(45,401)**	**1,204,963**

Fair Value through profit or loss (FVTPL)	IAS 39 carrying amount N'million	Reclassifications N'million	Remeasurements N'million	IFRS 9 carrying amount N'million
Trading assets				
Opening balance under IAS 39	34,452			
Closing balance under IFRS 9				34,452
Financial derivatives				
Opening balance under IAS 39	8,956			
Closing balance under IFRS 9				8,956
Total financial asset measured at FVTPL	**43,408**			**43,408**
Fair value through other comprehensive income (FVOCI)				
Investment securities - FVOCI (debt instruments)				
Opening balance under IAS 39	-			
Addition: From available for sale (IAS 39) (i)		383,836		
Closing balance under IFRS 9				383,836
Investment securities - FVOCI (equity instruments)				
Opening balance under IAS 39	-			
Addition: From available for sale (IAS 39) – designated		29,168		
Closing balance under IFRS 9				29,168
Investment securities - Available for sale financial assets				
Opening balance under IAS 39	413,004			
Subtraction: To amortised cost (IFRS 9)		-		
Subtraction: To FVOCI -equity instruments		(29,168)		
Subtraction: To FVOCI - debt instruments		(383,836)		
Closing balance under IFRS 9				
Total financial assets measured at FVOCI	**413,004**	**-**	**-**	**413,004**

The total remeasurement loss of N45,401 billion was recognised in opening reserves at 1 January 2018

The following explains how applying the new classification requirements of IFRS 9 led to changes in classification of certain financial assets held by Ecobank Nigeria as shown in the table above:

a) Designation of equity instruments at FVOCI

Ecobank Nigeria has elected to irrevocably designate strategic investments of N29,168 million in a small portfolio of non-trading equity securities in clearing houses and exchanges at FVOCI as permitted under IFRS 9. These securities were previously classified as available for sale. The changes in fair value of such securities will no longer be reclassified to profit or loss when they are disposed of.

b) Reclassification from retired categories with no change in measurement

In addition to the above, the following debt instruments have been reclassified to new categories under IFRS 9, as their previous categories under IAS 39 were 'retired', with no changes to their measurement basis:

(i) Those previously classified as available for sale and now classified as measured at FVOCI; and
(ii) Those previously classified as held to maturity and now classified as measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

2.5.3 Reconciliation of impairment allowance balance from IAS 39 to IFRS 9
The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 January 2018:

Measurement category	Loan loss allowance under IAS 39 / Provision under IAS 37 N'million	Reclassification N'million	Remeasurement N'million	Loan loss allowance - IFRS 9 N'million
Loans and receivables (IAS 39)/ Financial assets at amortised cost (IFRS 9)				
Loans and advances to Customers	86,495	-	45,063	131,558
Other assets	8,473	-	338	8,811
Total	**94,968**	**-**	**45,401**	**140,369**
Held to maturity (IAS 39) / Financial assets at amortised cost (IFRS 9)				
Investment securities	-	-	-	-
Available for sale financial instruments (IAS 39) / Financial assets at FVOCI (IFRS 9)				
Investment securities	-	-	-	-
Loan commitments and financial guarantee contracts				
Loan commitments/financial guarantees	-	-	3,202	3,202
Total	**94,968**	**-**	**48,603**	**143,571**

2.6 Foreign currency translation

(a) Functional and presentation currency
Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates («the functional currency»).

The financial statements are presented in Naira and figures are stated in millions of Naira, which is the Bank's presentation currency.

(b) Transactions and balances
Foreign currency transactions that are denominated, or that require settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. If several exchange rates are available, the rate to be used is the rate at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Changes in the fair value of monetary assets denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount, are recognised in other comprehensive income.

Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as available-for-sale financial assets, are included in other comprehensive income.

2.7 Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in deposits from banks or deposits from 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. Securities lent to counterparties are also retained in the financial statements.

2.8 Financial assets and liabilities

All financial assets and liabilities – which include derivative financial instruments – have to be recognized in the statement of financial position and measured in accordance with their assigned category.

a) Initial recognition and measurement

The Bank uses trade date accounting for regular way contracts when recording financial asset transactions. Financial instruments at fair value through profit or loss are initially recognised at fair value while transaction costs, which are directly attributable to the acquisition or issue of the financial instruments, are recognised immediately through profit or loss. Financial instruments that are not carried at fair value through profit or loss are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

The Bank does not currently apply hedge accounting.

b) Subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost depending on their classification.

c) Classification and related measurement

Management determines the classification of its financial instruments at initial recognition. Reclassification of financial assets are permitted in certain instances as discussed below:

2.8.1 Financial assets and liabilities

Measurement methods

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired (`POCI') financial assets — assets that are credit-impaired at initial recognition — Ecobank Nigeria calculates the credit-adjusted effective

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When Ecobank Nigeria revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest income
Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

(a) POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.

(b) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

Initial recognition and measurement
Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which Ecobank Nigeria commits to purchase or sell the asset.

At initial recognition, Ecobank Nigeria measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, as described in note 3.1.2, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.
When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

2.8.1.1 Financial assets

(i) Classification and subsequent measurement
• From 1 January 2018, Ecobank Nigeria has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments
Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

(i) Ecobank Nigeria's business model for managing the asset; and

(ii) the cash flow characteristics of the asset.

Based on these factors, Ecobank Nigeria classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in Net Investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within Net trading income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in Net investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Business model: the business model reflects how the bank manages the assets in order to generate cash flows. That is, whether Ecobank Nigeria's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the bank's business model for the mortgage loan book is to hold to collect contractual cash flows, with sales of loans only being made internally to a consolidated SPV for the purposes of collateralising notes issued, with no resulting derecognition by Ecobank Nigeria. Another example is the liquidity portfolio of assets, which is held by Ecobank Nigeria as part of liquidity management and is generally classified within the hold to collect and sell business model.

Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

These securities are classified in the 'other' business model and measured at FVPL.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, Ecobank Nigeria assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the `SPPI test'). In making this assessment, Ecobank Nigeria considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Ecobank Nigeria reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

IAS 32R(11)Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

Ecobank Nigeria subsequently measures all equity investments at fair value through profit or loss, except where Ecobank Nigeria's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. Ecobank Nigeria's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when Ecobank Nigeria's right to receive payments is established.

Gains and losses on equity investments at FVPL are included in the Net trading income' line in the statement of profit or loss.

ii) Impairment

Ecobank Nigeria assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. Ecobank Nigeria recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(iii) Modification of loans

IFRS 9(5.4.3) Ecobank Nigeria sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, Ecobank Nigeria assesses whether or not the new terms are substantially different to the original terms. Ecobank Nigeria does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, Ecobank Nigeria derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, Ecobank Nigeria also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and Ecobank Nigeria recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

(iv) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) Ecobank Nigeria transfers substantially all the risks and rewards of ownership, or (ii) Ecobank Nigeria neither transfers nor retains substantially all the risks and rewards of ownership and Ecobank Nigeria has not retained control.

Ecobank Nigeria enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if Ecobank Nigeria:

(i) Has no obligation to make payments unless it collects equivalent amounts from the assets;

(ii) Is prohibited from selling or pledging the assets; and

(iii) Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by Ecobank Nigeria under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because Ecobank Nigeria retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which Ecobank Nigeria retains a subordinated residual interest.

2.8.1.2 Financial liabilities

(i) Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, Ecobank Nigeria recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(ii) Derecognition

IFRS 9(3.3.1) Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between Ecobank Nigeria and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

2.8.2 Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance ; and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by Ecobank Nigeria are measured as the amount of the loss allowance. Ecobank Nigeria has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and Ecobank Nigeria cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

2.8.3 Derivatives and hedging activities

Ecobank Nigeria has elected to continue to apply the hedge accounting requirements of IAS 39 on adoption of IFRS 9.

Ecobank Nigeria has not provided comparative information for periods before the date of initial application of IFRS 9 for the new disclosures introduced by IFRS 9 as permitted by IFRS 7.

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives are embedded in hybrid contracts, such as the conversion option in a convertible bond. If the hybrid contract contains a host that is a financial asset, then Ecobank Nigeria assesses the entire contract as described in the financial assets section above for classification and measurement purposes. Otherwise, the embedded derivatives are treated as separate derivatives when:

(i) Their economic characteristics and risks are not closely related to those of the host contract;

(ii) A separate instrument with the same terms would meet the definition of a derivative

(iii) The hybrid contract is not measured at fair value through profit or loss.

These embedded derivatives are separately accounted for at fair value, with changes in fair value recognised in the statement of profit or loss unless Ecobank Nigeria chooses to designate the hybrid contracts at fair value through profit or loss.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged. Ecobank Nigeria designates certain derivatives as either:

(a) Hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges);
(b) Hedges of highly probable future cash flows attributable to a recognised asset or liability (cash flow hedges); or
(c) Hedges of a net investment in a foreign operation (net investment hedges).

Ecobank Nigeria documents, at the inception of the hedge, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. Ecobank Nigeria also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of profit or loss, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity and recorded as net interest income.

b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss.

Amounts accumulated in equity are recycled to the statement of profit or loss in the periods when the hedged item affects profit or loss. They are recorded in the income or expense lines in which the revenue or expense associated with the related hedged item is reported.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the periods when the hedged item affects profit or loss. When a forecast transaction is no longer expected to occur (for example, the recognised hedged asset is disposed of), the cumulative gain or loss previously recognised in other comprehensive income is immediately reclassified to the statement of profit or loss.

(c) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised directly in other comprehensive income; the gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss. Gains and losses accumulated in equity are included in the statement of profit or loss when the foreign operation is disposed of as part of the gain or loss on the disposal.

Measurement of Expected credit losses

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

between the cash flows due to the entity in accordance with the contract and the cash flows that Ecobank Nigeria expects to receive);

- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Ecobank Nigeria if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Reversal of impairment

- For assets measured at amortised cost: If an event occurring after the impairment was recognised caused the amount of impairment loss to decrease, then the decrease in impairment loss was reversed through profit or loss.

- For available-for-sale debt security: lf, in a subsequent period, the fair value of an impaired debt security increased and the increase could be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss; otherwise, any increase in fair value was recognised through OCI.

Any subsequent recovery in the fair value of an impaired available-for-sale equity security was always recognised in OCI.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Designation at fair value through profit or loss

Financial assets

At initial recognition, Ecobank Nigeria has designated certain financial assets as at FVTPL because this designation eliminates or significantly reduces an accounting mismatch, which would otherwise rise.

Before 1 January 2018, Ecobank Nigeria also designated certain financial assets as at FVTPL because the assets were managed, evaluated and reported internally on a fair value basis.

Financial liabilities

Ecobank Nigeria has designated certain financial liabilities as at FVTPL in either of the following circumstances:

- the liabilities are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

2.8.4 Policy applicable before 1 January 2018

Objective evidence of impairment

At each reporting date, Ecobank Nigeria assessed whether there was objective evidence that financial assets not carried at FVTPL were impaired. A financial asset or a group of financial assets was 'impaired' when objective evidence demonstrated that a loss event had occurred after the initial recognition of the asset(s) and that the loss event had an impact on the future cash flows of the asset(s) that could be estimated reliably.

In addition, a retail loan that was overdue for 90 days or more was considered impaired. Objective evidence that financial assets were impaired included:

- significant financial difficulty of a borrower or issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by Ecobank Nigeria on terms that Ecobank Nigeria would not consider otherwise;
- indications that a borrower or issuer would enter bankruptcy;
- the disappearance of an active market for a security; or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in Ecobank Nigeria, or economic conditions that correlated with defaults in Ecobank Nigeria.

A loan that was renegotiated due to a deterioration in the borrower's condition was usually considered to be impaired unless there was evidence that the risk of not receiving contractual cash flows had reduced significantly and there were no other indicators of impairment.

In addition, for an investment in an equity security, a significant or prolonged decline' in its fair value below its cost was objective evidence of impairment. In general, Ecobank Nigeria considered a decline of 20% to be 'significant' and a period of nine months to be 'prolonged'. However, in specific circumstances a smaller decline or a shorter period may have been appropriate.

Ecobank Nigeria considered evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and a collective level. All individually significant loans and advances and held-to-maturity investment securities were assessed for specific impairment. Those found not to be specifically impaired were then collectively assessed for any impairment that had been incurred but not yet identified (IBNR). Loans and advances and held-to-maturity investment securities that were not individually significant were collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar credit risk characteristics.

In making an assessment of whether an investment in sovereign debt was impaired, Ecobank Nigeria considered the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This included an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there was the capacity to fulfil the required criteria.

Individual or collective assessment

An individual measurement of impairment was based on management's best estimate of the present value of the cash flows that were expected to be received. In estimating these cash flows, management made judgements about a debtor's financial situation and the net realisable value of any underlying collateral. Each impaired asset was assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable were independently approved by the Credit Risk

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

function.

The collective allowance for groups of homogeneous loans was established using statistical methods such as roll rate methodology or, for small portfolios with insufficient information, a formula approach based on historical loss rate experience. The roll rate methodology used statistical analysis of historical data on delinquency to estimate the amount of loss. Management applied judgement to ensure that the estimate of loss arrived at on the basis of historical information was appropriately adjusted to reflect the economic conditions and product mix at the reporting date. Roll rates and loss rates were regularly benchmarked against actual loss experience.

The IBNR allowance covered credit losses inherent in portfolios of loans and advances, and heldto-maturity investment securities with similar credit risk characteristics when there was objective evidence to suggest that they contained impaired items but the individual impaired items could not yet be identified.

In assessing the need for collective loss allowance, management considered factors such as credit quality, portfolio size, concentrations and economic factors.To estimate the required allowance, assumptions were made to define how inherent losses were modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowance depended on the model assumptions and parameters used in determining the collective allowance.

Loans that were subject to a collective IBNR provision were not considered impaired.

2.8.5 Determination of Fair Value

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

Subsequent to initial recognition, for financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges and broker quotes.

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

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the reporting dates.

The Bank uses widely recognised valuation models for determining fair values of non-standardised financial instruments of lower complexity, such as options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market-observable.

For more complex instruments, the Bank uses internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value derivatives transacted in the over-the-counter market, unlisted debt securities (including those with embedded derivatives) and other debt instruments for which markets were or have become illiquid. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The impact on net profit of financial instrument valuations reflecting non-market observable inputs (level 3 valuations) is disclosed in Note 21.

The Bank uses its own credit risk spreads in determining the current value for its derivative liabilities and all other liabilities for which it has elected the fair value option. When the Bank's credit spreads widen, the Bank recognises a gain on these liabilities because the value of the liabilities has decreased. When the Bank's credit spreads narrow, the Bank recognises a loss on these liabilities because the value of the liabilities has increased.

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

To value the unquoted equity investments, two (2) approaches were used: the market approach and the income approach. Under the market approach, two (2) models were applied - the operating profit model and the free cash flow to equity (FCFE) model. For the market approach, the price to book and the price to earnings multiples were used based on information from available comparable entities. In cases when the fair value of unlisted equity investments cannot be determined reliably, the instruments are carried at cost less impairment.

The Fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

2.8.6 Derecognition

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

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

Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the Statement of financial position as 'Assets pledged as collateral'.

2.8.7 Reclassification of financial assets

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

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortized cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

Further increases in estimates of cash flows adjust effective interest rates prospectively.

On reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives are re-assessed and, if necessary, separately accounted for.

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

2.10 Interest income and expense
Interest income and expense for all interest-bearing financial instruments are recognized within 'interest income' and 'interest expense' in the income statement using the effective interest method.

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

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

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

2.12 Income from performance bonds or guarantees and letters of credit
Income from bonds or guarantees and letters of credit are recognised on a straight line basis over the life of the bond or guarantee.

2.13 Dividend income
Dividends are recognized in the income statement in 'Dividend income' when the Bank's right to receive payment is established.

2.14 Impairment of financial assets

a) Assets carried at amortized cost
The Bank assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset or a Bank of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the

financial asset or Bank of financial assets that can be reliably estimated.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

(a) Delinquency in contractual payments of principal and interest;
(b) Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
(c) Breach of loan covenants and conditions;
(d) Initiation of bankruptcy proceedings;
(e) Deterioration of borrower's competitive position
(f) Deterioration in the value of collateral;
(g) Downgrading below investment grade level;
(h) Significant financial difficulty of the issuer or obligor;
(i) A breach of contract, such as a default or delinquency in interest or principal payments;
(j) The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
(k) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
(l) The disappearance of an active market for that financial asset because of financial difficulties; or
(m) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio including:

(i) adverse changes in the payment status of borrowers in the portfolio; and

(ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The estimated period between a loss occurring and its identification is determined by the directors for each identified portfolio. In general, the periods used vary between 3 and 12 months; in exceptional cases, longer periods are warranted.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Bank of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are Banked on the basis of similar credit risk characteristics (i.e., on the basis of the Banks grading process that considers industry, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for Banks of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

Estimates of changes in future cash flows for Bank of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Impairment charges relating to loans and advances to banks and customers are classified in loan impairment charges whilst impairment charges relating to investment securities (held to maturity and loans and receivables categories) are classified in 'Net gains/(losses) on investment securities'.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss.

b) Assets classified as fair value through other comprehensive income

The Bank assesses at each date of the statement of financial position whether there is objective evidence that a financial asset or a Bank of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

c) Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the asset is considered to be past due and disclosed only if renegotiated again.

2.15 Impairment of non-financial assets

Assets that have an indefinite useful life such as goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are Banked at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

2.16 Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.17 Leases
Leases are divided into finance leases and operating leases.

(a) The Bank is the lessee
The leases entered into by the Bank are primarily operating leases. The total payments made under operating leases are charged to other operating expenses in the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

(b) The Bank is the lessor
When assets are held subject to a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

(c) Fees paid in connection with arranging leases
The Bank makes payments to agents for services in connection with negotiating lease contracts with the Bank's lessees. For operating leases, the letting fees are capitalized within the carrying amount of the related investment property, and depreciated over the life of the lease.

2.18 Property, plant and equipment
Land and buildings comprise mainly branches and offices. All property and equipment used by the parent or its subsidiaries is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditures are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repair and maintenance costs are charged to other operating expenses during the financial period in which they are incurred.

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Work in progress consists of items of property and equipment that are not yet available for use. Work in progress is carried at cost less any required impairment. An impairment loss is recognised if the asset's recoverable amount is less than cost. The asset is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Once the items are available for use, they are transferred to relevant classes of property and equipment as appropriate.

Freehold Buildings 50 years	
Leasehold improvements	5 years
Furniture and Fittings	5 years
Motor vehicles	4 years
Office equipment	5 years
Computer equipment	3 years
Leasehold land	Over the remaining lease period

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each date of the statement of financial position. Assets are subject to review for

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in 'other operating expenses' in profit or loss.

2.19 Intangible assets

Computer software licences

Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on the basis of the expected useful lives. Software has a maximum expected useful life of 3 years.

Costs associated with developing or maintaining computer software programs are recognized as an expense incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Bank are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.
  Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognized as assets are amortized using the straight-line method over their useful lives.

2.20 Income tax

a) Current income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is the aggregate of the charge to the profit and loss account in respect of current income tax, information technology (IT) tax and education tax.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Companies Income Tax Act (CITA). Education tax is assessed at 2% of the chargeable profits. Information Technology levy is assessed at 1% of profit before tax. The directors of the Bank continually evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. They establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Where the Bank has tax losses that can be relieved against a tax liability for a previous year, it recognizes those losses as a recoverable, because the tax relief is recoverable by refund of tax previously paid. This asset is offset against an existing current tax balance. Where tax losses can be relieved only by carry-forward against taxable profits of future periods, a deductible temporary difference arises.

b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different taxable entities where there is an intention to settle the balances on a net basis.

Those losses carried forward are set off against deferred tax liabilities carried in the statement of financial position. The Bank does not offset income tax labialise and current income tax assets.

2.21 Provisions

Provisions for restructuring costs and legal claims are recognised when: the Bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.22 Employee benefits

a) Staff Remuneration Policy

The Bank is committed to a total compensation policy that supports the goal of recruiting and retaining top talent which successfully delivers the Bank's strategic objectives in order to create sustainable value for all stakeholders over the short, medium and long term.

The purpose of Ecobank's compensation policy is to attract, retain and motivate employees to constantly exceed their goals.

Ecobank is committed to rewarding each employee based on their good performance and individual contribution to the success of the Bank and to ensure that the employee's total compensation is competitive in the relevant market place.

Performance-driven reward

Ecobank's remuneration policy is linked to the performance of Ecobank as a whole and are based on delivery of value creation by staff, teams in which employees work, the individual performance of each employee, and the ability to pay for the total compensation program.

Ecobank's compensation structure comprises of the following main components: Base Salary, Cash Allowances, Benefits, Cash Bonus, Stock/Share Scheme – Bonus & Option and Variable incentive payments and this is well aligned with all jobs in the Bank which are all graded into seven (7) Bands for ease of benchmarking, comparability and

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

competitiveness.

Salary Survey/Review

Every year a competitive review or a salary survey is conducted to determine Ecobank's market positioning and competitiveness using Independent external consultant and where possible re-align subject to Board's approval so that staff' remuneration is always on or above 50th percentile of the market.

Employee salaries may be reviewed annually to determine any merit increases in accordance with performance appraisal results based on the Bank's Balanced Score Card. The major factors affecting the merit increase are the employee's individual performance, the Bank's overall business performance and yearly salary increase budget. Salary increases are not granted on an automatic basis, but only as a result of demonstrated performance (merit) in support of the business objectives.

Individual salary increases are related to performance. The aim is to encourage the employees to strive harder to perform better and often exceed the requirements of the job thereby improving their performance rating.

Annual salary reviews for permanent staff are undertaken to evaluate performance and to make any required salary adjustments. The review:

- Rewards good performance
- Eliminates internal inequities
- Ensures that pay keeps pace with market and industry norms
- Supports retention of top talent
- Reflects any changes in responsibilities

Salary Payment

It is the policy of Ecobank to pay employees in an accurate and timely manner after the necessary deductions have been made. The pay period for all employees is monthly.

Benefit Programs

Ecobank seeks to ensure that the benefits arrangements for its employees are fair and provide adequate protection for current and retiring employees. The benefits program has been designed to provide employees with benefits that are competitive based on market practice in order to attract and retain talent.

