

114

This document is important and must be read carefully. If you are in any doubt about the contents of this document or any action to be taken, it is recommended that you consult your Stockbroker, Banker, Solicitor, Accountant or any other professional adviser duly registered under the Investments and Securities Act No. 29, 2007. Investing in this offer involves risks. For information concerning certain risk factors which should be considered by prospective investors, see "Risk Factors" commencing on page 61 hereof.



LAPO MFB SPV PLC

RC: 1363556

(Incorporated for the sole purpose of purchasing of Senior and Subordinated Underlying Bonds to be issued by LAPO Microfinance Bank Limited)

₦20,000,000,000

DEBT ISSUANCE PROGRAMME

(Established Pursuant to the Resolution of the Shareholders of LAPO MFB SPV Plc. dated 26 September 2016)

SHELF PROSPECTUS

Under the Debt Issuance Programme described in this Shelf Prospectus ("the Programme"), LAPO MFB SPV Plc. ("LAPO SPV" or the "Issuer"), subject to compliance with all relevant laws and regulations, may from time to time issue bonds or any other type of debt securities (the "Bonds"). As more fully described herein, the Bonds may be a Senior, Subordinated, Convertible, or Equity linked, and may be issued from time to time in separate series, in amounts, at prices and on terms to be set out in any accompanying Pricing Supplements or Supplementary Shelf Prospectus.

The maximum aggregate nominal amount of all Bonds issued from time to time and outstanding under this Programme shall not exceed ₦20,000,000,000 over the three years that this Shelf Prospectus, including any amendments thereto, remains valid. This Shelf Prospectus is to be read and construed in conjunction with any supplement hereto and all documents which are incorporated herein by reference and, in relation to any series of the Programme, together with the applicable Pricing Supplement/Supplementary Shelf Prospectus (es) ("SSP").

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

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

This Prospectus and the securities, which it offers, have been registered by the Securities and Exchange Commission. Sections 85 to 87 of the Investments and Securities Act, provides for civil and criminal liabilities for the issue of a Prospectus which contains false or misleading information. The registration of this Prospectus and the securities which it offers does not relieve the parties of any liability arising under the act for false or misleading statements or for any omission of a material fact in this Prospectus.

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

The directors of the Issuer and/or Sponsor collectively and individually accept full responsibility for the accuracy of the information stated herein and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no facts, the omission of which would make any statement herein misleading or untrue.

LEAD ISSUING HOUSE/BOOK RUNNER



FCMB CAPITAL MARKETS LIMITED
A MEMBER OF FCMB GROUP PLC

RC: 446561

JOINT ISSUING HOUSE/BOOK RUNNER



RC: 444999

THIS SHELF PROSPECTUS IS DATED 16 AUGUST 2017

THIS SHELF PROSPECTUS IS VALID FOR 3 YEARS FROM THE DATE OF ISSUE

TABLE OF CONTENTS

DEFINITIONS	2
DECLARATION BY THE ISSUER.....	10
INFORMATION RELATED TO THE SHELF PROSPECTUS	11
ISSUE OF PRICING SUPPLEMENT	14
DOCUMENTS TO BE INCORPORATED BY REFERENCE.....	15
THE PROGRAMME.....	15
PARTIES TO THE PROGRAMME.....	17
TRANSACTION OVERVIEW.....	21
SUMMARY OF THE PROGRAMME.....	22
TERMS AND CONDITIONS OF THE PROGRAMME.....	28
TAX CONSIDERATION.....	37
OVERVIEW OF THE NIGERIAN ECONOMY	38
THE NIGERIAN MICROFINANCE BANKING SECTOR.....	42
DESCRIPTION OF LAPO MFB SPV PLC	45
DESCRIPTION OF LAPO MICROFINANCE BANK LIMITED	48
RISK AND MITIGATING FACTORS.....	61
EXTRACTS OF THE PROGRAMME TRUST DEED	65
LETTER FROM THE REPORTING ACCOUNTANT.....	90
HISTORICAL FINANCIAL INFORMATION	92
EXTRACTS OF ISSUER/SPONSOR'S RATING	119
STATUTORY AND GENERAL INFORMATION	121
FORM OF PRICING SUPPLEMENT	129

DEFINITIONS

Key Terms/Abbreviations	Explanation
"Allotment Date"	Date on which the Bonds are allotted to investors
"Applicable Pricing Supplement" or "Supplementary Prospectus"	The Pricing Supplement/Supplementary Prospectus applicable to a particular Series of Bonds issued under the Programme
"Board" or "Directors"	Board of Directors of the Company
"Bondholder"	Any registered owner or beneficial owner of Bonds
"Bonds"	The registered bonds or any other type of debt securities issued by the Issuer from time to time under the Programme with aggregate value not exceeding N20,000,000,000
"Book Runner(s)"	The Issuing House(s) duly appointed by the Issuer to maintain the book in respect of the Bonds being sold by way of Book Building
"Business Day"	Any day (other than a Saturday, Sunday or a Federal Government of Nigeria declared public holiday) on which commercial banks are open for general business
"CAMA"	Companies and Allied Matters Act Cap C20, LFN 2004
"CBN"	Central Bank of Nigeria
"CITA"	Companies Income Tax Act Cap. C21 LFN, 2004 (as amended by the Companies Income Tax (Amendment Act No. 11 of 2007)
"Conditions" or "Terms and Conditions"	Terms and conditions in accordance with which the Bonds will be issued, set out in the section headed "Terms and Conditions of the Programme" and in the Programme Trust Deed
"Coupon"	The interest rate payable to Bondholders as specified in the applicable Pricing Supplement
"Coupon Commencement Date"	The first date from which interest on a Series of the Bonds will accrue, as specified in the applicable Pricing Supplement

Key Terms/Abbreviations	Explanation
"Coupon Determination Date"	The date falling no later than two Business Days prior to the Coupon Payment Date on which the Trustee determines the interest rate applicable on a Bond (other than a Fixed Rate Bond) for that Interest Period
"Coupon Payment Date"	The date on which coupon is to be paid to Bondholders as specified in the applicable Pricing Supplement
"Coupon Period"	The period from (and including) a Coupon Payment Date (or the Coupon Commencement Date) to (but excluding) the next Coupon Payment Date
"CRR"	Cash Reserve Ratio
"CSCS"	Central Securities Clearing System Plc
"Daily Official List"	The daily official list of the NSE which provides information on a daily basis on transactions that take place on the floor of the NSE and FMDQ
"Debt Issuance Programme" of the "Programme"	The Debt Issuance Programme described in this Shelf Prospectus pursuant to which LAPO MFB SPV Plc may issue Debt Securities from time to time, the aggregate value of which shall not exceed ₦20,000,000,000 (Twenty Billion Naira)
"Debt Securities"	Any securities, which include registered bonds, promissory notes, certificates, debentures and other securities authorized to be issued under the Programme by LAPO MFB SPV Plc
"Directors' Certificate"	A certificate delivered to the Trustee by the Issuer and executed by two Directors of the Issuer
"DMB"	Deposit Money Banks
"EIU"	The Economist Intelligence Unit
"EMC"	Executive Management Committee
"Event of Default"	As provided in Clause 9 of the Programme Trust Deed
"Face Value"	The nominal value of the Bonds
"FCMB Capital Markets"	FCMB Capital Markets Limited

Key Terms/Abbreviations	Explanation
"FDI"	Foreign Direct Investment
"FGN"	Federal Government of Nigeria
"Fixed Rate"	The rate of interest payable in respect of Fixed Rate Bonds
"Fixed Rate Bonds"	Bonds in respect of which interest is to be calculated, from the date of issuance, paid on a fixed rate basis, and will not change during the life of such Bonds
"FMDQ"	FMDQ OTC Plc
"Floating Rate"	The rate of interest payable in respect of a Floating Rate Bond
"Floating Rate Bonds"	Bonds in respect of which interest is to be calculated in reference to a variable benchmark rate as described in the relevant Pricing Supplement
"GCR"	Global Credit Rating Co.
"GDP"	Gross Domestic Product
"High Net Worth Individual"	An individual investor with a net worth of at least N300 million, excluding automobiles, homes and furniture as defined by Rule 321 of the SEC Consolidated Rules and Regulations, 2013 as amended from time to time
"IASB"	International Accounting Standards Board
"IFRS"	International Financial Reporting Standards
"IMF"	The International Monetary Fund
"Issuer"	LAPO MFB SPV Plc
"Issue Date"	The date on which the relevant Series of the Bonds is issued, as specified in the applicable Pricing Supplement
"Issue Price"	The price at which the Bonds are issued as specified in the applicable Pricing Supplement
"Issuer", the "Company" or "LAPO MFB SPV"	LAPO MFB SPV Plc
"Issuer's Auditors"	Akintola Williams Deloitte

Key Terms/Abbreviations	Explanation
"Issuing Houses"	FCMB Capital Markets and United Capital Plc
"Joint Issuing House/Joint Book-runner"	FCMB Capital Markets Limited and United Capital Plc or any other issuing houses as disclosed in the applicable pricing supplement.
"LAPO", "Sponsor" or "LAPO MfB"	LAPO Microfinance Bank Limited
"LAPO Bond"	The registered debt securities issued by LAPO and purchased by the Issuer with the proceeds of the Bonds. The aggregate value of such debt securities not exceeding N20,000,000,000
"LFN"	Laws of the Federation of Nigeria, 2004
"Material Subsidiaries"	Any company or entity directly or indirectly controlled by the Sponsor, for which purpose control means either ownership of more than fifty percent of the voting share capital (or equivalent right of ownership) of such company or entity, or power to direct its policies and management, whether by contract or otherwise
"Maturity Date"	The date as specified in each applicable Pricing Supplement on which the Principal Amount is due
"MBPA"	The Master Bonds Purchase Agreement dated 16 th day of August 2017 between LAPO, the Trustee and the Issuer under which LAPO issues the LAPO Bonds to the Issuer
"MPC"	Monetary Policy Committee
"MPR"	Monetary Policy Rate
"Naira" or "N"	The Nigerian Naira
"NDIC"	Nigeria Deposit Insurance Corporation
"NBS"	National Bureau of Statistics
"Nigeria"	The Federal Republic of Nigeria, and the term "Nigerian" shall be construed accordingly

Key Terms/Abbreviations	Explanation
"NIPC"	Nigerian Investment Promotion Commission
"NSE" or the "Exchange"	The Nigerian Stock Exchange
"Pension Reform Act 2014"	Pension Reform Act, Cap P4, LFN No.4 of 2014
"PFA"	Pension Fund Administrator and its plural form shall be construed accordingly
"PIB"	Petroleum Industry Bill
"PITA"	Personal Income Tax Act, CapP8, LFN 2004 as amended by the Personal Income Tax (Amendment) Act 2011
"Pricing Supplement", "Supplementary Shelf Prospectus" or "SSP"	The document(s) to be issued pursuant to the Shelf Prospectus which shall provide final terms and conditions of a specific issue of Debt Securities under the Programme
"Principal Amount"	The nominal amount of each Bond, as specified in the applicable Pricing Supplement
"Professional Parties"	Professionals engaged by the Issuer and Sponsor to advise on the establishment of the Debt Issuance Programme and the issuance of Bonds thereunder
"Programme Trust Deed" or "Deed"	The Trust Deed between LAPO MFB SPV Plc, LAPO Microfinance Bank and the Trustee dated 16 th day of August 2017 as may be amended, supplemented or restated from time to time
"Purchase Confirmation"	An agreement for the issue and subscription of the LAPO Bonds substantially in the form set out in Schedule 2 of the MBPA;
"Qualified Institutional Investor"	A purchaser of securities that is financially sophisticated. These include Banks, Fund Managers, Pension Fund Administrators, Insurance Companies, Investment/Unit Trusts, Multilateral and Bilateral Institutions, Registered and/or

Key Terms/Abbreviations	Explanation
	Verifiable Private Equity Funds, Registered and/or verifiable Hedge Funds, Market Makers, Staff Schemes, Trustees/Custodians, Stock Broking Firms and any other category as the Commission may determine as stipulated by Rule 321 of the Rules and Regulations of the Securities and Exchange Commission
"Rate of Interest"	The applicable rate of interest on any Bond (other than a Fixed Rate Bond) to be determined on an Coupon Determination Date for each Interest Period by the Trustee
"Record Date"	The date on which the list of Bondholders eligible to receive Coupon payment is determined by reference to the Register
"Redemption Amount"	The aggregate Principal Amount outstanding in respect of a series of Bonds on the Maturity Date as specified in the applicable Pricing Supplement
"Register"	The record kept at the specified office of the Registrar into which shall be entered the names and addresses of each Bondholder and the particulars, transfers and redemption of the Bonds held by each Bondholder
"Registrar"	CardinalStone Registrars Limited or such other registrars duly licensed by the SEC, as may be appointed from time to time by the Issuer with prior written approval of the Trustee to maintain the Register
"Reverse Floating Rate"	Bonds in respect of which interest is calculated to have an inverse relationship to the referenced benchmark rate
"S&P"	Standard and Poors
"SEC" or "the Commission"	Securities & Exchange Commission
"Series"	A Tranche of Bonds together with any further Tranche or Tranches of Bonds which are (i) expressed to be consolidated and form a single series and (ii) are identical in all respects

Key Terms/Abbreviations	Explanation
	(including as to listing) except for their respective Issue Dates, Coupon Commencement Dates and/or Issue Prices
"Series Trust Deed"	Means a deed supplementing or modifying the provisions of the Programme Trust Deed entered into by the Issuer and the Trustee with regards to a specific Series and empowering the Trustee to hold, administer and manage the applicable assets
"Shelf Prospectus"	This document issued in accordance with the Rules and Regulations of the SEC, which details the aggregate size and broad terms and conditions of the Programme
"Special Resolution"	Means a resolution passed by at least three fourths (3/4) majority of the total number of Bondholders in accordance with the provisions contained in the Second Schedule on page 88
"SSA"	Sub-Saharan Africa
"The Programme"	The Debt Issuance Programme described in this Shelf Prospectus pursuant to which LAPO MFB SPV Plc may issue Debt Securities from time to time, the aggregate value of which shall not exceed ₦20,000,000,000 (Twenty Billion Naira)
"Tranche"	Bonds which are identical in all respects (including as to listing and admission to trading)
"Transaction Documents"	The Shelf Prospectus, Pricing Supplement, the Trust Deeds, vending agreements, underwriting agreement, Master Bonds Purchase Agreement and all related documents
"Trust Deeds"	The Programme Trust Deed and the Series Trust Deed(s)
"Trustee"	FBN Trustees Nigeria Limited or any other Trustee appointed by the Issuer
"Trustee Act"	Trustee Investments Act Cap T22, LFN 2004

Key Terms/Abbreviations	Explanation
"Undertaking"	An undertaking on the Bonds to be provided by LAPO
"United Capital"	United Capital Plc
"USD"	United States Dollar
"Validity Period"	A period not exceeding three (3) years after the date of the issue of this Shelf Prospectus
"VAT"	Value Added Tax
"WHT"	Withholding Tax as provided for in section 78(2) of CITA
"Zero Coupon Bond"	A non-interest bearing Bond or a Bond issued at a discount to its face value

DECLARATION BY THE ISSUER

LAPO MFB SPV PLC
RC:1363556

HEAD OFFICE:

18, Dawson Road,
Benin City, Nigeria.
Tel: 234-52292174

LAGOS OFFICE:

65, Kudirat Abiola Way,
Ikeja, Lagos, Nigeria.
Tel: +234-81-10772850
+234-81-69389739

26th September, 2016

Declaration by LAPO MFB SPV Plc

We hereby affirm that this Shelf Prospectus and Pricing Supplement thereto have been prepared by the Issuing Houses, on behalf of LAPO MFB SPV Plc ("the Issuer") with a view to providing a description of the relevant aspects of the Issuer and LAPO Microfinance Bank Limited ("the Sponsor") in connection with the N20 billion Programme and the investment in the securities issued therein.

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

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

Yours faithfully,

For: LAPO MFB SPV Plc



Josephine Nwachuku
Director



Cynthia Ikponmwosa
Company Secretary



Faith Osazuwa-Ojo
Director

Directors: Godwin Ehigiamusoe, Josephine Nwachuku, Faith Osazuwa-Ojo

REMAJ TOYS BANKING
SOLICITOR & NOTARY PUBLIC
Western House (11th Floor)
8/10, Broad Street, Lagos



INFORMATION RELATED TO THE SHELF PROSPECTUS

1. Presentation of Information

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

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

A wide variety of other information concerning the Sponsor, including financial information, is available in authorised publicly available publications. Any such information that is inconsistent with the information set forth in this Shelf Prospectus should be disregarded. No such information is a part of, or incorporated into this Shelf Prospectus.

2. Financial Information

The Sponsor maintains its books of account and prepares its statutory financial statements in Naira in accordance with IFRS as promulgated by the IASB.

Unless otherwise indicated, the financial information regarding the Sponsor indicated in this Shelf Prospectus has been derived from the Reporting Accountants' Report on the Sponsor's audited financial statements for the five years ended 31 December, 2015 and the management accounts for the year ended 31 December 2016. The Sponsor's financial statements for the period ended 31 December 2011 and year ended 31 December 2012 were prepared under the historical cost convention in accordance with the Statement of accounting standards as issued by the Nigerian Accounting Standards Board, while the financial statements for the years ended 31 December 2013, 2014 and 2015 were prepared in accordance with IFRS as issued by the IASB and are presented in Naira.

3. Rounding

Certain figures included in this Shelf 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.

4. Forward Looking Statements

Certain statements included herein and in any Pricing Supplement may constitute forward looking statements that involve a number of risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Such forward looking statements can be

identified by the use of forward looking terminology such as “believes”, “expects”, “may”, “are expected to”, “intends”, “will”, “will continue”, “should”, “would be”, “seeks”, “approximately” or “anticipates” or similar expressions or the negative thereof or other variations thereof or comparable terminology. These forward looking statements include all matters that are not historical facts and include statements regarding the Issuer’s intentions, beliefs or current expectations concerning, amongst other things, the Issuer’s operating results, financial condition, liquidity, prospects, growth, strategies and the industry in which it operates.

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

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

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

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

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

5. Third Party Information

The Issuer and the Sponsor obtained certain statistical and market information that is presented in this Shelf Prospectus in respect of the Nigerian microfinance banking sector, the Nigerian economy and the Nigerian political landscape in general from third party sources as identified where it appears herein.

This third party information is presented in the following sections of the Shelf Prospectus: "Exchange Rates and Exchange Controls", "Risk Factors", "Business Description", "Management's Discussion and Analysis of Result of Operations and Financial Condition", "Directors and Senior Management", "Nigeria" and "The Nigerian Microfinance Banking Sector". The Issuer and the Sponsor have accurately reproduced such information and, so far as they 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.

There is not necessarily any uniformity of views among such sources as to such information provided. The Issuer has not independently verified the information included in these sections. Some of the information in this Shelf Prospectus have been derived substantially from publicly available information, such as annual reports, official data published by government agencies or other third party sources as indicated in the text. The Issuer has accurately reproduced such information and, so far as the Sponsor is aware and is able to ascertain, no facts have been omitted that would render the reproduced information inaccurate or misleading. The Issuer has relied on the accuracy of this information without independent verification.

Market studies are often based on information or assumptions that may not be accurate or appropriate, and their methodology is inherently predictive and speculative. Neither the Issuer, the Sponsor, nor the Issuing Houses 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;
- The International Monetary Fund;
- The Debt Management Office; and
- The National Bureau of Statistics.

ISSUE OF PRICING SUPPLEMENT

Following the publication of this Shelf Prospectus, a Pricing Supplement shall be prepared by the Issuer and the Issuing Houses for each series of Bonds issued under the Programme for the approval of the SEC in accordance with Rule 279(3)(6)(b) of the SEC Rules and Regulations.

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

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

THE PROGRAMME

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

This Shelf Prospectus is issued pursuant to the Rules and Regulations of the Commission and contains particulars in compliance with the requirements of the SEC Rule 279(3) for the purpose of giving information to the public with regards to the N20,000,000,000 Debt Issuance Programme established by the Issuer. The specific terms of each Series of the Bonds in respect of which this Shelf Prospectus is being delivered will be set forth in the applicable Pricing Supplement and shall include the specific designation, aggregate principal amount, the currency or currency unit for which the Bonds may be purchased, maturity, interest provisions, authorised denominations, Issue Price, any terms of redemption and any other specific terms. If a specific issue under the Programme requires a listing, an application will be made to the Governing Council of the Nigerian Stock Exchange or the Financial Market Dealers Quotation (FMDQ) Over-The-Counter (OTC) market platform for the admission of such Bonds to its Daily Official List.

The directors of the Issuer and/or Sponsor collectively and individually accept full responsibility for the accuracy of the information stated herein and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no facts, the omission of which would make any statement herein misleading or untrue.



FCMB CAPITAL MARKETS LIMITED
A MEMBER OF FCMB GROUP PLC

RC: 446561

 United Capital

RC: 444999

On behalf of



LAPO
Microfinance Bank
improving lives

(The Sponsor)

RC: 688667

LAPO MFB SPV PLC

RC: 1363556

are authorised to issue this Shelf Prospectus in respect of

The N20 Billion Debt Issuance Programme

This Shelf Prospectus contains:

1. on page 10, the declaration to the effect that the Sponsor did not breach any terms and conditions in respect of borrowed monies which resulted in the occurrence of an event of default and an immediate recall of such borrowed monies during the twelve calendar months immediately preceding the date of filing an application with the SEC for the registration of this Shelf Prospectus;
2. on pages 90 – 118, the Reporting Accountants' Report prepared by Ernst & Young for the period ended 31 December 2011 to 31 December 2015 on the audited account and the management accounts for the year ended 31 December 2016 of the Sponsor;
3. on pages 119 - 120, an extract of the Rating Report on the Sponsor by Global Credit Rating Co. for incorporation in this Shelf Prospectus; and
4. on page 123, the legal opinion issued by the Solicitors to the Issue on the probable effect of claims and litigation against the Sponsor on the Programme.

Validity Period of the Shelf Prospectus and Delivery of Documents:

This Shelf Prospectus is valid until 16 August 2020. No Bonds shall be issued on the basis of this Shelf Prospectus read together with the applicable Pricing Supplement later than three (3) years after the Issue Date indicated on the cover of this Shelf Prospectus. This Shelf Prospectus can be obtained at the office of the Issuer, Sponsor and the Issuing Houses throughout its validity period.

PARTIES TO THE PROGRAMME

Directors and Company Secretary of the Sponsor

Chairman

Mr. Osarenren Emokpae

LAPO Place
18, Dawson Road,
Benin, Edo State



Managing Director

Dr. Godwin Ehigiamusoe

LAPO Place
18, Dawson Road,
Benin, Edo State



Director (Executive)

Mrs. Faith Osazuwa-Ojo

LAPO Place
18, Dawson Road,
Benin, Edo State



Director (Executive)

Mrs. Josephine Nwachukwu

LAPO Place
18, Dawson Road,
Benin, Edo State



Director (Non-Executive)

Mr. Andrew Ejoh

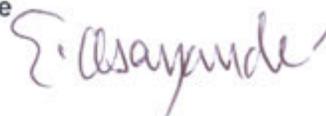
LAPO Place
18, Dawson Road,
Benin, Edo State



Director (Non-Executive)

Mr. Osayande Ede

LAPO Place
18, Dawson Road,
Benin, Edo State



Director (Non-Executive)

Mrs. Osaretin Demuren

LAPO Place
18, Dawson Road,
Benin, Edo State



Directors and Company Secretary of the Sponsor

Director (Non-Executive)

Mr. Rene Azokly *

LAPO Place
18, Dawson Road,
Benin, Edo State



Director (Non-Executive)

Mrs. Hannatu Yaro *

LAPO Place
18, Dawson Road,
Benin, Edo State



Company Secretary

Ms. Cynthia Ikponmwosa

LAPO Place
18, Dawson Road,
Benin, Edo State

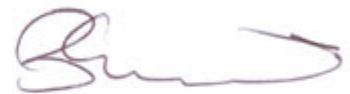


Directors and Company Secretary of the Issuer

Director

Mr. Godwin Ehigiamusoe

LAPO Place
18, Dawson Road,
Benin, Edo State



Director

Mrs. Faith Osazuwa-Ojo

LAPO Place
18, Dawson Road,
Benin, Edo State



Director

Ms. Josephine Nwachukwu

LAPO Place
18, Dawson Road,
Benin, Edo State



Company Secretary

Ms. Cynthia Ikponmwosa

LAPO Place
18, Dawson Road,
Benin, Edo State



Professional Parties to the Programme

Lead Issuing House

FCMB Capital Markets Limited

6th Floor, First City Plaza

44, Marina

Lagos

[Signature]
Abimbola Kai

Joint Issuing House

United Capital Plc.