Benefits offered by Ecobank include but not limited to:

- Medical Insurance
- Pension or retirement benefits
- Group Life Insurance scheme
- Work, Injuries Benefits
- Employee Loans
- Salary Advances
- Bonus Scheme
- Different types of Leave programs

The Bank's remuneration policy supports this philosophy through balanced reward, which recognises incentivising sustainable earnings and by aligning the interests of our staff with those of our shareholders.

b) Defined contribution scheme

The bank operates a defined contribution pension scheme in line with the provisions of the Pension Reform Act 2014. A defined contribution plan is a pension plan under which the bank pays fixed contributions into a separate entity. The bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For defined contribution plans, the bank pays contributions to publicly or privately administered pension insurance plans on a contractual basis. The bank contributes 10% of basic salary, housing and transport allowances, with the employee contributing a further 8%. The bank has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

c) Defined benefit scheme

The Bank also operates a defined benefit scheme for employees who have spent 10 years and above in its employment. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality government bonds and that have terms to maturity approximating to the terms of the pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income statement in the period in which they arise. Past-service costs are recognised immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

d) Terminal Benefit/Severance pay

This is determined on need – basis. The Bank enters into Collective Bargaining Agreement with Staff Union (staff representatives) anytime there is a business imperative to optimize. Management endorses Collective Bargaining Agreement in this instance as the request comes up.

2.23 Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.24 Share capital

Share issue costs

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

2.25 Dividends payable

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders. Dividends for the year that are declared after the date of the statement of financial position are dealt with in the subsequent events note.

2.26 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or Bank that allocates resources to and assesses the performance of the operating segments of an entity. The Bank has determined the Executive board as its chief operating decision maker.

All transactions between business segments are conducted on an arm´s length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance.

In accordance with IFRS 8, the Bank has the following business segments: Corporate and Investment banking Bank, Commercial banking Bank and Consumer banking.

2.27 Acceptances and letters of credit

Acceptances and letters of credit are accounted for as off-balance sheet transactions and disclosed as contingent liabilities.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

occurrence of one or more uncertain future events not wholly within the control of the Bank of the bank has a present obligation as a result f past events which is not recognized because it is not probable that an outflow of resources will be required to settle the obligation, or the amount cannot be reliably estimated.

Contingent liabilities normally comprise of legal claims under arbitration or court process in respect of which a liability is not likely to crystalise.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the bank. Contingent assets are never recognized rather they are disclosed in the financial statements when an outflow of economic benefit is probable.

2.28 Key sources of estimation uncertainty

(i) Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on the basis described in the bank's accounting policy.

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 merit, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Risk Management unit.

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. 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 interest losses are modeled 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 estimated future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances are made.

(ii) 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 techniques as described in accounting policy 2.4.3. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

2.29 Critical accounting judgements made in applying the Bank's accounting policies include:

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

Accounting policies and directors' judgements for certain items are especially critical for the Bank's results and financial situation due to their materiality.

(i) Valuation of financial instruments

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

(ii) Financial asset and liability classification

The Bank's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

(iii) 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. «

(iv) Determination of impairment of property and equipment, and intangible assets

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 Bank 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.

(v) Determination of recognised deferred tax balances

Management is required to make judgements concerning the recoverability of unused tax losses. Judgement is required in determining the estimated future profitability from which tax assets are expected to be realised.

Critical accounting estimates and judgement

(a) Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in profit or loss, the Bank makes judgements as to whether there is any observable data indicating an impairment trigger followed by measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a bank, or national or local economic conditions that correlate with defaults on assets in the Bank. The directors use estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling future cash flows.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Impairment of fair value through other comprehensive income equity investments

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

The Bank determines that FVTOCI equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Bank evaluates among other factors, the volatility in share price. In addition, objective evidence of impairment may be deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.»

(c) Fair value of financial instruments
The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates.

(d) Amortised cost investments
In accordance with IFRS 9 guidance, the Bank classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as amortised cost. This classification requires significant judgement. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank were to fail to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – the Bank is required to reclassify the entire category as available-for-sale. Accordingly, the investments would be measured at fair value instead of amortised cost.

(e) Retirement benefits
The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations.

The assumptions used in determining the net cost (income) for pensions include the discount rate. The Bank determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Bank considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions.

Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying Ecobank Nigeria's accounting policies.

This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 3.1.2.3, which also sets out key sensitivities of the ECL to changes in these elements

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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3 Interest income

	31 Dec 2018 N'million	31 Dec 2017 N'million
Loans and advances:		
- To Banks	519	248
- To Customers	116,314	132,973
	116,833	133,221
Investment Securities:		
- from investment at FVOCI	53,544	47,196
- from investment at amortised cost	564	-
	170,940	**180,417**

The total interest income calculated using the effective interest rate (EIR) method for financial assets at amortised cost is N2.632 billion during the financial year 2018.

The sum of N9,921 billion relating to income from financial assets held for trading (treasury bills trading income - N7,9 billion and bonds trading income - N2.0 billion) included in interest income for year ended 31 December, 2017 was reclassified and appropriately presented in net trading income in these financial statements (see note 7)

4 Interest expense

Deposits from banks	15,525	14,570
Deposits from customers	59,748	47,613
Borrowings	9,471	11,594
	84,744	**73,777**
Net interest income	**86,196**	**106,639**

Interest income and expenses for all financial instruments except for those classified as held for trading or those measured or designated as at FVTPL are recognised in 'Net interest income' as 'interest income' and 'interest expense' in the profit or loss account using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the year, see 'Net trading income' and 'Net income from other financial instruments at FVTPL'.

5 Net fee and commission income

Fee and commission income		
Credit related fees and commissions	2,899	3,221
Loan commitments and performance guarantees fees	982	305
Commission Current Account Maintenance	1,975	2,050
Letters of credit commission	792	5,353
Card related income	6,838	6,477
Commissions on transfers	1,884	1,155
SMS alert income	536	416
Other fees	4,332	2,293
Fee and commission income	**20,238**	**21,270**

Fee and commission expense		
Card acquiring cost	5,247	5,363
SMS alert fee expense	48	59
Bank charges	103	113
Fees paid on confirmation line	1,373	5,830
Others	230	519
Fee and commission expense	**7,001**	**11,884**
Net fee and commission income	**13,237**	**9,386**

The total net fee and commission income are for financial assets that are not at FVTPL

The sum of N1.126 billion relating to other sundry income included in fees and commission income for year ended 31 December, 2017 was reclassified and appropriately presented in other operating income in these financial statements (see note 8)

6 Net (losses) / gains from financial instruments at FVTPL

	31 Dec 2018	31 Dec 2017
Net (losses) / gains arising on:		
Financial instruments classified as FVTPL:		
- Interest rate instruments	**(76)**	**99**

7 Net Trading Income

Foreign exchange gains	20,595	36,970
Treasury bills trading income	7,777	7,905
Bond trading income	2,702	2,015
	31,074	**46,890**

Foreign exchange gains include net gains and losses from spot and forward contracts.

8 Other operating income

	31 Dec 2018	31 Dec 2017
Dividend income	1,197	1,069
Rental income	332	95
Sundry income	1,983	1,126
Profit on sale of property, plant and equipment	1,152	95
Profit from disposal of investment securities	4,387	-
	9,051	**2,385**

The sum of N1,126 billion (from note 5) relating to other sundry income included in fees and commission income for year ended 31 December, 2017 was reclassified and appropriately presented in other operating income in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

9 Impairment charge for losses

	31 Dec 2018	31 Dec 2017
Loans and advances to customers		
Increase in ECL allowance on loans and advances	28,897	62,482
Amount written off in the year as uncollectible	2	598
Income received on loans previously written off	(1,501)	(237)
Reversal of impairment	(5,415)	(2,997)
	21,983	59,846
Investment securities		
Increase in ECL allowance for FVTOCI	2,211	-
Increase in ECL allowance for amortised cost	812	-
Other assets		
Increase in impairment	1,498	55
Off-balance sheet engagements (OBE)		
Increase in ECL allowance on off-balance sheet engagements (OBE)	856	-
	27,360	**59,901**

10 Employee benefits expense

	31 Dec 2018	31 Dec 2017
Wages and salaries:		
Core	25,295	27,009
Outsource	5,182	5,223
Pension costs:		
- Defined contribution plans	1,126	2,077
- Defined benefit plan	1,200	1,200
Other employee costs and benefits	1,801	1,447
	34,604	**36,956**

11 General and administrative expense

	31 Dec 2018	31 Dec 2017
Information, communication and technology	2,838	6,642
Insurance expenses	489	564
NDIC insurance premium expense	5,621	6,425
Premises expenses	7,010	6,914
Equipment running costs	2,887	3,476
Advertisement and business promotion	2,280	1,515
Motor vehicle running costs	697	580
Business travels	1,097	1,410
Office consumables	608	517
Penalties (note 40)	28	86
	23,555	**28,129**

12 Depreciation and amortisation

Depreciation of property and equipment (Note 25)	5,416	5,858
Amortisation of intangible assets (Note 26)	1,478	892
	6,894	**6,750**

13 Other operating expenses

Auditors' remuneration	295	290
Directors' emoluments (note 13.1)	329	197
Employee related expenses	2,204	1,362
Consultancy and advisory expenses	1,738	311
Cash processing costs	906	883
Banking resolution sinking fund cost	12,054	6,249
Operational losses	989	322
Donations	275	180
Others	759	3,459
	19,549	**13,253**

13.1 Auditors' remuneration comprises:

:

The following represents the breakdown of the auditors' remunerations:

	31 Dec 2018	31 Dec 2017
Statutory audit	195	160
Half year audit fee	70	110
Audit review of IFRS 9 implementation	30	20
	295	**290**

14 Taxation

	31 Dec 2018	31 Dec 2017
Current taxes on income for the reporting year	276	204
Capital gain tax	90	3
Total current tax	**366**	**207**
Deferred tax	-	-
Total deferred tax	**-**	**-**
Income tax expense	**366**	**207**

The movement in the current income tax liability is as follows:

At 1 January	4,671	4,526
Tax paid	(212)	(62)
Over provision in prior years	(1,986)	-
Capital gain tax charge	90	3
Income tax charge	276	204
At 31 December	**2,839**	**4,671**
Current	276	204
Non-current	2,563	4,467
	2,839	**4,671**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

		31 Dec 2018		31 Dec 2017
Reconciliation of effective tax rate	%	N'million	%	N'million
Profit before income tax		27,521		20,411
Income tax using the domestic corporation tax rate @ 30%	30	8,256	30	6,123
Effect of:				
IT tax	1	276	1	204
Education tax levy	-	-	-	-
Capital gain tax	0.3	90	0	3
Effect of disallowed Expenses	32	8,859	90	18,370
Effect of Exempted Income	(55)	(15,129)	(120)	(24,494)
Over provision in prior years	(7)	(1,986)	0	-
Total income tax expense in income statement	**1**	**366**	**1**	**207**

The current tax charge has been computed at the applicable rate of 30% (31 December 2017: 30%) plus education levy of 2% (31 December 2017: 2%) on the profit for the year after adjusting for certain items of expenditure and income which are not deductible or chargeable for tax purposes. Non-deductible expenses include items such as legal fees, donations, public relations expenses and certain provisions which are not allowed as a deduction by the tax authorities. Tax exempt income include income such as dividend income and income from government bonds which are not taxable.

15 Income tax effects relating to components of other comprehensive income

	31 Dec 2018			31 Dec 2017		
	Before tax	Tax (expense) / Benefit	Net of tax	Before tax	Tax (expense) / Benefit	Net of tax
Remeasurement of defined benefit obligations	500	(50)	450	(1,856)	557	(1,299)
(Loss)/gain on fair valuation of FVOCI securities (note 15.1)	(21,230)	-	(21,230)	27,649	-	27,649
Allowance for ECL adjustment on securities	3,023	-	3,023			
Other comprehensive for the year	**(17,707)**	**(50)**	**(17,757)**	**25,793**	**557**	**26,350**

15.1 (Loss)/Gain on fair valuation of FVOCI securities

	31 Dec 2018	31 Dec 2017
FGN bonds	(18,821)	15,056
Treasury bills	(3,593)	2,798
State bonds	(398)	712
Corporate bonds	2,246	(110)
Eurobonds	(75)	457
Unquoted equities	(589)	8,734
	(21,230)	**27,648**

16 Earnings per share

Basic

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

Diluted

Diluted EPS is determined by adjusting the profit or loss that is attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding for effects of all dilutive potential ordinary shares.

	31 Dec 2018	31 Dec 2017
Profit attributable to equity holders of the Company (N'000)	27,155,548	20,204,447
Weighted average number of ordinary shares in issue (in '000)	22,912,961	20,147,545
Basic earnings per share (expressed in Kobo per share)	119k	100k

The Bank does not have any dilutive potential ordinary shares. Therefore, Basic EPS and Diluted EPS are the same for the Bank.

17 Cash and cash equivalents

	31 Dec 2018	31 Dec 2017
Cash	34,037	16,851
Balances with Central Bank other than mandatory reserve deposits	27,980	19,132
Cash and balances with other banks and financial institutions (Note 17.1)	92,928	97,511
	154,945	**133,494**

These comprise cash and bank balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with other banks and other short-term highly liquid investments with original maturities less than three months.

17.1 Cash and balances with other banks and financial institutions

	31 Dec 2018	31 Dec 2017
Current balances with banks within Nigeria	519	857
Current balances with banks outside Nigeria	79,067	68,945
Placements with local banks and discount houses	12,004	25,116
Placements with foreign banks and discount houses	1,338	2,593
	92,928	**97,511**

18. Mandatory reserve deposits with Central bank

	31 Dec 2018 N'million	31 Dec 2017 N'million
	316,526	**257,237**

Mandatory reserve deposits are not available for use in the Bank's day-to-day operations. The Bank had total restricted cash balance of N316.5 billion (N257.2 billion : 31 December 2017). Included in the mandatory reserve deposits is the sum of N34.4billion (31 December 2017: N34.4billion) which is 5% cash reserve requirement charged to a Special Intervention Reserve (SIR) Account.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

19 Loans and advances to customers

19.1 Loans and advances to customers comprise:

	Stage 1 N'million	Stage 2 N'million	Stage 3 N'million	Total N'million
31 December 2018				
Overdrafts	49,639	101,869	108,066	259,574
Term loans	423,633	217,067	18,777	659,478
Advances under finance lease	319	26	-	345
Bankers' acceptance	7,148	-	-	7,148
Gross loans	480,739	318,962	126,844	926,546
Expected credit loss allowance	(4,921)	(15,291)	(63,859)	(84,071)
Net loans	**475,818**	**303,671**	**62,985**	**842,475**

	Gross amount	Specific impairment	Collective impairment	Total	Carrying amount
31 December 2017					
Specialised loans	266,133	(9,385)	(7,169)	(16,554)	249,579
Non- specialised loans:					
Overdrafts	374,642	(50,264)	(5,566)	(55,830)	318,812
Term loans	275,724	(2,440)	(11,622)	(14,063)	261,661
Advances under finance lease	1,569	-	(48)	(48)	1,521
Net loans	**918,068**	**(62,089)**	**(24,406)**	**(86,495)**	**831,573**

	31 Dec 2018	31 Dec 2017
Current	413,968	507,390
Non-current	512,578	410,677
	926,546	**918,068**
Performing	799,702	785,053
Non-Performing	126,844	133,015
	926,546	**918,068**

Reconciliation of impairment allowance on loans and advances to customers:	To customers Specialised	Non-specialised	Finance lease	Total
Balance at 31 December 2017 (IAS 39)	15,093	71,354	48	86,495
Day 1 IFRS 9 adjustment				45,064
	Stage 1	**Stage 2**	**Stage 3**	
Balance at 1 January 2018 (IFRS 9)	10,300	34,589	86,670	131,559
Additional impairment allowance	7,687	3,524	17,686	28,897
Loans written off during the year as uncollectible	-	-	(65,761)	(65,761)
Amounts derecognised during the year	(13,066)	(22,822)	30,679	(5,209)
Amounts recovered during the year	-	-	(5,415)	(5,415)
Balance at 31 December 2018	**4,921**	**15,291**	**63,859**	**84,071**

Reconciliation of impairment allowance on loans and advances to customers:	To customers Specialised	Non-specialised	Finance lease	Total
Balance at 1 January 2017				
Specific impairment	4,807	21,964	-	26,771
Collective impairment	4,630	16,700	100	21,430
	9,438	38,663	100	48,201
Additional provision				
Specific impairment	6,082	53,424	-	59,506
Collective impairment	662	2,366	(52)	2,976
Loans written off during the year as uncollectible	(123)	(21,068)		(21,191)
Amounts recovered during the year	(965)	(2,032)	-	(2,997)
	15,093	**71,354**	**48**	**86,495**
Specific impairment	9,801	52,288	-	62,089
Collective impairment	5,292	19,066	48	24,406
Balance at 31 December 2017	**15,093**	**71,354**	**48**	**86,495**

*** All loans written off during the year had been fully provided for.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

(All amounts in millions of Naira unless otherwise stated)	31 Dec 2018	31 Dec 2017
19.2 Advances under finance lease may be analysed as follows:		
Gross investment		
- No later than 1 year	283	552
- Later than 1 year and no later than 5 years	65	1,241
	348	1,793
Unearned future finance income on finance leases	(3)	(225)
Net investment	**345**	**1,569**
The net investment may be analysed as follows:		
- No later than 1 year	283	517
- Later than 1 year and no later than 5 years	62	1,051
	345	**1,568**

19.3 Nature of security in respect of loans and advances:

Secured against real estate	612,580	56,216
Secured by shares	44,333	9,391
Otherwise secured	173,386	781,534
Unsecured	96,247	70,927
	926,546	**918,068**
ECL Impairment allowances	(84,071)	(86,495)
	842,475	**831,573**

The Bank is not permitted to sell or repledge the collateral in the absence of default by the owner of the collateral.

During the year, the Bank obtained assets by taking possession of collateral held as security:

	31 Dec 2018	31 Dec 2017
Nature of assets and carrying amount:		
Real estate	34	343
Vehicles and equipment	-	187
Others	423	-
	457	**530**

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness.

(All amounts in millions of Naira unless otherwise stated	31 Dec 2018	31 Dec 2017

20 Financial assets - FVTPL

	31 Dec 2018	31 Dec 2017
Treasury bills	33,452	28,337
Federal Government of Nigeria Bonds	1,662	6,115
	35,114	**34,452**

	Fair value	
	Asset	Liability

21 Derivative financial instruments

	Asset	Liability
31 December 2018		
Foreign Exchange Derivatives:		
Foreign exchange forwards	8,814	1,690
	8,814	**1,690**
31 December 2017		
Foreign Exchange Derivatives:		
Foreign exchange forwards	8,956	6,816
	8,956	**6,816**

The bank enters into forward foreign exchange contracts and currency swaps designed as held for trading.

- A forward foreign exchange contract is an agreement by two counterparties to exchange currencies at a predetermined rate on some future date. No funds change hands when a typical forward foreign exchange contract originates; a funds flow occurs only at the contract's stated future delivery time.

- A currency swap is the simultaneous spot sale (or purchase) of currency against a forward purchase (or sale) of approximately an equal amount. In a swap contract, there is an exchange, or notional exchange, of equivalent amounts of two currencies.

All derivative transactions of the bank are within one year tenor.

The bank's foreign exchange derivatives do not qualify for hedge accounting; therefore all gains and losses from changes in their fair values are recognised immediately in the statement of profit or loss and are reported in Net gains/(losses) on financial instruments classified as held for trading.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

22 Investments securities: FVTOCI

	31 Dec 2018	31 Dec 2017
Debt securities - at Fair value		
- Listed		
Federal Government of Nigeria Bonds-Fair value through other comprehensive income	94,760	54,831
Treasury bills	169,044	182,880
- Unlisted		
Government Guaranteed Bonds - At fair value through other comprehensive income		
State Government Bonds	1,569	10,575
Eurobond	38,650	41,431
Local Contractor/Corporate Bonds	4,702	2,758
Total Debt securities	**308,725**	**292,476**
Equity securities - at fair value through Other comprehensive income		
- Unlisted		
African Finance Corporation	27,999	24,178
Accion Microfinance Limited	1,018	488
Afreximbank	1,035	2,059
Central Securities Clearing System	-	799
Nigerian Automated Clearing System/NIBSS	754	1,197
FMDQ	44	41
Unified Payment Services Limited	115	110
AGSMEIS	1,299	289
Credit Reference Company	9	7
Total equity investments	**32,272**	**29,168**
Total financial assets - FVTOCI	**340,997**	**321,644**

22.1 Movement of equity instruments measured at FVTOCI

At 1 January 2018	29,168	20,094
Addition during the year	1,010	289
Disposal during the year	(300)	-
Net gain from remeasurement	2,893	8,785
Derecognition of fair value on disposal	(499)	-
At 31 December 2018	**32,272**	**29,168**

Summary of financial assets measured at FVTOCI

Debt securities - at Fair value:		
- Listed	263,804	237,711
- Unlisted	44,921	54,765
Equity securities - at Fair value:		
- Unlisted	32,272	29,168
Total securities: FVTOCI	**340,997**	**321,644**

23 Financial assets - Amortised cost

	31 Dec 2018	31 Dec 2017
Debt securities – at amortised cost:		
TBPIC (see note (a))	21,606	27,722
Promissory note (see note (b))	18,904	-
Total securities at amortised cost	**40,510**	**27,722**

(a) Investment of N30.15 billion in Treasury Bond Protected Investment Corporation Limited at coupon rate of 2.25% for the tenure of 15 years. A partial redemption of N6.071 billion occurred during the year resulting in end of year balance of N21.6 billion

(b) FGN promissory notes issued by Debt Management Office (DMO) to banks on behalf of major oil marketers exposures to the banks. The note is issued at zero coupon rate with maturity of 14th December 2019. The major oil marketers are Northwest Petroleum (N8.22 billion), Shorelink/Stock Gap Fuels (N8.05 billion) and A&E Petroleum (N2.64 billion).

	31 Dec 2018	31 Dec 2017
Summary - Investment securities		
Fair value through profit or loss (FVTPL) - Note 20	35,114	34,452
Fair value through other comprehensive income (FVTOCI) - Note 22	340,997	321,644
Amortised cost - Note 23	40,510	27,722
	416,621	**383,818**
Current	343,838	326,929
Non-current	72,783	56,889
Total investments	**416,621**	**383,818**

24 Pledged assets

Treasury Bills are pledged to various third parties in respect of the Bank's ongoing participation in the Nigerian settlement system. Included in Federal Government Bonds is N6.6billion (2017: N57.9billion) pledged to BOI (Bank of Industry) as collateral in respect of loans obtained for the purpose of on-lending to manufacturing customers. These instruments are classified as available for sale.

The nature and carrying amounts of the assets pledged as collaterals are as follows:

	31 Dec 2018	31 Dec 2017
Treasury Bills (note 24.1)	59,784	22,683
Federal Government of Nigeria Bonds (note 24.2)	13,210	68,677
Eurobonds (note 24.3)	14,567	-
	87,561	**91,360**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

	31 Dec 2018	31 Dec 2017
24.1 Investments securities: Treasury Bills		
Bank of Industry	27,837	5,000
Central Bank of Nigeria	15,600	4,270
Federal Inland Revenue Service	8,250	8,250
E-Transact	1,000	1,000
Interswitch	720	720
NIBSS	1,132	1,132
Unified Payment Services Limited (Valucard)	50	50
FBNQuest Merchant Bank	-	1,386
Keystone Bank Nigeria	-	715
Systemspecs Nigeria	160	160
Suntrust Bank Nigeria	5,035	-
	59,784	**22,683**
24.2 Investments securities: Bonds		
Bank of Industry	6,610	57,947
Central Bank of Nigeria	6,600	10,730
	13,210	**68,677**
24.3 Eurobonds		
Mashreq Bank	**14,567**	**-**
Movement in pledged assets		
At 1 January	91,360	158,053
Additions during the year	53,768	30,711
Matured pledges/redemption	(57,567)	(97,404)
At 31 December	**87,561**	**91,360**

The pledged assets were subjected to ECL assessment and the impact of the allowance is recognised as part of the ECL assessment for financial assets measured at FVTOCI.

	31 Dec 2018	31 Dec 2017
25 Property, plant and equipment		
Carrying amounts of		
Land	6,678	6,520
Freehold buildings	24,146	28,097
Leasehold buildings	2,977	580
Office equipment	3,090	2,964
Furniture & fittings	508	385
Computer equipment	1,867	3,802
Motor vehicles	639	566
Work in progress	32,072	36,110
	71,977	**79,024**

	Land N'million	Freehold buildings N'million	Leasehold buildings N'million	Office equipment N'million	Furniture & fittings N'million	Computer equipment N'million	Motor vehicles N'million	Work in progress N'million	Total N'million
Cost									
At 1 January 2018	6,520	35,824	11,253	9,472	1,853	16,129	6,114	36,109	123,274
Additions	-	589	83	1,447	174	556	472	1,819	5,140
Disposals	-	(1,275)	(12)	(189)	(5)	(22)	(487)	(507)	(2,497)
Reclassification	158	4,230	(4,230)	(445)	341	107	-	(161)	-
Transfer	-	-	-	-	-	-	-	*(5,189)	(5,189)
At 31 December 2018	6,678	39,368	7,092	10,286	2,363	16,771	6,099	**32,072	120,729
Accumulated depreciation									
At 1 January 2018	-	7,726	10,672	6,507	1,468	12,328	5,550	-	44,251
Charge for the year	-	948	240	1,112	191	2,526	399	-	5,416
Disposals	-	(237)	(12)	(152)	(5)	(21)	(487)	-	(914)
Reclassification	-	6,786	(6,786)	(273)	202	71	-	-	-
At 31 December 2018	-	15,223	4,115	7,195	1,855	14,905	5,461	-	48,753
Net book amount at 31 December 2018	**6,678**	**24,146**	**2,977**	**3,090**	**508**	**1,867**	**639**	**32,072**	**71,976**
Cost									
At 1 January 2017	6,520	36,149	11,031	9,089	1,631	14,247	7,244	31,753	117,663
Additions	-	18	226	638	233	2,005	287	3,476	6,883
Reclassifications	-	(619)	(4)	(255)	(11)	(123)	(1,417)	(631)	(3,060)
Disposals	-	276	-	0	-	-	-	1,511	1,787
At 31 December 2017	6,520	35,824	11,253	9,472	1,853	16,129	6,114	36,109	123,274
Accumulated depreciation									
At 1 January 2017	-	6,917	10,343	5,497	1,357	9,454	6,649	-	40,217
Charge for the year	-	892	332	1,249	121	2,997	267	-	5,858
Disposals	-	(83)	(4)	(239)	(10)	(123)	(1,366)	-	(1,825)
At 31 December 2017	-	7,726	10,672	6,507	1,468	12,328	5,550	-	44,250
Net book amount at 31 December 2017	**6,520**	**28,098**	**581**	**2,964**	**385**	**3,801**	**564**	**36,109**	**79,024**

*The sum of N5.189 billion which relates to cost incurred for implementation of various software were capitalised and transferred from work in progress to intangible assets during the year.

**Included in work-in- progress is the sum of N20.3 billion which relates to Waves Property which previously belong to ETI but now belongs to Ecobank Nigeria Limited following the swap of identified eligible assets with Ecobank Specialised Finance Company in exchange for the property in 2016.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

26 Intangible assets

	31 Dec 2018	31 Dec 2017
Cost		
At 1 January	4,142	2,978
Additions	838	1,164
Transfer (note 25)	5,189	-
At 31 December	**10,168**	**4,142**
Amortisation		
At 1 January	2,723	1,831
Amortisation charged	1,478	892
At 31 December	**4,201**	**2,723**
Carrying Amount		
At 31 December	**5,967**	**1,419**

The amortisation charge for the year is included in depreciation and amortisation expenses in the Statement of comprehensive income.

27 Deferred tax
Deferred income taxes are calculated on all temporary differences under the liability method using the enacted tax rate of 30% (2017: 30%).

Deferred income tax assets and liabilities are attributable to the following items:	31 Dec 2018	31 Dec 2017
At 1 January	12,312	11,756
Arising during the year:		
- tax effect on actuarial valuation	(50)	556
Included in the Profit or loss and other comprehensive income	(50)	556
At 31 December	**12,262**	**12,312**
Deferred tax assets/(liabilities) arising as a result of the following:		
Fixed Assets, excluding revaluation surplus	10,842	10,842
General Provision charged to P&L	1,541	1,541
Available for sale and actuarial valuation	(121)	(71)
Total deferred tax in the Statement of Financial Position	**12,262**	**12,312**
Deferred tax assets		
- Deferred tax asset to be recovered after more than 12 months	12,262	12,312
- Deferred tax asset to be recovered within 12 months	-	-
Deferred tax asset\(liability) is composed of the following:		
Deferred tax assets	12,262	12,312
Deferred tax liabilities	-	-
	12,262	**12,312**

28 Other assets

	31 Dec 2018	31 Dec 2017
Financial assets		
Sundry receivables	18,099	25,161
Card receivable accounts	14,639	4,725
Due from affiliates and related entities (note 38.4)	9,659	2,628
	42,397	**32,514**
Less specific allowances for impairment	(8,484)	(8,473)
	33,913	**24,041**
Non-financial assets		
Prepayments	5,769	6,527
	39,682	**30,568**
Current	33,913	24,041
Non-current	5,769	6,527
	39,682	**30,568**
Reconciliation of impairment account		
At 1 January	8,473	13,006
Day 1 IFRS 9 adjustment	338	-
Increase in impairment	1,498	55
Amount reclassified	49	107
Amount written-off	(396)	-
Impairment no longer required	(1,478)	(4,695)
At 31 December	**8,484**	**8,473**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

29 Retirement benefit obligations

The amount recognised in the balance sheet	**328**	**1,856**

This balance relates to outstanding accruals yet to be transferred to the fund administrators as at the end of the year.

Below is the summary of the results of the actuarial valuation in respect of the bank's liability towards the staff gratuity scheme:

(All amounts in millions of Naira unless otherwise stated)	31 Dec 2018	31 Dec 2017
Defined benefit obligation	7,766	8,033
Plan assets	(10,955)	(9,007)
Net (asset)	**(3,189)**	**(974)**
Reconciliation of Obligation		
At 1 January	8,033	6,406
Current service cost	742	618
Interest cost	1,094	978
Payments	(1,688)	(2,117)
Actuarial losses	(416)	2,149
At 31 December	**7,766**	**8,033**
Reconciliation of Plan Assets		
Balance on 1 January	9,007	8,304
Contributions to the scheme	2,269	1,238
Benefits paid	(1,688)	(2,117)
Return on assets	1,283	1,290
Actuarial gains/(losses)	84	293
At 31 December	**10,955**	**9,007**
Income Statement		
Current service cost	742	618
Interest cost	1,094	978
Return on plan assets	(1,283)	(1,290)
At 31 December	**553**	**306**
Other Comprehensive Income		
Actuarial losses on obligations	416	(2,149)
Actuarial gains on plan assets	84	293
	500	**(1,856)**

The loss on the defined benefit obligation is largely as a result of the following:

Change in economic assumptions;
Higher than expected salaries increases;
Correction to member's static data; and
Demographic experience being different than expected

The above factors contributed to the net actuarial (gain)/loss as follows:

(All amounts in millions of Naira unless otherwise stated)	31 Dec 2018	31 Dec 2017
Change in economic assumptions;	(1,138)	1,333
Change in demographic assumptions;	-	-
Salary Increases	(59)	(55)
New entrants	385	22
Data corrections	0.08	(24)
Demographic Experience	396	872
	(416)	**2,149**

The net actuarial gain on the fair value of plan assets arose as a result of the actual returns on the assets being lower than the calculated expected return on assets.

The assets of the Ecobank Nigeria Limited Staff Gratuity Scheme were invested as follows:

	31 Dec 2018	31 Dec 2017
The assets of the Ecobank Nigeria Limited Staff Gratuity Scheme were invested as follows:		
Cash	58.17%	61.52%
Bonds	41.83%	38.48%
	100%	**100%**

Valuation methodology

Accrued liability

IAS 19 requires that entities should have provided for their post-employment liabilities by the time that the employee and/or their dependants become entitled to receive the post-employment benefits, which is usually the date of withdrawal, retirement or death-in- service.

Under the Projected Unit Credit method, the liability accrues uniformly whilst the member is in service. In this way, the liability may be divided into two parts for each current in-service member:

- the accrued (past service) liability, based on service to date relative to total potential service, and
- the future service liability, which relates to service not yet completed.

Net annual cost

The accrued liability in excess of any plan assets is expected to change each year, as a result of:

- The liability accrual in respect of an additional year of service for in-service members (resulting in the current service cost);
- The unwinding of the discount rate as the discounting period reduces (resulting in the interest cost);
- The interest income on any plan assets (offsetting the interest cost); and
- The employer benefit payments during the year that serve to reduce the liability (since the liability is a provision for future benefit payments).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

As the current service cost is calculated at the beginning of the year, one should allow for one year's interest using the discount rate at the start of the year.

The interest cost on the liabilities and interest income on plan assets are based on the discount rate at the start of the year and are calculated allowing for expected benefit payments during the year.

A gain or loss arises in a particular year as a result of a change in actuarial assumptions and/or a difference between expected experience and actual experience.

Ignoring any gains or losses, the employer's net annual cost is the current service cost plus the interest cost on the liabilities minus the interest income on any plan assets. From the equation above, one can see that this corresponds to the change in the accrued liability in excess of plan assets plus the employer benefit payments.

Assumptions used
Unless stated otherwise, the economic assumptions used in this valuation are based on a standard set of IAS19 economic assumptions determined using the best estimate approach agreed to by the actuaries employed by Alexander Forbes and reviewed on a regular basis to ensure that they are market-related.

IAS19 requires that assumptions be based on market data as at the valuation date. The economic assumptions used in this valuation are therefore based on market information as at 31 December 2018.

	31 Dec 2018	31 Dec 2017
Rate of return on assets	9%	9%
Rate of increase in remuneration	5%	5%
Discount Rate	15.8%	13.8%

Major classes of plan assets
Defined contribution scheme
The Bank and its employees make a joint contribution of 10% and 8% respectively of the basic salary, housing and transport allowance to each employee's retirement savings account maintained with their nominated pension fund administrators.

Gratuity scheme
The Bank has a gratuity scheme for employees who have spent 10 years and above in its employment. There was no outstanding liability as at year end (2017: nil). N2.27 billion was transferred in 2018 (Dec. 2017 N1.24 billion) to the fund administrator, AIICO Pension Managers Limited and Stanbic IBTC Pension Managers Limited. The valuation for the year resulted into a 'Funded' status of N3.19 billion (2017: N0.97 billion) positive position. Management has however established that the Bank does not have unconditional right to the refund of the money and as such, this was not recognized as an asset in the statements of financial position (asset ceiling). The actuarial valuation was carried out by Alexander Forbes Consulting Actuaries Nigeria Limited with Financial Reporting Council number: FRC/2017/NAS/00000016625.

30 Deposits from banks

	31 Dec 2018	31 Dec 2017
Items in course of collection	975	1,038
Other deposits from banks (note 30.1)	166,679	133,443
Current account balances with banks	2,009	2,115
	169,663	**136,596**
Current	169,663	136,596
Non-current	-	-
	169,663	**136,596**

30.1 Inter-affiliate takings

Deposits from banks only include financial instruments classified as liabilities at amortised cost.

Name	Tenor (days)	Rate %	Amount N'million
Ecobank Ghana	30	6.00%	7,319
Ecobank Rwanda	91	5.25%	1,475
Ecobank Mozambique	28	5.00%	548
Ecobank Congo DR	30	6.25%	1,827
Ecobank Zambia	31	4.50%	2,372
Ecobank Uganda	91	6.30%	1,327
Ecobank Ghana	32	5.00%	729
Ecobank Cape Verde	90	5.50%	4,415
Ecobank Tanzania	31	5.00%	729
Ecobank Zambia	31	5.50%	1,822
Ecobank Kenya	30	5.00%	5,828
Ecobank Zambia	78	5.50%	3,669
Ecobank Equitorial Guinea	62	5.50%	730
Ecobank South Sudan	182	5.50%	3,707
Ecobank South Sudan	180	5.50%	5,509
Ecobank South Sudan	358	5.50%	1,850
Ecobank Kenya	90	3.00%	20,935
Ecobank Guinea	14	15.00%	2,533
Ecobank Guinea	2	15.00%	8,264
Ecobank Guinea	2	15.00%	8,264
Ecobank Congo DR	10	15.00%	7,584
Ecobank Congo DR	10	15.00%	7,584
Ecobank Congo DR	17	15.00%	3,306
Ecobank Congo DR	21	15.00%	3,306
Ecobank Congo DR	21	15.00%	3,306
Ecobank Gambia	91	15.00%	2,656
Ecobank South Sudan	182	15.00%	3,874
Ecobank South Sudan	182	15.00%	3,679
Ecobank Transnational Incorporated	91	15.00%	1,588
			120,734

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

Name	Tenor (days)	Rate %	Amount N'million
Interbank takings - offshore banks			
First Abu Dhabi Bank	182	5.86%	5,057
First Abu Dhabi Bank	182	5.86%	4,456
Mashreq Bank	180	5.86%	2,585
Mashreq Bank	180	5.86%	519
ABSA Bank	90	6.00%	5,513
Standard Chartered Bank	177	6.07%	1,631
Standard Chartered Bank	177	6.07%	2,076
First Abu Dhabi Bank	169	6.15%	2,419
First Abu Dhabi Bank	169	6.15%	452
First Abu Dhabi Bank	169	6.15%	623
First Abu Dhabi Bank	169	6.15%	2,740
First Abu Dhabi Bank	169	6.15%	1,095
First Abu Dhabi Bank	169	6.15%	1,095
First Abu Dhabi Bank	169	6.15%	503
Mashreq Bank	92	5.25%	10,983
			41,747
Interbank takings - local banks			
Suntrust Bank Nigeria	58	6.75%	1,825
Suntrust Bank Nigeria	65	6.75%	1,825
Suntrust Bank Nigeria	70	6.75%	548
			4,198
Total interbank takings			**166,679**

31 Dec 2017 Deposits from banks only include financial instruments classified as liabilities at amortised cost.

Name	Tenor (days)	Rate %	Amount
Inter-affiliate takings			
Ecobank Sao Tome	66	4.00%	308
Ecobank Rwanda	90	5.00%	1,225
Ecobank Uganda	30	6.30%	1,104
Ecobank Kenya	181	4.00%	12,917
Ecobank Kenya	181	4.00%	12,917
Ecobank Ghana	90	15.00%	18,016
Ecobank South Sudan	90	15.00%	3,602
Ecobank Gambia	90	15.00%	2,521
Ecobank Transnational International (ETI)	90	15.00%	2,004
Ecobank Transnational International (ETI)	90	15.00%	8,015
Ecobank Transnational International (ETI)	90	15.00%	10,019
Ecobank Transnational International (ETI)	90	15.00%	12,090
			84,737
Interbank takings - offshore banks			
Africa Export-Import Bank	365	7.10%	16,152
Bristish Arab Commercial Bank	90	6.60%	1,551
Bristish Arab Commercial Bank	177	5.70%	3,131
Mashreq Bank	176	7.47%	2,506
Mashreq Bank	176	7.47%	3,123
Mashreq Bank	176	7.47%	1,249
Mashreq Bank	176	7.47%	937
First Abu Dhabi Bank	90	5.19%	110
First Abu Dhabi Bank	90	5.19%	250
First Abu Dhabi Bank	90	5.19%	3,062
First Abu Dhabi Bank	90	5.19%	165
First Abu Dhabi Bank	90	5.19%	606
First Abu Dhabi Bank	90	5.19%	81
First Abu Dhabi Bank	90	5.19%	275
First Abu Dhabi Bank	90	5.19%	919
First Abu Dhabi Bank	90	5.19%	612
FCMB UK	180	6.35%	1,541
Mashreq Bank	180	6.00%	4,768
Mashreq Bank	160	6.00%	1,103
Mashreq Bank	167	6.00%	933
Mashreq Bank	174	6.00%	216
Mashreq Bank	174	6.00%	216
Mashreq Bank	174	6.00%	216
Mashreq Bank	181	6.00%	3,286
			47,008
Interbank takings - local banks			
Keystone Bank	60	6.00%	616
FBN Merchant Bank	90	6.10%	1,082
			1,698
			133,443

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

31. Deposits from customers

Deposits due customers are primarily comprised of swings, deposits, amounts payable on demand, and term deposits

	31 Dec 2018	31 Dec 2017
LCY		
Demand	233,874	249,253
Savings	239,830	223,514
Term	368,068	304,610
	841,772	777,377
Domiciliary (FCY)		
Demand	196,390	125,779
Savings	4,206	2,840
Term	240,805	192,306
	441,401	320,925
	1,283,173	**1,098,302**
Current	1,276,232	1,090,984
Non-current	6,941	7,318
	1,283,173	**1,098,302**

32. Borrowings

	31 Dec 2018	31 Dec 2017
Long term borrowing comprise:		
International Finance Corporation (see note (i) below)	3,220	8,110
Bank of Industry (see note (ii) below)	29,008	36,776
CBN Agric Loan (see note (iii) below)	-	2,950
Subordinated loan (see note (iv) below)	93,190	78,062
A/B Syndicated subordinated term facility (FMO) (see note (v) below)	27,595	23,195
Micro, Small and Medium Enterprises Development Fund (see note (vi) below)	112	147
	153,125	149,240
Short term borrowing comprise:		
African Export-Import Bank (see note (vii) below)	7,703	11,682
	160,828	**160,922**
Current	7,703	11,682
Non-current	153,125	149,240
	160,828	**160,922**
Movement in borrowings		
At 1 January	160,922	176,402
Addition during the year	9,831	20,896
Repayment during the year	(30,813)	(37,228)
Due to variation in foreign exchange rate	21,208	370
Due to amortised cost	(319)	482
At 31 December	**160,828**	**160,922**

The borrowings are carried at amortised costs.The Bank has not had any defaults of principal, interest or other breaches with respect to their liabilities during the year (2017: nil).

Summary of borrowing arrangements

(i) The amount represents Tier II capital loan of $61.03 million granted to the Bank through ETI via a sub-loan from the International Finance Corporation. The facility has a tenure of 8 years with moratorium of 5 years and interest rate is 8.5% above 6-month Libor payable semi - annually

(ii) This represents CBN intervention funds on-lent to some of the Bank's customers in the manufacturing sector through Bank of industry (BOI). The fund is administered at an all-in interest rate of 7% per annum payable on a quarterly basis. The maximum tenor of the facility is 15 years. A total of N6.6 billion bonds held by BOI as collateral. (see note 24).

(iii) This represents CBN intervention funds to some of the Banks customers in the Agricultural sector. The fund is administered at a maximum interest rate of 9% per annum. The maximum tenor of the facility 7 years. The funds has been fully repaid during the year.

(iv) The amount represents Subordinated Tier 2 Note of $250 million Fixed Rate Limited Recourse Participation Notes due 2021. The Note has a tenure of 7 years while interest of 8.5% on the notes will be payable semi-annually in arrear in each year commencing 14 August 2014.

(v) The amount represents syndicated subordinated Tier II capital loan of $75 million granted to the Bank by FMO Entrepreneurial Development Bank. The facility has a tenure of 7 years with moratorium of 5 years and interest rate is 6.5% + LIBOR payable quarterly.

(vi) This represents CBN intervention funds on-lent to some of the Bank's customers in the micro, small and medium sector. The facility have a maximum tenor of one (1) year for micro enterprises and up to five (5) years for SMEs with option of moratorium. The Fund shall be administered at an interest rate of 3% per annum under the wholesale funding to the PFIs with a spread of 6% bringing the lending rate to borrowers at a maximum of 9 % per annum inclusive of all charges.