12th Floor, UBA House

57, Marina

Lagos

[Signature]
BABATUNDE OBANIKI

Solicitor to the Issue

Banwo & Ighodalo

98 Awolowo Road

South West, Ikoyi

Lagos

[Signature]
Azeemu Muse-Sadiq

Solicitor to the Issuer

Tokunbo Orimobi LP

Plot 1963B Buraimoh Kenku Street

Off Oyin Jolayemi Street

Victoria Island

Lagos

[Signature]
MICHAEL ORIMOSI

Solicitor to the Trustees

Aluko & Oyebode

1, Murtala Muhammed Drive

Ikoyi

Lagos

[Signature]
Lotanna Nwobo

Trustee

Adekunle Awojobi

[Signature]

FBN Trustees Limited

16-18 Keffi Street, Off Awolowo Road

S/W Ikoyi

Lagos

Issuer's Auditor

Akintola Williams Deloitte

Civic Towers

Plot GA 1, Ozumba Mbadiwe Avenue

Victoria Island

Lagos

[Signature]
Aisa James

Professional Parties to the Programme

Sponsor's Auditor

Akintola Williams Deloitte

Civic Towers

Plot GA 1, Ozumba Mbadiwe Avenue

Victoria Island

Lagos

Asanjesan
Aale James

Rating Agency

Global Credit Ratings Co.

17th Floor, New Africa House

31 Marina

Lagos

SEUN ABOJUNRI

Adede
Olusegun Owadokun
Aguda & Co.

Reporting Accountant

Ernst & Young

10th Floor, UBA House

57, Marina

Lagos

Sunday Adeboye

Registrars

CardinalStone Registrars Limited

358 Herbert Macaulay Way

Yaba

Lagos

Prjo Pleda

Receiving Banks

First Bank of Nigeria Limited

Samuel Asabia House

35, Marina

Lagos

Ima
Belimi Alegemte

First City Monument Bank Limited

Primose Towers

17A, Tinubu Street

Lagos

Okunribido

TRANSACTION OVERVIEW

This section contains summarised information of aspects of the Programme and characteristics of the Bonds. Neither is this summary exhaustive nor does it purport to be a complete or professional review of the investment situation regarding the possible acquisition of the Bonds, which you may currently be considering. This summary should be read as an introduction to this Shelf Prospectus, as such, it should be read in conjunction with the remainder of this Shelf Prospectus and the Supplementary Shelf Prospectus and/or Pricing Supplement. Investors should read the entire Shelf Prospectus carefully, especially the risks involved in investing in the Bonds which are discussed under "Risk Factors" commencing on page 62.

Description of Transaction Structure

The Issuer, LAPO MFB SPV Plc, is a special purpose vehicle set up specifically to finance the Sponsor's funding requirements, by issuing Bonds to the public. Accordingly, the net proceeds of all issuances under the Programme will be on-lent to the Sponsor via the purchase of debt securities issued by the Sponsor ("the LAPO Bonds") to the Issuer in accordance with the terms of the Master Bonds Purchase Agreement (the "MBPA") between the Issuer, the Trustee and the Sponsor dated 16 August 2017.

Utilisation of the Issue Proceeds

Pursuant to the MBPA entered into between the Sponsor, the Issuer and the Trustee, the Issuer shall utilize the net proceeds of the Bonds to purchase the LAPO Bonds from the Sponsor.

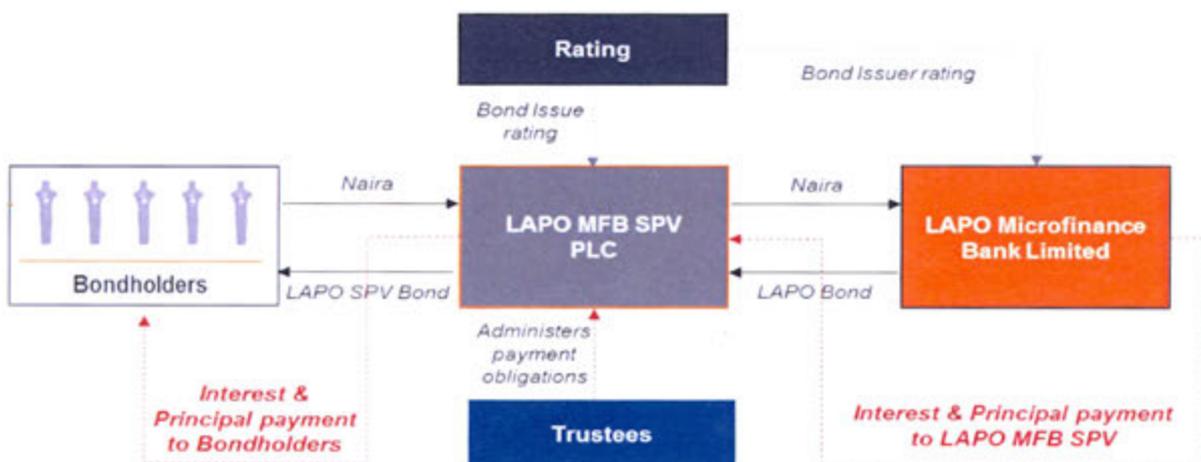
Servicing of the Bonds

The semi-annual payment of Coupons and the scheduled repayment of principal, in accordance with the amortization schedule in the Supplementary Shelf Prospectus, will be serviced with payments received from the Sponsor on the LAPO Bonds issued in accordance with the terms of the MBPA.

Undertaking

The Bonds are backed by an Undertaking issued by LAPO Microfinance Bank Limited in favour of the Trustee on behalf of Bondholders supporting all the obligations of the Issuer under the Programme.

Illustration of Issuance Programme



SUMMARY OF THE PROGRAMME

The following information should be read in conjunction with the full text of this Shelf Prospectus, from which it is derived. The information provided below is a brief summary of the key features of the proposed Bonds to be issued under the Programme and a description of the Issuer. This summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Shelf Prospectus as a whole, the Supplementary Prospectus and/or the Pricing Supplement and other documents, if any, incorporated by reference into this Shelf Prospectus.

Issuer:	LAPO MFB SPV PLC
Sponsor:	LAPO Microfinance Bank Limited
Programme Description:	<p>A Debt Issuance Programme being undertaken by LAPO MFB SPV Plc through which a Bond or a series of Bonds will be issued.</p> <p>The Programme covers convertible and non-convertible bonds, senior or subordinated and/or unsecured bonds, fixed rate bonds, floating rate bonds, reverse floating bonds, zero coupon bonds and any combinations thereof, with a minimum tenor of 1 year, all of which shall be denominated in Naira or in such other currency, may be repaid by amortising or bullet repayment, as may be agreed between the Issuing Houses and the Issuer and specified in the relevant Pricing Supplement.</p> <p>No Bonds shall be offered on the basis of this Shelf Prospectus or a Pricing Supplement after the expiration of the three (3) year validity period of the Shelf Prospectus.</p> <p>The Bonds shall be constituted by the Programme Trust Deed and the relevant Series Trust Deed(s). The provisions of the Programme Trust Deed shall apply separately and independently to the Bonds, provided that any terms and conditions relevant to additional Bonds, if any, under the Programme shall be governed by the relevant Series Trust Deed(s).</p>
Programme Size:	N20,000,000,000 (Twenty Billion Naira only) aggregate principal amount of Bonds issued and outstanding at any one time
Lead and Joint Issuing House/Book Runner:	FCMB Capital Markets Limited and United Capital Plc respectively
Programme Trustee:	FBN Trustees Limited

Use of Proceeds:	Proceeds from all issuances under the Programme will go towards purchasing LAPO Bonds issued by the Sponsor.
Maturity Date:	As specified in the applicable Pricing Supplement
Payment Date:	As specified in the applicable Pricing Supplement
Method of Issue:	Bonds under this Programme may be issued and sold by way of a public offer, private placement, book build process, or any other methods permitted by the SEC as specified in each relevant Pricing Supplement.
Issuance in Series:	The Bonds will be issued in series and each Series may comprise one or more tranches issued on different dates. The Bonds in each Series will be subject to identical terms, whether as to currency or maturity or otherwise, except that the Issue Date, the Issue Price, Coupon Commencement Dates may be different. Details applicable to each Series will be specified in the relevant Pricing Supplement.
Interest Rates:	Bonds may be interest-bearing or non-interest bearing. Interest (if applicable) may be fixed or floating rate as indicated in relevant Pricing Supplement(s).
Currency of Debt Securities:	The Bonds shall be denominated in Naira (N) or any other currency as may be agreed between the Issuer, Sponsor and the Issuing House(s) and specified in the applicable Pricing Supplement, subject to compliance with all applicable legal and regulatory requirements.
Fixed Rate Bonds:	Fixed Rate Bonds will bear Coupons which will be payable in arrears on each Coupon Payment Date as may be specified in the relevant Pricing Supplement(s).
Floating Rate Bonds:	Floating Rate Bonds will bear interest at a rate on such basis as may be agreed between the Issuer, the Sponsor and Issuing Houses as is specified in the relevant Pricing Supplement. The basis of calculating the amounts of interest payable may be by reference to a variety of financial instruments, currency exchange rate or any other index or formula or as otherwise provided in the relevant Pricing Supplement.

Index-Linked Bonds:	The Issuer may offer Bonds which provide for payments of principal or interest which are linked to a currency, securities exchange or commodities exchange index or other index as stated in the relevant Pricing Supplement. Specific provisions regarding the manner in which such payments are to be calculated and made will be set forth in the relevant Pricing Supplement.
Zero Coupon Bonds:	Zero coupon bonds may be issued at a discount to par and will not bear interest.
Other Bonds:	Terms applicable to High Interest Bonds, low interest bonds, step-up Bonds, Deep discount bond, Step-Down Bonds, dual currency bonds, and any other type of Bonds which the Issuer, the Sponsor and the Issuing Houses may agree to issue under the Programme, subject to compliance with all applicable relevant laws, regulations and directives, as set out in the relevant Pricing Supplement.
Issue Price:	The Bonds may be issued at their principal amount or at a premium or discount to their principal amount, as specified in the relevant Pricing Supplement.
Denominations:	The Bonds will be issued in such denominations as may be agreed between the Issuer, the Sponsor and the Issuing Houses and as specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and regulatory requirements.
Event of Default:	The events of default under this Programme are as specified in the Programme Trust Deed and relevant Series Trust Deed(s).
Form of Bonds:	The Bonds shall be issued in registered form and shall be transferable. The issue and ownership of the Bonds will be effected and evidenced by the Particulars of the Bond being entered in the Register by the Registrar and the Bonds being electronically registered in the CSCS account of the Bondholder.
Tenor:	The Bonds will have such maturities as may be agreed between the Issuer, LAPO and the Issuing Houses, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant

	<p>central bank (or equivalent body) or any laws or regulations applicable to the Issuer or LAPO. The tenor of a particular series of Bonds shall be specified accordingly in the relevant Pricing Supplement.</p>								
<p>Other Terms and Conditions:</p>	<p>Terms applicable to each Series as specified in the applicable Pricing Supplement other than those specifically contemplated under this Shelf Prospectus which the Issuer and the Issuing Houses may agree to issue under the Programme subject to compliance with all relevant applicable laws and regulations.</p>								
<p>Interest and Principal Payment:</p>	<p>The Issuer will pay interest and principal (if applicable) on each Series to unit holders on the dates stated in the applicable Pricing Supplement.</p>								
<p>Principal Redemption:</p>	<p>Each Series will be redeemed on the date(s) specified in the relevant Pricing Supplement.</p>								
<p>Early Redemption:</p>	<p>Early redemption will be permitted only to the extent specified in the relevant Pricing Supplement and then only subject to any applicable legal or regulatory limitations.</p>								
<p>Redemption Amounts:</p>	<p>The relevant Pricing Supplement will specify the redemption amount or, if applicable the basis for calculating the redemption amounts payable.</p>								
<p>Taxation:</p>	<p>The Bonds issued under the Programme are tax exempt in line with the tax exemptions contained in the Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order 2011, the VAT (Exemption of Proceeds of the Disposal of Government and Corporate Securities) Order 2011 and the PIT (Amendment) Act 2011. The CIT and VAT exemptions orders became effective on January 2, 2012 and are valid for a period of ten (10) years, while the exemption under the PIT (Amendment) Act 2011 is for an indefinite duration. Please refer to the section on Tax Considerations on page 37 for a detailed description of the tax considerations.</p>								
<p>Sponsor's Rating:</p>	<table border="1"> <thead> <tr> <th data-bbox="465 1640 703 1672">Rating Agency</th> <th data-bbox="747 1640 807 1672">Year</th> <th data-bbox="1029 1640 1193 1672">Credit Rating</th> </tr> </thead> <tbody> <tr> <td data-bbox="465 1704 525 1736">GCR</td> <td data-bbox="747 1704 807 1736">2017</td> <td data-bbox="1029 1704 1104 1736">BBB+</td> </tr> </tbody> </table>	Rating Agency	Year	Credit Rating	GCR	2017	BBB+		
Rating Agency	Year	Credit Rating							
GCR	2017	BBB+							
<p>Bond Ratings:</p>	<p>Rating for each Series under the Programme will be stated in the relevant Pricing Supplement.</p>								

<p>Ranking:</p>	<p>The Bonds may be senior or subordinated Bonds as indicated in the relevant Pricing Supplement.</p>
<p>Status of the Bonds:</p>	<p>Senior ranking Bonds shall constitute direct, unsubordinated (subject to the provisions of the Programme Trust Deed) obligations of the Issuer and shall at all times rank <i>pari passu</i>, and without any preference, among themselves. The payment obligations of the Issuer in respect of principal and any interest thereon shall at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future, but in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.</p> <p>Subordinated Bonds are direct, subordinated obligations of the Issuer and rank <i>pari passu</i>, and without any preference, among themselves and at least <i>pari passu</i> with the claims of all holders of Subordinated Indebtedness as provided for in the Programme Trust Deed. In the event of the winding-up of the Issuer, the claims of the Trustee and the Holders of Subordinated Bonds against the Issuer to payment of principal and interest in respect of the Subordinated Bonds will be subordinated to the Senior Indebtedness in the manner provided in the Programme Trust Deed.</p> <p>The Bonds qualify as securities in which Trustees may invest under the Trustees Act. In addition, the Bonds are securities in which PFA may invest under the Pension Act and the Regulations on Investment of pension fund assets issued by National Pension Commission.</p>
<p>Listing:</p>	<p>Each Series of the Bonds may be listed on the NSE, and/or admitted to listing, trading and/or quotation by any other listing authority (i.e. FMDQ OTC), stock exchange and/or quotation system as may be agreed between the Issuer and Issuing Houses; as specified in the relevant Pricing Supplement.</p>
<p>Pricing Supplement/ Supplementary Shelf Prospectus:</p>	<p>The Final terms of each Series will be set forth in a Pricing Supplement/SSP</p>

Negative Pledge:

The Issuer hereby covenants that for so long as any portion of the Senior Bonds issued under this Programme remains outstanding; it shall not create or permit to subsist any charge, mortgage, lien, pledge or other security interest or encumbrance upon any of its assets or any other party or any other indebtedness guaranteed by it without the prior written consent of the Trustee. Where the Trustee so consents, the Issuer shall at the same time as the creation of such indebtedness grant to the Trustee (for the benefit of the Bondholders) the same or equivalent security as is granted in relation to the indebtedness.

Credit Enhancement:

As stated in the applicable Pricing Supplement/SSP and/or Supplemental Trust Deed, Bonds to be issued may include additional comforts in the form of debenture, security, collateral, insurance, third party guarantee, subordination or credit tranching or any other arrangement to reduce the credit risks of the Bonds.

Governing Law:

The Bond Issued under the Programme and all related contractual documentation will be governed by, and construed in accordance with the laws of the Federal Republic of Nigeria.

Transaction Documents include (but not limited to):

- Shelf Prospectus;
- Supplementary Shelf Prospectus or Pricing Supplement;
- Programme & Supplementary Trust Deed;
- Master Bonds Purchase Agreement;
- Deed of Covenant
- Reporting Accountants' report;
- Solicitors' report on claims and litigation;
- Vending Agreement; and
- Underwriting Agreement (where applicable)

TERMS AND CONDITIONS OF THE PROGRAMME

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

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

The Bonds

The Bonds are hereby constituted under this Programme Trust Deed.

Any Series of Bonds which is to be created and issued pursuant to this Programme Trust Deed shall be constituted by, be subject to, and have the benefit of a Series Trust Deed between the Issuer, the Sponsor and the Trustee. The Issuer and the Sponsor shall execute and deliver such Series Trust Deed to the Trustee containing such provisions (whether or not corresponding to any of the provisions contained in the Programme Trust Deed) as the Trustee may require. Each Series Trust Deed shall set out the form of the Tranche of Bonds to be so constituted thereby and shall be accompanied by such supporting authorisations and/or approvals as may be required by the Trustee.

The Bondholders are entitled to the benefit of and are bound by, and are deemed to have notice of, all the provisions of the Programme Trust Deed and the relevant Series Trust Deed applicable to them.

1. CURRENCY, FORM, DENOMINATION AND TITLE

1.1 Currency, Form and Denomination

The Bonds shall be in registered form or as may be specified in the applicable Pricing Supplement. The Bonds issued under the Programme may be fixed rate bonds, floating rate notes, zero-coupon bonds and any combinations thereof all of which shall be denominated in Naira.

The Bonds will be delivered to the Bondholders in dematerialised (uncertificated, book-entry) form which shall be registered with a separate securities identification code with the CSCS. The Bondholders may deal in the Bonds in accordance with the CSCS procedures and guidelines.

1.2 Title

Title to the Bonds will pass only by registration in the Register.

Except as may subsequently be agreed between the parties in a Series Trust Deed, the Bondholder (or his legal representative) shall be deemed and regarded as the legal and beneficial owner of the Bonds registered in his name for all purposes including but not limited to the payment of the Principal Amount, premium (if any) and Coupon.

Statements issued by the CSCS as to the aggregate number of such Bonds standing to the credit of the CSCS account of any person shall be conclusive and binding for all purposes save in the case of manifest error and such person shall be treated by the Issuer, the Trustee and the Registrar as the legal and beneficial owner of such aggregate number of Bonds for all purposes.

2. STATUS OF THE BONDS

- 2.1 The Bonds shall constitute direct, unconditional obligations of the Issuer and shall rank *pari passu* and without any preference among themselves (subject to modifications in any Series Trust Deed). The payment obligations of the Issuer in respect of principal and interest thereon shall save for such obligations as may be preferred by applicable legislation relating to creditor's rights, at all times rank at least equally with all other unsecured indebtedness and monetary obligations of the Issuer, present and future.
- 2.2 Amounts payable in respect of the Bonds shall constitute an obligation by the Issuer to pay to the Bondholders to the extent of the amounts actually received and retained (after deduction of statutory fees and all other SEC approved expenses) by or for the account of the Issuer pursuant to the LAPO Bonds.

3. REDEMPTION

- 3.1 The aggregate Principal Amount of the Bonds and any Coupon (accrued up to but unpaid as of the Maturity Date) shall be paid by the Issuer on the Maturity Date or on such earlier date as the Bonds may become due and repayable in accordance with this Deed.
- 3.2 In relation to any Tranche of the Bonds, in the event of a Capital Disqualification Event of the Sponsor, the Issuer may, at its option, having given not less than 30 nor more than 45 days' notice (or such other period as may be specified in the relevant Pricing Supplement) to the Bondholders in accordance with Condition 11 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), at any time redeem all, or if so provided, some of the Bonds with interest accrued to but excluding the date of redemption. Prior to the publication of any notice of redemption pursuant to this Condition 4.2, the Issuer shall deliver to the Trustee (i) a copy of the circular, notification, directive or other official policy communique evidencing such Capital Disqualification Event of the Sponsor (a "**CBN Communication**") and (ii) a certificate signed by two directors of the Sponsor stating that (A) the Sponsor has consulted with the CBN following the release of the relevant CBN Communication, (B) (if required by the Applicable Banking Regulations) the CBN has given its approval or the approval of the CBN is not required and (C) a Capital Disqualification Event of the Sponsor has occurred, and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions in this Condition 4.2, in which case it shall be conclusive and binding on the Bondholders.

4. PAYMENTS

- 4.1 Payments of the Principal Amount and Coupon (where applicable) will be made in the relevant currency and by credit to the specified bank account of the Bondholder or by cheques/warrants

drawn on a bank duly licensed by the CBN and mailed by registered post to the address of record of any Bondholder that does not specify a bank account. Coupon on Bonds due on Coupon Payment Dates will be paid to the Bondholder shown on the Register of Bonds of a Tranche at the close of business on the relevant date. The Bondholder shall be the only person entitled to receive payments in respect of Bonds and the Issuer will be discharged by payment to, or to the order of, the Bondholder in respect of each amount so paid.

- 4.2 If the due date for payment of any amount in respect of the Bonds is not a Business Day, then the Bondholder thereof shall not be entitled to payment of the amount due until the next succeeding Business Day unless the next succeeding Business Day falls on the next calendar month, in which case the due date will be the first preceding day that is a Business Day, and the Bondholder shall not be entitled to any further Coupon or other payment in respect of any such delay. For the purpose of this paragraph, “**Business Day**” means any day on which banks are open for business in the Federal Republic of Nigeria and in the case of transfer to or from an account held by a non-resident investor, in the place where such bank account is maintained.
- 4.3 Any reference in these Conditions to Coupon in respect of the Bonds shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Clause 7 or under any undertaking or covenant given in addition.

5. RESTRICTIVE COVENANT

- 5.1 For so long as any Bond remains outstanding, the Issuer shall not create or permit to subsist any charge, mortgage, lien, pledge or other security interest or encumbrance upon any of its assets or any other party or any other indebtedness guaranteed by it without the prior written consent of the Trustee. Where the Trustee so consents, the Issuer shall at the same time as the creation of such indebtedness grant to the Trustee (for the benefit of the Bondholders) the same or equivalent security as is granted in relation to the indebtedness.
- 5.2 Save as provided above, so long as any Bond 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 bonds for the sole purpose of purchasing debt securities issued by, or the making of any loan to, the Sponsor, engage in any other business other than acquiring and holding the LAPO Bond and any security in respect of the Bonds, or purchasing debt securities issued by, or any future loans to the Sponsor or any other issue of notes as aforesaid and performing any act incidental to or necessary in connection with the foregoing, and in particular, the Issuer shall not 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 this Deed and the relevant LAPO Bond), issue any shares, give any guarantee or assume any other liability, or, subject to Nigerian law, petition for any winding-up or bankruptcy.

6. TAXATION

All payments in respect of the Bonds and Coupons by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of or within Nigeria, unless the withholding or deduction of the Taxes is required by law.

7. PRESCRIPTION

7.1 Claims against the Issuer for payment in respect of the Bonds shall be prescribed and become void unless made within 6 (six) years from the appropriate Relevant Date in respect of the Principal and Coupon.

7.2 As used in these Conditions, "**Relevant Date**" in respect of any payment means the date on which such payment first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date 7 days after that on which notice is duly given to the Bondholders that such payment will be made.

8. EVENTS OF DEFAULT

8.1 Events of Default Relating to the Bonds

If any of the following events ("**Events of Default**") occur, the Trustee at its discretion may, and if so requested in writing by holders of at least one-fifth in nominal amount of the Bonds then outstanding or if so directed by a Special Resolution shall give notice to the Issuer at its specified office that the Bonds are immediately repayable at their Principal Amount, whereupon the Bonds together with accrued Coupon (if any) to the date of payment shall become immediately due and payable:

- (i) **Non-Payment:** default is made for more than 10 Business Days (in the case of Coupon payments) or 10 Business Days (in the case of the Principal Amount) in the payment on the due date of Coupon or the Principal Amount in respect of any Tranche of Bonds; or
- (ii) **Breach of Other Obligations:** the Issuer or Sponsor does not perform or comply with any one or more of its other obligations in respect of the Bonds or this Programme Trust Deed which default is incapable of remedy or is not in the opinion of the Trustee remedied within 10 Business Days after notice of such default shall have been given to the Issuer by the Trustee at its specified office; or
- (iii) **Withdrawal of Licence:** the banking license of the Sponsor is terminated, revoked or suspended and is not replaced or any license from any governmental authority which the Sponsor holds and which is necessary for it to carry on its business, is terminated, revoked or suspended and in any such case is not replaced within 90 days thereafter; or
- (iv) **Release of Sponsor:** If there shall be any release of the Sponsor from its obligations under the undertaking provided in this Deed, other than with the approval of the Trustee

and a Special Resolution of the Bondholders, including any release by operation of law, or any failure by the Sponsor to make payment when demanded by the Trustee in accordance with the undertaking aforesaid.

- (v) **Cross-Default:** Where the aggregate amount of the relevant indebtedness, guarantees and indemnities, in respect of any of the following events listed below in this paragraph (v) have occurred, and the amount due is equal to or exceeds N2,000,000,000 (Two Billion Naira):
 - (a) any other present or future indebtedness of the Issuer or the Sponsor (or any of its Material Subsidiaries) for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any default on the part of the Issuer or Sponsor, or
 - (b) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period as may be provided in the relevant finance document, or
 - (c) the Issuer or Sponsor (or any of its Material Subsidiaries) fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised; or
- (vi) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against a material part of the property, assets or revenues of the Issuer or Sponsor (or any of its Material Subsidiaries) and is not discharged or stayed within 90 days; or
- (vii) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or the Sponsor (or any of its Material Subsidiaries) over a material part of the Issuer or Sponsor's property, assets or revenues, becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person); or
- (viii) **Insolvency:** the Issuer or the Sponsor (or any of its Material Subsidiaries) is (or is deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Sponsor (or any of its Material Subsidiaries); or
- (ix) **Winding-up:** an order is made or an effective resolution passed for the Winding-up or dissolution of the Issuer or the Sponsor (or any of its Material Subsidiaries), or the Issuer or the Sponsor (or any of its Material Subsidiaries) shall apply or petition for a Winding-up or administration order in respect of itself or ceases or through an official action of its board of directors threaten to cease to carry on all or a substantial part of its business or operations, in each case except for the purpose of and followed by a reconstruction,

amalgamation, reorganisation, merger or consolidation (i) on terms approved by the Trustee or by a Special Resolution of the Bondholders or (ii) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the Issuer or the Sponsor (or any of its subsidiaries); or

- (x) **Nationalisation:** any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer or the Sponsor (or any of its Material Subsidiaries); or
- (xi) **Analogous Events:** any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs.