(vii) The amount represents a short term loan of $42 million facility from African Export-Import Bank. The facility has a tenure of 3 years with maturity of 4 April 2020, interest of 6.0% + LIBOR is payable quarterly while the principal repayment is payable quarterly.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

33. Provision for litigation
This relates to provision made on judgement sums for concluded cases which has not been settled as at year end because they are under appeal.

	31 Dec 2018	31 Dec 2017
Movement in provision for litigation		
At 1 January	5,170	2,182
Increase in provision	-	3,095
Amount paid during the year	(2,808)	-
Provision no longer required	(875)	-
Amount reclassified	(49)	(107)
At 31 December	**1,438**	**5,170**

34. Other liabilities

	31 Dec 2018	31 Dec 2017
Customer deposits for letters of credit	10,523	31,002
Accounts payable	29,363	50,587
Unearned income	572	163
Collection accounts	3	3
Accrued expenses	3,742	3,957
Card settlement accounts	13,044	7,916
Managers' cheques	6,348	6,788
Impairment allowance for off-balance sheet (Note 34.1)	4,059	-
Others	21,736	47,683
	89,389	**148,099**

34.1 Reconciliation of impairment allowance for off-balance sheet

At 1 January		
Day 1 IFRS 9 adjustment	3,202	-
Additional during the year	856	-
At 31 December	**4,059**	**-**

35 Share capital

Authorised		
30,000,000,000 ordinary shares of 50k each	15,000	15,000
Issued and fully paid		
22,912,961,476 (2017: 20,147,544,631) ordinary	**11,457**	**10,074**
Movements during the period:		
At 1 January	10,074	10,074
Issued during the year	1,383	-
At 31 December	**11,457**	**10,074**

During the year ended 31 December 2018, Ecobank Transnational Incorporated made additional capital investment of N19, 357,917,915 for a total of 2,765,416,845 units of shares at a unit cost of N7.00. An amount of N1, 382,708,422.50 was credited to share capital while N17, 975,209,492.50 was credited to share premium accounts. The Board of Directors approved the allotment on the 13 December, 2018. The allotment was registered by the Corporate Affairs Commission (CAC) on 18 February, 2018.

36 Share premium and reserves

	31 Dec 2018	31 Dec 2017
At 1 January	131,928	131,928
At End	17,975	-
At 31 December	**149,903**	**131,928-**

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

Share premium: Premium from the issue of shares are reported in share premium.

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

Statutory reserve: Undistributable earnings required to be kept by the Central Bank in accordance with national law.

SMEISS reserve: Appropriated from retained earnings by regulation for investment in small scale industries.

Revaluation reserve: The revaluation reserve shows the effects from the fair value measurement of equity instruments elected to be presented in other comprehensive income on initial recognition after deduction of deferred taxes. No gains or losses are recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

37 Contingent liabilities and commitments

37.1 Capital commitments

	31 Dec 2018	31 Dec 2017
Authorised and contracted	**1,353**	**1,186**

37.2 Loan commitments, guarantee and other financial facilities
In the normal course of business the Bank is a party to financial instruments with off-balance sheet risk. These instruments are issued to meet the credit and other financial requirements of customers. The estimated maximum exposure in respect of contingent liabilities and commitment granted ar

	31 Dec 2018	31 Dec 2017
Bonds & Guarantees	132,348	145,328
Documentary and commercial letters of credit	173,633	107,263
FX transactions	147,674	328,383
Bankers' acceptance	21	-
Authorised and contracted	**453,676**	**580,974**

37.3 Litigation
The Bank is a party to legal actions arising out of its normal business operations for claims against it totalling N282.95 billion as at 31 December 2018 (2017: N249.6 billion).

The Directors believe that, based on currently available information and advice of counsel, none of the outcomes that result from such proceedings will have a material adverse effect on the financial position of the Bank, either individually or in the aggregate. Consequently, no provision has been made for these legal actions in these financial statements apart from that disclosed in note 33 which relates to provisions made on judgement sums for concluded cases not yet settled as at year end.

38 Related party transactions

38.1 Key management personnel compensation for the year comprises;

	31 Dec 2018	31 Dec 2017
Executive directors:		
Short term employee's benefit	468	295
Defined contribution plan (pension)	24	18
	491	**313**

Directors' emoluments		
Remuneration paid to the Bank's directors was:		
Directors' fees	139	66
Sitting allowances	52	34
Other director expenses	143	96
	333	**196**

Fees and other emoluments disclosed above include amounts paid

	31 Dec 2018	31 Dec 2017
Chairman	37	20
Highest paid director	**37**	**20**

The number of directors who received fees and other emoluments (excluding pension contributions and certain benefit) in the following ranges was:

	31 Dec 2018	31 Dec 2017
N5,000,001 and above	8	5

38.2 Transactions with parents and other affiliates

The parent company of the Bank is Ecobank Transnational Incorporated (ETI) .

The bank maintains business relationships with the parent company and a number of its affiliates for various services rendered to it, as follows:

- Ecobank Transnational Incorporated - Parent - Group Shared Service Agreement
- E-Process, Ghana - Affiliate - Information technology services

Also, a number of banking transactions are entered into with related parties in the normal course of business. These include loans and deposits.

38.3 Loans and advances to related parties

The bank granted various credit facilities to other companies which have common directors with the bank and those that are members of the Bank. The rates and terms agreed are comparable to other facilities being held in the bank's portfolio. Details of these are described below:

Included in loans and advances is an amount of N36.9 billion (2017: N32.2 billion) representing credit facilities to companies in which certain directors and shareholders have interests and personal loans to directors. The balances as at 31 December, 2018 are as follows:

Name of company/individual	Relationship	Facility Type	N'million	Status	Security
Ecobank Development Company Limited	Related to Holding Company	Term Loan	30,955	Performing	Cash
Shoreline Power Company Limited	Common director	Term Loan	4,358	Non-Performing	Charge Over Assets
Costain West Africa Plc	Common director	Work Order	1,322	Non-Performing	All Asset Debenture
Costain West Africa Plc	Common director	Overdraft	288	Non-Performing	All Asset Debenture
Oyedeji Carol Edeinokun	Executive director	Mortgage	50	Performing	Legal mortgage
			36,973		
Off-balance sheet engagements					
Costain West Africa Plc	Common director		1,577	Performing	Legal mortgage
			1,577		

	Key management personnel N'million	Common Directorship N'million
Year ended 31 December 2018		
Loans and advances to customers		
Loans outstanding at 1 January	54	32,166
Loans issued during the year	-	30,955
Net loan repayments	(4)	(26,199)
Loans outstanding at 31 December	**50**	**36,923**
Year ended 31 December 2017		
Loans and advances to customers		
Loans outstanding at 1 January	-	30,256
Loans issued during the year	54	-
Loan repayments during the year	-	1,910
Loans outstanding at 31 December	**54**	**32,166**

The loans issued to directors and other key management personnel (and close family members) during the year of N36.9 billion (2017: N32.2 billion) are repayable monthly/quarterly between one and five years and have variable interest rates. The loans advanced to the directors during the year are collateralised.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

38.4 Due from affiliates and related entities

	31 Dec 2018	31 Dec 2017
Benin	-	0.14
EDC Nigeria	-	0.16
eProcess	8,071	1,289
ETI	1,526	1,338
Ghana	1	-
ESFC	57	-
Paris	4	-
	9,659	**2,628**

38.5 Due to affiliates and related entities

Benin	12	5
Burkina Faso	0.3	0
Cameroon	1	-
Congo DR	-	1
Cote d'Ivoire	1	69
EDC	3	-
eProcess	12,411	9,159
ETI	346	6,459
Gambia	24	18
Ghana	-	1
Kenya	14	-
Liberia	1	-
Malawi	2	-
Mali	2	-
Niger	2	-
Oceanic Capital	12	12
Paris	17	14
Senegal	1	2
	12,851	**15,738**

39 Employees
The average number of persons employed by the Bank during the period was as follows:

	31 Dec 2018	31 Dec 2017
Executive directors	5	5
Management	227	239
Non-management	3,764	3,807
	3,996	**4,051**

Compensation for the above staff:

Executive directors	491	313
Other staff (excluding executive directors)	34,113	36,643
	34,604	**36,956**

The number of employees of the Bank, other than directors, who received emoluments in the following ranges (excluding pension contributions) were:

	31 Dec 2018	31 Dec 2017
Less than N1,000,001	1	1
N1,000,001 - N2,000,000	225	129
N2,000,001 - N3,000,000	517	540
N3,000,001 - N4,000,000	552	468
N4,000,001 - N5,000,000	267	237
N5,000,001 - N6,000,000	444	524
N6,000,001 - N8,000,000	944	1,256
N8,000,001 - N10,000,000	497	427
N10,000,001 and above	544	464
	3,991	**4,046**

In accordance with the provisions of the Pensions Reform Act 2004, the Bank commenced a contributory pension scheme in January 2005. The contribution by employees and the bank are 7.5% and 7.5% respectively. However, with the provisions of the Pensions Reform Act 2014 Amended, the contribution by employees and the bank are 8% and 10% respectively of the employees' basic salary, housing and transport allowances. The contribution by the Bank during the year was N1.1 billion (2017: N2.1 billion).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

40 Compliance with banking regulations

The Bank contravened the following banking legislations and provisions during the year:

Banking legislation	Nature of Contravention	Penalties	
		31 Dec 2018	31 Dec 2017
Section 60 (1) of BOFIA 1991 Amended	Penalty for multiple accounts linked to single BVNs and failing to discharge the penalty within stipulated timeframe	-	42
Section 60 (1) of BOFIA 1991 Amended	Penalty for late payment of 1% interest in respect of Bankers' Committee in the matter of Keystone Bank.	-	1
Section 60 (1) of BOFIA 1991 Amended	Non-compliance with CBN AML/CFT regulatory guidelines	6	-
Section 60 (1) of BOFIA 1991 Amended	Penalty for Risk Assessment Examination	-	10
Section 60 (1) of BOFIA 1991 Amended	Contravention of CBN guideline on liberalization of interbank FX market	-	9
Section 60 (1) of BOFIA 1991 Amended	Penalty for contravention of the CBN regulation on the scope of banking activities & ancillary matters in respect of loan sale transaction	4	-
Section 64 (1) of BOFIA 2004 Amended	Penalty for contravention of approved card dispute guidelines	2	-
Section 60 (1) of BOFIA 1991 Amended	Penalty for breach of regulations on the risk assessment examination of 31 December 2017	6	2
Section 60 (1) of BOFIA 1991 Amended	Penalty for contravention of guidelines on executing, drawdown and disclosure of term loan facility from Afrexim	-	6
Section 60 (1) of BOFIA 1991 Amended	Contravention of CBN directive on Special Interbank Foreign Exchange Sectorial Forward	-	2
Section 60 (1) of BOFIA 1991 Amended	Penalty for failure to notify Trade and Exchange Department of receipt and drawdown of $250m Eurobond and $75m FMO facility	-	4
Section 64 (1) of BOFIA 2004 Amended	Penalty for breach of single obligor limit	2	-
Section 25 (2) of BOFIA 1991 Amended	Penalty for leasing property without CBN approval	2	-
Section 60 (1) of BOFIA 1991 Amended	Contravention of rules and regulations on foreign exchange examination	-	8
Section 25 (2) of BOFIA 1991 Amended	Sanction for non-repatriation of export proceeds	-	2
Section 60 (1) of BOFIA 1991 Amended	Penalty for contravening CBN guidelines on operations of electronic payment channels	2	-
Section 20 (2) of BOFIA 1991 Amended	Penalty for constructing a new branch without prior approval of CBN	2	-
Section 60 (1) of BOFIA 1991 Amended	Failure to fully resolve issues raised in management letter of external auditors	2	-
Section 60 (1) of BOFIA 1991 Amended	Contravention by ETI in the announcement of 2016 Financial result	-	2
		28	**88**

41 Divisional analysis

The Bank's operations by major business divisions during the year are summarised below:

(i) Consumer banking - provides banking services and retail solutions to personal consumers.

(ii) Commercial - provides banking services to governments, small and medium scale enterprises and local companies.

(iii) Corporate and investment banking - provides a broad range of financial solutions to multinationals, regional companies, state-owned companies, non-governmental organisations, international and multinational organisations and financial institutions, treasury, investment banking, and asset management businesses which focus on financial markets and investors.

At 31 December 2018	CIB	Consumer	Commercial	Others	Total
Net interest income	105,333	(17,883)	(1,254)	-	86,196
Net fees and commission income	1,584	9,105	2,548	-	13,237
Other income	33,229	2,543	1,530	2,747	40,049
Operating income	140,146	(6,235)	2,824	2,747	139,482
Impairment on loan and advances and others assets	(24,184)	(495)	(2,680)	-	(27,360)
Staff expenses	(11,719)	(13,053)	(9,832)	-	(34,604)
Depreciation and Amortisation	(2,824)	(1,898)	(2,172)	-	(6,894)
Others operating expenses	(16,949)	(17,832)	(8,323)	-	(43,103)
Operating profit	**84,470**	**(39,513)**	**(20,183)**	**2,747**	**27,521**
Income tax	-	-	-		(366)
Total income	**84,470**	**(39,513)**	**(20,183)**	**2,747**	**27,155**

At 31 December 2017	CIB	Consumer	Commercial	Others	Total
Net interest income	57,593	28,729	19,055	11,183	116,561
Net fees and commission income	3,678	8,650	2,854	(4,670)	10,512
Other income	23,582	2,835	2,721	9,190	38,328
Operating income	84,853	40,214	24,630	15,704	165,401
Impairment on loan and advances and others assets	(32,477)	(2,839)	(18,102)	(6,483)	(59,900)
Staff expenses	(11,369)	(14,173)	(11,414)	-	(36,956)
Deprecitation and Amortisation	(2,125)	(2,482)	(2,143)	-	(6,750)
Others operating expenses	(15,755)	(16,574)	(9,054)	-	(41,382)
Operating profit	**23,126**	**4,147**	**(16,083)**	**9,221**	**20,411**
Income tax	-	-	-	-	(207)
Total income	**23,126**	**4,147**	**(16,083)**	**9,221**	**20,204**

STATEMENT OF PRUDENTIAL ADJUSTMENTS
For the year ended 31 December 2018

Statement of prudential Adjustments
Reconciliation of IFRS and CBN recommended provision as at 31 December 2018

	Reference	Total
a. Loans and advances		
Provision per CBN Prudential Guidelines		124,092
Expected credit loss per IFRS 9	(Note 18)	84 071
Amount transferred to Regulatory Reserves		**40,021**
b. Provision for Other Known Losses		
Provision for Other Known Losses - CBN		12 405
Provision for Other Known Losses - IFRS		
- Impairment on other assets	(Note 27)	8 484
- Provision on litigation	(Note 32)	1 438
		9 922
Amount transferred to Regulatory Reserves		**2 484**
c. Provision for Off-Balance sheet engagements		
Provision for off-balance sheet - CBN		4 148
Expected credit loss per IFRS 9	(Note 34.1)	4,045
Amount transferred to Regulatory Reserves		**89**

d. Movement in Regulatory Reserve

	Loans and advances	Other known losses	Off-balance sheet	Total
Balance as at 1 January, 2018	34,341	81	-	34,422
Day 1 IFRS 9 adjustment	(34,341)	(81)	-	(34,422)
Transfer during the year	40,021	2,483	89	42,593
Balance as at 31 December, 2018	**40,021**	**2,483**	**89**	**42,593**
Balance as at 1 January, 2017	2,558	-		2,558
Transfer during the year	31,783	81		31,864
Balance as at 31 December, 2017	**34,341**	**81**		**34,422**

Independent Auditor's Report To the Shareholders of Ecobank Nigeria Limited

Opinion

We have audited the financial statements of Ecobank Nigeria Limited, which comprise the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly in all material respects the financial position of Ecobank Nigeria Limited as at 31 December 2017, and the financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS), the Companies and Allied Matters Act Cap C20 LFN 2004, Banks and Other Financial Institutions Act Cap B3 LFN 2004 and the Financial Reporting Council of Nigeria Act, 2011.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the requirements of the Institute of Chartered Accountants of Nigeria Professional Code of Conduct and Guide for Accountants (ICAN Code) and other independence requirements applicable to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the ICAN Code and in accordance with other ethical requirements applicable to performing audits in Nigeria. The ICAN Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters below relate to the audit of Ecobank Nigeria Limited's financial statements.

Independent Auditor's Report
To the Shareholders of Ecobank Nigeria Limited

Key Audit Matter	How the matter was addressed in the audit
Loan loss impairment	
Loans and advances make up a significant portion of the total assets of Ecobank Nigeria Limited with the total risk assets portfolio of N918billion representing about 50% of the Bank's total assets. The total amount of impairment on loans and advances charged in the Statement of Profit or Loss for the year is N81.0 billion as stated in note 8. The basis of the provisions is summarised in the accounting policies in the financial statements. Ecobank Nigeria Limited's impairment model addresses the two categories of impairments being specific and collective impairments (with a sub-part addressing IBNR allowance). The Bank determines collective impairment charges on loans and advances that are not specifically impaired in accordance with the requirement of IAS 39–Financial Instruments: Recognition and Measurement. The impairment model uses logic and assumptions in determining the fair value of credit risk i.e. Probability of Default (PD), Loss Given Default (LGD), Emergence period (EP), Exposure at Default (EAD). Certain loans are further assessed for specific impairment. Specific impairment is calculated on significant loans that have been assessed and determined to be individually impaired and these loans are not collectively assessed for impairment. Because of the significance of these estimates, judgments and the size of loans and advances portfolio, economic conditions experienced in Nigeria during the year which affected the performance of loans and advances portfolio, the audit of loan impairment is considered a key audit matter.	Our audit procedures to assess the loan loss impairment included the following: 1. Obtained an understanding of the controls put in place by the management to identify impaired loans and provisions against those assets and determined whether these controls have been appropriately designed and implemented. We also involved our internal credit specialists in the review of the quality and reliability of the data and assessment of the overall compliance of the model to the requirements of the IAS 39. Other related testing include: • System-based and manual controls over the timely recognition of impaired loans and advances; • Controls over the impairment calculation models including data inputs; • Controls over collateral valuation estimates; and • Governance controls, including review of minutes of meetings of Board Credit Committee that form part of the approval process for loan impairment and assessing management's analysis/review. 2. We tested samples of loans and advances (including loans that had not been identified by management as potentially impaired) to form our own assessment as to whether impairment events had occurred and to assess whether impairments had been identified in a timely manner. We challenged management's judgment and we increased the focus on loans that were not reported as being impaired in sectors that are currently experiencing difficult economic and market conditions, such as the oil and gas sector. 3. For the collective impairment model used by the Bank, we subjected the data used in the models to test as well as assessing the model's methodology. We involved our credit risk specialists who assessed whether the modelling assumptions used considered all relevant risks, and assessed whether the additional adjustments to reflect un-modelled risks were reasonable in the light of historical experience, economic climate, current operational processes and the circumstances of the customers as well as our own knowledge of practices used by other similar banks. We also tested the extraction from underlying systems of historical data used in the models.

Key Audit Matter	How the matter was addressed in the audit
Loan loss impairment (continued)	
	4. For individually assessed loans, we selected samples of loans for review of their performance status. Where we deemed them to be impaired, we tested the estimates of the realization of collaterals held. This work involved assessing the work performed by external experts used by the bank to value the collaterals. Where we determined that a more appropriate assumption or input in impairment measurement could be made, we recalculated the impairment loss allowance on that basis and compared the results in order to assess whether there was any indication of error or management bias. Based on our review, we found that the bank's impairment methodology, including the model, assumptions and key inputs used by management to estimate the amount of loan impairment losses were comparable with historical performance, and prevailing economic situations and that the estimated loan loss impairment determined was appropriate in the

Independent Auditor's Report To the Shareholders of Ecobank Nigeria Limited

Key Audit Matter	How the matter was addressed in the audit
Valuation of derivative financial instruments	
The bank has derivative transactions with counterparties. These consist deliverable and non-deliverable FX forward contracts and cash/currency swaps. Valuation of Derivative contract at every reporting date is performed by the Market Risk unit of the bank. The bank carries out the valuation of the FX forward and swap contracts using Discounted cashflow technique which deals mainly with cash inflow and outflows at periods different from the valuation date. The information on NITTY (NGN/USD) rates used for discounting are sourced from FMDQ data resource center, while the USD/EUR and USD/GDP are obtained from Bloomberg. Interpolations are done on the bid and offer rates and these are averaged to determine the mid-rates at directly observable dates. Given the judgments and complexities involved in the determination of the valuation parameters especially the discount rates where they are not obtainable in quoted markets, the method of discounting (daily/exponential), incorporating the probability of default in the valuation which is measured by credit and debit valuation adjustment etc., we considered the valuation of Derivative financial instruments a key matter.	We focused our attention on auditing the valuation of Derivative instruments by looking specifically into the valuation model, inputs and key assumptions made by management. Our audit procedures included: •Evaluating the operating effectiveness of controls over generation of key inputs that went into the valuation model. • Obtaining direct confirmation of the existence of the instruments from the counterparties. • Evaluated whether the model used by management to calculate the fair value of the Derivative instruments comply with the requirements of IAS 39, Financial Instruments – Recognition and Measurement and IFRS 13, Fair value measurements. • Involved Deloitte Valuation specialists to review the appropriateness of valuation models, assumptions and inputs therein. • Involved Deloitte Valuation specialists to review and develop independent estimates of the fair values of Derivative financial instruments using proprietary models that are considered to be consistent with existing practices and are appropriate in the circumstances given the specific nature of the instruments valued. Based on our review, we concluded that with management estimates and assumptions in determining the fair value of derivatives as disclosed in the bank's financial statements appears reasonable. Furthermore, we concluded that the derivative instruments were appropriately recognised and the related disclosures were appropriate and in compliance with the accounting standards.

Other Information

The directors are responsible for the other information. The other information comprises the Chairman's Statement, Directors' Report, Audit Committee's Report, Corporate Governance report, Sustainability report, Internal Control and Risk Management systems report and the Company Secretary's Report, which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, if we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act CAP C20 LFN 2004, Banks and Other Financial Institutions Act Cap B3 LFN 2004, Financial Reporting Council Act, 2011 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process

Independent Auditor's Report To the Shareholders of Ecobank Nigeria Limited

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee and Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee and Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee and Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the benefits derivable by the public from such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the Sixth Schedule of Companies and Allied Matters Act CAP C20 LFN 2004 we expressly state that:

i) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.

ii) The Bank has kept proper books of account, so far as appears from our examination of those books.

iii) The Bank's financial position and its statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.