Provided that on the happening of any of the event specified in (7.1(i)) and (7.1(ii)) above, the Bonds shall not be declared immediately payable unless and until the Trustee shall have first served on the Issuer a preliminary notice requiring the Issuer to make the relevant payment in arrears, with interest or to remove, discharge or pay out to the satisfaction of the Trustee or to perform and observe the covenant or provisions the breach whereof has been committed, or threatened and the Issuer shall have failed or neglected for a period of ten (10) Business Days to comply with such notice.

9. PROCEEDINGS TO ENFORCE PAYMENT

- 9.1 At any time after the Bonds shall have become payable, the Trustee may at its discretion, (and shall upon the request in writing of the registered holders of at least 10% (ten percent) in Principal Amount of the Bonds or upon being so directed by a Special Resolution), without further notice institute such proceedings as it may think fit to enforce payment of the Bonds, the Coupon Amount and any other amounts due in respect of the Bonds (subject in each case to being indemnified, and/or provided with security to its satisfaction),.
- 9.2 No Bondholder shall have any right to institute any proceeding, judicial or otherwise, with respect to the Bonds, this Trust Deed, any Series Trust Deed or any other Programme Document, or for the appointment of a receiver or trustee, or for any other remedy hereunder, or any other Programme Document to which the Trustee is a party, unless:
- (i) such Bondholder previously shall have given to the Trustee written notice of a continuing Event of Default with respect to the Bonds and of the continuance thereof, as hereinbefore provided;
 - (ii) the holders of not less than 10% (ten per cent) in aggregate Principal Amount of the Bonds then outstanding shall have made written request upon the Trustee to institute such action or proceedings in its own name as Trustee;
 - (iii) such Bondholder or Bondholders have offered to the Trustee indemnity and/or security satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request;

- (iv) the Trustee for 45 days after its receipt of such notice, request and offer of indemnity and/or security has failed to institute any such proceeding or take such action hereunder or under such other Programme Document; and
- (v) no written direction inconsistent with such written request has been given to the Trustee during such 45 day period by the Bondholders of not less than a majority in Principal Amount of the Bonds.

9.3 The Trustee shall also file a notice of any default and remedies being pursued with the SEC within 30 days of the occurrence of an Event of Default.

10. NOTICES

10.1 Notices to the Bondholders

All notices to the Bondholders will be valid if mailed to them at their respective addresses of record in the relevant register of Bonds of a Tranche maintained by the Registrar. The Issuer shall also ensure that notices are duly given or published in a manner which complies with the SEC Rules and the rules and regulations of the FMDQ or any securities exchange or other relevant authority on which the Bonds are for the time being listed. Any notice shall be deemed to have been given on the second day after being so mailed or on the date of publication in national newspapers, or if published more than once or on different dates, on the date of the first publication.

10.2 Notices from the Bondholders

- (i) Notices to be given by any Bondholder shall be in writing and given by lodging the same with the Registrar.
- (ii) Any change of name or address on the part of the Bondholder shall forthwith be notified to the Issuer and subsequently, the Register shall be altered accordingly.

11. MEETINGS OF BONDHOLDERS

The Deed contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including the sanctioning by Special Resolution (as defined in the Programme Trust Deed) of a modification of any of these Conditions.

Such a meeting may be convened by Bondholders holding not less than 25% (Twenty Five per cent) in nominal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider a Special Resolution shall be two or more persons holding or representing by proxy at least 50% (Fifty per cent) of the nominal value of the Bonds for the time being outstanding unless the business of such meeting includes consideration of proposals, *inter alia*:

- (i) to amend the dates of maturity or redemption of the Bonds or any date for payment of Coupon or Coupon Amounts on the Bonds; or

- (ii) to reduce or cancel the nominal amount of, or any premium payable on redemption of, the Bonds; or
- (iii) to reduce the Coupon rates in respect of the Bonds or to vary the method or basis of calculating the rate or rates or Coupon Amounts or the basis for calculating any Coupon Amount in respect of the Bonds; or
- (iv) if a minimum and/or a maximum Coupon rate or redemption amount is specified in respect of the Bonds, to reduce any such minimum and/or maximum; or
- (v) to vary the currency or currencies of payment or denomination of the Bonds of a Tranche; or
- (vi) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass the Special Resolution,

in which case the necessary quorum shall be two or more persons holding or representing not less than 75% (seventy five per cent), or at any adjourned meeting not less than 25% (twenty five per cent), in nominal amount of the Bonds for the time being outstanding.

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

12. MODIFICATION OF THE TRUST DEED

The Trustee may agree with the Issuer and the Sponsor, but subject to the prior review and approval of the SEC, to (i) any modification of any of the provisions of the Deed which in the opinion of the Trustee is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Deed which in the opinion of the Trustee is not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, if the Trustee so require, such modification shall be notified to the Bondholders, as soon as practicable.

13. ENTITLEMENT AND INDEMNIFICATION OF THE TRUSTEE

In connection with the exercise of its functions (including but not limited to those referred to in this paragraph), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

The Programme Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibilities. The Programme Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (i) to enter into business transactions with the Issuer and/or any subsidiary of the Issuer and to act as trustee for the Bondholders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any subsidiary of the Issuer,

(ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interest of, or consequence for, the Bondholders and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

14. TRUST PROVISIONS

14.1 Declaration of Trust

All moneys received by the Trustee in respect of the Bonds or amounts payable under the Programme Trust Deed shall, despite any appropriation of all or part of them by the Issuer, be held by the Trustee in trust to apply them in accordance with the provisions of the Programme Trust Deed.

14.2 Representative of Bondholders

The Trustee is the representative of the Bondholders and is authorised to act on behalf of the Bondholders in accordance with the Conditions and the Programme Trust Deed and is hereby further authorised to contact the Registrar and/or the CSCS for the purposes of obtaining information (i) as to the aggregate nominal amount outstanding of any Tranche of Bonds, (ii) relating to the identity of Bondholders, and (iii) for the purposes of giving notices to Bondholders under Condition 11.

14.3 Binding Effect of the Conditions and the Trust Deed

Bondholders are deemed to have accepted and will be bound by the Conditions and the terms of the Trust Deed.

15. GOVERNING LAW

The Trust Deed, the Bonds and the Coupons shall be governed by and construed in all respects in accordance with the laws of the Federal Republic of Nigeria.

TAX CONSIDERATION

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

Under current legislation in Nigeria, the tax consequences of an investment in the Bonds to be issued under the Programme are quite broad and extensive. These include exemption from Companies Income Tax, Value Added Tax and Personal Income Tax, by virtue of the Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order 2011, the Value Added Tax (Exemption of Proceeds of the Disposal of Government and Corporate Securities) Order 2011 and the Personal Income Tax Act (Amendment) Act 2011 respectively. The Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order 2011 and the Value Added Tax (Exemption of Proceeds of the Disposal of Government and Corporate Securities) Order 2011 became effective on January 2, 2012 and the exemptions thereunder are valid for a period of ten (10) years while the exemption under the PIT (Amendment) Act 2011 is for an indefinite duration.

Where the maturity of the Bonds exceed 2 January, 2022, withholding tax implications in respect of such Bonds for the period after 2 January, 2022 will be stated in the applicable Pricing Supplement.

In addition, Bondholders will benefit from the waiver with respect to Capital Gains Tax in the event that the ten (10) year Capital Gains Tax waiver approved by the Federal Government in March 2010 becomes effective during the life of the Bonds. The value Added Tax (Exemption of Commissions on Stock Exchange transactions) Order 2014 exempts the imposition of value added tax on:

- a. Commissions earned on traded value of shares;
- b. Commissions payable to the SEC;
- c. Commissions payable to the NSE; and
- d. Commissions payable to the CSCS.

The Value Added Tax (Exemption of Commissions on Stock Exchange transactions) Order 2014 is valid for a period of five (5) years from July 25, 2014. Accordingly, any commission payable to the SEC, the NSE and the CSCS in connection with the Programme will be exempt from the imposition of value added tax till July 26, 2019.

OVERVIEW OF THE NIGERIAN ECONOMY

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

1. Introduction

Nigeria is Africa's most populous nation with a population of approximately 178 million as at 2014, and according to the United Nations, is expected to surpass the population of the United States of America by 2050. Earlier in August 2016, the Nigerian economy fell to become the second largest economy in Africa as measured in United States dollars. This is believed to be a consequence of about 42% depreciation in the Naira. The nation's population accounts for 47% of the West African populace with a year-on-year growth rate of about 2.8% and an ever increasing urbanisation rate. The country's young, increasingly urban, educated and burgeoning working-age population, which is estimated at 53% of its demography, will drive increasing consumption, and contribute to Nigeria's overall economic growth. The table below provides a summary of Nigeria's key economic indicators.

Table 1.1: Nigeria's Key Economic Indicators

Economic Indicators	2012	2013	2014	2015	2016	2017 ^f	2018 ^f
Nominal GDP, USD (bn)	457.1	508.0	545.7	486.1	344.6	293.9	312.5
Real GDP Growth (%)	4.3	5.4	5.9	2.7	-1.5	1.7	3.8
Population (mn)	168.2	172.8	177.5	182.2	187.0	191.8	196.8
Inflation (% y-o-y average)	12.2	8.5	8.1	9.0	15.6	15.8	11.5
Oil Production, ('000 b/d)	2,520	2,367	2,423	2,170	1,802	2,144	2,278
Exchange Rate (NGN/USD)	158.8	159.2	165.2	197.8	258.28	357.66	387.50

Source: BMI, National Bureau of Statistics, Central Bank of Nigeria

2. Gross Domestic Product (GDP)

The Nigerian economy faced numerous challenges which impacted overall economic activity in the past two years. Sharp declines in the oil price during the course of the year, continued insurgence in the northern part of Nigeria and renewed unrest in the Niger Delta region throughout the second and third quarters of 2016 affected economic activities within the country and challenged the ability of government to address social and economic disparities in the country.

According to the NBS, Nigeria's Gross Domestic Product (GDP) contracted by -1.51% (year-on-year) in 2016, indicating a real GDP of ₦67,984 billion.

Nigeria's economy emerged the 26th largest economy in the world and the largest in Africa in April 2014. Since then, the country GDP has shrunk by 1.5 percent year on year in the fourth quarter of 2016, compared to a 0.36 percent drop in the previous period and more than market consensus of 1.5 percent decline. It is the first contraction in 20 years due to decline in oil prices. GDP annual growth rate in Nigeria averaged 4.07 percent from 1982 until 2016 with ranges from 19.17 percent to -7.81 percent in the same period.

3. Foreign Reserves

According to the CBN, Nigeria's gross external reserves stood at US\$25.8 billion as at, 31 December 2016 representing a 11% year-on-year decline when compared with US\$29.1 billion as at 31 December 2016. The decline has been on the back of weak oil prices, the consequent decline in the country's dollar income as well as the CBN's defensive stance with respect to the Naira. The CBN has introduced a number of policies over the past months aimed at removing what it terms "unnecessary" demand for foreign exchange in order to stem the drag on the country's foreign reserves and ensure exchange rate stability.

Nigeria's external reserve increased by 17% to US\$30.3 billion in the first quarter of 2017 largely as a result of the relative peace in the Niger Delta, increasing oil production and increasing global oil prices. This improvement has helped the CBN to support the Naira. (Source: CBN)

4. Inflation

Nigeria's inflation rate has risen sharply over the past several months from an average of 9.0% in 2015 to an average of 15.6% in 2016. It peaked at 18.72% in January 2017 and dropped to 17.26% in March 2017. The acceleration which has been structural rather than demand-driven could largely be attributed to the significant increase in consumer prices on the back of tighter fuel supplies, the impact of the tension in North Eastern Nigeria on food prices and the currency pass-through of the NGN devaluation onto consumer prices, amongst others. The impact of these factors on the Consumer Price Index (CPI) have been buffered by a mix of tight monetary and prudent fiscal policy, recent moderation in commodity prices particularly agro-commodities and softening aggregate demand which has contained private consumption and import demand. (Source: NBS)

5. Monetary Policy

The MPR, the benchmark interest rate in the market, is subject to periodical reviews by the MPC in response to prevailing liquidity conditions- solely in achieving financial stability. At the last meeting held in March 2017, the MPC decided to continue its tight monetary policy stance amidst stagflation by maintaining the MPR at 14.00% with asymmetric window adjusted at +200 and -500 basis points around the MPR. The Cash Reserve Requirements (CRR) of banks and liquidity ratio were retained at 22.50% and 30.00% respectively.

The current MPR rate continues to reflect the CBN's implementation of a tight monetary policy aimed at containing the growth of monetary aggregates in order to achieve monetary and price stability. It has been the MPC's stance to combat inflation and bring it down to single digit following a sharp increase in inflation, exchange rate pass through, electricity tariff hike and fuel shortages in 2016.

6. Fiscal Policy

The improvement in the overall budgetary position prior to 2015 due to the oil-windfall quickly reversed as a result of weaker crude prices. The drop in crude oil prices has battered the currency of this oil-dependent country and caused a ballooning of the fiscal deficit, further exacerbated by inadequate government policies.

In a quest to actualize the Federal Government developmental objective, the expansionary 2017 budget which is focused on fiscal consolidation, including economic growth and employment generation which should result in a fiscal deficit of 2.2% of GDP from an estimated 3.2% of GDP in 2016.

Historically, Nigeria has traditionally run only a small budget deficit, and its debt levels are low in comparison to other Sub-Saharan African (SSA) markets. However, the 2017 NGN6trn expenditure budget (approximately NGN1.5trn increase on the previous year) is expected to be financed through borrowing on the domestic and international markets, and also through loans from multilateral financial institutions such as the World Bank.

7. Debt Profile

External Debt: The Nigerian Debt Management Office (DMO) disclosed that the country's external debt as at the end of 31 December 2016 was c. USD11.4 billion representing an increase of c. 10 percent when compared with its foreign borrowings of USD9.7 billion at the end of 2014. This accounts for approximately 20% of the nation's total debt stock, with over 70% of the sum owed to multilateral agencies including the World Bank Group and African Development Bank Group.

Domestic Debt: The DMO puts Nigeria's domestic debt stock at N11 trillion, as at 31 December 2016, representing an increase of 25% from N8.836 trillion, as at 31 December, 2015. The breakdown of the total debt stock by instrument type revealed that the FGN Bonds accounted for N7.5 trillion, representing 68%; Nigerian Treasury Bills (NTBs) accounted for N3.3 trillion, representing 30% and Treasury Bonds (TBs) accounted for N215.99billion, representing 2%.

8. Credit Rating

Standard & Poor's (S&P) in its revised credit rating on Nigeria in September 2016 lowered its long-term foreign and local currency sovereign credit ratings to 'B' from 'B+' citing a significant decline in oil production, restrictive forex policies, and delayed fiscal incentives. However, S&P affirmed Nigeria's 'B' short-term foreign and local currency sovereign credit ratings with a stable outlook on long term ratings.

The rationale behind this, is the significant weakening of the country's economy which witnessed a contraction in both the oil and non-oil sectors in the first two quarters of 2016. The oil sector narrowed the most in the second quarter, falling by close to 20% year-on-year following intensified pipeline vandalism in the Niger delta. The non-oil sector, which has traditionally been a driver of economic growth, also dropped in both quarters as industry and financial sectors continued to experience foreign currency shortages under the restrictive foreign exchange regime in H1 2016.

Similarly, Fitch Ratings Inc. ("Fitch") downgraded Nigeria's long-term foreign exchange issue default rating from B+ with a stable outlook as at June 2016 to B+ with a negative outlook as at January 2017

9. Exchange Rate

Nigeria's exchange rate relative to the US dollar has historically been very sensitive to fluctuations in the price of crude oil. Decreasing crude oil prices in the recent times has resulted in current account deficit and the depreciation of the naira. Exchange rates have fluctuated extensively through 2015 and 2016 with no signs of stability. Nigeria at the beginning of 2016 operated a fixed exchange rate regime with the naira fixed at 196.5 per US dollar. However, due to the large disparity between the current official rate (N197 – N199 to a dollar) and that of the parallel market (N320– N330 to a dollar), the Monetary Policy Committee (MPC) during its May 2016 meeting unanimously voted to adopt greater flexibility in exchange rate policy.

In June 2016, the CBN commenced operation of a liberalised single market structure with the introduction of an autonomous inter-bank market, thereby terminating the pegging of the Naira to the U.S. dollar. This directive became effective in June 20, 2016 when the official rate moved to N279.5/\$1 and closed 2016 at N304.50/\$1. The CBN has succeeded in reducing the disparity between the official and parallel markets with the official rate at N306.65/\$ and the parallel market rate at N380.00/\$ as at 29 March 2017.

THE NIGERIAN MICROFINANCE BANKING SECTOR

The Information in this section has been extracted from publicly available data obtained from organizations such as the CBN, FCMB Capital Markets research, the IMF and/or other third-party sources as indicated in the text believed to be reliable. The Issuer and its advisers have relied on the accuracy of this information without independent verification and make no representation as to its accuracy.

Background

The Financial Services sector in Nigeria is a major contributor to the country's macro-economic development and is the second largest in SSA after South Africa in terms of market capitalization, number of companies listed on the Nigerian Stock Exchange (NSE), and total assets. The industry was formerly synonymous with the banking sector but can now be clearly segmented into deposit money banks (DMBs) and non-bank financial institutions – which comprises of asset management firms, stockbroking firms, insurance companies, mortgage institutions, discount houses, merchant banks, microfinance banks and other finance companies.

The supply of financial services within Nigeria is clearly dominated by the DMBs which make up more than 70% of the industry size, by total assets and market capitalization of the NSE. Nonetheless the non-banking financial institutions with emphasis on microfinance banks have contributed significantly to the growth and development of the financial services sectors. The importance of microfinance banking (MFBs) sector to the development of any country cannot be overemphasised. The sector's importance in developing economies is seen in its contributions to Micro, Small and Medium Scale Enterprises (MSMEs). Since it was introduced in Bangladesh in the mid-1970s, several countries have copied the model of financing, Nigeria inclusive.

MFBs have proven to be a successful practice and plays a major role in the development of many African nations. In recognition of its importance, the United Nations (UN) declared year 2005 to be "The international year of microfinance," in order to remind everyone that millions of people worldwide benefit from microfinance activities. Its introduction into Nigeria, in 2005, recognises existing informal financial institutions and brings them within the supervisory purview of the CBN to enhance monetary stability and to expand the financial institutions in the country to meet the financial requirements of MSMEs as well as the unbanked rural population.

MFBs were inaugurated in line with Banks and Other Financial Institutions Act (BOFIA) 25, 1991. The Central Bank of Nigeria designed the Microfinance Policy, Regulatory and Supervisory Framework for Nigeria 2005 and Revised in April, 2011. Under the framework, microfinance banking is of three categories: MFBs licensed to operate as a unit bank, and with a minimum of ₦20 million paid-up capital for each branch. MFBs licensed to operate in a state are to operate with a minimum paid-up capital of ₦1 billion, later adjusted to ₦100 million. National Microfinance Bank are to operate with a minimum paid-up capital of ₦2 billion. Other regulatory provisions include even spread agenda, single ownership, corporate governance and full disclosure in line with Money Laundering Act.

Though MFBs have great potential and hold the key to economic development and poverty eradication especially at the grassroots level, the sector is challenged by myriad factors. These challenges are driven by under-performance as the sector has not recorded as much success as its counterparts in countries like Kenya, Sierra Leone and Bangladesh. Societal distrust arising from people's experiences

with its precursor, community banks, legal framework and weak capacity are some of the challenges that caused the sector to underperform.

The country's financial inclusion rate is roughly about 40% with a CBN target of 80% by 2020. Despite the sector's challenges, MFBs are best positioned to be major facilitators of the financial inclusion drive, particularly in the rural areas. Below is an illustration of the financial service sector in Nigeria.

Summary of Nigeria's Banking Institutions and Other Financial Services Providers

Financial Institution	Functions	No.
Commercial Banks	<ul style="list-style-type: none"> - Acceptance of deposits - Granting of loans - Operation of the payment and settlement mechanism. 	21
Microfinance Banks	<ul style="list-style-type: none"> - Advancement of small loans and/or savings collected to SMEs, even in the absence of asset-based collateral 	1023
Merchant Banks	<ul style="list-style-type: none"> - Acceptance of deposit and granting of medium- to long-term loans to corporate and institutional entities - Financing and engaging in activities such as equipment leasing, loan syndication, debt factoring - Adviser to clients sourcing funds in financial markets 	5
Development Finance Institutions	<ul style="list-style-type: none"> - Contribute to the development of specific sectors of the Economy - Provision of soft loans to industrialists and those engaged in agro-allied ventures 	6
Finance Companies	<ul style="list-style-type: none"> - Consumer loans - Funds Management - Asset Finance, including Finance Lease and Hire Purchase - Project Finance, Debt Factoring; and Leasing - Local & International Trade Finance, including LPO Financing and Import & Export Finance 	64
Bureaux De Change	<ul style="list-style-type: none"> - Facilitation of foreign currency trading. 	2477
Primary Mortgage Institutions	<ul style="list-style-type: none"> - Mobilization of savings for the development of the housing sector 	36

Source: Central Bank of Nigeria

Recent Developments

- **Housing Microfinance Project:** The CBN received Expressions of Interest (EOIs) from 14 MFBs in the pilot Housing Microfinance (HMF) Scheme. The Nigeria Housing Finance Programme (NHFP) is expected to select a maximum of eight (8) MFBs to pilot the scheme and engage a firm as the Task Manager to implement the Report on the selected MFBs, as well as prepare a draft technical agreement for execution of the pilot scheme by the selected MFBs.

- **Unified Core Banking System for MFBs:** The Central bank collaborated with development partners and other stakeholders to establish a Unified Core Banking System for the MFB sector. The CBN collaborated with development partners and other stakeholders to establish a Unified Core Banking System for the MFB sector. The unified platform would enable the CBN to have adequate oversight of the assets and liabilities of the sector, provide an early-warning system, foster pro-active regulatory intervention, and ultimately lead to improved soundness and stability of the microfinance sector.

The expected benefits of the unified IT platform for the MFBs are as follows:

- Reduction in the cost of acquisition of IT software arising from economies of scale and savings in annual maintenance cost derivable from shared services;
- Harmonization of disaster recovery and business continuity processes;
- Promotion of effective back-end processes;
- Centralization of the web-based platform for MFBs;
- Facilitation of access to MFB data from both on-site and off-site locations;
- Integration of payment systems for ease of interface with commercial banks' platforms;
- Enhancement of data quality and integrity.

DESCRIPTION OF LAPO MFB SPV PLC

The Information in this section has been extracted from documents and publications available and released by the Issuer. Neither the Issuer nor its advisers are able to ascertain if facts have been omitted that would render the reproduced information inaccurate or misleading.

Introduction

LAPO MFB SPV PLC (The "Issuer") was incorporated in Nigeria on 26 September, 2016 (registered number RC 1363556) as a public limited liability company and carries on business at 18, Dawson Road, Benin, Edo State. The Issuer has no subsidiaries or affiliates and has been established as a special purpose vehicle for the sole purpose of issuing Bonds to fund working capital of the Sponsor - LAPO Microfinance Bank Limited's funding requirements.

LAPO MFB SPV is a subsidiary of LAPO Microfinance Bank Ltd, with an authorised share capital of ₦1,000,000 divided into 1,000,000 ordinary shares of ₦1 each. The issued share capital of the Issuer is ₦1,000,000 divided into 1,000,000 ordinary shares of ₦1 each. 990,000 shares of the Issuer are held by the Bank and the remaining 10,000 shares are held by Godwin Esewi Ehigiamusoe

As set out in the Company's Memorandum and Articles of Association, the principal objectives of the Issuer, amongst other things, is to raise or borrow money and to grant security over its assets for such purposes and to enter into arrangements for such purposes.

Principal Activities

The principal activities of the Issuer are to issue Bonds to the public, especially qualified institutional investors, and use the proceeds to purchase Bonds from LAPO under the Master Bonds Purchase Agreement and in accordance with the terms of the Transaction Documents.