• The Bank has complied with the requirements of the relevant circulars issued by Central Bank of Nigeria

• In accordance with circular BSD/1/2004 issued by the Central Bank of Nigeria, details of insider-related credits are as disclosed in note 37.

During the year the bank contravened certain sections of CBN circulars/guidelines, the details of the contravention and the related penalties are as disclosed in Note 39 to the financial statements.

For: Deloitte & Touche
Chartered Accountants
Lagos, Nigeria
19 March 2018

Engagement Partner: Joshua Ojo FCA
FRC/2013/ICAN/00000000849

Statement Of Profit Or Loss And Other Comprehensive Income

(All amounts in millions of Naira unless otherwise stated)	Note	31-Dec-17 N'million	31-Dec-16 N'million
Gross revenue		**251,061**	**259,584**
Interest income	3	190,337	189,864
Interest expense	4	(73,777)	(65,869)
Net interest income		**116,560**	**123,995**
Fee and commission income	5	22,396	27,106
Fee and commission expense		(11,884)	(10,942)
Net fee and commision income		**10,512**	**16,164**
Net gains/(losses) from financial instruments at fair value	6	99	199
Other operating income	7	38,229	42,415
Net operating income before impairment charge for losses		**165,400**	**182,773**
Impairment charge for losses	8	(59,901)	(82,783)
Net operating income after impairment charge for losses		**105,499**	**99,990**
Employee benefit expense	9	(36,956)	(37,822)
General and administrative expense	10	(28,129)	(27,263)
Depreciation and amortisation	11	(6,750)	(6,055)
Other operating expenses	12	(13,253)	(23,008)
Profit before tax		**20,411**	**5,842**
Income tax	13	(207)	(62)
Profit for the year		**20,204**	**5,780**
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit obligations	14	(1,299)	(27)
Items that may be reclassified subsequently to profit or loss:			
Net fair value (loss)/gain on available for sale financial assets	14	27,649	(12,766)
Other comprehensive (income/(loss) for the year, net of tax		26,350	(12,793)
Total comprehensive (income/(loss) for the year		**46,554**	**(7,013)**
Profit attributable to:			
Owners of the parent		20,204	5,780
Total comprehensive income attributable to:			
Owners of the parent		46,554	(7,013)
Earnings per share for profit attributable to owners of the parent			
Basic and diluted	15	100k	29k

Statement Of Financial Position

(All amounts in millions of Naira unless otherwise stated)	Note	31-Dec 2017 N'million	31-Dec 2016 N'million
ASSETS			
Cash and balances with Central Bank	16	133,494	133,904
Balances with other banks and financial institutions	17	257,237	205,550
Loans and advances to customers	18	831,573	869,872
Financial assets held for trading	19	34,452	20,334
Derivative financial assets	20	8,956	20,802
Investment Securities: available-for-sale	21	321,644	246,752
Loans and receivables	22	27,722	30,209
Pledged assets	23	91,360	158,053
Property, plant and equipment	24	79,024	77,447
Intangible assets	25	1,419	1,147
Deferred tax asset	26	12,312	11,756
Other assets	27	30,568	32,677
Total assets		**1,829,761**	**1,808,503**
LIABILITIES			
Deposits from banks	29	136,596	154,796
Deposits from customers	30	1,098,302	1,125,868
Derivative financial liabilities	20	6,816	6,810
Borrowings	31	160,922	176,402
Retirement benefit liability	28	1,856	38
Provision for litigation	13	4,671	4,526
Current income tax liability	32	5,170	2,182
Other liabilities	33	148,099	117,106
Total liabilities		**1,562,432**	**1,587,728**
EQUITY			
Share capital	34	10,074	10,074
Share premium	35	131,928	131,928
Retained earnings		31,680	46,658
Other reserves		93,647	32,115
Total equity		**267,329**	**220,775**
Total equity and liabilities		**1,829,761**	**1,808,503**

These financial statements were approved by the Board of Directors and authorized for issue on 1 February, 2018 and signed on its behalf by:

John Aboh
Chairman
FRC/2015/IODN/00000013168

Charles Kie
Managing Director
FRC/2016/IODN/00000014128

Abiola Aderinola
Ag. Chief Financial Officer
FRC/2018/ICAN/0000017827

This notes to the financial statements form an integral part of these financial statements.

Statement Of Changes In Equity

(All amounts in millions of Naira unless otherwise stated	Share capital	Share premium	Retained earnings	Statutory reserve	SMIEIS/ AGSMEIS reserves	Capital reserve	Fair value/ other reserves	Regulatory reserve	Total
At 1 January 2016	**10,074**	**131,928**	**37,150**	**16,751**	**1,150**	**7,218**	**16,363**	**7,153**	**227,787**
Total comprehensive income for the year:									
Profit for the year	-	-	5,780	-	-	-	-	-	5,780
Other comprehensive income, net of tax									
Remeasurement of defined benefit obligation	-	-	-	-	-	-	(27)	-	(27)
Loss arising during the year on AFS securities	-	-	-	-	-	-	(12,766)	-	(12,766)
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**(12,793)**	**-**	**(12,793)**
Total comprehensive income	**-**	**-**	**5,780**	**-**	**-**	**-**	**(12,793)**	**-**	**(12,793)**
Appropriation	-	-	-	-	-	-	-	-	-
Transfer from regulatory reserves	-	-	4,595		-	-	-	(4,595)	-
Transfer to statutory reserves	-	-	(867)	867	-	-	-	-	-
			3,728	867				(4,595)	
At 31 December 2016 / 1 January 2017	**10,074**	**131,928**	**46,658**	**17,618**	**1,150**	**7,218**	**3,570**	**2,558**	**220,775**
Total comprehensive income for the year:									
Profit for the year	-	-	20,204	-	-	-	-	-	20,204
Other comprehensive income, net of tax									
Remeasurement of defined benefit obligation	-	-	-	-	-	-	(1,299)	-	(1,299)
Gain arising during the year on AFS securities	-	-	-	-	-	-	27,649	-	27,649
Total other comprehensive income	-	-	-	-	-	-	26,350	-	26,350
Total comprehensive income	**-**	**-**	**20,204**	**-**	**-**	**-**	**26,350**	**-**	**46,554**
Appropriation	-	-	-	-		-	-	-	-
Transfer from regulatory reserves	-	-	(31,864)	-	-	-	-	31,864	-
Transfer to statutory reserves	-	-	(3,031)	(3,031)	-	-	-	-	-
Transfer to AGSMEIS reserves	-	-	(289)	-	289	-	-	-	-
	-	-	(35,183)	3,031	289	-	-	31,864	-
At 31 December 2017	**10,074**	**131,928**	**31,680**	**20,649**	**1,439**	**7,218**	**29,920**	**34,422**	**267,329**

Statement Of Cashflows

(All amounts in millions of Naira unless otherwise stated)	Note	31-Dec-17 N'million	31-Dec-16 N'million
Cash flows from operating activities Profit after tax		20,204	5,780
Adjustments:			
Impairment charges		59,485	84,277
Bad loans written off	8	598	169
Losses from valuation	6	(99)	(199)
Impairment allowance no longer required - other assets	27	-	(341)
Depreciation	11	5,858	5,329
Amortisation of intangible assets	11	892	726
impairment losses on other assets	8	55	1,757
Profit from sale of property and equipment	7	(95)	(213)
Gains on disposal of investments	7	-	(1,715)
Fixed assets written off		-	20
Retirement benefit expense		1,000	2,582
Foreign exchange gain	7	(36,970)	(39,280)
Interest paid on long term borrowings	4	11,594	6,869
Net interest income		(116,561)	(123,994)
Dividend income		(1,069)	(827)
Tax expense		204	62
Capital gain tax		3	-
Deferred tax income	13	-	-
		(54,901)	**(58,998)**
Movement in assets and liabilities			
Cash reserve balance		(51,687)	(33,723)
Interest received		189,862	189,864
Interest paid		(87,251)	(65,869)
Loans and advances to customers		(21,609)	(136,969)
Financial assets held for trading		(14,529)	12,197
Derivatives financial assets		11,846	(13,609)
Investment securities - available-for-sale-investments		(46,062)	55,888
Loans and receivables		2,457	11,351
Pledged assets		66,693	(6,768)
Other assets		160	(5,739)
Deposit from banks		(5,632)	62,207
Deposit from customers		(26,661)	(91,704)
Derivatives financial liabilities		37,303	45,824
Provision for litigation		2,989	548
Other liabilities		31,905	35,460
Cash generated from operations		**34,883**	**(40)**
Payment on acturial obligations		(1,038)	(2,741)
Value added tax paid		(806)	(959)
Tax paid		(62)	(200)
Net cash from operating activities		**32,977**	**(3,940)**
Cash flows from investing activities			
Dividend received		1,069	827
Purchase of intangible assets		(1,164)	(372)
Purchase of property and equipment	24	(6,883)	(26,319)
Proceeds from sale of investments		-	2,295
Proceeds from sale of property and equipment		1,334	330
Purchase of investments		(289)	-
Net cash used in investing activities		**(5,933)**	**(23,239)**

Statement Of Cashflows

(All amounts in millions of Naira unless otherwise stated)	Note	31-Dec-17 N'million	31-Dec-16 N'million
Cash flows from financing activities			
Borrowings		(16,674)	9,330
Interest paid on long term borrowings		(10,780)	(6,869)
Net cash (used in)/generated from financing activities		**(27,454)**	**2,461**
Increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of year		133,904	158,622
Net cash from operating activities		32,977	(3,940)
Net cash from investing activities		(5,933)	(23,239)
Net cash from financing activities		(27,454)	2,461
Cash and cash equivalents at end of year	16.1	**133,494**	**133,904**

Notes to the financial statements

For the year ended 31 December 2017

1. General Information

Ecobank Nigeria (hereinafter referred to as «the Bank») was incorporated as a public limited liability company on 7 October 1986, and was granted banking licence on 24 April 1989. The Bank was listed on the Nigerian Stock Exchange by introduction between 24 April, 2006 and remained listed until 31 December 2011. On 30 December 2011, by a Federal High Court Sanction of a Scheme of Arrangement, Ecobank Transnational Incorporated (ETI), Lome, incorporated in the Republic of Togo which prior to that date held 85.1% equity shares in the Bank, became beneficial owner of 100% shareholding in the Bank. The Bank is now a fully owned subsidiary of ETI and has been re-registered as a private limited liability company at the Corporate Affairs Commission, Abuja.

ETI acquired 100% interest in Oceanic Bank on 28 October 2011 through the issue of shares to AMCON and the shareholders of Oceanic Bank. Oceanic Bank was delisted on the Nigerian Stock Exchange (NSE) on that date and became a limited liability entity. By reason of the cancellation of minority shareholding in Ecobank Nigeria on 28 October 2011, ETI acquired 100% holding in Ecobank Nigeria. As a result of common control in both Ecobank Nigeria and Oceanic Bank Limited, ETI decided to merge the two operations. The effective date of business combination is 1 November 2011

The address of its registered office is as follows:

Plot 21, Ahmadu Bello Way,
P.O. Box 72688,
Victoria Island
Lagos, Nigeria»

The principal activity of the Bank is commercial banking which includes commercial, consumer, corporate and investment banking services. The Bank operates under a commercial banking license with National Banking status in line with the Central Bank of Nigeria's present Banking model.

Summary of significant accounting policies

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

2.1 Basis of presentation

The Bank's financial statements for the year 2017 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Additional information required by national regulations is included where appropriate.

For better understanding, certain disclosures and some prior year figures have been presented in line with current year figures. Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

2.1.2 Statement of Compliance with International Financial Reporting Standards

The financial statements comprise the statement of profit or loss and other comprehensive income showing as one statement, the statement of financial position, the statement of changes in equity, the statement of cash flow and other explanatory notes to the financial statements.

2.1.3 Functional and presentation currency

The financial statements have been prepared under the historical cost convention, except for the fair value for financial instruments. Except where indicated, financial information presented in Naira has been rounded to the nearest million.

2.1.4 Basis of measurement

The financial statements have been prepared on a historical cost basis except for the following:

- Available for sale (AFS) financial instruments are measured at fair value. However, when the fair value of the Available-for-sale financial assets cannot be measured reliably, they are measured at cost less impairment.

- Derivative financial instruments are measured at fair value.

- Non-derivative financial instruments at fair value through profit or loss are measured at fair value.

- Financial assets and liabilities held for trading are measured at fair value.

- Loans and receivables are measured at amortised cost.

- Assets and Liabilities held to maturity are measured at amortised cost.

2.1.5 Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. 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

Notes to the financial statements

For the year ended 31 December 2017

in which the estimate is revised and in any future periods affected. Information about significant areas of estimation, uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 2.27.

2.1.6 New and revised IFRSs/IFRICs affecting amounts reported and/or disclosures in these financial statements

In the current year, the Bank has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2017.

I) Amendments to IAS 12 - Income Taxes:

The IASB issued the amendments to IAS 12 Income Taxes to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments are intended to remove existing divergence in practice in recognising deferred tax assets for unrealised losses. The amendment does not impact the bank.

II) Amendments to IAS 7 - Statement of Cash Flows:

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The amendments are intended to provide information to help investors better understand changes in an entity's debt. The amendment results in additional disclosures being made by the Bank in its financial statements.

III) Amendments to IFRS 12 - Disclosure of Interests in Other Entities:

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendment has been adopted by the bank.

(b) New standards and interpretations not yet adopted

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

I) IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS9 Financial Instruments that replaces IAS39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS9. IFRS9 brings together all three aspects of the accounting for the financial instruments project: classification and measurement; impairment; and hedge accounting. IFRS9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Bank's project for the adoption of the new standard remains on track. Based on the preliminary impact assessment performed by the Bank in 2017 and the work completed to date, the Bank expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9. This may however be subject to changes arising from further detailed analyses or further regulatory guidance issued in the course of 2018. Overall, the Bank expects a higher loss allowance resulting in a negative impact on equity. Further disclosures will be made in the half year 2018 financial statements.

Classification and measurement

IFRS 9 replaces the multiple classification and measurement models in IAS 39 with a single model that has only three classification categories: amortised cost, fair value through OCI and fair value through profit or loss. It includes the guidance on accounting for and presentation of financial liabilities and derecognition of financial instruments which was previously in IAS 39. Furthermore, for non-derivative financial liabilities designated at fair value through profit or loss, it requires that the credit risk component of fair value gains and losses be separated and included in OCI rather than in the income statement.

The Bank does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of

Notes to the financial statements

For the year ended 31 December 2017

IFRS 9.

Impairment
IFRS 9 also requires that credit losses expected at the balance sheet date (rather than only losses incurred in the year) on loans, debt securities and loan commitments not held at fair value through profit or loss be reflected in impairment allowances. The bank is in the process of quantifying the impact of this change, it is however expected to lead to an increased impairment charge than recognised under IAS39. The estimated impact on retained earnings on Day 1 (1st January 2018) due to the application of the new IFRS 9 expected loss impairment methodology range between N5 and N15 billion. This estimate and the new accounting policies on IFRS 9 are subject to change until the Bank presents its first financial statements that include the date of initial application.

Hedge accounting
The Bank believes that all existing hedge relationships that are currently designated in effective hedging relationships will still qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, the Bank does not expect a significant impact as a result of applying IFRS 9. The Bank is assessing possible changes related to the accounting for the time value of options, forward points or the currency basis spread in more detail in the future.

II) IFRS 15 Revenue from Contracts with Customers:
In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 defines principles for recognising revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g., IFRS 9, and IFRS 16 Leases). Revenue under IFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard also specifies a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and the corresponding cash flows with customers. The Bank does not anticipate early adopting IFRS 15 and impact is not expected to be material.

III) Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of the amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Bank will apply these amendments when they become effective.

IV) IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2
The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Bank is assessing the potential effect of the amendments on its consolidated financial statements.

V) IFRS 16 Leases
IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease

Notes to the financial statements

For the year ended 31 December 2017

payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2018, the Bank plans to assess the potential effect of IFRS 16 on its financial statements.

VI) IAS 7 – Statement of Cash Flows

Effective 1 January 2017. Amends IAS 7 to include disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment specifies that the following changes arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

VII) IAS 40 – Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date.

Retrospective application in accordance with IAS8 is only permitted if that is possible without the use of hindsight. Early application of the amendments is permitted and must be disclosed. The amendments will eliminate diversity in practice.

The impact of this standard is currently being assessed

VIII)IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The amendments are intended to eliminate diversity in practice, when recognising the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration received or paid in foreign currency. The impact of this standard is currently being assessed.

IX) Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)

The amendments clarify that an entity applies IFRS9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The amendments are effective for periods beginning on or after 1January2019. Earlier application is permitted. This will enable entities to apply the amendments together with IFRS9 if they wish so but leaves other entities the additional implementation time they had asked for. The amendments are to be applied retrospectively but they provide transition requirements similar to those in IFRS9 for entities that apply the amendments after they first apply IFRS9. They also include relief from restating prior periods for entities electing, in accordance with IFRS 4 Insurance Contracts, to apply the

Notes to the financial statements

For the year ended 31 December 2017

temporary exemption from IFRS 9. Full retrospective application is permitted if that is possible without the use of hindsight.

X) IFRIC 23 Uncertainty over Income Tax Treatment

The interpretation sets out how to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty over income tax treatments under IAS 12 Income Taxes. The Interpretation requires an entity to: determine whether uncertain tax positions are assessed separately or as a group; and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings: If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. If no, the entity should reflect the effect of uncertainty in determining its accounting tax position. Effective date: annual periods beginning on or after 1 January 2019. Entities can apply the Interpretation either on a fully retrospective or modified retrospective approach (where comparatives are not permitted or required to be restated).

XI) IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cashflows. IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021. The impact of this standard is currently being assessed.

2.2 Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with the IFRS requires the use of certain critical estimates. It also requires management to exercise its judgments in the process of applying the Bank's accounting policies.

The following estimates and judgments in note 2.28 are considered key significant judgments and in the preparation of these financial statements.

- Loan loss provisioning
- Fair value of financial instruments
- Taxation

The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

2.3 Going concern

The bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

2.4 Presentation of financial statements

The bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current). Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the bank.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates («the functional currency»).

The financial statements are presented in Naira and figures are stated in millions of Naira, which is the Bank's presentation currency.

(b) Transactions and balances

Foreign currency transactions that are denominated, or that require settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. If several exchange rates are

Notes to the financial statements

For the year ended 31 December 2017

available, the rate to be used is the rate at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; nonmonetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Changes in the fair value of monetary assets denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount, are recognised in other comprehensive income.

Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as available-for-sale financial assets, are included in other comprehensive income.

2.6 Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in deposits from banks or deposits from 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. Securities lent to counterparties are also retained in the financial statements.

2.7 Financial assets and liabilities

All financial assets and liabilities – which include derivative financial instruments – have to be recognized in the statement of financial position and measured in accordance with their assigned category.

A) Initial recognition and measurement

The Bank uses trade date accounting for regular way contracts when recording financial asset transactions. Financial instruments at fair value through profit or loss are initially recognised at fair value while transaction costs, which are directly attributable to the acquisition or issue of the financial instruments, are recognised immediately through profit or loss. Financial instruments that are not carried at fair value through profit or loss are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

The Bank does not currently apply hedge accounting.

B) Subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost depending on their classification.

C) Classification and related measurement

Management determines the classification of its financial instruments at initial recognition. Reclassification of financial assets are permitted in certain instances as discussed below:

2.7.1 Financial assets

The Bank classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale financial assets. The directors determine the classification of its financial assets at initial recognition. The Bank uses trade date accounting for regular way contracts when recording financial asset transactions.

(a) Financial assets at fair value through profit or loss

This category comprises two sub-categories: financial assets classified as held for trading, and financial assets designated by the Bank as at fair value through profit or loss upon initial recognition.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

The Bank designates certain financial assets upon initial recognition as at fair value through profit or loss (fair value option). This designation cannot subsequently be changed and can only be applied

Notes to the financial statements

For the year ended 31 December 2017

when the following conditions are met:

- the application of the fair value option reduces or eliminates an accounting mismatch that would otherwise arise or

- the financial assets are part of a portfolio of financial instruments which is risk managed and reported to senior management on a fair value basis or

- the financial assets consist of debt host and an embedded derivatives that must be separated.

Financial instruments included in this category are recognised initially at fair value; transaction costs are taken directly to profit or loss. Gains and losses arising from changes in fair value are included directly in profit or loss and are reported as 'Net gains/(losses) on financial instruments classified as held for trading'. Interest income and expense and dividend income and expenses on financial assets held for trading are included in 'Net interest income' or 'Dividend income', respectively. Fair value changes relating to financial assets designated at fair value through profit or loss are recognised in 'Net gains on financial instruments designated at fair value through profit or loss'.

(b) Loans and receivables

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

(a) those that the Bank intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;

(b) those that the Bank upon initial recognition designates as available for sale; or

(c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognized at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortized cost using the effective interest rate method. Loans and receivables are reported in the statement of financial position as loans and advances to banks or customers or as investment securities. Interest on loans is included in the income statement and is reported as 'Interest income'. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognized in the income statement as 'Loan impairment charges'.

c) Held-to maturity financial assets

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

(a) those that the Bank upon initial recognition designates as at fair value through profit or loss;

(b) those that the Bank designates as available for sale; and

(c) those that meet the definition of loans and receivables.

Held-to-maturity investments are initially recognized at fair value including direct and incremental transaction costs and measured subsequently at amortized cost, using the effective interest method.

d) Available-for-sale

Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially recognized at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognized. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognized in other comprehensive income is recognized in the income statement. However, interest is calculated using the effective interest method, and foreign currency gains and losses on monetary assets classified as available for sale are recognized in profit and loss.