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

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

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

Other Information

Directors and Company Secretary

Below are details of the nominee directors of the Issuer:

Director	-	Mr. Godwin Ehigiamusoe
Director	-	Ms. Josephine Nwachukwu
Director	-	Mrs. Faith Osazuwa-Ojo
Company Secretary	-	Ms. Cynthia Ikponmwosa

Director's Interests

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

Profile of Board of Directors

Mr. Godwin Ehigiamusoe - Director

Dr. Godwin Ehigiamusoe is an acknowledged microfinance practitioner and a social entrepreneur with vast business interests. He has a Doctorate degree in Policy and Development Studies with emphasis on microfinance policy and regulatory frameworks. He founded Lift Above Poverty Organization, a pro-poor development organization as an NGO and has since grown the organisation into a leading microfinance institution with operations in Nigeria and Sierra Leone. Mr. Ehigiamusoe has attended capacity enhancing courses at Lagos Business School, INSEAD Business School, IESE Business School and Kennedy School of Government. He holds a Master's degree in Development Studies from the University of Benin (1998). He has authored *Understanding NGOs* (1998); *Poverty and Microfinance* (2000) and *Issues in Microfinance: Enhancing Financial Inclusion* (2011). In the year 2015, he earned a Doctor of Philosophy degree from Ambrose Alli University, Ekpoma, Edo State. He is the recipient of the Grameen Foundation's award for Excellence in Microfinance in 2006, awards for outstanding Entrepreneur from Schwab Foundation and Fate Foundation.

Mrs. Josephine Nwachukwu - Director

Mrs. Josephine Nwachukwu is an astute microfinance practitioner with vast experience spanning Internal Control, Treasury and Strategic Management. She holds a Master's Degree (MBA) from University of Benin (2008) and she is also a Microfinance Certified Banker (MCIB). With 18 years' experience, she is presently an Executive Director and heads corporate planning and Strategy department in LAPO Microfinance Bank.

Mrs. Faith Osazuwa-Ojo - Director

Mrs. Faith Osazuwa-Ojo has over 18 years of experience in the microfinance sector, she has rich pedigree in risk management (evaluation and monitoring). She studied Law at the university of Benin (2005) and has attended various capacity enhancing courses at notable institutes in and outside Nigeria

including: Programme for Leadership Development-Harvard Business School in United States of America, The Boulder Microfinance Training Program in Turin, Italy; Training for the Project Feasibility of Remittances product for 10 African MFIs , in Ethiopia etc. Currently, she is an Executive Director and heads the Risk Management and Monitoring Department of LAPO Microfinance Bank.

Ms. Cynthia Ikponmwosa - Head, Corporate Secretariat, Legal and Compliance

Ms. Ikponmwosa Cynthia Joined LAPO as a Principal Programme Officer in 2001. Prior to that, she had worked with Akintola Williams Deloitte. An associate member of the Nigerian Institute of Marketing, Ms. Ikponmwosa Cynthia holds a Bachelor of Arts (B.A) English degree from Edo State University, Ekpoma, in 1996 and Master Degree in Corporate Governance. She played a pivotal role in the transformation of LAPO Microfinance Bank operations into a regulated microfinance bank in 2010. She is a member of the Chartered Institute of Secretaries and Administrators of United Kingdom, the Chartered Institute of Marketers and Chartered Institute of Bankers of Nigeria (CIBN). Currently, she is the Head, Corporate Secretariat, Legal and Compliance department of LAPO Microfinance Bank.

Employees

The Issuer has no employees.

Indebtedness

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

Material Contracts

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

No Material Adverse Change

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

Litigation

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

DESCRIPTION OF LAPO MICROFINANCE BANK LIMITED

Introduction

LAPO Microfinance Bank Limited was incorporated as a private limited liability company on 25th April, 2007 under the provisions of the Companies and Allied Matters Act CAP C20 LFN 2004 with registration number 688867. LAPO is a foremost national microfinance bank committed to the social and economic empowerment of low-income households through provision of access to responsive financial services on a sustainable basis. In 2010, LAPO MfB obtained the approval of the CBN to operate as a state microfinance bank and in 2012, it got an approval as a national microfinance bank. Over the years, LAPO MfB has emerged as a leading institution delivering a range of financial services to over a million people in Nigeria.

Nature of Business

LAPO Microfinance Bank has embraced the challenge of serving the Micro, Small and Medium Enterprises (MSMEs) with our responsive, pacesetting and innovative financial products. Our services enable low-income households enhance their productive capacity, build and consolidate their economic base and manage risk.

LAPO MfB constantly aims at improving the lives of the underprivileged through its pioneering services. It socially empowers its clients through its services as the bank helps them gain self-respect and self-confidence by successfully utilizing the loans for the benefit of their businesses and family life and ensuring the prompt repayment of such loans.

Products and Service Offerings

A brief description of LAPO's key products and services is given below;

SME Loan

"Big businesses require big loans". The LAPO Microfinance Bank "SME Loan" is a credit product designed specifically to support Small and Medium Scale Enterprises ("SME") operators in Nigeria. Irrespective of the sector the enterprise is operating, LAPO MfB is willing to support businesses with a credit facility of up to ₦3,000,000 to expand their enterprise. At an affordable interest rate, Nigerian SMEs can now maximize their potentials with the SME Loan for the expansion of their businesses.

Small Business Loan

Small Business Loan is designed to meet the capital needs of small and medium scale entrepreneurs who require more funds for expansion.

Regular Loan

This loan product is designed for individuals that belong to a group (union). A union is a self-selected group of people who access loans individually, but have group guarantees. Regular Loan is created to help meet the working capital needs of clients that run small businesses.

Agriculture Loan

Agriculture is the mainstay of the Nigerian economy and is fundamental to the socio-economic development of any nation. This is why LAPO MfB designed Agricultural Loan to finance the farming activities of individuals, group or corporate organisations. The repayment schedule is designed to suit the seasonal nature of such activities. In 2016, LAPO MfB won the Best Microfinance Bank in Agricultural Financing under the Agricultural Credit Guarantee Scheme for the year 2015 by CBN.

Asset Loan

Asset loan as the name implies is targeted to help existing clients of LAPO MfB purchase assets such as generator, refrigerator, grinding machines etc. that will further enhance the productivity of their enterprise.

Social Impact Deposit

The Social Impact Deposit (SID) Account is a deposit product designed to empower the vulnerable and the economically active poor in the society. The SID Account is an innovative deposit and investment platform that provides individuals the opportunity to make deposit with LAPO Microfinance Bank that can be used to improve on the social needs of low-income individuals. The SID Account will be targeted specifically at economically active poor individuals in Nigeria. With a minimum deposit of ₦200,000 and a minimum tenor of 6 months, savers in return are rewarded with attractive interest that comes with the account. In addition to the attractive interest on deposits, depositor is also entitled to nominate a child from a low-income household for LAPO Scholarship award.

Term Deposit Savings Account

This is a savings product available to individuals, unions, clubs and registered business organizations. It gives clients the opportunity to save funds that they do not immediately have need for and in addition, generate interest on it.

Affordable Housing

The Affordable Housing scheme initiative evolved out of the partnership between LAPO Microfinance Bank and Lafarge in October 2013. The scheme tagged "Easy Home" was initiated in response to the challenges of urbanisation in Nigeria, the most populous country in Africa, with a housing gap estimated at about 18 million units. Prospective beneficiaries under the scheme are identified through the network of LAPO MfB branches or distributors of Lafarge. This loan product is designed to aid low-income earners to become home owners through provision of funds for the construction or reconstruction of homes. Construction is facilitated by the free technical assistance from Lafarge.

LAPO Microfinance Bank - At a Glance

Financial Highlights (as at 31 December 2016)

Revenue (N'000)	₦ 26,966,132
Profit Before Tax (N'000)	₦ 7,245,095
Total Assets (N'000)	₦ 62,521,272
Total Equity (N'000)	₦ 13,923,839

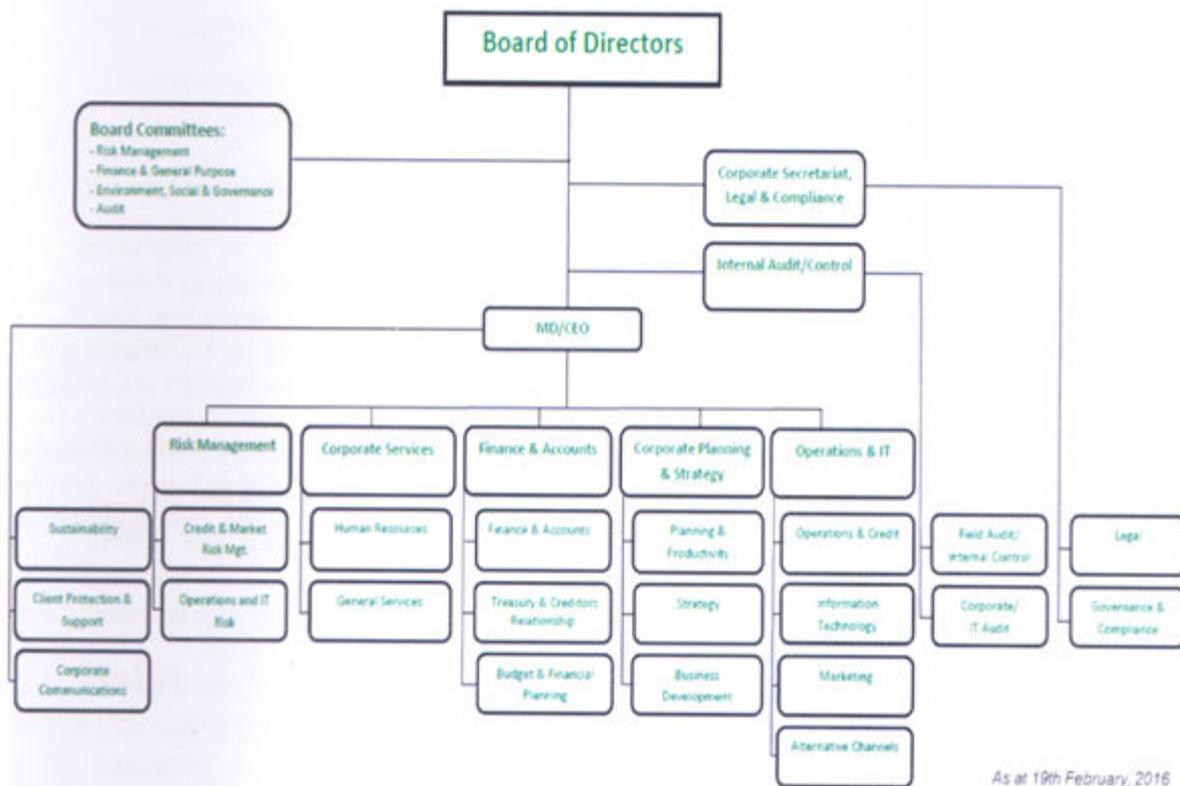
Branch Network Spread

Lagos West	47
Lagos Mainland	44
Mid-West	68
South-West	81
South-South	38
South East	45
Middle Belt Zone	26
FCT Zone	49
Business Offices	398

Source: LAPO Management Accounts as at 31 December, 2016

Company Organogram

LAPO is structured into seven business units – Legal & Compliance, Risk Management, Corporate Planning & Strategy, Finance & Accounts, Corporate Services, Operations & IT and Internal Audit/Control.



Corporate Governance Structure

The Board and Management of LAPO Microfinance Bank Limited have put in place structures, procedures and systems to ensure substantial compliance with CAMA, its Memorandum and Articles of Association, and the requirements of all Regulators. The Corporate Governance structures, procedures and systems are premised on dynamism. Compliance is the joint responsibility of the Board, Management and the entire staff of the Bank, and there is an established system of controls to ensure strict adherence with these principles.

The Board of Directors of LAPO Microfinance Bank Limited has the overall responsibility for ensuring that the highest standards of corporate governance are maintained and adhered to by the Bank. The Board of Directors carries out its responsibility through its standing Committees. These are the Board Audit Committee, the Board Risk Management Committee, the Finance and General Purpose Committee, Environment, Social & Governance Committee. Through the workings of these committees, the Board sets broad policy guidelines and ensures the proper management and direction of the Bank.

In addition to the Board Committees, there are a number of Management Committees which ensure effective and good corporate governance at the managerial level. LAPO Microfinance Bank's governance philosophy is hinged on its internal governance framework, which is executed through the following primary organs:

- A. The Board of Directors;
- B. Board Committees; and
- C. Management Committees.

A. The Board of Directors

Structure

The Board of Directors of LAPO MfB consists of nine (9) members headed by a Chairman. The Board is made up of three (3) Executives and five (6) Non-Executive Directors (including the Chairman of the Board). The responsibility of the Board and roles of Directors are articulated in the Board Manual, in accordance with the Bank's Articles and Memorandum of Association. The Board is committed to apply best practices and corporate governance standards and the applicable laws in Nigeria. The profile of the board is regularly reviewed, to ensure the board's composition remains both operationally and strategically appropriate.

The Board has five standing committees comprising of the Credit and Risk Management Committee; Audit Committee, the Finance and General Purpose Committee; Environment, Social and Governance Committee; and the Nomination/Remuneration Committee. Through the workings of these committees, the Board sets broad policy guidelines and ensures the proper management and direction of the Bank.

Roles and Responsibilities

- Determines the strategic objectives and policies of the Microfinance Bank to deliver long-term value;
- Ensures that the Microfinance Bank's operations are conducted in a lawful and efficient manner;
- Ensures timely rendition of statutory reports and returns to regulatory authorities namely, Central Bank of Nigeria and Nigeria Deposit Insurance Corporation;
- Reviews and approves Audited Financial Statements of the Microfinance Bank for presentation to shareholders at the Annual General Meeting subject to approval by the Central Bank of Nigeria;
- Reviews and approves corporate strategy, annual budgets and business plans;
- Approves major capital expenditures;
- Set performance standards and monitors implementation and corporate performance;
- Ensures that ethical standards are established and maintained and that the Microfinance Bank complies at all times with the laws of the Federal Republic of Nigeria;

- Recommends to the shareholders the appointment, remuneration and removal of Auditors;
- Reviews and approves remuneration policy and packages;
- Reviews and approves corporate governance framework and board performance appraisal process;
- Reviews the performance of the Managing Director; and
- Reviews and approves policy documents on vital corporate issues for implementation.

B. Board Committees

In discharging its oversight responsibilities, the Board makes use of various committees. Each committee has an in-depth focus on a particular area of the Board's responsibility and provides informed feedback and advice to the Board. The activities of each of the board committees relate to the affairs of the bank and are guided by the various objectives and stated terms of references of the committees. The Board Committees in operation during the period under review are as follows:

1. Risk Management Committee

The Board Risk Management Committee has the responsibility to set and review the Microfinance Bank's Risk policies. It oversees the risk profile, approve and monitor the risk management framework of the Bank within the context of the risk reward strategy determined by the Board of Directors. The Committee comprises of five members including a Chairman

The Risk Management Committee has the following roles:

- Review for Board approval, the Bank's Risk Management Policy and subsequent reviews and updates;
- Review for Board approval, the Bank's Credit Policy and subsequent reviews and updates;
- Articulate and define the risk management philosophy and risk appetite framework for the Bank on behalf of Board of Directors;
- Oversee and monitor the Bank's approved policies and procedures in relation to lending and control of credit risk;
- Review, approve or recommend facilities/exposures per the Bank's credit approval grid as approved by the Board;
- Consider, approve or recommend to the Board all insider and director-related credit applications;
- Undertake regular review of portfolio, remedial and stress test reports in order to ascertain the quality of the Bank's risk assets;
- Oversee and monitor the Bank's compliance with regulatory requirements and to review management responses to examination report;
- Report to the Board of Directors on all matters arising from its review and monitoring functions;

- Perform any other activities consistent with this charter, the company's bylaws, and governing laws that the Board Risk Management Committee determines are necessary or appropriate; and
- Carry out any other responsibilities or functions which the Board of Directors may assign to it from time to time.

2. Audit Committee

The Board Audit Committee is responsible for oversight of audit functions. The Committee comprises 4 non-Executive members including the Chairman and meets quarterly or as the need arises.

The committee has the underlisted functions:

- Evaluating, approving and monitoring the adequacy of the Company's internal and external audit processes, functions and related programs;
- Making recommendations to the Board on the appointment, remuneration and monitoring the effectiveness and independence of internal and external auditors;
- Overseeing and making recommendations to the Board on financial reporting;
- Reviewing reporting structures, policies and procedures to ensure compliance with financial, regulatory and legal requirements;
- Reviewing the financial and risk management policies and processes in operating its business activities;
- Reviewing and monitoring the reporting of any compliance breaches of laws or regulations or internal controls and reporting standards;
- Reviewing the effectiveness of the independent audit efforts;
- Following completion of the annual audit, review with the independent accountants, the internal control department, and management, any significant difficulties encountered during the course of the audit; and
- Review the Company's annual audited financial statements and related disclosures, discuss with the independent accountants the matters, which relates to the quality as well as acceptability of the accounting principles applied in the financial statements.

3. Finance and General Purpose Committee

The Finance and General Purpose Committee oversees and advises on strategic direction related to corporate finance, risk, cash, expenditure and capital management. It also oversees executive and management development, succession planning/mentoring programmes, staff welfare, motivation and performance management. The Committee comprises of two (2) Non-Executive Directors, the Managing Director and one (1) Executive Director. The Finance and General

Purpose Committee during the period under review was entrusted with the following responsibilities:

- To review financial related matters as well as issues regarding the management and operation of the Company. Such reviews include, but are not limited to the followings:
 - Establishment of and changes to major financial, accounting and treasury policies;
 - Major contracts and variations;
 - The financial operations of the Company as recorded in the interim and annual financial accounts and reports;
 - Financing guarantees and indemnities and mortgaging of the Company's assets; and
 - Any actual, or potential, major exception or occurrence which has, or may have, a major financial impact on the Company.
- Regularly review and report on the progress of all capital projects within the purview of its authority;
- Recommend proposals to lend, borrow or raise money, guarantees, pledges or charges to be given by the Bank;
- Monitor financial management of the Bank's activities including performance indicators and other reporting requirements;
- Have oversight of cash, borrowing and investment management; and
- Oversee staff matters as it relates to people management policies, manpower requirements, training and development, grievances as well as disciplinary related cases etc

4. Environment, Social and Governance (ESG) Committee

The purpose of the Environment, Social and Governance Committee is to review the Microfinance Bank's ESG practices, monitor performance against agreed targets and make recommendations to the Board on Environment, Social, and Governance Strategies. The committee is made up of three (3) Non-Executive Directors and two (2) Executive Directors and has the following terms of reference:

- Periodically review the vision, mission and institutional values, keep under review the Microfinance Bank's polices and practice as it relates to environment, social and governance objectives and review compliance against agreed target by the Microfinance Bank;
- Keep under review, the individual elements of the overall Environment, Social, and Governance Management (ESGM) strategy with respect to Community, Environment and Workplace, including and not limited to, reviewing at least once a year the following policies:
 - Social Performance Policies (Client Protection, Microfinance Universal Social Performance Standards);
 - Environmental Protection and Conservation Policies;

- Health and Safety Policies;
- Gender and Diversity Policy;
- Corporate Social Responsibility;
- Advise the Board on Environment, Social, and Governance Management (ESGM) strategies and policies and ensure that the recommendations in compliance with these policies are implemented;
- Review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any change it considers necessary to the Board for approval;
- Keep under review internal and external ESG communication;
- Engage local and international liaison on Environmental and Social activities.

5. Nomination and Remuneration Committee

The Committee has the responsibility to define the skills and attributes required for prospective Non-Executive Directors' appointments to ensure that the Board comprises of individuals with the requisite skills, knowledge and experience to ensure that it is effective in discharging its duties. The Committee consist of three (3) Non-Executive Directors and is expected to meet at least once a year.

The Nomination and Remuneration Committee is vested with the following responsibilities:

- Identification of suitable candidates for appointment to the Board;
- The assessment of the performance of individual directors;
- Approval of the promotion of Senior Management Staff;
- Determination of the remuneration of the Managing Director; and
- Approval of policies relating to remuneration schemes and long term incentives.

6. Executive Management Committee

This Committee is comprised of the Managing Director and Senior Management Staff of the Bank. The Committee meets monthly or as required to consider the following key objectives:

- Ensure effective implementation of policies and decisions of the Board of Directors;
- Implement financial and operational plans of the Bank towards the realization of institutional goals and objectives;
- Ensure safety and proper utilization of the assets of the Bank;
- Receive and review operational and financial reports of the Bank;
- Review the business plan and ensure that same is in line with the objectives; and
- Review decisions that affect the Management of the Bank and its staff.

Board of Directors and Key Management Team:

Profile of Board of Directors

Osarenren Emokpae - Chairman

Dr. Osarenren Emokpae has over thirty five (35) years professional experience spanning Marketing, Finance, Corporate consulting and the Academia. He holds a Bachelor of Science in Economics from University of Calabar, Cross Rivers State, Nigeria (1980), a Diploma in Marketing from Institute of Marketing, Pall Mall- London (1984), Masters' degree in Economics from University of Lagos, Lagos State (1990), PhD in Business Administration from Century University, USA (1994) and a Post-graduate Diploma in Strategic Leadership from Oxford University, United Kingdom (2010). He is an alumnus of Cranfield School of Management. He is currently a DBA Scholar at Hertfordshire Business School, Chairman Institute of Leadership, Director McPherson University, a Fellow Institute of Marketing and a Fellow Advertising Practitioners Council of Nigeria (APCON).

Godwin Ehigiamusoe - Chief Executive Officer

Dr. Godwin Ehigiamusoe is an acknowledged microfinance practitioner and a social entrepreneur with vast business interests. He has a Doctorate degree in Policy and Development Studies with emphasis on microfinance policy and regulatory frameworks. He founded Lift Above Poverty Organization, a pro-poor development organization as an NGO and has since grown the organisation into a leading microfinance institution with operations in Nigeria and Sierra Leone. Mr. Ehigiamusoe has attended capacity enhancing courses at Lagos Business School, INSEAD Business School, IESE Business School and Kennedy School of Government. He holds a Master's degree in Development Studies from the University of Benin (1998). He has authored Understanding NGOs (1998); Poverty and Microfinance (2000) and Issues in Microfinance: Enhancing Financial Inclusion (2011). In the year 2015, he earned a Doctor of Philosophy degree from Ambrose Alli University, Ekpoma, Edo State. He is the recipient of the Grameen Foundation's award for Excellence in Microfinance in 2006, awards for outstanding Entrepreneur from Schwab Foundation and Fate Foundation.

Osayande Ede

Mr. Osayande Ede has over thirty years cognate experience in Banking and Finance and was at various times the CEO of Equatorial Trust Bank and Co-operative Development Bank. He is a Financial Advisory service delivery expert. He holds a Master's degree (MBA) in Finance from the University of Lagos (1989). He is a Fellow of the Institute of Chartered Accountants of Nigeria. He chairs LAPO Microfinance Bank's Finance and General Purpose Committee.

Osaretin Demuren

Mrs. Osaretin Demuren has a successful career spanning over thirty years at the Central Bank of Nigeria (CBN) and retired as Director of Human Resource. She holds Master's Degree in Economics and Statistics from the Moscow Institute of Economics and Statistics (1975). She is a member of the Chartered Institute of Personnel Management of Nigeria and the Chartered Institute of Bankers of Nigeria. She is currently the Chairman of Board of Directors of Guaranty Trust Bank Plc. (GTBank) and she has also served on the boards of several public institutions including the National Social Insurance

Trust Fund (NSITF) and Nigerian Investment Promotion Commission (NIPC). She chairs the Environment, Social and Governance Committee in LAPO Microfinance Bank.

Rene Azokly

Mr. Rene Azokly is a renowned Microfinance Practitioner and was for many years the CEO of PADME, a very successful microfinance institution in the Republic of Benin. He holds a Master's Degree (MBA) in Finance and Project Management from Universite SENGOR; Alexandria, Egypt (1992). He was the first Chair, Board of Directors, African Microfinance Network (AFMIN) and member of Women's World Banking, New York. He chairs LAPO Microfinance Bank's Credit and Risk Management Committee.

Andrew Ejoh

Mr. Andrew Ejoh is a Managing Partner of an audit firm with solid experience in Audit and Financial Advisory Services. He holds a Diploma in Accounting from Faulks Lynch College of Accountancy, London (1976). He is a Fellow of the Institute of Chartered Accountants of Nigeria. He chairs LAPO Microfinance Bank's Audit Committee.

Josephine Nwachukwu

Mrs. Josephine Nwachukwu is an astute microfinance practitioner with vast experience spanning Internal control, Treasury and Strategic Management. She holds a Master's Degree (MBA) from University of Benin (2008) and she is also a Microfinance Certified Banker (MCIB). With 18 years' experience, she is presently an Executive Director and heads Corporate Planning and Strategy department in LAPO Microfinance Bank.

Hannatu Yaro

Mrs. Hannatu Ahmed Yaro is a freelance consultant in gender and rural development. She has over twenty years' experience in community development programming and management with organisations such as the European Union (EU) and the Department of International Development (DFID). Mrs Yaro holds a Bachelor's degree in English language from the Ahmadu Bello University of Zaria (1986), a Master's degree in gender and development from the University of East Anglia UK (1997) as well as a post graduate certificate in information technology for development. She is an Independent Director to the Board of LAPO MfB.