2.7.2 Financial liabilities

The Bank's holding in financial liabilities represents mainly deposits from banks and customers and other liabilities. Such financial liabilities are initially recognised at fair value and subsequently measured at amortised cost.

a) Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities classified as held for trading and

Notes to the financial statements

For the year ended 31 December 2017

financial liabilities designated by the Bank as at fair value through profit or loss upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by a short seller. Those financial instruments are recognized in the statement of financial position as 'Financial liabilities held for trading'.

Gains and losses arising from changes in fair value of financial liabilities classified held for trading are included in the income statement and are reported as 'Net gains/(losses) on financial instruments classified as held for trading'. Interest expenses on financial liabilities held for trading are included in 'Net interest income'.

Financial liabilities for which the fair value option is applied are recognized in the statement of financial position as 'Financial liabilities designated at fair value'. Fair value changes relating to financial liabilities designated at fair value through profit or loss are recognized in Net gains on financial instruments designated at fair value through profit or loss'.

b) Financial liabilities measured at amortized cost

Financial liabilities that are not classified as at fair value through profit or loss are measured at amortised cost using the effective interest method. Interest expense is included in 'Interest expense' in the Statement of comprehensive income.

2.7.3 Determination of Fair Value

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

Subsequent to initial recognition, for financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges and broker quotes.

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

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the reporting dates.

The Bank uses widely recognised valuation models for determining fair values of non-standardised financial instruments of lower complexity, such as options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market-observable.

For more complex instruments, the Bank uses internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value derivatives transacted in the over-the-counter market, unlisted debt securities (including those with embedded derivatives) and other debt instruments for which markets were or have become illiquid. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The impact on net profit of financial instrument valuations reflecting non-market observable inputs (level 3 valuations) is disclosed in Note 21.

The Bank uses its own credit risk spreads in determining the current value for its derivative liabilities and all other liabilities for which it has elected the fair value option. When the Bank's credit spreads widen, the Bank recognises a gain on these liabilities because the value of the liabilities has decreased. When the Bank's credit spreads narrow, the Bank recognises a loss on these liabilities because the value of the liabilities has increased.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation

Notes to the financial statements

For the year ended 31 December 2017

techniques employed may not fully reflect all factors relevant to the positions the Bank holds. Valuations may therefore be adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk. Based on the established fair value model governance policies, and related controls and procedures applied, management believes that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value in the statement of financial position. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary - particularly in view of the current market developments.

To value the unquoted equity investments, two (2) approaches were used: the market approach and the income approach. Under the market approach, two (2) models were applied - the operating profit model and the free cash flow to equity (FCFE) model. For the market approach, the price to book and the price to earnings multiples were used based on information from available comparable entities. In cases when the fair value of unlisted equity investments cannot be determined reliably, the instruments are carried at cost less impairment.

The Fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

2.7.4 Derecognition

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

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

Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the Statement of financial position as 'Assets pledged as collateral'.

2.7.5 Reclassification of financial assets

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

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

On reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives are re-assessed and, if necessary, separately accounted for.

Notes to the financial statements

For the year ended 31 December 2017

2.7.6 Classes of financial instrument

The Bank classifies the financial instruments into classes that reflect the nature of information and take into account the characteristics of those financial instruments. The classification made can be seen in the table below:

Category (as defined by IAS 39)	Class (as determined by the Bank)	Subclasses	
Financial assets at Fair value through profit and loss	Financial assets held for trading	Debt securities Equity securities	
	Financial assets designated at fair value through profit or loss	Derivatives non-hedging Debt securities Equity securities Loans and advances to banks Loans and advances to customers	
Loans and receivables	Loans and advances to banks Loans and advances to customers	Loans to individual (retail) Loans and advances to corporate	Overdraft Credit cards Term loans Mortgages Large corporate customers SMEs Others
Held-to-maturity investments Available-for-sale financial assets	Investment securities - debt instruments Investment securities - debt instruments Investment securities - debt instruments Investment securities - equity instruments		Listed Unlisted Listed Unlisted Listed Listed Unlisted
Financial liabilities at amortised cost	Deposits - banks Deposits from customers Borrowings		Retail Large corporate customers SMEs
Off-balance sheet financial instruments	Loan commitments Guarantees, acceptance and other financial facilities		

2.8 Offsetting financial instruments

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

2.9 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognized within 'interest income' and 'interest expense' in the income statement using the effective interest method.

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

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

2.10 Fee and commission income

Fees and commissions are generally recognized on an accrual basis when the service has been

Notes to the financial statements

For the year ended 31 December 2017

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

2.11 Income from performance bonds or guarantees and letters of credit

Income from bonds or guarantees and letters of credit are recognised on a straight line basis over the life of the bond or guarantee.

2.12 Dividend income

Dividends are recognized in the income statement in 'Dividend income' when the Bank's right to receive payment is established.

2.13 Impairment of financial assets

a) Assets carried at amortized cost

he Bank assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset or a Bank of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Bank of financial assets that can be reliably estimated.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

(a) Delinquency in contractual payments of principal and interest;

(b) Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);

(c) Breach of loan covenants and conditions;

(d) Initiation of bankruptcy proceedings;

(e) Deterioration of borrower's competitive position

(f) Deterioration in the value of collateral;

(g) Downgrading below investment grade level;

(h) Significant financial difficulty of the issuer or obligor;

(i) A breach of contract, such as a default or delinquency in interest or principal payments;

(j) The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

(k) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;

(l) The disappearance of an active market for that financial asset because of financial difficulties; or

(m) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio including:

(i) adverse changes in the payment status of borrowers in the portfolio; and

(ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The estimated period between a loss occurring and its identification is determined by the directors for each identified portfolio. In general, the periods used vary between 3 and 12 months; in exceptional cases, longer periods are warranted.

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

Notes to the financial statements

For the year ended 31 December 2017

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

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are Banked on the basis of similar credit risk characteristics (i.e., on the basis of the Banks grading process that considers industry, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for Banks of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

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

Estimates of changes in future cash flows for Bank of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Impairment charges relating to loans and advances to banks and customers are classified in loan impairment charges whilst impairment charges relating to investment securities (held to maturity and loans and receivables categories) are classified in 'Net gains/(losses) on investment securities'.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss.

b) Assets classified as available-for-sale

The Bank assesses at each date of the statement of financial position whether there is objective evidence that a financial asset or a Bank of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

c) Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the asset is considered to be past due and disclosed only if renegotiated again.

Notes to the financial statements

For the year ended 31 December 2017

2.14 Impairment of non-financial assets

Assets that have an indefinite useful life such as goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are Banked at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

2.15 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.16 Leases

Leases are divided into finance leases and operating leases.

(a) The Bank is the lessee

The leases entered into by the Bank are primarily operating leases. The total payments made under operating leases are charged to other operating expenses in the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

(b) The Bank is the lessor

When assets are held subject to a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

(c) Fees paid in connection with arranging leases

The Bank makes payments to agents for services in connection with negotiating lease contracts with the Bank's lessees. For operating leases, the letting fees are capitalized within the carrying amount of the related investment property, and depreciated over the life of the lease.

2.17 Property and equipment

Land and buildings comprise mainly branches and offices. All property and equipment used by the parent or its subsidiaries is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditures are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repair and maintenance costs are charged to other operating expenses during the financial period in which they are incurred.

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Work in progress consists of items of property and equipment that are not yet available for use. Work in progress is carried at cost less any required impairment. An impairment loss is recognised if the asset's recoverable amount is less than cost. The asset is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Once the items are available for use, they are transferred to relevant classes of property and equipment as appropriate.

Buildings	50 years
Leasehold improvements	5 years
Furniture and Fittings	5 years
Motor vehicles	4 years
Machinery and equipment	5 years
Computer hardware	3 years
Leasehold land	Over the remaining lease period

Notes to the financial statements

For the year ended 31 December 2017

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each date of the statement of financial position. Assets are subject to review for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in 'other operating expenses' in profit or loss.

2.18 Intangible assets

Computer software licences

Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on the basis of the expected useful lives. Software has a maximum expected useful life of 3 years.

Costs associated with developing or maintaining computer software programs are recognized as an expense incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Bank are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;

- management intends to complete the software product and use or sell it;

- there is an ability to use or sell the software product;

- it can be demonstrated how the software product will generate probable future economic benefits;

- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and

- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognized as assets are amortized using the straight-line method over their useful lives.

2.19 Income tax

a) Current income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is the aggregate of the charge to the profit and loss account in respect of current income tax, information technology (IT) tax and education tax.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Companies Income Tax Act (CITA). Education tax is assessed at 2% of the chargeable profits. Information Technology levy is assessed at 1% of profit before tax. The directors of the Bank continually evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. They establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Where the Bank has tax losses that can be relieved against a tax liability for a previous year, it recognizes those losses as a recoverable, because the tax relief is recoverable by refund of tax previously paid. This asset is offset against an existing current tax balance. Where tax losses can be relieved only by carry-forward against taxable profits of future periods, a deductible temporary difference arises.

b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws)

Notes to the financial statements

For the year ended 31 December 2017

that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different taxable entities where there is an intention to settle the balances on a net basis.

Those losses carried forward are set off against deferred tax liabilities carried in the statement of financial position. The Bank does not offset income tax labialise and current income tax assets.

2.20 Provisions

Provisions for restructuring costs and legal claims are recognised when: the Bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.21 Employee benefits

a) Defined contribution scheme

The bank operates a defined contribution pension scheme in line with the provisions of the Pension Act. A defined contribution plan is a pension plan under which the bank pays fixed contributions into a separate entity. The bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For defined contribution plans, the bank pays contributions to publicly or privately administered pension insurance plans on a contractual basis. The bank contributes 10% of basic salary, housing and transport allowances, with the employee contributing a further 8%. The bank has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

b) Defined benefit scheme

he Bank also operates a defined benefit scheme for employees who have spent 10 years and above in its employment. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality government bonds and that have terms to maturity approximating to the terms of the pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income statement in the period in which they arise. Past-service costs are recognised immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

c) Terminal Benefit/Severance pay

This is determined on need – basis. The Bank enters into Collective Bargaining Agreement with Staff Union (staff representatives) anytime there is a business imperative to optimize. Management endorses Collective Bargaining Agreement in this instance as the request comes up.

2.22 Borrowings

Borrowings are recognised initially at fair value

Notes to the financial statements

For the year ended 31 December 2017

net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.23 Share capital

Share issue costs

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

2.24 Dividends payable

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders. Dividends for the year that are declared after the date of the statement of financial position are dealt with in the subsequent events note.

2.25 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or Bank that allocates resources to and assesses the performance of the operating segments of an entity. The Bank has determined the Executive board as its chief operating decision maker.

All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance.

In accordance with IFRS 8, the Bank has the following business segments: Corporate banking Bank, Domestic banking Bank and Ecobank Capital Bank.

2.26 Acceptances and letters of credit

Acceptances and letters of credit are accounted for as off-balance sheet transactions and disclosed as contingent liabilities.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the Bank of the bank has a present obligation as a result f past events which is not recognized because it is not probable that an outflow of resources will be required to settle the obligation, or the amount cannot be reliably estimated.

Contingent liabilities normally comprise of legal claims under arbitration or court process in respect of which a liability is not likely to crystalise.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the bank. Contingent assets are never recognized rather they are disclosed in the financial statements when an outflow of economic benefit is probable.

2.27 Key sources of estimation uncertainty

(i) Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on the basis described in the bank's accounting policy.

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 merit, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Risk Management unit.

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. 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 interest losses are modeled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the

Notes to the financial statements

For the year ended 31 December 2017

allowances depends on how well these estimated future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances are made.

(ii) 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 techniques as described in accounting policy 2.4.3. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

2.28 Critical accounting judgements made in applying the Bank's accounting policies include:

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

Accounting policies and directors' judgements for certain items are especially critical for the Bank's results and financial situation due to their materiality.

(i) Valuation of financial instruments

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

(ii) Financial asset and liability classification

The Bank's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

(iii) 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. «

(iv)Determination of impairment of property and equipment, and intangible assets

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 Bank 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.

(v) Determination of recognised deferred tax balances

Management is required to make judgements concerning the recoverability of unused tax losses. Judgement is required in determining the estimated future profitability from which tax assets are expected to be realised.

Critical accounting estimates and judgement

(a) Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess

Notes to the financial statements

For the year ended 31 December 2017

impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in profit or loss, the Bank makes judgements as to whether there is any observable data indicating an impairment trigger followed by measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a bank, or national or local economic conditions that correlate with defaults on assets in the Bank. The directors use estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling future cash flows.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Impairment of available-for-sale equity investments

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Bank evaluates among other factors, the volatility in share price. In addition, objective evidence of impairment may be deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.»

(c) Fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates.

(d) Held-to-maturity investments

In accordance with IAS 39 guidance, the Bank classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank were to fail to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – the Bank is required to reclassify the entire category as available-for-sale. Accordingly, the investments would be measured at fair value instead of amortised cost. «

(e) Retirement benefits

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations.

The assumptions used in determining the net cost (income) for pensions include the discount rate. The Bank determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Bank considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions.

Notes to the financial statements

For the year ended 31 December 2017

(All amounts in millions of Naira unless otherwise stated)	31 Dec 2017	31 Dec 2016

3 Interest income

Loans and advances:		
- To Banks	248	1,037
- To Customers	132,973	144,336
	133,221	145,373
Financial assets held for trading	9,921	3,312
Investment Securities:		
Available-for-sale	45,633	33,742
Assets pledged as collateral	1,562	7,437
	190,337	**189,864**

Interest income for the year ended 31 December 2017 includes N9.13 billion (2016: N15.5billion) accrued on impaired financial assets.

4 Interest expense

Deposits from banks	14,570	14,185
Deposits from customers	47,613	44,815
Borrowings	11,594	6,869
	73,777	65,869

5 Net fee and commission income

Credit related fees and commissions	3,221	5,870
Loan commitments and performance guarantees fees	305	1,091
Commission Current Account Maintenance	2,050	2,377
Letters of credit commission	5,353	5,868
Card related income	6,477	5,510
Commissions on transfers	1,155	1,289
BDC cash sourcing charges	0	34
SMS alert income	416	459
Other fees	3,419	4,608
Fee and commission income	22,396	27,106
Fee and commission expense	(11,884)	(10,942)
Net fee and commission income	**10,512**	**16,164**

6 Net gains from financial instruments at fair value

Net gains arising on (Note 6.1):		
Financial instruments classified as held for trading:		
- Interest rate instruments	**99**	**199**

Notes to the financial statements

For the year ended 31 December 2017

(All amounts in millions of Naira unless otherwise stated)	31 Dec 2017	31 Dec 2016

7 Other operating income

Foreign exchange gains	36,970	39,282
Dividend income	1,069	827
Rental income	95	378
Profit on sale of property, plant and equipment	95	213
Profit from disposal of investment securities	-	1,715
	38,229	42,415

Foreign exchange gains include net gains and losses from spot and forward contracts.

8 Impairment charge for losses

Loans and advances to customers		
Increase in impairment		
Specific		
specialised	6,082	36,770
non-specialised	53,424	40,784
Collective		
specialised	662	2,139
non-specialised	2,366	9,965
finance lease	(52)	12
Increase in impairment	62,482	89,670
Amount written off in the year as uncollectible	598	169
Income received on loans previously written off	(237)	(3,419)
Reversal of impairment	(2,997)	(5,393)
	59,846	81,026
Other assets		
Increase in impairment	55	1,757
	59,901	82,783

9 Employee benefits expense

Wages and salaries:		
Core	27,009	29,615
Outsourced staff	5,223	5,826
Pension costs:		
- Defined contribution plans	2,077	1,266
- Defined benefit plan	1,200	1,069
- Other employee costs and benefits	1,447	46
	36,956	37,822

Notes to the financial statements

For the year ended 31 December 2017

(All amounts in millions of Naira unless otherwise stated)	31 Dec 2017	31 Dec 2016

10 General and administrative expenses

Information, communication and technology	6,642	7,125
Insurance expenses	564	722
NDIC insurance premium expense	6,425	5,717
Premises expenses	6,914	7,114
Equipment running costs	3,476	2,149
Advertisement and business promotion	1,515	962
Motor vehicle running costs	580	839
Business travels	1,410	1,821
Office consumables	517	666
Penalties (note 39)	86	148
	28,129	27,263

11 Depreciation and amortisation

Depreciation of property and equipment (Note 24)	5,858	5,329
Amortisation of intangible assets (Note 25)	892	726
	6,750	6,055

12 Other operating expenses

Auditors' remuneration	290	225
Directors' emoluments	197	214
Severance pay	1,362	4,361
Consultancy and advisory expenses	311	5,781
Cash processing costs	883	846
Banking resolution sinking fund cost	6,249	9,887
Operational losses	322	429
Donations	180	111
Other operating expenses	3,459	1,154
	13,253	23,008

Auditors’ remuneration comprises (Note 12.1):

The following represents the breakdown of the auditors’ remunerations:

Statutory audit	160	160
Half year audit fee	110	65
Audit review of IFRS 9 implementation	20	-
	290	225

Notes to the financial statements

For the year ended 31 December 2017

(All amounts in millions of Naira unless otherwise stated)	31 Dec 2017	31 Dec 2016

13 Taxation

Current taxes on income for the reporting year	204	62
Capital gain tax	3	-
Total current tax	**207**	**62**
Deferred tax	-	-
Total deferred tax	-	-
Income tax expense	**207**	**62**

The movement in the current income tax liability is as follows:

At 1 January	4,526	4,664
Tax paid	(62)	(200)
Capital gain tax	3	-
Income tax charge	204	62
At End	**4,671**	**4,526**
Current	204	62
Non-current	4,467	4,464
	4,671	**4,526**

Reconciliation of effective tax rate		31 Dec 2017		31 Dec 2016
Profit before income tax	%	20,411	%	5,842
Income tax using the domestic corporation tax rate @ 30%	30	6,123	30	1,752
Effect of;				
IT tax	1	204	1	62
Education tax levy	-	-	-	-
Capital gain tax	-	3	-	-
Change in tax rate	-	-	-	-
Effect of disallowed Expenses	90	18,370	90	5,234
Effect of Exempted Income	(120)	(24,494)	(120)	(6,986)
Effect of deferred tax	-	-	-	-
(Over) / under provided in prior years	-	-	-	-
Total income tax expense in income statement	**1**	**207**	**1**	**62**

The current tax charge has been computed at the applicable rate of 30% (31 December 2016: 30%) plus education levy of 2% (31 December 2016: 2%) on the profit for the year after adjusting for certain items of expenditure and income which are not deductible or chargeble for tax purposes. Non-deductable expenses include items such as legal fees, donations, public relations expenses and certain provisions which are not allowed as a deduction by the tax authorities. Tax exempt income include income such as dividend income and income from government bonds which are not taxable.

Notes to the financial statements

For the year ended 31 December 2017

14 Income tax effects relating to components of other comprehensive income

	31 Dec 2017			31 Dec 2016		
(All amounts in millions of Naira unless otherwise stated)	Before tax	Tax (expense) / Benefit	Net of tax	Before tax	Tax (expense) / Benefit	Net of tax
Remeasurement of defined benefit obligations	(1,856)	557	(1,299)	(38)	11	(27)
Gain/(Loss) on fair valuation of AFS securities	27,649	-	27,649	(22,256)	9,490	(12,766)
Other comprehensive for the year	25,793	557	26,350	(22,294)	9,501	(12,793)

15 Earnings per share

Basic

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

Diluted

Diluted EPS is determined by adjusting the profit or loss that is attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding for effects of all dilutive potential ordinary shares.

	31 Dec 2017	31 Dec 2016
Profit attributable to equity holders of the Company (N'000)	20,204,447	5,780,231
Weighted average number of ordinary shares in issue (in '000)	20,147,545	20,147,545
Basic earnings per share (expressed in Kobo per share)	100k	29k

The Bank does not have any dilutive potential ordinary shares. Therefore, Basic EPS and Diluted EPS are the same for the Bank.

16 Cash and cash equivalents

	31 Dec 2017	31 Dec 2016
Cash	16,851	26,808
Balances with Central Bank other than mandatory reserve deposits	19,132	31,090
Cash and balances with other banks and financial institutions (Note 16.1)	97,511	76,006
	133,494	133,904

These comprise cash and bank balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with other banks and other short-term highly liquid investments with original maturities less than three months.

16.1 Cash and balances with other banks and financial institutions

	31 Dec 2017	31 Dec 2016
Current balances with banks within Nigeria	857	979
Current balances with banks outside Nigeria	68,945	56,160
Placements with local banks and discount houses	25,116	12,238
Placements with foreign banks and discount houses	2,593	6,629
	97,511	76,006

17. Mandatorry reserve deposit with Central bank

Mandatory reserve deposits are not available for use in the Bank's day-to-day operations. The Bank had total restricted cash balance of N257.2billion (N205.6billion: 31 December 2016). Included in the mandatory reserve deposits is the sum of N34.4billion (31 December 2016: N34.4billion) which is 5% cash reserve requirement charged to a Special Intervention Reserve (SIR) Account.

Notes to the financial statements

For the year ended 31 December 2017

(All amounts in millions of Naira unless otherwise stated)	Gross amount	Specific impairment	Collective impairment	Total	Carrying amount
18 Loans and advances to customers					
18.1 Loans and advances to customers comprise:					
31 Dec 2017					
Specialised loans	266,133	(9,385)	(7,169)	(16,554)	249,579
Non- specialised loans:					
Overdrafts	374,642	(50,264)	(5,566)	(55,830)	318,812
Term loans	275,724	(2,440)	(11,622)	(14,063)	261,661
Advances under finance lease	1,569	-	(48)	(48)	1,521
	918,068	(62,089)	(24,406)	(86,495)	831,573
31 Dec 2016					
Specialised loans	276,571	(4,236)	(4,631)	(8,867)	267,704
Non- specialised loans:					
Overdrafts	190,361	(21,014)	(9,376)	(30,390)	159,971
Term loans	447,622	(1,521)	(7,324)	(8,845)	438,777
Advances under finance lease	3,520	-	(100)	(100)	3,420
	918,073	(26,770)	(21,431)	(48,201)	869,872

	31 Dec 2017	31 Dec 2016
Current	507,390	501,719
Non-current	410,678	416,354
	918,068	918,073
Performing	785,053	834,425
Non-Performing	133,015	83,648
	918,068	918,073

Reconciliation of impairment allowance on loans and advances to customers:	Specialised	To customers Non-specialised	Finance lease	Total
Balance at 1 January 2017				
Specific impairment	4,807	21,964	-	26,771
Collective impairment	4,630	16,700	100	21,430
	9,437	38,664	100	48,201
Additional provision				
Specific impairment	6,082	53,424	-	59,506
Collective impairment	662	2,366	(52)	2,976
Loans written off during the year as uncollectible	(123)	(21,068)		(21,191)
Amounts recovered during the year	(965)	(2,032)	-	(2,997)
	15,093	71,354	48	86,495
Specific impairment	9,801	52,288	-	62,089
Collective impairment	5,292	19,066	48	24,406
Balance at 31 December 2017	15,093	71,354	48	86,495
Balance at 1 January 2016				
Specific impairment	16,294	42,744	-	59,038
Collective impairment	2,492	6,735	88	9,315
	18,786	49,479	88	68,353
Additional provision				
Specific impairment	36,770	40,784	-	77,554
Collective impairment	2,139	9,965	12	12,116
Loan Sale/Swap	(33,068)	(2,756)	-	(35,824)
Loans written off during the year as uncollectible	(11,738)	(56,867)	-	(68,606)
Amounts recovered during the year	(3,452)	(1,941)	-	(5,393)
	9,437	38,664	100	48,201
Specific impairment	4,807	21,964	-	26,771
Collective impairment	4,630	16,700	100	21,430
Balance at 31 December 2016	9,437	38,664	100	48,201

*** All loans written off during the year were fully provided for.

Notes to the financial statements

For the year ended 31 December 2017

(All amounts in millions of Naira unless otherwise stated)	31 Dec 2017	31 Dec 2016
18.2 Advances under finance lease may be analysed as follows:		
Gross investment		
- No later than 1 year	552	655
- Later than 1 year and no later than 5 years	1,241	3,533
	1,793	4,188
Unearned future finance income on finance leases	(224)	(668)
Net investment	1,569	3,520
The net investment may be analysed as follows:		
- No later than 1 year	517	660
- Later than 1 year and no later than 5 years	1,052	2,860
	1,569	3,520
Reconciliation of impairment allowance on advances under finance lease		
At 1 January		
Specific impairment	-	-
Collective impairment	100	88
	100	88
Additional provision		
Specific impairment	-	-
Collective impairment	(52)	12
Amounts recovered during the year	-	-
	(52)	100
specific impairment	-	-
collective impairment	48	100
At 31 December	48	100

	31 Dec 2017	31 Dec 2016
18.3 Nature of security in respect of loans and advances:		
Secured against real estate	56,216	66,255
Secured by shares	9,391	85,957
Otherwise secured	781,534	736,975
Unsecured	70,927	28,886
	918,068	918,073
Impairment allowances	(86,495)	(48,201)

The Bank is not permitted to sell or repledge the collateral in the absence of default by the owner of the collateral
During the year, the Bank obtained assets by taking possession of collateral held as security:

	31 Dec 2017	31 Dec 2016
Nature of assets and carrying amount:		
Real estate	343	-
Vehicles and equipment	187	2
	530	2

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness.

Notes to the financial statements

For the year ended 31 December 2017

(All amounts in millions of Naira unless otherwise stated	31 Dec 2017	31 Dec 2016
19 Financial assets held for trading		
Treasury bills	28,337	13,676
Federal Government of Nigeria Bonds	6,115	6,658
	34,452	20,334

	Notional Contract Amount	Fair value Asset	Liability
20 Derivative financial instruments			
31 December 2017			
Foreign Exchange Derivatives:			
Currency swaps	-	-	-
Foreign exchange forwards	23,237	8,956	6,816
Foreign exchange forwards	23,237	8,956	6,816
31 December 2016			
Foreign Exchange Derivatives:			
Currency swaps	66,315	187	3,947
Foreign exchange forwards	174,307	20,615	2,863
	240,622	20,802	6,810

The bank enters into forward foreign exchange contracts and currency swaps designed as held for trading.

- A forward foreign exchange contract is an agreement by two counterparties to exchange currencies at a predetermined rate on some future date. No funds change hands when a typical forward foreign exchange contract originates; a funds flow occurs only at the contract's stated future delivery time.

- A currency swap is the simultaneous spot sale (or purchase) of currency against a forward purchase (or sale) of approximately an equal amount. In a swap contract, there is an exchange, or notional exchange, of equivalent amounts of two currencies.

All derivative transactions of the bank are within one year tenor.

The bank's foreign exchange derivatives do not qualify for hedge accounting; therefore, all gains and losses from changes in their fair values are recognised immediately in the statement of profit or loss and are reported in Net gains/(losses) on financial instruments classified as held for trading.

Notes to the financial statements

For the year ended 31 December 2017

(All amounts in millions of Naira unless otherwise stated)	31 Dec 2017	31 Dec 2016
21 Investments securities: available-for-sale		
Debt securities - at Fair value		
- Listed		
Federal Government of Nigeria Bonds-Fair value through other comprehensive income	54,831	41,397
Treasury bills	182,880	119,415
- Unlisted		
Government Guaranteed Bonds - At fair value through other comprehensive income		
State Government Bonds	10,575	12,300
Eurobond	41,432	33,283
Local Contractor/Corporate Bonds	2,758	20,262
Total Debt securities	292,476	226,657
Equity securities - at fair value through Other comprehensive income		
- Unlisted		
African Finance Corporation	24,178	16,266
Accion Microfinance Limited	488	492
Afreximbank	2,059	2,217
Central Securities Clearing System	799	605
Nigerian Automated Clearing System/NIBSS	1,197	344
FMDQ	41	63
Unified Payment Services Limited	110	96
AGSMEIS	289	-
Credit Reference Company	7	10
Total equity investments	29,168	20,094
Total securities Available-for-sale	321,644	246,751

Investments in Industrial & General Insurance, SME II Partnership and DAAR Communications with nil fair value and fully impaired in 31 Dec. 2016 was written off during the year.

Available-for-sale	31 Dec 2017	31 Dec 2016
Debt securities - at Fair value:		
- Listed	237,711	160,812
- Unlisted	54,765	65,846
Equity securities - at Fair value:		
- Listed	-	-
- Unlisted	29,168	20,094
Allowance for impairment	-	-
Total securities Available-for-sale	321,644	246,752

Notes to the financial statements

For the year ended 31 December 2017

(All amounts in millions of Naira unless otherwise stated)	31 Dec 2017	31 Dec 2016
22 Loans & receivables		
Debt securities – at amortised cost:		
TBPIC (see note (a))	27,722	30,209
Total securities loans and receivables	27,722	30,209
Total investment securities	383,818	297,295

(a) Investment of N30.15 billion in Treasury Bond Protected Investment Corporation Limited at coupon rate of 2.25% for the tenure of 15 years. A partial redemption of N2.43 billion occurred during the year resulting in end of year balance of N27.72 billion

	31 Dec 2017	31 Dec 2016
Summary - Investment securities		
Held for trading - Note 19	34,452	20,334
Available for sale - Note 21	321,644	246,752
Loans & receivables - Note 22	27,722	30,209
	383,818	297,295
Current	326,929	246,992
Non-current	56,889	50,303
Total investments	383,818	297,295

23 Pledged assets

Treasury Bills are pledged to various third parties in respect of the Bank's ongoing participation in the Nigerian settlement system. Included in Federal Government Bonds is N57.9billion (2016: N28.1billion) pledged to BOI (Bank of Industry) as collateral in respect of loans obtained for the purpose of on-lending to manufacturing customers. These instruments are classified as available for sale.

The nature and carrying amounts of the assets pledged as collaterals are as follows:

	31 Dec 2017	31 Dec 2016
Investments securities Treasury Bills	22,683	55,961
Investments securities: Federal Government of Nigeria Bonds	68,677	43,430
Pledged cash collateral	-	58,662
	91,360	158,053

Notes to the financial statements

For the year ended 31 December 2017

(All amounts in millions of Naira unless otherwise stated)	31 Dec 2017	31 Dec 2016
23.1 Investments securities Treasury Bills		
Bank of Industry	5,000	34,836
Clearing collateral (CBN)	4,270	4,270
FBN, UK	-	2,853
Federal Inland Revenue Service	8,250	8,250
E-Transact	1,000	1,000
Interswitch	720	720
NIBSS	1,132	1,132
Unified Payment Services Limited (Valucard)	50	50
FBN Merchant Bank	1,386	2,849
Keystone Bank Nigeria	715	-
Systemspecs Nigeria	160	-
	22,683	55,961

23.2 Investments securities: Bonds

Bank of Industry	57,947	28,110
Clearing collateral (CBN)	10,730	10,730
Goldman Sachs	-	4,590
	68,677	43,430

23.3 Pledged cash collateral

Goldman Sachs	-	58,662
Movement in pledged assets		
At 1 January	158,053	151,285
Additions during the year	30,711	23,997
Matured pledges/redemption	(97,405)	(17,229)
At 31 December	91,360	158,053

24 Property, plant and equipment

Carrying amounts of		
Land	6,520	6,520
Freehold buildings	28,097	29,233
Leasehold buildings	580	687
Office equipment	2,964	3,590
Furniture & fittings	385	273
Computer equipment	3,802	4,794
Motor vehicles	566	596
Work in progress	36,110	31,754
	79,024	77,447

Notes to the financial statements

For the year ended 31 December 2017

(All amounts in millions of Naira unless otherwise stated)	Land N'million	Freehold buildings N'million	Leasehold buildings N'million	Office equipment N'million	Furniture & fittings N'million	Computer equipment N'million	Motor vehicles N'million	Work in progress N'million	Total N'million
Cost									
At 1 January 2017	6,520	36,149	11,031	9,089	1,631	14,247	7,244	31,753	117,663
Additions	-	18	226	638	233	2,005	287	3,476	6,883
Disposals	-	(619)	(4)	(255)	(11)	(123)	(1,417)	(631)	(3,060)
Reclassification	-	276	-	0	-	-	-	1,511	1,787*
At 31 December 2017	6,520	35,824	11,253	9,472	1,853	16,129	6,114	36,109	123,274
Accumulated depreciation									
At 1 January 2017	-	6,916	10,343	5,497	1,357	9,454	6,649	-	40,217
Charge for the year	-	892	332	1,249	121	2,997	267	-	5,858
Disposals	-	(82)	(4)	(239)	(10)	(122)	(1,366)	-	(1,825)
At 31 December 2017	-	7,726	10,671	6,507	1,468	12,328	5,550	-	44,250
Net book amount at 31 December 2017	6,520	28,098	582	2,965	385	3,801	564	36,109	79,024
Cost									
At 1 January 2016	6,520	36,156	10,906	7,514	1,527	10,623	8,388	11,145	92,779
Additions	-	372	133	1,616	105	3,625	99	20,369	26,319
Reclassifications	-	(279)	-	(6)	-	-	-	239	(46)
Disposals	-	(100)	(8)	(35)	(1)	(1)	(1,243)	-	(1,388)
At 31 December 2016	6,520	36,149	11,031	9,089	1,631	14,247	7,244	31,753	117,663
Accumulated depreciation									
At 1 January 2016	-	5,993	10,070	4,397	1,237	6,904	7,557	-	36,158
Charge for the year	-	941	281	1,133	121	2,550	302	-	5,329
Disposals	-	(18)	(8)	(33)	(1)	-	(1,210)	-	(1,270)
At 31 December 2016	-	6,916	10,343	5,497	1,357	9,454	6,649	-	40,217
Net book amount at 31 December 2016	6,520	29,233	687	3,592	274	4,793	595	31,753	77,447

* The sum of 1.787 billion which relates to cost incurred for implementation of various software not yet capitalised were reclassified from other assets during the year.

25 Intangible assets

	31 Dec 2017	31 Dec 2016
Cost		
At 1 January	2,978	2,580
Additions	1,164	372
Reclassification	-	46
Reversal/Write-off	-	(20)
At end	4,142	2,978
Amortisation		
At 1 January	1,831	1,105
Amortisation charged	892	726
Write-off	-	-
At end	2,723	1,831
Carrying Amount		
At end	1,419	1,147

The amortisation charge for the period is included in depreciation and amortisation expenses in the Statement of comprehensive income.

Notes to the financial statements

For the year ended 31 December 2017

(All amounts in millions of Naira unless otherwise stated)	31 Dec 2017	31 Dec 2016

26 Deferred tax

Deferred income taxes are calculated on all temporary differences under the liability method using the enacted tax rate of 30% (2016: 30%).

Deferred income tax assets and liabilities are attributable to the following items:

Deferred income tax assets and liabilities are attributable to the following items:

	31 Dec 2017	31 Dec 2016
At 1 January	11,756	2,254
Arising during the year:		
- tax effect of AFS revaluation	-	9,490
- tax effect on actuarial valuation	557	12
Included in the Profit or loss and other comprehensive income	557	9,502
At 31 December	12,312	11,756

Deferred tax assets/(liabilities) arising as a result of the following:

	31 Dec 2017	31 Dec 2016
Fixed Assets, excluding revaluation surplus	10,842	10,842
General Provision charged to P&L	1,541	1,541
Available for sale and actuarial valuation	(70)	(627)
Total deferred tax in the Statement of Financial Position	12,312	11,756
Deferred tax assets		
- Deferred tax asset to be recovered after more than 12 months	12,312	11,756
- Deferred tax asset to be recovered within 12 months	-	-

Deferred tax asset\(liability) is composed of the following:

	31 Dec 2017	31 Dec 2016
Deferred tax assets	12,312	11,756
Deferred tax liabilities	-	-
	12,312	11,756

Notes to the financial statements

For the year ended 31 December 2017

(All amounts in millions of Naira unless otherwise stated)	31 Dec 2017	31 Dec 2016
27 Other assets		
Financial assets		
Sundry receivables	25,161	28,267
Card receivable accounts	4,725	6,950
Due from affiliates and related entities (note 37.4)	2,628	1,527
	32,514	36,744
Less specific allowances for impairment	(8,473)	(13,006)
	24,041	23,738
Non-financial assets		
Prepayments	6,528	8,939
	30,568	32,677
Current	24,040	23,738
Non-current	6,528	8,939
	30,568	32,677
Reconciliation of impairment account		
At 1 January	13,006	11,590
Increase in impairment	55	1,757
Amount reclassified	107	-
Amount written-off	(4,695)	-
Impairment no longer required	-	(341)
At 31 December	8,473	13,006

The sum of N107 million wrongly included in provision per litigation for 2016 was reclassified appropriately in 2017.

Notes to the financial statements

For the year ended 31 December 2017

(All amounts in millions of Naira unless otherwise stated)	31 Dec 2017	31 Dec 2016
28 Retirement benefit obligations		
The amounts recognised in the balance sheet are as follows:		
Defined benefit obligation	8,033	6,406
Plan assets	(9,007)	(8,304)
Net (asset)	(974)	(1,898)
Reconciliation of Obligation		
At 1 January	6,406	6,751
Current service cost	618	704
Interest cost	978	744
Payments	(2,117)	(1,854)
Actuarial losses	2,149	61
At 31 December	8,033	6,406
Reconciliation of Plan Assets		
At 1 January	8,304	6,591
Contributions to the scheme	1,238	2,742
Benefits paid	(2,117)	(1,854)
Return on assets	1,290	802
Actuarial gains/(losses)	293	23
At 31 December	9,007	8,304
Income Statement		
Current service cost	618	704
Interest cost	978	744
Return on plan assets	(1,290)	(802)
At 31 December	306	646
Other Comprehensive Income		
Actuarial losses on obligations	(2,149)	(61)
Actuarial gains on plan assets	293	23
	(1,856)	(38)

The loss on the defined benefit obligation is largely as a result of the following:

Change in economic assumptions;
Higher than expected salaries increases;
Correction to member's static data; and
Demographic experience being different than expected.

The above factors contributed to the net actuarial (gain)/loss as follows:

Change in economic assumptions;	1,333	831
Change in demographic assumptions;	-	-
Salary Increases	(55)	(624)
New entrants	22	
Data corrections	(24)	(3)
Demographic Experience	872	(265)
	2,149	(61)

The net actuarial gain on the fair value of plan assets arose as a result of the actual returns on the assets being lower than the calculated expected return on assets.

Notes to the financial statements

For the year ended 31 December 2017

	31 Dec 2017	31 Dec 2016
The assets of the Ecobank Nigeria Limited Staff Gratuity Scheme were invested as follows:		
Cash	61.52%	51.94%
Bonds	38.48%	48.06%
	100%	100%

Valuation methodology

Accrued liability

IAS19R requires that entities should have provided for their post-employment liabilities by the time that the employee and/or their dependants become entitled to receive the post-employment benefits, which is usually the date of withdrawal, retirement or death-in- service.

Under the Projected Unit Credit method, the liability accrues uniformly whilst the member is in service. In this way, the liability may be divided into two parts for each current in-service member:

- the accrued (past service) liability, based on service to date relative to total potential service, and

- the future service liability, which relates to service not yet completed.

Net annual cost

The accrued liability in excess of any plan assets is expected to change each year, as a result of:

- The liability accrual in respect of an additional year of service for in-service members (resulting in the current service cost);

- The unwinding of the discount rate as the discounting period reduces (resulting in the interest cost);

- The interest income on any plan assets (offsetting the interest cost); and

- The employer benefit payments during the year that serve to reduce the liability (since the liability is a provision for future benefit payments).

As the current service cost is calculated at the beginning of the year, one should allow for one year's interest using the discount rate at the start of the year.

The interest cost on the liabilities and interest income on plan assets are based on the discount rate at the start of the year and are calculated allowing for expected benefit payments during the year.

A gain or loss arises in a particular year as a result of a change in actuarial assumptions and/or a difference between expected experience and actual experience.

Ignoring any gains or losses, the employer's net annual cost is the current service cost plus the interest cost on the liabilities minus the interest income on any plan assets. From the equation above, one can see that this corresponds to the change in the accrued liability in excess of plan assets plus the employer benefit payments.

ASSUMPTIONS USED:

Unless stated otherwise, the economic assumptions used in this valuation are based on a standard set of IAS19 economic assumptions determined using the best estimate approach agreed to by the actuaries employed by Alexander Forbes and reviewed on a regular basis to ensure that they are market-related.

IAS19 requires that assumptions be based on market data as at the valuation date. The economic assumptions used in this valuation are therefore based on market information as at 31 December 2017.

	31 Dec 2017	31 Dec 2016
Rate of return on assets	9%	9%
Rate of increase in remuneration	5%	5%
Discount Rate	13.8%	16.4%

MAJOR CLASEES OF PLAN ASSETS

Defined contribution scheme

The Bank and its employees make a joint contribution of 10% and 8% respectively of the basic salary, housing and transport allowance to each employee's retirement savings account maintained with their nominated pension fund administrators

Gratuity scheme

The Bank has a gratuity scheme for employees who have spent 10 years and above in its employment.

Notes to the financial statements

For the year ended 31 December 2017

There was no outstanding liability as at year end (2016: nil). N1.24 billion was transferred in 2017 (Dec. 2016: N2.74 billion) to the Fund Adminstrator, AIICO Pension Managers Limited and Stanbic IBTC Pension Managers Limited. The valuation for the year resulted into a 'Funded' status of N0.97 billion (2016: N1.8billion) positive position. Management has however established that the Bank does not have unconditional right to the refund of the money and as such, this was not recognized as an asset in the statements of financial position (asset ceiling). The actuarial valuation was carried out by Alexander Forbes Consulting Actuaries Nigeria Limited with Financial Reporting Council number: FRC/2017/NAS/00000016625.

(All amounts in millions of Naira unless otherwise stated)	31 Dec 2017	31 Dec 2016
29 Deposits from banks		
Items in course of collection	1,038	917
Other deposits from banks (note 29.1)	133,443	147,430
Current account balances with banks	2,115	6,449
	136,596	154,796
Current	136,596	154,796
Non-current	-	-
	136,596	154,796

Notes to the financial statements

For the year ended 31 December 2017

29.1 31 Dec 2017

Deposits from banks only include financial instruments classified as liabilities at amortised cost.

Inter-affiliate takings	Tenor (days)	Rate	Amount
Ecobank Sao Tome	66	4.00%	308
Ecobank Rwanda	90	5.00%	1,225
Ecobank Uganda	30	6.30%	1,104
Ecobank Kenya	181	4.00%	12,917
Ecobank Kenya	181	4.00%	12,917
Ecobank Ghana	90	15.00%	18,016
Ecobank South Sudan	90	15.00%	3,602
Ecobank Gambia	90	15.00%	2,521
Ecobank Transnational Incorporated (ETI)	90	15.00%	2,004
Ecobank Transnational Incorporated (ETI)	90	15.00%	8,015
Ecobank Transnational Incorporated (ETI)	90	15.00%	10,019
Ecobank Transnational Incorporated (ETI)	90	15.00%	12,090
			84,737
Interbank takings - offshore banks			
Africa Export-Import Bank	365	7.10%	16,152
Bristish Arab Commercial Bank	90	6.60%	1,551
Bristish Arab Commercial Bank	177	5.70%	3,131
Mashreq Bank	176	7.47%	2,506
Mashreq Bank	176	7.47%	3,123
Mashreq Bank	176	7.47%	1,249
Mashreq Bank	176	7.47%	937
First Abu Dhabi Bank	90	5.19%	110
First Abu Dhabi Bank	90	5.19%	250
First Abu Dhabi Bank	90	5.19%	3,062
First Abu Dhabi Bank	90	5.19%	165
First Abu Dhabi Bank	90	5.19%	606
First Abu Dhabi Bank	90	5.19%	81
First Abu Dhabi Bank	90	5.19%	275
First Abu Dhabi Bank	90	5.19%	919
First Abu Dhabi Bank	90	5.19%	612
FCMB UK	180	6.35%	1,541
Mashreq Bank	180	6.00%	4,768
Mashreq Bank	160	6.00%	1,103
Mashreq Bank	167	6.00%	933
Mashreq Bank	174	6.00%	216
Mashreq Bank	174	6.00%	216
Mashreq Bank	174	6.00%	216
Mashreq Bank	181	6.00%	3,286
			47,008
Interbank takings - local banks			
Keystone Bank	60	6.00%	616
FBN Merchant Bank	90	6.10%	1,082
			1,698
			133,443

Notes to the financial statements

For the year ended 31 December 2017

31 Dec 2016

Deposits from banks only include financial instruments classified as liabilities at amortised cost.