Faith Osazuwa-Ojo

Mrs. Faith Osazuwa-Ojo has over 18 years of experience in the microfinance sector, she has rich pedigree in risk management (evaluation and monitoring). She studied Law at the University of Benin (2005) and has attended various capacity enhancing courses at notable institutes in and outside Nigeria including: Programme for Leadership Development-Harvard Business School in United States of America, The Boulder Microfinance Training Program in Turin, Italy; Training for the Project Feasibility of Remittances product for 10 African MFIs, in Ethiopia etc. Currently, she is an Executive Director and heads the Risk Management and Monitoring Department of LAPO Microfinance Bank.

Profile of Management Team

Godwin Ehigiamusoe - Chief Executive Officer

Dr. Ehigiamusoe is an experienced microfinance practitioner who began his career as a rural cooperative officer before he founded LAPO, a leading development and microfinance institution with operations in Nigeria and Sierra Leone. He holds Bachelor of Science degree in Sociology (1981), Master's degree in Development Studies (1998) from the University of Benin and diploma in Cooperative Management. He has attended several capacity enhancing courses at Harvard Kennedy School, Lagos Business School, IESE Business School, Barcelona and INSEAD Business School, Singapore campus. Dr. Ehigiamusoe won the Model Entrepreneur Award – Nigeria in 2008 and the Schwab Foundation's Outstanding Social Entrepreneur for Africa Award in 2010. He authored *Understanding NGOs* (1998); *Poverty and Microfinance in Nigeria* (2000) and *Issues in Microfinance: enhancing financial inclusion* (2011).

Moses Ehigiamusoe - Head, Corporate Services

Mr. Moses Ehigiamusoe has rich experience in Microfinance Operations and Risk Management and joined LAPO as a Branch Manager in 1994. He holds a certificate in Co-operative Studies, National Certificate in Business Education, Bachelor and Master's degree in Business Education. He is an Associate Member of the Nigerian Chartered Institute of Marketers and has attended several local and international training programs in Microcredit Practice (1996), Product Pricing, Market Research, SMEs Management and Advanced Management, the Harvard Kennedy School Executive Education, Cambridge, United States of America (2012) and Executive Development Program in Wharton School University of Pennsylvania in the United States of America (2013).

Elijah Osadebamwen - Head, Operations

Mr. Elijah Osadebamwen Joined LAPO in year 2000 and is currently Head of LAPO Operations. He has served as Local Technical Service Provider for the Microstart Project of the UNDP. He holds Higher National Diploma (HND) and MBA. He is an Associate Member of the Nigeria Institute of Management (AMNIM) and the National Institute of Marketing. Mr. Osadebamwen has attended a number of local and international training programs including Microfinance Training Programme, (MFI) Naropa University, Colorado, USA (2003) and Advance Management Programme in INSEAD Business School (2014).

Stanley Oriakhi - Head, Accounts and Reporting

Mr. Oriakhi is a professional accountant and a member of the Institute of Chartered Accountants of Nigeria. Since he joined LAPO in 2001, he has functioned in various capacities in Finance and Operations departments. He holds first degree in Accounting and an MBA with bias for Finance. Mr. Oriakhi has attended various training programs in Credit Operations, Financial Management and Planning.

Amen Akenbor- Head, People Management

Mrs. Amen Akenbor is a professional business administrator with over 17 years of experience. Since she joined LAPO in 1999, she has functioned in various capacities such as Assistant Branch Manager, Benin Branch (1999-2000), Monitoring Officer, Benin Area Manager, Divisional Manager, Head, Clients Relations & Marketing and is currently in charge of People Management in Finance and Operations departments.

She holds a Master's degree in Business Management from Imo State University, Owerri (2013), a Post-Graduate Diploma in Business Administration & Management from Ambrose Ali University, Ekpoma, Edo State (2006), a higher National Diploma in Business Administration & Management from the Federal Polytechnic, Auchi, Edo State (1998) as well as a National Diploma in Business Administration & Management from the Auchi Polytechnic, Auchi, Edo State (1994). Mrs. Amen has also attended various training programs in Administration, Business and Financial Management. She is a member of the National Institute of Marketing Of Nigeria (Chartered) as well as the Chartered Institute of bankers of Nigeria. (MCIB)

Cynthia Ikponmwosa - Head, Corporate Secretariat, Legal and Compliance

Ms. Ikponmwosa Cynthia Joined LAPO as a Principal Programme Officer in 2001. Prior to that, she had worked with Akintola Williams Deloitte. An associate member of the Nigerian Institute of Marketing, Ms. Ikponmwosa Cynthia holds first degree in English Language and Master's Degree in Corporate Governance. She played a pivotal role in the transformation of LAPO Microfinance Bank operations into a regulated microfinance bank in 2010. She is a member of the Chartered Institute of Secretaries and Administrators of United Kingdom, the Chartered Institute of Marketers and Chartered Institute of Bankers of Nigeria (CIBN). Currently, she is the Head, Corporate Secretariat, Legal and Compliance department of LAPO Microfinance Bank.

RISK AND MITIGATING FACTORS

An investment in Bonds involves certain risks. Accordingly, prospective investors should carefully consider, amongst other things, the risk factors described below, together with all of the detailed information set out elsewhere in this Shelf Prospectus, and reach their own views before making an investment decision. The following section does not describe all the risks of an investment in the Bond. Additional risks and uncertainties not presently known to the Issuer, or that it currently believes are immaterial, could also impair the Issuer's business operations and as a result, its ability to service its payment obligations under any Bonds. Investors should reach their own views or obtain such professional advice as they deem appropriate, before making an investment decision in respect of the Bonds.

1. General Bond Related Risks

There is a limited two way quote trading market for Corporate Bonds

There may not be an active two way quote trading market for the Bonds when issued, and thus the liquidity of the Bonds may be limited. Therefore, Investors may not be able to sell their Bonds within a transparent and efficient system. There may not be an active two way quote trading market for the Bonds when issued, and thus the liquidity of the Bonds may be limited. Although the listing of the bonds on an Over-The-Counter (OTC) market may increase the possibility of trading, investors may not be able to sell their Bonds within a transparent and efficient system. Also the impact of the continuous development and deepening of the bonds market on the trading of the Bonds cannot be assessed immediately.

Credit ratings may not reflect the potential impact of the Bond's risks

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

Bond Features

The Issuer may issue convertible or equity linked notes, fixed or floating rate bonds, senior or subordinated instruments. These present risks of changes in interest rates or in the form of the instrument due to forces not directly within the control of the Bondholders.

Early Redemption

The Bonds may be subject to early redemption therefore Bondholders may face the risk that the Bonds will be redeemed before maturity in a falling rate environment, forcing the Bondholders to reinvest the proceeds at a lower rate of return.

Exchange Rate risks and exchange controls

Payments of principal and interest on the Bonds will be made in Naira. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency other than the Naira. These include the risk that exchange rates may significantly change (including changes due to devaluation of Naira or revaluation of the investor's currency). An appreciation in the value of the Investor's Currency relative to Naira would decrease (1) the Investor's Currency-equivalent yield on the Bonds, (2) the Investor's Currency equivalent value of the principal payable on the Bonds and (3) the Investor's Currency equivalent market value of the Bonds. The

government 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.

2. Risk Factors Relating to Nigeria

The negative impact of Nigeria's exposure to political and regional instability.

Nigeria's economy is largely dependent on revenue generated from crude production which has, in the past, been affected by incessant security crisis and political disturbances in the Niger Delta region, where the Bank's head-office is situated. Up until recently, activities in this region have been volatile affecting the entire spectrum of the oil and gas industry.

On the other hand, sectarian conflicts in the Middle Belt and Northern Nigeria continue to pose a threat to Nigeria's political stability. The intermittent crisis and insurgence of the Boko Haram group, have been identified as major contributors to the regions' policy stasis. The activities of this group may have a material adverse effect on public safety and productivity.

Threat to Nigeria's economic stability

The domestic economic decline in Q2' 2016 was attributable to the oil price slump, recent spate of attacks by militants on critical oil and gas infrastructure in the Niger Delta which has resulted in crude oil production remaining under capacity, thereby threatening Nigeria's export and fiscal revenues.

The outlook for Nigeria signals growth prospects as the expansionary budget is implemented and an expected pick-up in global oil prices improves Nigeria's fiscal and current account position encouraging further investment and promoting small scale enterprises. However, these prospects could be hindered by threats in the form of short and medium term downside risks. Alongside threats described above, other threats include disruptions in gas and crude oil supply; and the disproportionate improvements in the standards of living of Nigerians compared to the country's strong economic growth – partly as a result of limited creation of employment opportunities for the country's young population.

Emerging markets such as Nigeria are subject to greater risks than more developed markets, and financial turmoil in any emerging markets could cause the price of securities to decrease.

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

3. Risks Relating to the Issuer

The right of Bondholders to receive payments in respect of the Bonds will be limited to payments actually received by the Issuer under the LAPO Bonds 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 the Bonds and purchasing corresponding LAPO Bonds issued by the Bank and has no assets other than such LAPO Bonds. The Issuer has an obligation under the "Terms and Conditions of the Bonds" (the "Conditions") and the Trust Deed to pay such amounts of principal and interest, and additional amounts (if any) as are due in respect of the Bonds. 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 corresponding LAPO Bonds. Consequently, if the Bank fails to meet its payment obligations on the relevant LAPO Bonds in full, this will result in the Bondholders receiving less than the scheduled amount of principal and/or interest and/or other amounts (if any) payable on the corresponding Bonds. If a prospective investor purchases the Bonds, it is relying on the creditworthiness of the Bank and no other person. In addition, an investment in such Bonds involves the risk that subsequent changes in the actual or perceived creditworthiness of the Bank may adversely affect the market value of such Bonds.

Change in Law

The Issuer duly incorporated and established under the Nigerian law, which remains in effect as at the date of this Shelf prospectus. No assurance can be given as to the impact of any possible judicial decision or change in Nigerian law or the official application or interpretation of Nigerian law after the date of this Shelf Prospectus.

Credit Risk

The Issuer uses the proceeds of the Bond to purchase Bonds from LAPO, therefore a default by the Bank in its obligations to the Issuer on a payment date will translate into a default by the Issuer in its obligations leading to the non-payment of the coupon, and the principal on the bond on a payment date.

4. Risks Relating to the Sponsor

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

Operational Risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Microfinance Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Microfinance Bank's operations and are faced by all business entities.

Credit Risks

Credit risk is the risk that the Bank may not be able to recover funds and suffer losses because a customer or counterparty is unable or unwilling to meet contractual obligations to the Bank when due. It is the most significant risk of the Bank as it primarily takes on credit risk through lending activities.

Market Risks

The Bank undertakes trading and investment activities in fixed income securities such as bonds, treasury bills, interbank takings and placements, as well as foreign exchange trading, all of which give rise to market risk exposure (i.e., the risk that the fair value or future cash flows of the Bank's trading and investment positions or other financial instruments may fluctuate because of changes in market prices). Market risks can arise from adverse changes in interest rates, foreign exchange rates, equity prices, commodity prices and other relevant factors such as market volatility.

- **Interest rate risk**

The principal risk to which the Bank's non-trading portfolios are exposed is the risk of loss arising from fluctuations in the future cash flow of fair values of financial instruments and risk assets because of a change in the market interest rate.

- **Foreign exchange risk**

The Bank takes on foreign exchange risks through its foreign currency borrowings to finance on-lending to its customers in Naira. It is therefore exposed to the risk of loss in the event of adverse movements in currency prices. The Micro Finance bank manages risks associated with foreign exchange transactions through hedging techniques and preference for local currency denominated loans.

EXTRACTS OF THE PROGRAMME TRUST DEED

2. PURPOSE AND APPLICATION OF PROCEEDS

- 2.1 The proceeds of the Bonds shall be maintained in a designated Payment Account and applied towards the purchase of the LAPO Bonds as specified in the Master Bond Purchase Agreement.

3. AMOUNT AND ISSUE OF THE BONDS

- 3.1 The Issuer has been authorised to issue Bonds from time to time in Tranches in an aggregate amount not exceeding the Programme Limit at any point in time, by way of public offer, book building, private placement or any other method selected by the Issuer.
- 3.2 The Bonds will have such maturities as may be determined by the Issuer, the Sponsor and the Issuing Houses and such other minimum or maximum maturities as may be allowed or required from time to time by the SEC or the CBN or any Laws or regulations applicable to the Issuer or the Sponsor.
- 3.3 The Issuer shall be at liberty from time to time (but subject always to the provisions of this Deed) without the consent of the Bondholders to create and issue further Bonds having the same terms and conditions as any Tranche of the Bonds under the Debt Issuance Programme (or the same in all respects save for the amount and date of the first payment of coupon thereon).
- 3.4 The Bonds shall be issued at the Issue Price and shall be subscribed for in the multiples and in the manner set forth in the relevant Pricing Supplement.

4. STATUS OF THE BONDS

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

5. CONSTITUTION AND FORM OF THE BONDS

5.1 Constitution of the Bonds

Any Tranche of Bonds which is to be created and issued pursuant to this Programme Trust Deed shall be constituted by, be subject to and have the benefit of a Series Trust Deed amongst the Issuer, the Sponsor and the Trustee. Each Series Trust Deed shall set out the form and the terms and conditions of the Tranche of Bonds to be so constituted thereby and shall be accompanied by such supporting authorisations and/or approvals as may be required by the Trustee, the Commission and the Law.

5.2 Terms

Each Tranche of Bonds shall be governed by the terms specified in the relevant Series Trust Deed and Pricing Supplement.

5.3 Undertaking

5.3.1 The Sponsor hereby irrevocably and unconditionally undertakes to the Trustee:

- i. the due and punctual payment in accordance with this Deed of the principal of and interest on all Bonds and of any other amounts payable by the Issuer under this Deed; and
- ii. the due and punctual performance and observance by the Issuer of each of the other provisions of this Deed to be performed or observed by the Issuer.

5.3.2 If the Issuer fails for any reason whatsoever to punctually pay any such principal, interest or other amount, the Sponsor shall cause each and every such payment to be made as if the Sponsor instead of the Issuer were expressed to be the primary obligor of the relevant Bonds to the intent that the Bondholder thereof shall receive the same amounts in respect of principal, interest or such other amount as would have been receivable had such payments been made by the Issuer.

5.3.3 If any payment received by the Trustee or any Bondholder pursuant to the provisions of this Deed in relation to the Bonds shall (whether on the subsequent bankruptcy, insolvency or corporate reorganisation of the Issuer or, without limitation, on any other event) be avoided or set aside for any reason, such payment shall not be considered as discharging or diminishing the liability of the Sponsor and this undertaking shall continue to apply as if such payment had at all times remained owing by the Issuer, and the Sponsor shall indemnify the Trustee and the Bondholders in respect thereof.

5.3.4 The Sponsor hereby agrees that its obligations hereunder shall be unconditional and that the Sponsor shall be fully liable irrespective of the validity, regularity, legality or enforceability against the Issuer of, or of any defence or counter-claim whatsoever available to the Issuer in relation to its obligations under this Deed, whether or not any action has been taken to enforce the same or any judgment obtained against the Issuer, whether or not any of the other provisions of this Deed have been modified, whether or not any time, indulgence, waiver, authorisation or consent has been granted to the Issuer by or on behalf of the Bondholders or the Trustee, whether or not any determination has been made by the Trustee pursuant to Clause 12, whether or not there have been any dealings or transactions between the Issuer, any of the Bondholders or the Trustee, whether or not the Issuer has been dissolved, liquidated, merged, consolidated, bankrupted or has changed its status, functions, control or ownership, and whether or not any other circumstances have occurred which might otherwise constitute a legal or equitable discharge of or defence to the Sponsor arising under this Clause 6.3. Accordingly, the validity of this undertaking shall not be affected by reason of any invalidity, irregularity, illegality or unenforceability of all or any of the obligations of the Sponsor under this Deed and this undertaking shall not be discharged nor shall the liability of the Sponsor under this Deed be affected by any act, thing or omission or means whatever whereby its liability would not have been discharged if it had been the principal obligor under the Bonds.

- 5.3.5 Without prejudice to the provisions of Clause 19, the Trustee may determine from time to time whether or not it will enforce this undertaking without making any demand of or taking any proceedings against the Issuer and may from time to time make any arrangement or compromise with the Sponsor in relation to this undertaking which the Trustee may consider expedient in the interests of the Bondholders.
- 5.3.6 The Sponsor hereby covenants that this undertaking shall be a continuing undertaking until the complete performance of the obligations contained in this Deed in relation to the Bonds and shall be additional to, and not instead of, any security or other undertaking, guarantee or indemnity at any time existing in favour of any person, whether from the Sponsor or otherwise.
- 5.3.7 The Sponsor shall indemnify the Trustee with or without demand, from and against any loss, cost, expense or liability of any kind that may be incurred by the Trustee, or brought against the Trustee as a result of the Issuer failing to perform its obligations under this Deed duly and punctually, or as a result of any of the obligations being or becoming void, voidable, unenforceable or ineffective against the Issuer for any reason whatsoever, whether known to the Trustee or not.
- 5.3.8 If any moneys shall become payable by the Sponsor under this undertaking, the Sponsor shall not, so long as the same remain unpaid, without the prior written consent of the Trustee:
- i. in respect of any amounts paid by it under this undertaking, exercise any rights of subrogation or contribution or, without limitation, any other right or remedy which may accrue to it in respect of or as a result of any such payment; or
 - ii. in respect of any other moneys for the time being due to the Sponsor by the Issuer, claim payment thereof or exercise any other right or remedy;

(including in either case claiming the benefit of any security or right of set-off or, on the liquidation of the Issuer, proving in competition with the Trustee).

If notwithstanding the foregoing, upon the Winding up of the Issuer, any payment or distribution of assets of the Issuer of any kind or character, whether in cash, property or securities, shall be received by the Sponsor before payment in full of all amounts payable under this Deed shall have been made to the Bondholders, such payment or distribution shall be received by the Sponsor on trust to pay the same over immediately to the Trustee for application in or towards the payment of all sums due and unpaid under this Deed in accordance with Clause 15.

- 5.3.9 Until all amounts which may be or become payable by the Issuer under this Deed have been irrevocably paid in full, the Trustee may:
- i. refrain from applying or enforcing any other moneys, security or rights held or received by the Trustee in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise), and the Sponsor shall not be entitled to the benefit of the same; and

- ii. hold in a suspense account any moneys received from the Sponsor or on account of the Sponsor's liability under this undertaking, without liability to pay interest on those moneys.
- 5.3.10 The Sponsor shall pay interest to the Trustee on all sums demanded under this Deed, from the date of the Trustee's demand under this Deed or, if earlier, the date on which the relevant loss, cost or expenses arose in respect of which such demand has been made, in each case until, but excluding, the date of actual payment (after as well as before judgment). All such interest shall accrue on a day-to-day basis and be calculated by the Trustee on the basis of the day count fraction specified in the applicable Pricing Supplement.
- 5.3.11 The Sponsor undertakes to the Trustee, that so long as the Issuer has any actual or contingent liability to the Trustee or the Bondholders, the Sponsor shall not exercise any rights which it may at any time have whether by reason of performance by the Sponsor of its obligations under this undertaking or otherwise:
- i. to be indemnified by the Issuer or to claim payment of any money which may be owing or incurred by the Issuer to the Sponsor on any account whatsoever (save as it relates to the LAPO Bonds), or exercise any other right, claim or remedy in respect of such money;
 - ii. to prove in the Issuer's winding up or insolvency;
 - iii. to participate in any security held, or money received, by the Trustee on account of the payment obligations and the liability of the Sponsor under this Deed shall not be reduced or discharged by any amount held by the Trustee on account for the Issuer.
- 5.3.12 The Sponsor undertakes to the Trustee, that so long as the Issuer has any actual or contingent liability to the Trustee or the Bondholders, none of the events set out below shall discharge the liabilities or the obligations of the Sponsor under this Deed or impair the rights, powers and remedies of the Trustee under this Deed:
- i. any amalgamation, consolidation, merger or reconstruction between the Trustee and any other person or any sale or transfer of the whole or any part of the assets of the Trustee to any other person (including any rights under this Deed);
 - ii. the winding-up, dissolution, liquidation, administration, bankruptcy or reorganisation of the Issuer or any change in its constitution, status, function, control or ownership;
 - iii. any amendment to, or variation, waiver or release by operation of law of any of the payment obligations or any other security or guarantee for the payment obligations;
 - iv. the existence of any claim or set-off or other rights which the Sponsor may have against the Issuer, the Trustee or any other person;

- v. the grant by the Trustee to the Issuer of any waiver or the withdrawal or restriction by the Trustee of any waiver or the absence of any notice to the Sponsor of any such granting, withdrawal or restriction;
- vi. any failure by the Trustee to realise, or to fully realise, the value of, or any release, discharge, exchange or substitution of, any security (including this undertaking) taken in respect of the Issuer's obligations;
- vii. the existence, whether known to the Trustee or not, of a default under this Deed or a Series Trust Deed, any time or other indulgence being granted or being agreed to be granted to the Issuer or any other person, in respect of its obligations under or pursuant to or under any other security or any arrangement or compromise entered into by the Trustee with the Issuer or any other person;
- viii. any of the obligations of the Sponsor or any other person under this Deed or Series Trust Deed, or security taken in respect of any of the obligations of the Issuer being or becoming illegal, invalid, unenforceable, impaired or ineffective in any respect; or
- ix. any other act, event or omission which might operate to discharge, impair or otherwise affect any of the obligations of the Sponsor under this Deed or any of the rights, powers or remedies conferred upon the Trustee by this Deed or by law.

5.4 Form of Bonds

The Bonds of each Tranche shall be in registered form.

5.5 Title

6.5.1 The Bonds will be delivered to the Bondholders in dematerialised (uncertificated, book-entry) form and the Bondholders may deal in the Bonds in accordance with CSCS procedures and guidelines.

6.5.2 Statements issued by the CSCS as to the aggregate number of such Bonds standing to the credit of the CSCS account of any person shall be conclusive and binding for all purposes save in the case of manifest error and such person shall be treated by the Issuer, the Trustee and the Registrar as the legal and beneficial owner of such aggregate number of Bonds for all purposes.

5.6 Persons Deemed Owners

Except as may subsequently be agreed between the parties in a Series Trust Deed, the Bondholder (or his legal representative) shall be deemed and regarded as the legal and beneficial owner of the Bonds registered in his name for all purposes including but not limited to the payment of the Principal Amount, premium (if any) and Coupon.

5.7 Currency, Medium and Place of Payment

6.7.1 The Principal Amount, premium (if any), and Coupon on the Bonds shall be payable in Naira or any other currency as may be agreed between the Issuer, Sponsor and the

Trustee in accordance with the applicable Pricing Supplement, subject to compliance with all applicable legal and regulatory requirements.

- 6.7.2 Payment of the Principal Amount, premium (if any) and Coupon shall be made through the offices of the Registrar in the manner specified in the relevant Series Trust Deed.
- 6.7.3 Any payment made pursuant to (6.7.1) and (6.7.2) above shall be deemed valid and shall satisfy and discharge the Issuer of any obligation to make payment on such Bonds to the extent of the amount paid.

5.8 Negotiability and Transfer of Bonds

- 6.8.1 All Bonds issued under the Debt Issuance Programme shall be negotiable, subject to the provisions for registration of transfers thereof contained in this Deed. Such transfer shall be regulated by the CSCS procedures and guidelines.
- 6.8.2 The Issuer shall cause the Register, with respect to each Tranche of Bonds, to be maintained at the offices of the Registrar and the Registrar shall provide for the registration of Bonds or their transfer under such reasonable regulations as the Registrar with the approval of the Issuer and the Trustee may prescribe. The Registrar with respect to each Tranche of Bonds shall maintain the Register for purposes of registering the Bonds or the transfer of such Bonds in accordance with the provisions hereof.

Each Tranche of Bonds shall be registered in the applicable Register. Any transfer of Bonds shall be effective only to the extent that such transfer is registered in the Register, by the Bondholder or transferee thereof in person or by his attorney duly authorised in writing, upon submission of a written instrument of transfer in a form satisfactory to the Registrar duly executed by or on behalf of the registered Bondholder and the transferee by a duly authorised attorney. Upon submission of the aforesaid documents to facilitate the registration of transfer of Bonds, the Registrar shall if the above stated conditions are met, register such transfer.

5.9 Statements of Stockholding of CSCS

The Issuer and the Trustee may call for and, except in the case of manifest error, shall be at liberty to accept and place full reliance on (without liability) as sufficient evidence thereof a statement issued on behalf of the CSCS or any form of record made by the CSCS or such other form of evidence and/or information and/or certification as they shall, in their absolute discretion, think fit to the effect that at any particular time or throughout any particular period any particular person is, was, or will be, shown in its records as the Bondholder of a particular nominal amount of Bonds and, if it does so rely, such statement of stockholding, form of record, evidence, information or certification shall be conclusive and binding on all concerned.

- 5.10 The Bondholders are entitled to the benefit of and are bound by, and are deemed to have notice of, all the provisions of this Programme Trust Deed and the relevant Series Trust Deed applicable to them.