Inter-affiliate takings			
Name	Tenor (days)	Rate	Amount
Ecobank Guinea	Call	6.00%	3,052
Ecobank Rwanda	32	5.00%	613
Ecobank Rwanda	32	5.00%	306
Ecobank Ghana	32	8.25%	1,535
Ecobank Senegal	14	5.00%	1,527
Ecobank Senegal	30	5.00%	1,531
Ecobank Gabon	31	5.75%	613
Ecobank Rwanda	31	5.20%	612
Ecobank Paris	32	5.60%	3,061
Ecobank DRC	30	7.00%	3,062
Ecobank Cote D'Ivoire	30	6.00%	1,530
Ecobank Mozambique	29	7.00%	612
Ecobank Guinea	30	6.00%	918
Ecobank Guinea	30	6.00%	459
Ecobank Burkinafaso	30	5.00%	916
Ecobank Tanzania	31	6.00%	611
Ecobank Tanzania	31	6.00%	1,222
Ecobank Mozambique	32	8.00%	1,223
Ecobank Congo-Brazzaville	32	6.00%	764
Ecobank Ghana	28	7.75%	3,052
Ecobank DRC	30	7.00%	1,526
Ecobank Ghana Switch	91	4.75%	491
Ecobank Togo	181	4.00%	927
Ecobank Uganda	368	6.30%	1,113
Ecobank Cape Verde	32	5.50%	3,233
Ecobank Gambia	32	3.00%	322
Ecobank Cameroun	47	6.00%	2,584
Eobank Ghana	30	7.00%	3,221
			40,635
Interbank takings - offshore banks			
Goldman Sachs	364	6.00%	61,946
Goldman Sachs	364	6.00%	30,937
Mashreq Bank	67	9.00%	659
Mashreq Bank	101	9.00%	982
Mashreq Bank	88	9.00%	2,494
Mashreq Bank	54	9.00%	2,041
Mashreq Bank	54	9.00%	983
			100,042
Interbank takings - local banks			
FBN Merchant Bank	30	12.00%	462
FBN Merchant Bank	30	12.00%	1,693
FSDH Merchant Bank	28	12.00%	1,537
FSDH Merchant Bank	30	13.00%	3,062
			6,753
			147,430

Notes to the financial statements

For the year ended 31 December 2017

30 Deposits from customers

Deposits due to customers are primarily comprised of savings deposits, amounts payable on demand, and term deposits.

	31 Dec 2017	31 Dec 2016
LCY		
Demand	249,253	307,369
Savings	223,514	219,818
Term	304,610	309,243
		-
	777,377	836,429
Domiciliary (FCY)		
Demand	125,779	142,111
Savings	2,840	2,646
Term	192,306	144,682
	320,925	289,439
	1,098,302	1,125,868
Current	1,090,984	1,118,431
Non-current	7,318	7,437
	1,098,302	1,125,868

31 Borrowings

	31 Dec 2017	31 Dec 2016
Long term borrowing comprise:		
International Finance Corporation (see note (i) below)	8,110	13,383
Bank of Industry (see note (ii) below)	36,776	44,337
CBN Agric Loan (see note (iii) below)	2,950	2,950
Subordinated loan (see note (iv) below)	78,062	77,251
A/B Syndicated subordinated term facility (FMO)(see note (v) below)	23,195	22,931
Micro, Small and Medium Enterprises Development Fund (see note (vi) below)	147	285
	149,240	161,137
Short term borrowing comprise:		
African Export-Import Bank (see note (vii) below)	11,682	15,265
	160,922	176,402
Current	11,682	15,265
Non-current	149,240	161,137
	160,922	176,402

The borrowings are carried at amorised costs.

The Bank has not had any defaults of principal, interest or other breaches with respect to their liabilities during the year (2016: nil).

Notes to the financial statements

For the year ended 31 December 2017

Summary of borrowing arrangements

(i) The amount represents Tier II capital loan of $61.03 million granted to the Bank through ETI via a sub-loan from the International Finance Corporation. The facility has a tenure of 8 years with moratorium of 5 years and interest rate is 8.5% above 6-month Libor payable semi – annually.

(ii) This represents CBN intervention funds on-lent to some of the Bank's customers in the manufacturing sector through Bank of industry (BOI). The fund is administered at an all-in interest rate of 7% per annum payable on a quarterly basis. The maximum tenor of the facility is 15 years. A total of N12.5 billion bonds held by BOI as collateral. (see note 22).

(iii) This represents CBN intervention funds to some of the Banks customers in the Agricultural sector. The fund is administered at a maximum interest rate of 9% per annum. The maximum tenor of the facility 7 years.

(iv) The amount represents Subordinated Tier 2 Note of $250 million Fixed Rate Limited Recourse Participation Notes due 2021. The Note has a tenure of 7 years while interest of 8.5% on the notes will be payable semi-annually in arrear in each year commencing 14 August 2014.

(v) The amount represents syndicated subordinated Tier II capital loan of $75 million granted to the Bank by FMO Entrepreneurial Development Bank. The facility has a tenure of 7 years with moratorium of 5 years and interest rate is 6.5% + LIBOR payable quarterly.

(vi) This represents CBN intervention funds on-lent to some of the Bank's customers in the micro, small and medium sector. The facility have a maximum tenor of one (1) year for micro enterprises and up to five (5) years for SMEs with option of moratorium. The Fund shall be administered at an interest rate of 3% per annum under the wholesale funding to the PFIs with a spread of 6% bringing the lending rate to borrowers at a maximum of 9 % per annum inclusive of all charges.

(vii) The amount represents a short term loan of $42 million facility from African Export-Import Bank. The facility has a tenure of 3 years months with maturity of 4 April 2020, interest of 6.0% + LIBOR is payable quarterly while the principal repayment is payable quarterly.

32 Provision for litigation

This relates to provision made on judgement sums for concluded cases which has not been settled as at year end because they are under appeal.

(All amounts in millions of Naira unless otherwise stated)	31 Dec 2017	31 Dec 2016
Movement in provision for litigation		
At 1 January	2,182	1,634
Increase in provision	3,095	548
Amount reclassified	(107)	-
At 31 December	5,170	2,182

33 Other liabilities

	31 Dec 2017	31 Dec 2016
Customer deposits for letters of credit	31,002	28,594
Accounts payable	50,587	60,997
Unearned income	163	368
Collection accounts	3	2
Accrued expenses	3,957	8,041
Card settlement accounts	7,916	2,064
Managers' cheques	6,788	5,477
Others	47,683	11,563
	148,099	117,106

Notes to the financial statements

For the year ended 31 December 2017

(All amounts in millions of Naira unless otherwise stated)	31 Dec 2017	31 Dec 2016
34 Share capital		
Authorised		
30,000,000,000 ordinary shares of 50k each	15,000	15,000
Issued and fully paid		
20,147,544,631 ordinary shares of 50 kobo each	10,074	10,074
Movements during the period:		
Balance at 1 January	10,074	10,074
Issued during the year	-	-
At 31 December	10,074	10,074
35 Share premium and reserves		
At 1 January	131,928	131,928
At End	131,928	131,928

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

Share premium: Premium from the issue of shares are reported in share premium.

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

Statutory reserve: Undistributable earnings required to be kept by the Central Bank in accordance with national law.

SMEISS reserve: Appropriated from retained earnings by regulation for investment in small scale industries.

Revaluation reserve: The revaluation reserve shows the effects from the fair value measurement of equity instruments elected to be presented in other comprehensive income on initial recognition after deduction of deferred taxes. No gains or losses are recognised in the income statement.

(All amounts in millions of Naira unless otherwise stated)	31 Dec 2017	31 Dec 2016
36 Contingent liabilities and commitments		
36.1 Capital commitments		
Authorised and contracted	1,186	901

36.2 Loan commitments, guarantee and other financial facilities

In the normal course of business, the Bank is a party to financial instruments with off-balance sheet risk. These instruments are issued to meet the credit and other financial requirements of customers. The estimated maximum exposure in respect of contingent liabilities and commitment granted are:

	31 Dec 2017	31 Dec 2016
Bonds & Guarantees	145,328	223,520
Documentary and commercial letters of credit	107,263	139,802
FX transactions	328,383	260,143
	580,973	623,465

36.3 Litigation

The Bank is a party to legal actions arising out of its normal business operations for claims against it totalling N249.6 billion as at 31 December 2017 (2016: N159.8 billion).

The Directors believe that, based on currently available information and advice of counsel, none of the outcomes that result from such proceedings will have a material adverse effect on the financial position of the Bank, either individually or in the aggregate. Consequently, no provision has been made for these legal actions in these financial statements apart from that disclosed in note 32 which relates to provisions made on judgement sums for concluded cases not yet settled as at year end.

Notes to the financial statements

For the year ended 31 December 2017

(All amounts in millions of Naira unless otherwise stated)	31 Dec 2017	31 Dec 2016

37 Related party transactions

37.1 Key management personnel compensation for the year comprises;

Executive directors:		
Short term employee's benefit	295	332
Defined contribution plan (pension)	18	20
	313	352

Directors' emoluments

Remuneration paid to the Bank's directors was:		
Directors' fees	66	85
Sitting allowances	34	37
Other director expenses	96	98

Fees and other emoluments disclosed above include amounts paid to:

Chairman	20	22
Highest paid director	**20**	**22**

The number of directors who received fees and other emoluments (excluding pension contributions and certain benefit) in the following ranges was:

	31 Dec 2017	31 Dec 2016
N5,000,001 and above	5	9

37.2 Transactions with parents and other affiliates

The parent company of the Bank is Ecobank Transnational Incorporated (ETI)

The bank maintains business relationships with the parent company and a number of its affiliates for various services rendered to it, as follows:

- Ecobank Transnational Incorporated	- Parent	- Group Shared Service Agreement
- E-Process, Ghana	- Affiliate	- Information technology services

Also, a number of banking transactions are entered into with related parties in the normal course of business. These include loans and deposits.

Notes to the financial statements

For the year ended 31 December 2017

37.3 Loans and advances to related parties

The bank granted various credit facilities to other companies which have common directors with the bank and those that are members of the Bank. The rates and terms agreed are comparable to other facilities being held in the bank's portfolio. Details of these are described below:

Included in loans and advances is an amount of N32.2 billion (2016: N30.3 billion) representing credit facilities to companies in which certain directors and shareholders have interests and personal loans to directors. The balances as at 31 December, 2017 are as follows:

Name of company/ individual	Relationship	Facility Type	N'million	Status	Security
Shoreline Natural Resources Ltd	Common director	Term Loan	22,847	Performing	Charge Over Assets
Shoreline Power Company Limited	Common director	Term Loan	3,144	Performing	Charge Over Assets
Shoreline Power Company Limited	Common director	Overdraft	726	Performing	Charge Over Assets
EDC Securities Limited	Related to Holding Company	Term Loan	3,903	Non-Performing	Share
Costain West Africa Plc	Common director	Work Order	1,180	Non-Performing	All Asset Debenture
Costain West Africa Plc	Common director	Overdraft	365	Non-Performing	All Asset Debenture
Oyedeji Carol Edeinokun	Executive director	Mortgage	54	Performing	Legal mortgage
			32,220		
Off-balance sheet engagements					
Costain West Africa Plc	Common director		1,114	Performing	Legal mortgage
			1,114		

	Key management personnel N'million	Common Directorship N'million
Year ended 31 December 2017		
Loans and advances to customers		
Loans outstanding at 1 January	-	30,256
Loans issued during the year	54	-
Net loan repayments/additional interest accruals during the year	-	1,910
Loans outstanding at 31 December	54	32,166
Year ended 31 December 2016		
Loans and advances to customers		
Loans outstanding at 1 January	-	23,077
Loans issued during the year	-	-
Net loan repayments / additional interest acerads during the year	-	7,180
Loans outstanding at 31 December	-	30,256

The loans issued to directors and other key management personnel (and close family members) during the year of N32.2 billion (2016: N30.2 billion) are repayable monthly/quarterly between one and five years and have variable interest rates. The loans advanced to the directors during the year are collateralised.

Notes to the financial statements

For the year ended 31 December 2017

	31 Dec 2017	31 Dec 2016
37.4 Due from affiliates and related entities		
Angola	-	13
Benin	0.14	-
EDC Ghana	-	52
EDC Nigeria	0.16	34
eProcess	1,289	700
ETI	1,338	718
Gambia	-	1
Malawi	-	4
Mozambique	-	1
Paris	-	3
	2,628	1,527
37.5 Due to affiliates and related entities		
Benin	5	8
Burkina Faso	0.23	-
Cameroon	-	0.28
Congo DR	1	3
Cote d'Ivoire	69	10
eProcess	9,159	6,954
ETI	6,459	6,800
Gambia	18	14
Ghana	1	-
Oceanic Capital	12	59
Paris	14	12
Senegal	2	-
Togo	0.03	-
	15,738	13,859

38 Employees

The average number of persons employed by the Bank during the period was as follows:

	31 Dec 2017	31 Dec 2016
Executive directors	5	4
Management	239	294
Non-management	3,807	4,649
	4,051	4,947

Compensation for the above staff:

Executive directors	313	352
Other staff (excluding executive directors)	36,643	37,470
	36,956	37,822

Notes to the financial statements

For the year ended 31 December 2017

The number of employees of the Bank, other than directors, who received emoluments in the following ranges (excluding pension contributions) were:

	31 Dec 2017	31 Dec 2016
Less than N1,000,001	1	2
N1,000,001 - N2,000,000	129	337
N2,000,001 - N3,000,000	540	635
N3,000,001 - N4,000,000	468	642
N4,000,001 - N5,000,000	237	1,060
N5,000,001 - N6,000,000	524	-
N6,000,001 - N8,000,000	1,256	1,378
N8,000,001 - N10,000,000	427	381
N10,000,001 and above	464	508
	4,046	4,943

In accordance with the provisions of the Pensions Act 2004, the Bank commenced a contributory pension scheme in January 2005. The contribution by employees and the bank are 7.5% and 7.5% respectively. However, with the provisions of the Pensions Act 2014 Amended, the contribution by employees and the bank are 8% and 10% respectively of the employees' basic salary, housing and transport allowances. The contribution by the Bank during the year was N2.1 billion (2016: N1.27 billion).

Notes to the financial statements

For the year ended 31 December 2017

39 Compliance with banking regulations

The Bank contravened the following banking legislations and provisions during the year:

Banking legislation	Nature of Contravention	Penalties millions	
		31 Dec 2017	31 Dec 2016
Section 60 (1) of BOFIA 1991 Amended	Penalty for multiple accounts linked to single BVNs and failing to discharge the penalty within stipulated timeframe	42	-
Section 60 (1) of BOFIA 1991 Amended	Penalty for late payment of 1% interest in respect of Bankers' Committee in the matter of Keystone Bank.	1	-
Section 60 (1) of BOFIA 1991 Amended	Non-compliance with CBN AML/CFT regulatory guidelines	-	18
Section 60 (1) of BOFIA 1991 Amended	Penalty for offsite review of foreign exchange activities	-	16
Section 60 (1) of BOFIA 1991 Amended	Penalty for Risk Assessment	10	-
Section 60 (1) of BOFIA 1991 Amended	Contravention of CBN guideline on liberalization of interbank FX market	9	-
Section 60 (1) of BOFIA 1991 Amended	Diversion of presidential amnesty program allowance	-	6
Section 60 (1) of BOFIA 1991 Amended	Non-compliance with CBN AML/CFT regulatory guidelines	-	2
Section 64 of BOFIA Amended	Contravention of guideline on reporting of all credit facilities of N1million and above in the Credit Risk Management System (CRMS)	2	-
Section 60 (1) of BOFIA 1991 Amended	Penalty for contravention of guidelines on executing, drawdown and disclosure of term loan facility from Afrexim	6	-
Section 60 (1) of BOFIA 1991 Amended	Contravention of CBN directive on Special Interbank Foreign Exchange Sectorial Forward	2	-
Section 60 (1) of BOFIA 1991 Amended	Penalty for failure to notify Trade and Exchange Department of receipt and drawdown of $250m Eurobond and $75m FMO facility	4	-
Section 60 (1) of BOFIA 1991 Amended	Selling foreign exchange funds to unincorporated companies	-	76
Section 25 (2) of BOFIA 1991 Amended	Contravention of guidelines on foreign exchange utilisation	-	4
Section 60 (1) of BOFIA 1991 Amended	Contravention of rules and regulations on foreign exchange examination	8	-
Section 25 (2) of BOFIA 1991 Amended	Sanction for non-repatriation of export proceeds	2	-
Section 27 (2) of BOFIA 2011 Amended	Contravention of guidelines for accepting foreign currency cash deposits	-	20
Section 60 (1) of BOFIA 1991 Amended	Default on infrastructure for banks under the NEMSF	-	4
Section 60 (1) of BOFIA 1991 Amended	Failure to implement recommendations of external auditors	-	2
Section 60 (1) of BOFIA 1991 Amended	Contravention by ETI in the announcement of the 2016 financials	2	-
		88	148

Included in the contraventions during the year is the sum of N2 million penalty paid by Ecobank Nigeria in respect of ETI announcing its 2016 financial results without the prior approval of Ecobank Nigeria Limited financial results by CBN. The amount was charged back to ETI.

Notes to the financial statements

For the year ended 31 December 2017

40 Divisional analysis

The Bank contravened the following banking legislations and provisions during the year:

The Bank's operations by major business divisions during the year are summarised below:

(i) Consumer banking - provides banking services and retail solutions to personal consumers.

(ii) Commercial - provides banking services to governments, small and medium scale enterprises and local companies.

(iii) Corporate and investment banking - provides a broad range of financial solutions to multinationals, regional companies, state-owned companies, non-governmental organisations, international and multinational organisations and financial institutions, treasury, investment banking, and asset management businesses which focus on financial markets and investors.

At 31 December 2017	CIB	Consumer	Commercial	Others	Total
Net interest income	57,593	28,729	19,055	11,183	116,561
Net fees and commission income	3,678	8,650	2,854	(4,670)	10,512
Other income	23,582	2,835	2,721	9,190	38,328
Operating income	84,853	40,214	24,630	15,704	165,401
Impairment on loan and advances and others assets	(32,477)	(2,839)	(18,102)	(6,483)	(59,901)
Staff expenses	(11,369)	(14,173)	(11,414)	-	(36,956)
Depreciation and Amortisation	(2,125)	(2,482)	(2,143)	-	(6,750)
Others operating expenses	(15,754)	(16,574)	(9,054)	-	(41,383)
Operating profit	23,126	4,147	(16,083)	9,221	20,411
Income tax	-	-	-	-	(207)
Total income	23,126	4,147	(16,083)	9,221	20,204

At 31 December 2016	CIB	Consumer	Commercial	Others	Total
Net interest income	52,000	28,550	27,388	16,058	123,996
Net fees and commission income	11,158	5,739	3,107	(3,840)	16,164
Other income	33,745	7,584	1,284	-	42,613
Operating income	96,903	41,873	31,779	12,218	182,773
Impairment on loan and advances and others assets	(50,377)	(9,552)	(22,854)	-	(82,783)
Staff expenses	(11,325)	(14,370)	(12,127)	-	(37,822)
Deprecitation and Amortisation	(2,077)	(2,074)	(1,905)	-	(6,056)
Others operating expenses	(22,011)	(16,545)	(11,714)	-	(50,270)
Operating profit	11,113	(668)	(16,821)	12,218	5,842
Income tax	-	-	-	-	(62)
Total income	11,113	(668)	(16,821)	12,218	5,780

TRANSACTION PARTICIPANTS

NOTES ISSUER

EBN Finance Company B.V.
Herikerbergweg 88
1101 CM Amsterdam
The Netherlands

SENIOR NOTE ISSUER

Ecobank Nigeria Limited
Plot 21, Ahmadu Bello Way
P.O. Box 72688
Victoria Island, Lagos
Nigeria

JOINT LEAD MANAGERS

Citigroup Global Markets Europe AG
Reuterweg 16
60323 Frankfurt am Main
Germany

Mashreqbank psc
Mashreqbank New Head Office
Al Umniyati Street
Burj Khalifa Community
P.O. Box 1250
Dubai
United Arab Emirates

Renaissance Securities (Cyprus) Limited
Arch. Makariou III
9th Floor, 2-4 Capital Center
1065 Nicosia
Republic of Cyprus

Standard Chartered Bank
One Basinghall Avenue
London EC2V 5DD
United Kingdom

TRUSTEE

Citibank, N.A., London Branch
Citigroup Centre
25 Canada Square
London E14 5LB
United Kingdom

PRINCIPAL PAYING AGENT AND TRANSFER AGENT

Citibank, N.A., London Branch
Citigroup Centre
25 Canada Square
London E14 5LB
United Kingdom

REGISTRAR
Citibank Europe plc
1 North Wall Quay
Dublin 1
Ireland

AUDITORS OF THE BANK
Deloitte & Touche
Civic Towers
Plot GA 1, Ozumba Mbadiwe Avenue
Victoria Island, Lagos
Nigeria

LEGAL ADVISERS

To the Bank as to Nigerian law

Templars
5th Floor, The Octagon
13A AJ Marinho Drive
Victoria Island, Lagos
Nigeria

To the Issuer and the Bank as to English law and United States federal securities law

White & Case LLP
5 Old Broad Street
London EC2N 1DW
United Kingdom

To the Issuer as to Dutch law

NautaDutilh N.V.
Beethovenstraat 400
1082 PR Amsterdam
The Netherlands

To the Joint Lead Managers as to Nigerian law

G. Elias & Co.
6 Broad Street
Lagos
Nigeria

To the Joint Lead Managers as to English law and United States federal securities law

Herbert Smith Freehills LLP
Exchange House
Primrose Street
London EC2A 2EG
United Kingdom

To the Trustee as to English law

Dentons UK and Middle East LLP
One Fleet Place
London EC4M 7WS
United Kingdom