6. PAYMENT OF COUPON

- 6.1 The Issuer shall ensure that the Coupon Amount is payable to the Bondholders on each Coupon Payment Date. The Coupon Amount shall be payable in the official currency of the Federal Republic of Nigeria, which at the respective dates of payment thereof, is legal tender for the payment of public and private debts.
- 6.2 At least 5 (five) Business Days before any Coupon Payment Date, the Issuer shall ensure that an amount equal to the Coupon Amount, net of all transaction costs, is transferred to the Registrar for payment to the Bondholders on the next Coupon Payment Date.
- 6.3 Every such payment made to the Registrar pursuant to Clause 7.2 shall be made in sufficient time to ensure that the full amount thereof shall be at the effective disposal of the Bondholders by the relevant Coupon Payment Date. Subject to Clause 1.3, where the Coupon Payment Date falls on a non-Business Day, the payment shall be due and payable on the immediately following Business Day.
- 6.4 Any payment made by the Issuer to the Registrar pursuant to Clause 7.2 shall be deemed valid and shall satisfy and discharge the Issuer from any obligation to make payment on the Bonds to the extent of the amount paid.

PROVIDED that no such payment made to the Registrar shall be deemed to have been irrevocably paid (until receipt by the Bondholders) if such payment or credit of such amount is capable of being avoided or reduced because of any laws on bankruptcy, insolvency, liquidation or any similar laws.

7. REDEMPTION

- 7.1 The aggregate Principal Amount of the Bonds and any Coupon (accrued up to but unpaid as of the Maturity Date) shall be paid by the Issuer on the Maturity Date or on such earlier date as the Bonds may become due and repayable in accordance with this Deed.
- 7.2 In relation to any Tranche of the Bonds, in the event of a Capital Disqualification Event of the Sponsor, the Issuer may, at its option, having given not less than 30 nor more than 45 days' notice (or such other period as may be specified in the relevant Pricing Supplement) to the Bondholders in accordance with Condition 11 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), at any time redeem all, or if so provided, some of the Bonds with interest accrued to but excluding the date of redemption. Prior to the publication of any notice of redemption pursuant to this Clause 8, the Issuer shall deliver to the Trustee (i) a copy of the circular, notification, directive or other official policy communique evidencing such Capital Disqualification Event of the Sponsor (a "**CBN Communication**") and (ii) a certificate signed by two directors of the Sponsor stating that (A) the Sponsor has consulted with the CBN following the release of the relevant CBN Communication, (B) (if required by the Applicable Banking Regulations) the CBN has given its approval or the approval of the CBN is not required and (C) a Capital Disqualification Event of the Sponsor has occurred, and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions in this Clause 8, in which case it shall be conclusive and binding on the Bondholders.

8. REGISTER OF BONDHOLDERS

- 8.1 A Register of Bondholders shall be kept by the Registrar in respect of each Series.
- 8.2 The Register shall contain the names and addresses of the Bondholders, the respective number of Bonds held, the nominal value of the Bonds, the date of allotment or purchase, the CSCS Account number of the Bondholders, the details of a valid bank account to which payments due under the Bonds can be credited together with any other information that may be deemed necessary by the Issuer or the Trustee.
- 8.3 The Register shall show all subsequent transfers or changes of ownership of any Bonds thereof, the Registrar shall ensure that the Register is updated on a daily basis so that any transfers of Bonds effected via the CSCS is reflected in the Register.
- 8.4 The Registrar shall immediately be notified in writing of any change of name, address CSCS Account number, bank account, or any other details on the part of any Bondholder and upon the Registrar's satisfaction thereof and in compliance with all such formalities as it may require shall cause the Register to be altered or the change to be registered accordingly.
- 8.5 The Trustee and the Bondholders or any of them and any person authorised in writing by any of such persons shall, upon giving the Issuer at least two (2) Business Days prior written notice, be at liberty at all reasonable times during business hours to inspect the said Register and to take copies of and extracts from the same or any part thereof.
- 8.6 The Register shall be conclusive evidence of the persons entitled to the Bonds and any payments made to or to the order of such person shall be valid, and, to the extent of the sum or sums so paid, effective to satisfy and discharge the liability for such monies payable upon any such Bonds.
- 8.7 A body corporate may be registered as a Bondholder or one of joint Bondholders.
- 8.8 In the event of the death of a Bondholder only the legally appointed executors or administrators of the estate of the deceased Bondholder (not being one of joint Bondholders) or the surviving Bondholder(s) of joint Bondholders shall be recognized by the Registrar as having any title to or interest in the Bonds of the deceased Bondholder.
- 8.9 Any person becoming entitled to any Bonds in consequence of the death or bankruptcy or dissolution or winding-up of a Bondholder shall, once he has provided sufficient evidence of such entitlement to the Registrar even if actual registration has not yet taken place, be entitled to receive and may give a discharge for monies payable in respect of the Bonds. However such person shall not be entitled to all the other rights of a Bondholder until he shall have been registered in respect of the Bonds.
- 8.10 The number of Bonds held by a Bondholder shall be registered and recorded by the Registrar as a book entry.
- 8.11 The Register may be closed at such time and for such periods as the Registrar may from time to time determine provided that it shall not be closed for more than 30 (thirty) days in a year.

9. APPOINTMENT AND ACCEPTANCE OF TRUST

- 9.1 The Trustee is hereby appointed as the representative of the Bondholders in accordance with the provisions of this Trust Deed or any Series Trust Deed.
- 9.2 By execution hereof, the Trustee has accepted and agreed to be bound by the powers, duties and obligations of the Trustee specifically set forth herein and generally provided for in the CAMA, the Trustees Investment Act, the Investments and Securities Act and by Law.
- 9.3 The Trustee shall have no duty, responsibility or obligation for the issuance of the Bonds or for the validity or exactness thereof, or of any document relating to such issuance.
- 9.4 The Trustee shall have no duty, responsibility or obligation for the payment of the Bonds except in accordance with the terms and provisions hereof or any Series Trust Deed or any agreement to which it is a party, and only to the extent that the Trustee is in receipt of funds from the Issuer.
- 9.5 Prior to an Event of Default and after the curing or waiving of all Events of Default which may have occurred, the Trustee shall not be liable except for the performance of such duties as specifically set down herein.
- 9.6 The Trustee shall have no liability for any act or omission to act hereunder, or under any other instrument or document executed pursuant hereto except for the Trustee's negligence, misconduct and/or fraud.
- 9.7 The duties and obligations of the Trustee shall be determined solely by the express provisions hereof, and no implied powers, duties or obligations of the Trustee, save as mandated by the provisions of the Investments & Securities Act, shall be construed into this Deed.
- 9.8 Upon the occurrence of an Event of Default, the Trustee shall subject to the provisions of this Deed, exercise such rights and utilise such powers vested in it under this Deed, the Investments & Securities Act and the Law, and shall use the required degree of care and skill in the exercise of its duties.
- 9.9 The Trustee shall not be required to expend or risk its own funds or otherwise incur any liability in the performance of its duties or in the exercise of its rights or powers as Trustee, except such liability as may result from its negligence and misconduct

11.2 Declaration of Event of Default

- 11.2.1 At any time after the occurrence of an Event of Default and while it is continuing, with any applicable grace period thereto having expired, the Trustee may, give notice to the Issuer or Sponsor declaring an Event of Default in respect of that Event of Default.
- 11.2.2 An Event of Default will occur when the Trustee gives the Issuer or Sponsor a notice in accordance with Clause 12.2.1.

11.3 Remedies for Events of Default

Upon the occurrence of an Event of Default, (of which notice has been given in accordance with Clause 12.2), with respect to any Bonds at the time outstanding that is continuing, then, in every

such case the Trustee may, (or shall at the direction of the holders of not less than 20% (twenty percent) in nominal amount of the Bonds), declare the unpaid Principal Amount of the Bonds (including any premium, Coupon, fees and other amounts due in respect of the Bonds) to be due and payable immediately, by notice in writing to the Issuer. Upon any such declaration such Principal Amount (Coupon, fees and other amounts due hereunder) shall become immediately due and payable without demand, protest or any other notice of any kind, all of which are hereby expressly waived by the Issuer.

12. PROCEEDINGS TO ENFORCE REPAYMENT

At any time after the Bonds shall have become payable, the Trustee may at its discretion (and shall upon the request in writing of the registered holders of at least 10% (ten percent) in Principal Amount of the Bonds or upon being so directed by a Special Resolution) without further notice institute such proceedings as it may think fit to enforce payment of the Bonds, the Coupon Amount and any other amounts due in respect of the Bonds (subject in each case to being indemnified, and/or provided with security to its satisfaction).

15. COVENANTS OF THE ISSUER

So long as any of the Bonds remains outstanding, the Issuer at all times during the continuance of this Deed (except as may otherwise be agreed in writing by the Trustee) covenants with the Trustee as follows:

15.1 Reporting Covenants

The Issuer shall provide to the Trustee and the Rating Agency then rating any of the Bonds:

15.1.1 as soon as the same are available (and in any event within 90 days of the end of the Issuer's financial year), the audited financial accounts of the Issuer for each financial year, provided that the approval of any regulatory authority for the publication of such accounts is obtained within the stipulated period;

15.1.2 as soon as the same are available (and in any event within 30 days of the end of the first six months of the Issuer's financial year), the unaudited financial accounts of the Issuer for those six months; and

15.1.3 an annual Directors' Certificate in or substantially in the form set out in the Third Schedule certifying as to the absence of any Event of Default or, if there is an Event of Default, describing the action the Issuer is taking or proposes to take to remedy the same.

15.2 Audit Firm

The Issuer shall permit its Auditor to communicate directly with the Trustee or its designee following the occurrence and during the continuance of an Event of Default.

15.3 Compliance

The Issuer shall comply in all material respects with all applicable laws, rules and regulations unless the necessity of compliance therewith is being contested in good faith by appropriate proceedings or failure to perform such obligations or comply with such terms and conditions would not reasonably be expected to have a Material Adverse Effect.

15.4 Taxes

All payments in respect of the Bonds and Coupons by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of or within Nigeria, unless the withholding or deduction of the Taxes is required by law.

15.5 Use of Proceeds

The Issuer shall not use, directly or indirectly, the proceeds of the Bonds for any purpose that is not permitted in Clause 2 of this Deed.

15.6 Merger, Consolidation or Sale of Assets

The Issuer shall not and the Sponsor shall procure that the Issuer does not (i) merge or consolidate with any other person, or (ii) directly or indirectly transfer to any person all or substantially all of its properties or assets as an entirety in one or more related transactions unless such person assumes the Issuer's obligations under the Bonds and:

16.6.1 no Event of Default would occur or be reasonably expected to occur as a result of such merger or consolidation or transfer of assets, as the case may be; and

15.6.2 a Rating Reaffirmation is obtained in respect of such merger or consolidation or transfer of assets, as the case may be.

15.7 Creation of Security

For so long as any Bond remains outstanding, the Issuer shall not create or permit to subsist any charge, mortgage, lien, pledge or other security interest upon any of its assets or any other party or any other indebtedness guaranteed by it without the prior written consent of the Trustee. Where the Trustee so consents, the Issuer shall at the same time as the creation of such indebtedness grant to the Trustee (for the benefit of the Bondholders) the same or equivalent security as is granted in relation to the indebtedness.

15.8 Listing

The Issuer shall use all reasonable endeavours to maintain the Listing of the Bonds on the FMDQ at all times.

15.9 Arms-Length Transactions

Any material transaction, or series of material related transactions and agreement between it and its Affiliates shall be undertaken on commercially reasonable terms that, when considered as a whole, shall be no less favourable to it than would be obtained in a comparable arms-length transaction with a person that is not its Affiliate.

- 15.10 Diligently perform and observe its covenants and obligations under this Trust Deed and any Series Trust Deed and conduct its business in a proper and efficient manner and at all times have sufficient assets to meet its obligations under this Deed.

16. COVENANTS OF THE SPONSOR

The Sponsor hereby covenants with the Trustee that, so long as any of the Bonds remain outstanding, it will duly perform and comply with the obligations expressed to be undertaken by it as set out below.

16.1 Reporting Covenants

The Sponsor shall provide to the Trustee and the Rating Agency then rating any of the Bonds:

- 16.1.1 as soon as the same are available (and in any event within 90 days of the end of the Sponsor's financial year), the audited consolidated financial accounts of the Sponsor for each financial year, provided that the approval of the CBN and any other regulatory authority for the publication of such accounts has been obtained within the stipulated period;
- 16.1.2 as soon as the same are available (and in any event within 30 days of the end of the first six months of the Sponsor's financial year), the unaudited consolidated financial accounts of the Sponsor for those six months; and
- 16.1.3 an annual Directors' Certificate in or substantially in the form set out in the Third Schedule certifying as to the absence of any Event of Default or, if there is an Event of Default, describing the action the Sponsor is taking or proposes to take to remedy the same.

16.2 Audit Firm

The Sponsor shall permit its Auditor to communicate directly with the Trustee or its designee following the occurrence and during the continuance of an Event of Default.

16.3 Compliance

- 16.3.1 The Sponsor shall ensure that the Issuer duly performs and complies with the obligations expressed to be undertaken by it as set out in the Programme Documents and in respect of the Bonds.
- 16.3.2 The Sponsor shall comply in all material respects with all applicable laws, rules, regulations and Licences unless the necessity of compliance therewith is being contested in good faith by appropriate proceedings or failure to perform such obligations or comply with such terms and conditions would not reasonably be expected to have a Material Adverse Effect.

16.4 Licences

The Sponsor shall obtain and maintain in full force and effect all Licences unless the requirement to obtain and/or maintain such Licence is being contested in good faith by the Sponsor or where failure to maintain such Licences would reasonably be expected to not have a Material Adverse Effect.

16.5 Merger, Consolidation or Sale of Assets

The Sponsor shall not (i) merge or consolidate with any other person, or (ii) directly or indirectly transfer to any person all or substantially all of its properties or assets as an entirety in one or more related transactions unless such person assumes the Sponsor's obligations under the Bonds and:

16.5.1 no Event of Default would occur or be reasonably expected to occur as a result of such merger or consolidation or transfer of assets, as the case may be; and

16.5.2 a Rating Reaffirmation is obtained in respect of such merger or consolidation or transfer of assets, as the case may be.

16.6 Creation of Security

For so long as any Bond remains outstanding, the Sponsor shall not create or permit to subsist any charge, mortgage, lien, pledge or other security interest upon any of its assets or any other party or any other indebtedness guaranteed by it without the prior written consent of the Trustee. Where the Trustee so consents, the Sponsor shall at the same time as the creation of such indebtedness grant to the Trustee (for the benefit of the Bondholders) the same or equivalent security as is granted in relation to the indebtedness.

16.7 Insurance

The Sponsor shall insure and keep insured to the satisfaction of the Trustee and to the full replacement value thereof all such parts of its assets as are of an insurable nature against loss or damage by fire, explosion, lightning, storm, tempest, flood (where appropriate), aircraft and things dropped therefrom and such other risks as in accordance with sound commercial practice are normally insured against by companies carrying on a similar business in one or more insurance offices of repute and shall produce the policies of such insurance to the Trustee if required and duly pay or cause to be paid the premiums and other sums of money payable in respect of all such insurance and if required produce to the Trustee the receipt for the same within 7 (seven) days of the same becoming due.

17. POWERS OF THE TRUSTEE

17.1 Advisers

The Trustee may act on the opinion or advice of, or a certificate or any information obtained from, any lawyer, banker, valuer, surveyor, broker, auctioneer, accountant, or other expert (whom the Trustee reasonably considers to be competent) or any Officers' Certificate (whether obtained by the Trustee or the Issuer) and will not be responsible to anyone for any loss occasioned by so acting. Any such opinion, advice, certificate or information may be sent or obtained by letter, telex, email, or facsimile transmission and the Trustee will not be liable to anyone for acting in good faith on any opinion, advice, certificate or information purporting to be

conveyed by such means even if it contains or is subsequently found to contain some error or is not authentic.

17.2 Due Performance

The Trustee need not notify anyone of the execution of this Trust Deed or do anything to ascertain whether any Event of Default has occurred and, until it has actual knowledge or express notice to the contrary, the Trustee may assume that no such event and no event with the passage of time will be rendered an Event of Default has occurred and that the Issuer is performing all of its obligations under this Trust Deed, any Series Trust Deed, the other Programme Documents and the Bonds.

17.3 Bondholders Resolution

The Trustee shall be entitled to act upon any resolution purporting to have been passed at any meeting of the Bondholders in respect whereof minutes have been made and signed, and shall not be responsible for so doing even though it may subsequently be found that there was some defect in the constitution of the meeting or the passing of the resolution or that for any reason the resolution was not valid or binding upon the Bondholders.

17.4 Certificate signed by Authorised Officers

The Trustee may call for and may accept as sufficient evidence of any fact or matter or of the expediency of any act a certificate signed by any two Authorised Officers of the Issuer or the authorised officers or directors of any other Party (or any person duly authorised on its behalf) (including a Directors' Certificate) as to any fact or matter upon which the Trustee may, in the exercise of any of its functions, require to be satisfied or to have information to the effect that, in the opinion of the person or persons so certifying, any particular act is expedient or as to any fact or matter prima facie within the knowledge of the Issuer or such other Party and the Trustee need not call, in any such case, for further evidence and will not be responsible for any liability that may be occasioned by acting on any such certificate.

17.5 Deposit of Documents

The Trustee may appoint as custodian or nominee, on standard/usual terms, any bank or entity whose business includes the safe custody of documents or any lawyer or firm of lawyers believed by it to be of good repute and may deposit this Trust Deed and any other documents with such custodian and pay all sums due in respect thereof and the Trustee shall not be responsible for any liability incurred by reason of the misconduct, omission or default on the part of any person appointed by it hereunder or be bound to supervise the proceedings or acts of any such person.

17.6 Discretion of Trustee

Save as expressly otherwise provided herein, the Trustee will have absolute and uncontrolled discretion as to the exercise or non-exercise as regards all the trusts, powers, authorities and discretions vested in it by the Programme Documents or by operation of Law and will not be responsible for any liability (except for any liability resulting from the negligence, misconduct and/or fraud of the Trustee) which may result from their exercise or non-exercise of such discretion but whenever the Trustee is under the provisions of the Trust Deed bound to act at the request or direction of the Bondholders, the Trustee shall nevertheless not be so bound

unless first indemnified and/or provided with security and/or prefunded to its satisfaction against all actions, proceedings, claims and demands to which it may render itself liable and all liabilities which it may incur by so doing (except for any liability resulting from the negligence, misconduct and/or fraud of the Trustee

17.7 Investment by Trustee

17.7.1 The Trustee may, at its discretion, invest any moneys or assets created by this Deed. Any such moneys or assets which under the trusts created by this Deed ought to or may be invested by the Trustee in the name or under the control of the Trustee in Permitted Investments as selected by the Trustee. The Trustee shall select Permitted Investments in accordance with the provisions of this Trust Deed.

17.7.2 The Trustee may at its discretion, place such moneys created by this Deed in an interest paying account for such periods as it may consider expedient with power from time to time at the like discretion to vary such deposits and to accumulate such deposits and the resulting interest and other income derived therefrom. All interest and other income deriving from such deposits shall be applied first in payment or satisfaction of all amounts then due and payable under Clause 22 (Remuneration of the Trustee) to the Trustee and/or any appointee and otherwise held for the benefit of and paid to the Bondholders.

17.7.3 Subject to the provisions of Clause 10.6, the Trustee may at any time vary any such investments for or into other investments or convert any moneys so deposited into any other currency and shall not be responsible for any loss resulting from any such investments or deposits, whether due to depreciation in value, fluctuations in exchange rates or otherwise.

17.8 Delegation

The Trustee, after prior notification to the SEC, may in the execution and exercise of all or any of the trusts, powers, authorities and discretions vested in it by this Trust Deed, act by responsible officers or a responsible officer for the time being of the Trustee and the Trustee may also whenever it thinks fit acting reasonably, whether by power of attorney or otherwise, delegate to any person or persons or fluctuating body of persons all or any of the trusts, powers, authorities and discretions vested in it by the Trust Deed. Any such delegation may be made upon such terms and conditions and subject to such regulations as the Trustee may think fit in the interests of the Bondholders.

17.9 Forged Register

The Trustee will not be liable to the Issuer or any Bondholder by reason of having accepted as valid or not having rejected any entry in the Register later found to be forged or not authentic except to the extent that the Trustee had actual knowledge or express prior notice that the entry was forged or not authentic.

17.10 Confidentiality

Unless ordered to do so by a court of competent jurisdiction or unless required by any requirement of Law or any regulatory direction the Trustee shall not be required to disclose to

any Bondholder or any other Party any confidential financial or other information made available to the Trustee by the Issuer or the Sponsor.

17.11 Currency Conversion

Where it is necessary or desirable for any purpose in connection with the Programme Documents to convert any sum from one currency to another, it will (unless otherwise provided hereby or in the other Programme Documents or required by Law) be converted at such rate or rates, in accordance with such method and as at such date as may be specified by the Trustee, acting reasonably and having regard to current rates of exchange, if available and having consulted with the Issuer where such consultation is in the reasonable opinion of the Trustee practicable and not materially prejudicial to the interests of the Bondholders. Any rate, method and date so specified will be binding on the Issuer and the Bondholders.

17.12 Trustee not responsible for Investigations

The Trustee shall not be responsible for, or for investigating any matter which is the subject of, any recital, statement, representation, warranty or covenant of any person contained in the Trust Deed, the Bonds or any other agreement or document relating to the transactions herein or therein contemplated or for the execution, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence thereof and shall assume the accuracy and correctness thereof nor shall the Trustee, by execution of the Trust Deed, be deemed to make any representation as to the validity, sufficiency or enforceability of either the whole or any part of the Trust Deed.

17.13 Bondholders as a Class

Whenever in this Trust Deed the Trustee is required in connection with any exercise of its powers, trusts, authorities or discretions to have regard to the interests of the Bondholders, it shall have regard to the interests of the Bondholders as a class. The Trustee shall not be obliged to have regard to the consequences of such exercise for any individual Bondholder resulting from his or its being for any purpose domiciled or resident in, or otherwise connected in any way with, or subject to the jurisdiction of, any particular territory or taxing jurisdiction.

17.14 Application of Proceeds

The Trustee shall not be responsible for the receipt or application by the Issuer of the proceeds of the issue of the Bonds.

17.15 Determinations of Material Prejudice

The Trustee shall be entitled to assume, for the purposes of exercising any power, trust, authority, duty or discretion under or in relation to the Bonds and the Trust Deed that such exercise will not be materially prejudicial to the interests of the Bondholders.

17.16 Obligation to Monitor Performance

The Trustee shall be entitled to monitor and supervise the performance by the Issuer of its obligations under the Trust Deed or under the Bonds or any other agreement or document relating to the transactions herein or therein contemplated.

17.17 Maintenance of Ratings

The Trustee shall not be responsible for the maintenance of the ratings.

17.18 Illegality

Notwithstanding anything else contained in the Programme Documents, the Trustee may refrain from doing anything which would or might in its reasonable opinion be contrary to any Law of any jurisdiction or any directive or regulation of any agency of any state or which would or might otherwise render it liable to any person and may do anything which is, in its opinion, necessary to comply with any such Law, directive or regulation.

17.19 Expenditure by the Trustee

The Trustee may refrain from taking any action or exercising any right, power, authority or discretion vested in it under the Programme Documents or any other agreement relating to the transactions herein or therein contemplated until it has been indemnified and/or secured to its satisfaction against any and all liabilities which might be brought, made or conferred against or suffered, incurred or sustained by it as a result (which may include payment on account). Nothing contained in the Programme Documents shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties or the exercise of any right, power, authority or discretion hereunder if it has grounds for believing the repayment of such funds or adequate indemnity against, or security for, such risk or liability is not reasonably assured to it.

17.20 Appraisal of Financial Condition

Each Bondholder shall be solely responsible for making its own independent appraisal of, and investigation into the financial condition, creditworthiness, affairs, status and nature of the Issuer and the Trustee shall not at any time have any responsibility for any such appraisal or investigation and no Bondholder shall rely on the Trustee in respect thereof.

17.21 Indemnity

Without prejudice to the right of indemnity given to the Trustee by Law, the Trustee and every attorney, manager, agent or other person appointed by them hereunder shall be entitled to be indemnified by the Issuer in respect of all liabilities and all reasonable and verifiable expenses incurred by them in the due execution or purported execution of the powers and trusts hereof or of any powers, authorities or discretions vested in them or him pursuant to this Deed, and the Trustee may retain and pay out of any monies in its hands upon the trusts of these presents the amount of any such liabilities and expenses together with the remuneration of the Trustee.

18. REPRESENTATIONS AND WARRANTIES OF THE TRUSTEE

The Trustee in its individual capacity and as Trustee represents and warrants as follows:

- 18.1 It is a duly organized and validly existing entity in good standing under the laws of the Federal Republic of Nigeria. It has full corporate power, authority and legal right to execute, deliver and perform its obligations as Trustee under this Deed.

- 18.2 The execution and delivery of this Deed and the consummation of the transactions provided for herein have been duly authorized by all necessary actions on its part.
- 18.3 The execution and delivery of this Deed, the performance of the transactions contemplated hereby and the fulfillment of the terms hereof will not conflict with, result in any breach of any of the material terms and provisions of, or constitute (with or without notice or lapse of time or both) a default under any indenture, contract, agreement, mortgage, deed of trust, or other instrument to which the Trustee is a party.
- 18.4 The execution and delivery of this Deed, the performance of the transactions contemplated hereby and the fulfillment of the terms hereof will not conflict with or violate, in any material respect, any Law.
- 18.5 All approvals, authorizations, consents, orders or other actions of any person or governmental authority applicable to the Trustee, required in connection with the execution and delivery of this Deed, the performance by the Trustee of the transactions contemplated hereby and the fulfillment by the Trustee of the terms hereof have been obtained.
- 18.6 This Deed constitutes the legal, valid and binding obligation of the Trustee, enforceable against the Trustee in accordance with its terms, except as such enforceability may be limited by applicable insolvency laws or general principles of equity (whether considered in a suit at law or in equity).

19. TRUSTEE NOT BOUND TO ENFORCE COVENANTS

The Trustee may but shall not be bound (unless requested to do so in writing by the Bondholders holding not less than 40 per cent of the nominal value of the Bonds for the time being outstanding or by a Special Resolution) to enforce or take any step to enforce the covenants in Clause 16 (Covenants of the Issuer) and/or Clause 17 (Covenants of the Sponsor) and (subject to any such request as aforesaid) may waive on such terms and conditions as they shall deem expedient any of the covenants and provisions which the Issuer or the Sponsor is required to perform or observe.

20. REMOVAL AND RESIGNATION OF THE TRUSTEE

- 20.1 The Trustee may resign as trustee at any time, by giving not less than 30 (thirty) days prior written notice to that effect to the Issuer, the Commission and the Bondholders, and such resignation shall not be effective until a successor(s) to the Trustee is appointed in accordance with the Law and this Deed PROVIDED that the Trustee shall continue to hold the rights conferred and perform the obligations imposed on it by this Deed until its resignation has become effective.
- 20.2 The Bondholders may by a Special Resolution exercise the power to remove the Trustee and appoint a new trustee as long as the Bonds are outstanding PROVIDED that the Trustee shall not be changed without obtaining the prior clearance of the Commission.
- 20.3 Where the Trustee gives notice of its resignation as trustee pursuant to Clause 20.1 or in the event that the Trustee is dissolved or otherwise becomes incapable to act as Trustee or is removed as Trustee pursuant to Clause 20.2 herein (without an appointment of a new trustee being made), the Issuer upon obtaining the approval of the Commission shall appoint a successor Trustee.

- 20.4 The successor Trustee appointed pursuant to Clause 20.3 or Clause 21.2.3 below shall execute a Deed of Adherence in accordance with the Fourth Schedule and cause notice of its appointment to be issued to the Bondholders of all Bonds then outstanding.
- 20.5 Unless otherwise ordered by a court or regulatory body having competent jurisdiction, or unless required by Law, any successor Trustee appointed by the Commission shall be a company, authorised to carry on trust business in Nigeria and duly registered with the Commission to provide corporate trust services.
- 20.6 Every successor Trustee shall execute, acknowledge and deliver to its predecessor and also to the Issuer an instrument in writing, accepting such appointment hereunder, and thereupon such successor Trustee, without further action, shall become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor, and such predecessor shall execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of such predecessor. The predecessor Trustee shall execute any and all documents necessary or appropriate to convey all interest it may have to the successor Trustee.
- 20.7 The predecessor Trustee shall promptly deliver all records relating to the trust and copies thereof and communicate all material information it may have obtained concerning the trust to the successor Trustee and shall duly provide the successor Trustee with a full and updated statement of affairs and accounts of the trust in respect of the Bonds or any Tranche of the Bonds.

21. UNDESIRABLE SITUATIONS AND PRACTICES

- 21.1 For the purpose of this Deed, an undesirable situation or practice is a situation or practice which may prejudice the interests of the Bondholders. These include:
- 21.1.1 an order by a Court of competent jurisdiction or a company resolution passed for the dissolution of or appointment of an administrator for the Trustee (otherwise than in the course of a reorganisation or restructuring of the Trustee on a solvent basis);
- 21.1.2 where any person takes any step, and it is not withdrawn or discharged within sixty (60) days, to appoint a liquidator, manager, receiver, administrator, administrative receiver or other similar officer in respect of any assets of the Trustee; and
- 21.1.3 where the Trustee convenes a meeting of its creditors or makes or proposes any arrangement or compromise with, or any assignment for the benefit of, its creditors.
- 21.2 If in the opinion of the Issuer, an undesirable situation or practice has developed or is developing regarding the activities of the Trustee, the Issuer may take any steps to correct the situation or practice, including:
- 21.2.1 notifying the SEC within five (5) days of such practice coming to the attention of the Issuer;
- 21.2.2 with the approval of the Board of Directors of the Issuer and by a majority decision of three-fourths of the Bondholders present at a meeting duly called for that purpose, suspend the Trustee and appoint another Trustee to act in place of the suspended Trustee during the period of suspension;
- 21.2.3 with the approval of the Board of Directors, and by a majority decision of all the Bondholders, terminate the appointment of the Trustee and immediately appoint a new trustee in accordance with the provisions of this Trust Deed (PROVIDED that the appointment of the Trustee shall not

be terminated nor shall the Trustee be changed without obtaining the prior clearance of the Commission);

- 21.2.4 giving directions to the Trustee to act in such a manner as will correct or assist in overcoming the situation or practice; or
- 21.2.5 taking any other action it considers necessary to assure and safeguard the interests of the Bondholders.

25. POWER OF MODIFICATION BY SUPPLEMENTAL TRUST DEED

- 25.1 The Issuer and the Trustee shall be entitled by a supplemental trust deed to consolidate, modify, alter or add to the provisions of this Deed in such manner and to such extent as they may consider necessary or expedient having regard to any issues that they may consider relevant PROVIDED such consolidation, modification, alteration or addition does not prejudice the interests of the Bondholders and that such consolidation, modification, alteration or addition does not operate to release the Trustee or Issuer from any responsibility to the Bondholders. Provided also that the terms of any Series Trust Deed shall supersede the provisions of this Deed and in the event of a conflict between this Deed and any such Supplemental Trust Deed, the provisions of the Supplemental Trust Deed shall prevail.
- 25.2 No such consolidation, modification, alteration or addition shall be made without the sanction of a Special Resolution passed by the Bondholders, subject to the prior review and approval of the SEC.
- 25.3 No such consolidation, modification, alteration or addition shall impose any further payment on the Bondholders in respect of the Bonds held by them or any liability in respect thereof.
- 25.4 Notwithstanding the above, the Issuer and the Trustee shall seek the approval of the Commission for any proposed modification to the Trust Deed by service of notice on the Commission. Such proposed change shall not be given effect until the proposed change has been approved by the Commission.

27. BENEFIT OF TRUST DEED

Nothing in this Trust Deed or in the Bonds, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder and the Bondholders, and, where specified herein, the beneficial owners of Bonds, any benefit or any legal or equitable right, remedy or claim under this Trust Deed.

SECOND SCHEDULE

PROVISIONS FOR MEETINGS OF BONDHOLDERS

1. Who may Convene Meetings

- 1.1 The Trustee or the Issuer may and the Trustee shall upon the request in writing of the holders of not less than 10% (Ten per cent) of the Bonds for the time being outstanding convene a meeting of Bondholders to consider any matter affecting their interest including the sanctioning by special resolution of a modification of any of the Conditions. The meeting shall be held at such place as the Trustee shall determine or approve at the cost and expense of the Issuer.
- 1.2 Where Bondholders holding not less than 10% (Ten per cent) of the Bonds for the time being outstanding request that the Trustee convenes a meeting in accordance with Clause 1.1 above, and the Trustee should fail, neglect or refuse to do so within 10 Business Days, a meeting may be convened by Bondholders holding not less than 25% (Twenty Five per cent) in nominal amount of the Bonds for the time being outstanding. Such meeting shall be at the cost and expense of the Issuer.

2. Notice of Meetings

At least fourteen days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given) of every such meeting specifying the place and day and hour of meeting and stating the resolutions to be proposed shall be given to the Bondholders and (in the case of a meeting convened by the Issuer) to the Trustee. The accidental omission to give any such notice to or the non-receipt of any such notice by any of the Bondholders shall not invalidate the proceedings at any such meeting. A meeting shall notwithstanding that it is called by a shorter notice than that specified in this paragraph, be deemed to have been duly called if it is so agreed by all the Bondholders entitled to attend and vote thereat.

3. Chairman

Any person nominated in writing by the Trustee shall be entitled to take the chair at every meeting and if no such nomination is made or if at any meeting the person nominated shall not be present within fifteen minutes after the time appointed for holding the meeting the Bondholders present shall choose one of their number to be Chairman.

4. Persons Entitled to Attend Meetings

The Trustee and their solicitors and any director or officer of a corporation being Trustee hereof and any director and the secretary, solicitors and Auditors of the Issuer and any other person authorized in that behalf by the Trustee or the Issuer (whose attendance at the meeting the Trustee or the Issuer, acting reasonably, considers necessary for the business to be transacted at the meeting) may attend any meeting.

5. Quorum

At any such meeting persons at least two in number holding or representing by proxy at least 50% (Fifty per cent) in value of the Bond for the time being outstanding shall form a quorum for

the transaction of business and no business shall be transacted at any meeting unless the requisite quorum be present when the meeting proceeds to business.

6. Absence of Quorum

If within thirty minutes from the time appointed for any meeting of the Bondholders a quorum is not present, the meeting shall if convened upon the requisition of the Bondholders be dissolved. In any other case it shall stand adjourned to such day, time and place being not less than fourteen days thereafter as may be appointed by the Chairman and at such adjourned meeting the Bondholders present in person or by proxy and entitled to vote (whatever the value of the Bonds held by them) shall form a quorum and shall have power to pass any resolution and to decide upon all matters which could properly have been disposed of at the meeting from which the adjournment took place.

7. Notice of Adjournment

At least seven days' notice of any adjourned meeting of Bondholders at which a Special Resolution is to be submitted shall be given in the same manner (*mutatis mutandis*) as for an original meeting but it shall not be necessary to specify in such notice the business to be transacted at the adjourned meeting and such notice shall state that the Bondholders present at the adjourned meeting (whatever the amount of Bond held) by them will form a quorum.

8. Adjournment

The Chairman may subject as aforesaid with the consent of (and shall if directed by) any such meeting at which a quorum is present adjourn the same from time to time and from place to place but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place.

9. Method of Voting

Every question submitted to a meeting of Bondholders shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded as hereinafter mentioned and in case of any equality of votes the Chairman shall vote on a show of hands and on a poll have a casting vote in addition to the vote or votes (if any) to which he may be entitled as or on behalf of a Bondholder.

10. Evidence of Passing of Resolutions

At any meeting of Bondholders, unless a poll is demanded by the Chairman or by a Bondholder or Bondholders present in person or by proxy and holding or representing in the aggregate not less than one-tenth of the Bonds then outstanding, a declaration by the Chairman that a resolution has been carried or carried by any particular majority or lost by any particular majority shall be conclusive evidence of the fact without proof of the number or proportion of votes recorded in favour of or against such resolution.

11. Demand on Poll

If at any such meeting a poll is so demanded it shall be taken in such manner and at such time (not more than thirty days after the date of the meeting) as the Chairman may direct and the result of such poll shall be deemed to be the resolution of the meeting at which the poll was

demande but any poll demanded at any *such* meeting on the election of a Chairman or any question of adjournment shall be taken at the meeting without adjournment. No notice need be given of a poll not taken immediately and any business other than that upon which a poll is demanded may be proceeded with pending the taking of the poll.

12. Proxies

The registered holder of any Bond or in case of joint holders any one of them shall be entitled to vote in respect thereof either in person or by proxy and in the latter case as if such joint holder were solely entitled to such Bond. If more than one of such joint holders be present at any meeting either personally or by proxy that one of the joint holders so present whose name stands first in the register as one of the holders in respect of such Bond shall alone be entitled to vote in respect thereof in person or by proxy.

13. Form of Proxy

- a) A Bondholder may appoint any person (who needs not be a Bondholder) as his proxy to vote for him at any meeting. Every instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or in the case of a corporation either under its common seal or under the hand of an officer or of an attorney duly authorized in writing and must be in the usual common form or in such other form as the Trustee may prescribe or accept. A proxy unless the contrary is stated thereon will be valid as well for any adjournment of the meeting as for the meeting to which it relates and need not be witnessed.
- b) In every notice calling a meeting of the Bondholders there shall appear with reasonable prominence a statement that a Bondholder entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him and that a proxy need not be a Bondholder.

14. Deposit of Proxy

The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notari ally certified or office copy of such power or authority shall be deposited at such place as may be specified in the notice convening the meeting or in some document accompanying the same or if no place is so specified then at the registered office of the Issuer not less than forty-eight hours before the time appointed for holding the meeting or adjourned meeting (or in case of a poll not less than twenty four hours before the time appointed for the taking of the poll) at which the person named in such instrument proposes to vote and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of twelve months from the date named in *it* as the date of its execution. An instrument appointing a proxy shall be deemed to confer authority to demand or to join in a demand for a poll.

15. Revocation of Proxy

A vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the instrument of proxy or of the authority under which the instrument of proxy was executed unless previous intimation in writing of such death, insanity or revocation shall have been received by the Issuer

at its registered office before the commencement of the meeting or the adjourned meeting at which the proxy is used.

16. Votes

On a show of hands every Bondholder who (being an individual) is present in person or (being a company) is present by a representative shall have one vote and on a poll every Bondholder present in person or by proxy shall have one vote for every ₦1,000 or equivalent in foreign currency (or part thereof) of the Bond of which he is the holder. On a poll a Bondholder entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

17. Representative of Corporate Bondholders

Any company which is a Bondholder may by writing under the hand of a duly authorised officer authorise such person as it thinks fit to act as its representative at any meeting of the Bondholders and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual Bondholder.

18. Powers of Bondholders

A meeting of the Bondholders shall in addition to all other powers but subject to the restrictions hereinafter specified have the following powers exercisable by Special Resolution only namely:-

- a) power to sanction any modification or compromise or any arrangement in respect of the rights of the Bondholders against the Issuer or against its properties howsoever such rights shall arise;
- b) power to assent to any modification of the provisions contained in these presents which shall be proposed or agreed to by the Issuer and to authorise the Trustee to concur in and execute any Series Trust Deed embodying any such modifications;
- c) power to give any sanction direction or request which under any of the provisions of the Trust Deed is required to be given by Special Resolution;
- d) power to authorise and empower the Trustee to concur in and execute and do all such deeds, instruments, acts and things as maybe necessary to carry out and give effect to any Special Resolution;
- e) power to discharge or exonerate the Trustee from all liability in respect of any act of commission or omission for which it has become responsible under these presents;
- f) power to approve any person for appointment as trustee hereof or to remove the Trustee and appoint a new Trustee.

19. Resolution Binding

A resolution passed at a meeting of the Bondholders duly convened and held in accordance with these presents shall be binding upon all the Bondholders whether present or not present at such meeting and each of the Bondholders shall be bound to give effect thereto accordingly.

20. Definition of Special Resolution

The expression "Special Resolution" when used in this Schedule means a resolution passed at a meeting of the Bondholders duly convened and held in accordance with the provisions herein contained and carried by a majority consisting of holders of not less than 75% (Seventy Five per cent) of the value of the Bonds held by the Bondholders present and voting at the meeting.

21. Resolution in Writing

A resolution in writing signed by or on behalf of Bondholders holding in the aggregate not less than 90 per cent in nominal value of the Bond then outstanding and who for the time being are entitled to receive notice of a meeting in accordance with the provisions herein contained shall for all purposes be as valid and effectual as a Special Resolution passed at a meeting of Bondholders duly convened and held in accordance with the provisions herein contained. Such resolution in writing may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Bondholders.

22. Minutes of Meeting

Minutes of all resolutions and proceedings at every such meeting shall be made and duly entered in books to be provided by the Issuer and any such minute if purporting to be signed by the Chairman of the meeting at which such resolutions were passed or proceedings had or by the Chairman of the next succeeding meeting of the Bondholders shall be conclusive evidence of the matters therein stated and until the contrary is proved every such meeting in respect of the proceedings of which minutes have been made shall be deemed to have been duly convened and held and all resolutions passed or proceedings had thereat to have been duly passed and had.

LETTER FROM THE REPORTING ACCOUNTANT



Ernst & Young
10th Floor
UBA House
57, Marina
P. O. Box 2442, Marina
Lagos

Tel: +234 (01) 631 4500
Fax: +234 (01) 463 0481
Email: Services@ng.ey.com
www.ey.com

12 April 2017

The Directors
LAPO Microfinance Bank Nigeria Limited
18, Dawson Road
Benin City
Edo State

Gentlemen,

ACCOUNTANTS' REPORT ON THE FINANCIAL STATEMENTS OF LAPO MICROFINANCE BANK NIGERIA LIMITED FOR THE FIVE YEARS ENDED 31 DECEMBER 2016

Report on the Financial Statements

We have reviewed the annual financial statements of LAPO Microfinance Bank Nigeria Limited which comprise the statement of financial position as at 31 December 2012, 2013, 2014, 2015 and 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information. Akintola Williams Deloitte were the auditors of the Company for the years ended 31 December 2012, 2013, 2014 and 2015. The 2016 financial statements is unaudited.

Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the applicable financial reporting framework and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Independent Reviewer's Responsibility

Our responsibility is to express a conclusion on the annual financial statements based on our review. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400, *Engagements to Review Financial Statements*. ISRE 2400 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2400 consists primarily of making inquiries of management and others within the entity involved in financial and accounting matters, applying analytical procedures, and evaluating the sufficiency and appropriateness of evidence obtained. A review also requires performance of additional procedures when the practitioner becomes aware of matters that cause the practitioner to believe the financial statements as a whole may be materially misstated.

We believe that the evidence we obtained in our review is sufficient and appropriate to provide a basis for our conclusion.



ACCOUNTANTS' REPORT ON THE AUDITED FINANCIAL STATEMENTS OF LAPO MICROFINANCE BANK NIGERIA LIMITED FOR THE FIVE YEARS ENDED 31 DECEMBER 2016 - Continued

Independent Reviewer's Responsibility - Continued

The procedures performed in a review engagement are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

The Company's auditors expressed unqualified opinion on the financial statements for the years ended 31 December 2012, 2013, 2014 and 2015. The 2016 financial statements is unaudited.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of LAPO Microfinance Bank Nigeria Limited as at 31 December 2012, 2013, 2014, 2015 and 2016, and its financial performance and cash flows for each of the year then ended, in accordance with applicable financial reporting framework.

This report is solely for the use of the Directors of LAPO Microfinance Bank Nigeria Limited and other relevant parties. No part of this report may be quoted or circulated outside these parties without the prior written approval of Ernst & Young.

Yours faithfully,

Kayode Famutimi, FCA
FRC/2012/ICAN/00000000155
For: Ernst & Young
Lagos, Nigeria
12 April 2017



HISTORICAL FINANCIAL INFORMATION

LAPO MICROFINANCE BANK NIGERIA LIMITED

STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

FOR THE FIVE YEARS ENDED 31 DECEMBER 2016

<i>In thousands of Nigerian Naira</i>	<i>Notes</i>	<i>Unaudited 2016</i>	<i>2015</i>	<i>2014</i>	<i>2013</i>	<i>2012</i>
Interest income	4	26,660,209	19,408,496	16,503,804	10,733,224	8,658,752
Interest expense	5	(2,830,052)	(2,052,841)	(1,550,105)	(1,100,862)	(873,660)
Net interest income		23,830,157	17,355,655	14,953,699	9,632,362	7,785,092
Fee and commission income		158,457	126,711	46,990	41,115	34,704
Fee and commission expense		(94,617)	(112,375)	(54,952)	(16,374)	(25,878)
Net fee and commission income		63,840	14,336	(7,962)	24,741	8,826
Other operating income	6	147,467	138,226	57,881	53,567	60,410
Total income		24,041,464	17,508,217	15,003,618	9,710,670	7,854,328
Net impairment reversal/(charge) on loans & advances	7	(1,003,109)	174,570	(1,279,525)	(273,482)	(113,789)
Income after net impairment loss on financial assets		23,038,355	17,682,787	13,724,093	9,437,188	7,740,539
Personnel expenses	8	(7,546,022)	(6,624,042)	(5,191,077)	(4,035,909)	(3,179,192)
Depreciation of property, plant and equipment		(648,310)	(353,648)	(234,668)	(178,376)	(106,685)
Amortisation of intangible assets	19	(420,319)	(369,809)	(283,636)	(24,796)	(7,867)
Other operating expenses	9	(7,182,328)	(5,472,151)	(3,866,060)	(2,586,600)	(1,905,809)
Total expenses		(15,796,979)	(12,819,650)	(9,575,441)	(6,825,681)	(5,199,553)
Profit before income tax		7,241,376	4,863,137	4,148,652	2,611,508	2,540,986
Income tax expense	10	(2,390,881)	(1,572,076)	(1,340,413)	(868,215)	(900,256)
Profit for the year		4,850,495	3,291,061	2,808,239	1,743,293	1,640,730
Other comprehensive income, net of income tax		-	-	-	-	-
Total comprehensive income for the year		4,850,495	3,291,061	2,808,239	1,743,293	1,640,730
Total comprehensive income attributable to:						
Owners of the Microfinance Bank		4,850,495	3,291,061	2,808,239	1,743,293	1,640,730
Total comprehensive income for the year		4,850,495	3,291,061	2,808,239	1,743,293	1,640,730
Basic and diluted earnings per share (kobo)	12	122	83	72	62	61

The accompanying notes are an integral part of these financial statements.

LAPO MFB SPV PLC – N20 Billion Debt Issuance Programme

LAPO MICROFINANCE BANK NIGERIA LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

In thousands of Nigerian Naira

Unaudited

	Notes	31 December 2016	31 December 2015	31 December 2014	31 December 2013	31 December 2012
Assets:						
Cash and bank balances						
Placement with banks and other financial institutions	13	6,936,821	5,109,467	3,574,129	2,181,158	2,090,753
Financial assets held to maturity	14	587,710	303,761	167,276	393,573	387,414
Loans and advances to customers	15	2,232,718	1,334,877	1,042,338	763,583	496,749
Other assets	16	49,854,024	42,951,837	32,729,065	23,011,692	16,741,149
Property, plant and equipment	17	852,325	718,277	382,690	240,743	191,012
Intangible assets	18	1,957,523	1,546,852	1,187,626	652,780	504,655
	19	163,569	433,822	545,109	332,577	189,583
Total assets		62,584,690	52,398,893	39,628,233	27,576,106	20,601,315
Deposits from customers						
Borrowed funds	20	27,642,770	25,705,783	20,360,016	13,853,546	9,793,051
Current income tax liability	21	16,146,969	12,825,610	7,664,900	5,486,786	4,302,042
Deferred tax liabilities	10	3,532,563	2,095,495	1,966,163	1,878,573	2,077,463
Other liabilities	11	101,281	101,281	61,220	25,632	12,770
	22	1,240,986	1,418,716	1,660,828	644,202	532,114
Total liabilities		48,664,569	42,146,885	31,713,127	21,888,739	16,717,440
Equity:						
Share capital						
Retained earnings	23	1,994,028	1,985,256	1,959,610	1,400,134	1,339,934
Regulatory risk reserve	23	8,409,449	5,356,420	3,456,547	2,124,628	1,148,802
Statutory reserve	23	-	-	-	14,685	116,723
	23	3,516,644	2,910,332	2,498,949	2,147,920	1,278,416
Total equity		13,920,121	10,252,008	7,915,106	5,687,367	3,883,875
Total liabilities and equity		62,584,690	52,398,893	39,628,233	27,576,106	20,601,315

The accompanying notes are an integral part of these financial statements.

LAPO MFB SPV PLC – N20 Billion Debt Issuance Programme

LAPO MICROFINANCE BANK NIGERIA LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED

Unaudited
31 December 2016

In thousands of Nigerian Naira	Share capital	Statutory reserve	Regulatory risk reserve	Retained earnings	Total equity
Balance at 1 January 2016	1,985,256	2,910,332	-	5,356,420	10,252,008
Profit for the year	-	-	-	4,850,495	4,850,495
Total comprehensive income for the year	-	-	-	4,850,495	4,850,495
Transactions with equity holders recorded directly in equity:					
Transfer to regulatory risk reserve	-	-	-	-	-
Transfer to statutory reserve	-	606,312	-	(606,312)	-
Dividend on account of 2015 account	-	-	-	(1,191,155)	(1,191,155)
Bonus shares issued during the year	-	-	-	-	-
Shares issued during the year	8,772	-	-	-	8,772
	8,772	606,312	-	(1,797,467)	(1,182,383)
Balance at 31 December 2016	1,994,028	3,516,644	-	8,409,448	13,920,120

The accompanying notes are an integral part of these financial statements

LAPO MICROFINANCE BANK NIGERIA LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED

31 December 2015

In thousands of Nigerian Naira	Share capital	Statutory reserve	Regulatory risk reserve	Retained earnings	Total equity
Balance at 1 January 2015	1,959,610	2,498,949	-	3,456,547	7,915,106
Profit for the year	-	-	-	3,291,061	3,291,061
Total comprehensive income for the year	-	-	-	3,291,061	3,291,061
Transactions with equity holders recorded directly in equity:					
Transfer to regulatory risk reserve	-	-	-	-	-
Transfer to statutory reserve	-	411,383	-	(411,383)	-
Dividend on account of 2014 account	-	-	-	(979,805)	(979,805)
Bonus shares issued during the year	-	-	-	-	-
Shares issued during the year	25,646	-	-	-	25,646
	25,646	411,383	-	(1,391,188)	(954,159)
Balance at 31 December 2015	1,985,256	2,910,332	-	5,356,420	10,252,008

The accompanying notes are an integral part of these financial statements

LAPO MFB SPV PLC – N20 Billion Debt Issuance Programme

LAPO MICROFINANCE BANK NIGERIA LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED

31 December 2014

In thousands of Nigerian Naira	Share capital	Statutory reserve	Regulatory risk reserve	Retained earnings	Total equity
Balance at 1 January 2014	1,400,134	2,147,920	14,685	2,124,628	5,687,367
Profit for the year	-	-	-	2,808,239	2,808,239
Total comprehensive income for the year	-	-	-	2,808,239	2,808,239
Transactions with equity holders recorded directly in equity:					
Transfer (from)/to regulatory risk reserve	-	-	(14,685)	14,685	-
Transfer to statutory reserve	-	351,029	-	(351,029)	-
Dividend on account of 2013 account	-	-	-	(600,097)	(600,097)
Bonus shares issued during the year	539,879	-	-	(539,879)	-
Shares issued during the year	19,597	-	-	-	19,597
	559,476	351,029	(14,685)	(1,476,320)	(580,500)
Balance at 31 December 2014	1,959,610	2,498,949	-	3,456,547	7,915,106

The accompanying notes are an integral part of these financial statements.

LAPO MICROFINANCE BANK NIGERIA LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED

31 December 2013

In thousands of Nigerian Naira	Share capital	Statutory reserve	Regulatory risk reserve	Retained earnings	Total equity
Balance at 1 January 2013	1,339,934	1,278,416	116,723	1,148,802	3,883,875
Profit for the year	-	-	-	1,743,293	1,743,293
Total comprehensive income for the year	-	-	-	1,743,293	1,743,293
Transactions with equity holders recorded directly in equity:					
Transfer to regulatory risk reserve	-	-	(102,038)	102,038	-
Transfer to statutory reserve	-	869,504	-	(869,504)	-
Shares issued during the year	60,200	-	-	-	60,200
Total contributions and distributions to owners	60,200	869,504	(102,038)	(767,466)	60,200
Balance at 31 December 2013	1,400,134	2,147,920	14,685	2,124,628	5,687,367

The accompanying notes are an integral part of these financial statements.

LAPO MFB SPV PLC – N20 Billion Debt Issuance Programme

LAPO MICROFINANCE BANK NIGERIA LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED

31 December 2012

In thousands of Nigerian Naira

	Share capital	Statutory reserve	Regulatory risk reserve	Retained earnings	Total equity
Balance at 1 January 2012	1,323,934	454,047	43,988	405,176	2,227,145
Profit for the year	-	-	-	1,640,730	1,640,730
Total comprehensive income for the year	-	-	-	1,640,730	1,640,730
Transactions with equity holders recorded directly in equity:					
Transfer to regulatory risk reserve	-	-	72,735	(72,735)	-
Transfer to statutory reserve	-	824,369	-	(824,369)	-
Shares issued during the year	16,000	-	-	-	16,000
Total contributions and distributions to owners	16,000	-	-	-	16,000
Balance at 31 December 2012	1,339,934	1,278,416	116,723	1,148,802	3,883,875

The accompanying notes are an integral part of these financial statements.

LAPO MFB SPV PLC – N20 Billion Debt Issuance Programme

LAPO MICROFINANCE BANK NIGERIA LIMITED

STATEMENT OF CASH FLOWS

FOR THE FIVE YEARS ENDED 31 DECEMBER 2016

<i>In thousands of Nigerian Naira</i>	<i>Notes</i>	Unaudited				
		2016	2015	2014	2013	2012
Cash flows from operating activities						
Profit after income tax, including discontinued operations		4,850,495	3,291,061	2,808,239	1,743,293	1,640,730
<i>Adjustments for:</i>						
Depreciation of property and equipments	18	648,310	353,648	234,668	178,376	106,685
Amortisation of intangible assets	19	420,319	369,809	283,636	24,796	7,867
Net impairment loss on loans and advances		1,003,109	(102,555)	1,167,453	230,052	70,293
Net impairment on other assets	17	29,201	72,015	112,072	43,430	43,496
Allowance for other asset written off	17	-	(152,375)	(31,923)	-	-
Bad debt written off	9	-	-	-	-	48,530
(Profit)/loss on disposal of property and equipment		-	1,137	(28)	417	(2,683)
Exchange gain		-	-	-	(330)	-
Net interest income		(23,830,157)	(17,355,656)	(14,953,699)	(9,632,362)	(7,785,092)
Income tax expense	10	2,390,881	1,572,076	1,340,413	868,215	900,256
		(14,487,842)	(11,950,840)	(9,039,169)	(6,544,114)	(4,969,917)
Change in loans and advances to customers		(7,867,358)	(10,120,216)	(10,900,230)	(6,500,595)	(5,550,401)
Change in other assets		(134,048)	(255,227)	(206,692)	(93,161)	(49,058)
Change in deposits from customers		1,936,987	5,345,767	6,506,470	4,060,495	2,779,599
Company Income tax paid	10	(953,814)	(1,402,683)	(1,217,235)	(1,054,243)	-
Change in other liabilities		(244,867)	(512,172)	424,261	112,088	175,377
		(21,750,941)	(18,895,371)	(14,432,595)	(10,019,529)	(7,614,400)
Interest received		26,660,209	19,408,496	16,503,804	10,733,224	8,658,752
Interest paid		(2,830,052)	(2,052,841)	(1,550,105)	(1,100,862)	(873,660)
Net cash (used in)/provided by operating activities		2,079,216	(1,539,716)	521,104	(387,167)	170,692
Cash flows from investing activities						
Purchase of treasury bills		(897,841)	(292,539)	(278,755)	(266,834)	(154,047)
Net movement in place with banks and other financial institutions		(283,949)	(136,485)	226,297	(6,159)	163,546
Purchase of property and equipment	18	(1,058,982)	(713,180)	(769,523)	(328,139)	(279,076)
Proceeds from the sale of property and equipment		-	35	38	3,363	3,597
Purchase of intangible assets	19	(150,066)	258,522	(496,169)	(167,790)	(186,949)
Net cash used in investing activities		(2,390,838)	(883,647)	(1,318,112)	(765,559)	(452,929)
Cash flows from financing activities						
Increase in borrowed funds		3,321,359	4,312,252	2,178,112	1,182,930	1,122,315
Dividend paid		(1,191,155)	(379,198)	(7,730)	-	-
Share proceeds		8,772	25,646	19,597	60,200	16,000
Net cash provided by financing activities		2,138,976	3,958,700	2,189,979	1,243,130	1,138,315
Net increase in cash and cash equivalents		1,827,354	1,535,338	1,392,971	90,405	856,078
Cash and cash equivalents at beginning of year		5,109,467	3,574,129	2,181,158	2,090,753	1,234,675
Effect of exchange rate fluctuations on cash held		-	-	-	-	-
Cash and cash equivalents at end of year	13	6,936,821	5,109,467	3,574,129	2,181,158	2,090,753

The accompanying notes are an integral part of these financial statements.

LAPO MICROFINANCE BANK NIGERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FIVE YEARS ENDED 31 DECEMBER 2016

1 Reporting entity

LAPO Microfinance Bank Limited (LAPO MFB) was incorporated in Nigeria on 25 April, 2007 under the provisions of the Companies and Allied Matters Act CAP C20 LFN 2004 with Registration Number RC 688867. It was licenced to carry on the business of microfinance banking as a state microfinance bank on 21 June, 2010 by the Central Bank of Nigeria. On September 2012, an additional approval to operate as a national microfinance bank was granted by the Central Bank of Nigeria. Lift Above Poverty Organization (LAPO) NGO Limited by Guarantee is the major shareholder in the bank with over 60% shareholdings.

2 Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements comply with the Companies and Allied Matters Act, Bank and Other Financial Institutions Act, Financial Reporting Council Act of Nigeria, Supervisory Framework for Microfinance Banks in Nigeria issued by the Central Bank of Nigeria and relevant circulars issued by the Central Bank of Nigeria.

(b) Functional and presentation currency

The financial statements are presented in Nigerian Naira, which is the Microfinance Bank's functional currency. Except as indicated financial information presented in Naira has been rounded to the nearest thousand, except when otherwise stated.

(c) Basis of measurement

These financial statements are prepared on the historical cost basis.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

3 Significant accounting policies

The accounting policies set out below have been consistently applied to all periods presented in these financial statements.

3.1 Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the Microfinance Bank at exchange rates prevailing at the date of the transactions.

Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are recognised in the

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the transaction date, and those measured at fair value are translated at the exchange rate that the fair value was determined. Exchange differences on non-monetary items are accounted for based on the classification of the underlying items.

LAPO MICROFINANCE BANK NIGERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

Significant accounting policies - continued

3.2 Interest

Interest income and interest expense for all interest bearing financial instruments, except for those classified at fair value through profit or loss, are recognised within 'interest income' and 'interest expense' in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the net carrying amount of the financial asset or liability. The effective interest rate is calculated on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and interest expense presented in the income statement include interest on financial assets and liabilities at amortised cost on an effective interest basis.

3.3 Fees and Commission

Fees and commission income and commission expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income including account servicing fees, placement fees, sales commission and syndication fees, are recognised as the related services are performed.

When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

3.4 Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

LAPO MICROFINANCE BANK NIGERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

Significant accounting policies - continued

Deferred tax is not recognised for the following temporary differences:

- (i) temporary differences arising on the initial recognition of goodwill;
- (ii) temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
- (iii) temporary differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future; and
- (iv) temporary differences arising from investment property measured at fair value whose carrying amount will be recovered through use.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse based on laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available to the extent that it is no longer probable that the related tax benefit will be realised. The extent that it is no longer probable that the related tax benefit will be realised.

3.5 Cash and cash equivalents

Cash and cash equivalents include notes, coins in hand and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Microfinance Bank in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3.6 Financial Instruments

Recognition

All other financial assets and liabilities are initially recognised at fair value plus directly attributable costs, excepts those carried at fair value through profit or loss where transaction costs are recognised immediately in profit or loss. Financial instruments are recognised/ (derecognised) on the date the Microfinance Bank commits to purchase/(sell) the instruments (trade date).

Classification

Financial assets:

The Microfinance Bank classifies its financial assets in one of the following categories:

- loan and receivables; and
- held to maturity

Financial liabilities:

The Microfinance Bank classifies its financial liabilities as liabilities measured at amortised cost.

Subsequent Measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost, depending on their classification:

LAPO MICROFINANCE BANK NIGERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

Significant accounting policies - continued

3.6 (i) *Held-to-maturity*

Held-to-maturity investments are non-derivative financial assets with fixed determinable payments and fixed maturities that management has both the positive intent and ability to hold to maturity and which were not designated as at fair value through profit and loss or as available for sale.

A sale or reclassification of more than an insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Microfinance Bank from classifying investment securities as held-to-maturity for the current and the financial years. The difference between amortised cost and fair value will be accounted for in equity. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification.

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial assets fair value;
- sales or reclassifications after the Microfinance Bank has collected substantially all of the assets original principal; and
- sales and reclassification attributable to non-recurring isolated events beyond the Microfinance Bank's control that could have been reasonably anticipated.

Held-to-maturity investments are carried at amortised cost, using the effective interest method, less any provisions for impairment.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Microfinance Bank as at fair value through profit or loss or available-for-sale.

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Origination transaction costs and origination fees received that are integral to the effective rate are capitalised to the value of the loan and amortised through interest income as part of the effective interest rate. All of the Microfinance Bank's loans and advances are included in the loans and receivable category.

Impairment of financial assets

(i) *Assets carried at amortised cost*

The Microfinance Bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets (a 'loss event'), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Microfinance Bank considers evidence of impairment at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified by grouping together financial assets (carried at amortised cost) with similar risk characteristics. Objective evidence that financial assets (including equity securities) are impaired can include:

- (a) a breach of contract such as a default or delinquency in interest or principal repayments by a borrower;
- (b) restructuring of a loan or advance by the Microfinance Bank on terms that the Microfinance Bank would not otherwise consider;
- (c) indications that a borrower or issuer will enter bankruptcy;
- (d) the disappearance of an active market for a security, or other;

LAPO MICROFINANCE BANK NIGERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

Significant accounting policies - continued

3.7 Property and equipment

Recognition and measurement

Items of property and equipment are carried at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Microfinance Bank and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

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

Leasehold land	Over the shorter of the useful life of item or lease period
Plant and equipments	8 years
Computer equipments	3 years
Furniture and fittings	8 years
Motor vehicles	4 years

Capital work in progress is not depreciated. Upon completion it is transferred to the relevant asset category. Depreciation methods, useful lives and residual values are reassessed at each reporting date.

De-recognition

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

3.10 Intangible assets

Software

Software acquired by the Microfinance Bank is stated at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Bank is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

LAPO MICROFINANCE BANK NIGERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

Significant accounting policies - continued

3.10 Intangible assets - continued

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is three years. This is reassessed annually.

3.11 Impairment of non-financial assets

The carrying amounts of the Microfinance Bank's non-financial assets other than goodwill and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any intangible asset allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

3.12 Provisions

A provision is recognised if, as a result of a past event, the Microfinance Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Microfinance Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Microfinance Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Microfinance Bank recognises any impairment loss on the assets associated with that contract.

LAPO MFB SPV PLC – N20 Billion Debt Issuance Programme

LAPO MICROFINANCE BANK NIGERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

	Unaudited				
	2016	2015	2014	2013	2012
<i>In thousands of Nigerian Naira</i>					
4 Interest income					
Cash and Bank balances	2,082	1,312	749	-	7,523
Placement	40,470	6,616	3,222	7,839	-
Treasury bills	197,230	187,239	90,298	70,923	62,113
Loans and advances to customers	26,420,428	19,213,329	16,409,535	10,654,462	8,589,116
	26,660,209	19,408,496	16,503,804	10,733,224	8,658,752
5 Interest expense					
Deposit from customers	708,965	535,766	309,106	207,299	126,119
Borrowed funds	2,121,087	1,517,075	1,240,999	893,563	747,541
	2,830,052	2,052,841	1,550,105	1,100,862	873,660
6 Other operating income					
Foreign exchange gain	-	31,243	4,995	330	-
Gain on disposal of property and equipment	-	627	28	383	2,683
Bad debts recovered	2,363	1,902	5,557	6,752	7,334
Sale of passbook	12,806	21,563	19,210	15,131	11,296
E-business	14,370	13,572	-	-	-
Commission income	987	2,889	-	-	-
Others	116,942	66,430	28,091	30,971	39,097
	147,467	138,226	57,881	53,567	60,410
7 Net impairment reversal/(charge) on loans & advances					
Collective impairment reversal/(charge) on loans and advances	(80,542)	(39,361)	(32,670)	(23,133)	(16,140)
Specific impairment reversal/(charge) on loans and advances	(893,366)	141,917	(1,134,784)	(206,919)	(54,153)
Specific impairment reversal/(charge) on other assets	(29,201)	72,015	(112,072)	(43,430)	(43,496)
	(1,003,109)	174,570	(1,279,525)	(273,482)	(113,789)

LAPO MICROFINANCE BANK NIGERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

Significant accounting policies - continued

3.13 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as personnel expenses in profit or loss in the period during which related services are rendered. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions that are due more than 12 months after the end of the reporting period in which the employees render the service are discounted to the present value.

Termination benefits

Termination benefits are recognised as an expense when the Microfinance Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Microfinance Bank has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Microfinance Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.14 Share capital and reserves

Share issue costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

Dividend on ordinary shares

Dividends on the Microfinance Bank's ordinary shares are recognised in equity in the period in which they are paid or, if earlier, approved by the Microfinance Bank's shareholders.

3.15 Earnings per share

The Microfinance Bank presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Microfinance Bank by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to shareholders and the average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares, which comprise share options granted to employees.

LAPO MFB SPV PLC – N20 Billion Debt Issuance Programme

LAPO MICROFINANCE BANK NIGERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

8 Personnel expenses

<i>In thousands of Nigerian Naira</i>	Unaudited				
	2016	2015	2014	2013	2012
Wages and salaries	7,112,371	6,264,706	4,976,653	3,880,936	3,091,719
Contributions to defined contribution plans	433,651	326,492	200,585	148,131	80,129
Other staff costs		32,844	13,839	6,842	7,344
	7,546,022	6,624,042	5,191,077	4,035,909	3,179,192

The average number of people employed in the year were as follows:

	Number	Number	Number	Number	Number
(a) Managerial	30	25	25	23	21
Senior staff	784	640	607	517	487
Junior staff	5,568	5,221	3,599	2,644	2,169
	6,382	5,886	4,231	3,184	2,677

(b) Number of employees other than Directors, whose duties were wholly or mainly discharged in Nigeria, received remuneration (excluding pension, contribution benefits/allowances) in receipt of emoluments within the following ranges:

	Number	Number	Number	Number	Number
Below 700,001	605	936	254	197	42
700,001 - 800,000	2,124	1,120	441	597	643
800,001 - 900,000	328	1,084	916	733	897
900,001 - 1,000,000	495	1,556	1,625	860	588
Above 1,000,000	2,840	1,190	995	797	507
	6,392	5,886	4,231	3,184	2,677

9 Other operating expenses

<i>In thousands of Nigerian Naira</i>	Unaudited				
	2016	2015	2014	2013	2012
Insurance premium	450,286	194,348	134,295	99,196	49,963
Rent and rates	392,664	313,810	252,635	167,201	146,744
Training	533,375	622,987	667,464	384,014	258,136
Repairs and maintenance	746,946	379,345	288,258	353,986	184,465
Software & connectivity	786,912	934,971	209,452	-	-
Travelling	1,822,848	1,308,836	833,576	582,047	377,205
Professional fees	156,699	150,031	138,035	87,815	72,145
Foreign exchange loss	281,644	-	-	41,234	934
Loss on disposal of property and equipment	-	1,764	-	800	-
Fines and penalties	-	1,200	450	450	2,803
Auditor's remuneration	15,000	15,000	12,000	12,000	12,000
Directors emoluments	26,968	9,760	15,600	10,815	36,133
Bad debt written off	-	-	-	-	48,530
Programme meeting expenses	247,266	150,786	128,864	82,621	70,233
AGM expenses	1,021	182	145	212	-
Office maintenance & cleaning expenses	265,183	178,107	100,088	50,486	46,500
Printing and stationeries	430,852	262,428	208,105	155,636	113,717
Telephone and emails	165,179	120,116	87,593	59,307	44,644
Advertising and business promotion	176,324	47,469	94,288	33,665	30,793
Security expenses	205,220	181,596	170,731	127,742	124,875
Bank charges	245,336	282,320	317,640	255,788	205,178
Scholarship Programme expenses	91,755	94,369	67,622	36,432	25,599
ITF Levy	78,610	62,924	88,096	-	-
General administrative expenses	62,239	159,802	51,123	45,153	55,212
	7,182,328	5,472,151	3,866,060	2,586,600	1,905,809

LAPO MFB SPV PLC – N20 Billion Debt Issuance Programme

LAPO MICROFINANCE BANK NIGERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

10 Taxation

Recognised in the statement of profit or loss and comprehensive income

<i>In thousands of Nigerian Naira</i>	Unaudited				
	2016	2015	2014	2013	2012
(a) Current tax expense					
Company income tax	2,173,528	1,381,961	1,177,235	773,013	828,966
Tertiary education tax	144,902	101,423	86,104	56,268	58,136
Information technology development levy	72,451	48,631	41,486	26,072	27,904
	<u>2,390,881</u>	<u>1,532,015</u>	<u>1,304,825</u>	<u>855,353</u>	<u>915,006</u>
(b) Deferred tax expense					
Origination of temporary differences	-	40,061	35,588	12,862	-
Reversal of temporary differences					(14,750)
Total income tax expense	<u>2,390,881</u>	<u>1,572,076</u>	<u>1,340,413</u>	<u>868,215</u>	<u>900,256</u>

Reconciliation of effective tax expense

Profit before income tax	<u>7,241,376</u>	<u>4,863,137</u>	<u>4,148,652</u>	<u>2,611,508</u>	<u>2,540,986</u>
Income tax	2,173,528	1,458,941	1,244,596	783,452	762,296
Non- deductible expenses	319,795	28,902	38,209	61,970	34,927
Tertiary education tax	144,902	101,423	86,104	56,268	58,136
Information technology development levy	72,451	48,631	41,486	26,072	27,904
Permanent difference	(319,795)	(65,821)	(69,982)	(59,547)	16,993
	<u>2,390,881</u>	<u>1,572,076</u>	<u>1,340,413</u>	<u>868,215</u>	<u>900,256</u>

(c) Current tax liabilities

Balance, beginning of year	2,095,495	1,966,163	1,878,573	2,077,463	1,162,457
Charge for the year	2,390,881	1,532,015	1,304,825	855,353	915,006
Payment during the year	(953,814)	(1,402,683)	(1,217,235)	(1,054,243)	-
Balance, end of year	<u>3,532,562</u>	<u>2,095,495</u>	<u>1,966,163</u>	<u>1,878,573</u>	<u>2,077,463</u>

11 Deferred tax liabilities

At 1 January	101,281	61,220	25,632	12,770	27,521
Charge for the year	-	40,061	35,588	12,862	(14,751)
At 31 December	<u>101,281</u>	<u>101,281</u>	<u>61,220</u>	<u>25,632</u>	<u>12,770</u>

LAPO MFB SPV PLC – N20 Billion Debt Issuance Programme

LAPO MICROFINANCE BANK NIGERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

12 Earnings per share

Basic earnings per share

The calculation of basic earnings per share as at 31 December 2016 was based on the profit attributable to ordinary shareholders of N4,850million(2015 : N3,291million) (2014: N2,808million), (2013:N1,743million), (2012:N1,640million) and a weighted average number of ordinary shares outstanding of N3,988million (2015 :N3,970million (2014: N3,919 million), (2013:N2,800million), (2012:N2,679million).

<i>In thousands of Nigerian Naira</i>	Unaudited				
	31 December 2016	31 December 2015	31 December 2014	31 December 2013	31 December 2012
Profit for the year attributable to equity holders of the Bank	4,850,495	3,291,062	2,808,239	1,743,293	1,640,730
Total	4,850,495	3,291,062	2,808,239	1,743,293	1,640,730
Issued ordinary shares at beginning of the year	3,970,512	3,919,220	2,800,268	2,679,868	2,647,868
LAPO NGO- Transfer from deposit for shares	-	-	-	-	-
Effect of shares issued during the year	17,544	51,292	1,118,952	120,400	32,000
Weighted average number of ordinary shares outstanding	3,988,056	3,970,512	3,919,220	2,800,268	2,679,868
Basic earnings per share (kobo)	122	83	72	62	61

The Microfinance Bank does not have any dilutive potential ordinary shares. Therefore, Basic EPS and Diluted EPS for continuing operation for the Microfinance Bank.

13 Cash and bank balances

<i>In thousands of Nigerian Naira</i>	Unaudited				
	31 December 2016	31 December 2015	31 December 2014	31 December 2013	31 December 2012
Cash in hand	225,142	84,833	272,661	30,398	63,165
Balances with banks	6,711,679	5,024,634	3,301,468	2,150,760	2,027,588
	6,936,821	5,109,467	3,574,129	2,181,158	2,090,753

14 Placement with banks and other financial institutions

Money market placements with 90days maturity	-	-	11,199	62,644	163,703
Money market placements with more than 90days maturity	587,710	303,761	156,077	330,929	223,711
	587,710	303,761	167,276	393,573	387,414

15 Financial assets held to maturity

Treasury bills	2,232,718	1,334,877	1,042,338	763,583	496,749
	2,232,718	1,334,877	1,042,338	763,583	496,749

In 2012 the Micro Finance bank's treasury bill was pledged as collateral for borrowed funds. The financial assets are pledged under terms that are usual for such activities.

LAPO MFB SPV PLC – N20 Billion Debt Issuance Programme

LAPO MICROFINANCE BANK NIGERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS- Continued

16 Loans and advances to customers

Unaudited
31 December 2016

<i>In thousands of Nigerian Naira</i>	Gross amount	Specific impairment	Collective impairment	Total impairment	Carrying amount
Microfinance loans	51,977,008	(2,177,743)	(235,847)	(2,413,590)	49,563,417
Staff loan	354,675	(63,393)	(675)	(64,068)	290,607
Other loans to individual	-	-	-	-	-
	<u>52,331,683</u>	<u>(2,241,136)</u>	<u>(236,522)</u>	<u>(2,477,658)</u>	<u>49,854,024</u>

Micro Finance loans are with a duration of less than 12months

31 December 2015

<i>In thousands of Nigerian Naira</i>	Gross amount	Specific impairment	Collective impairment	Total impairment	Carrying amount
Microfinance loans	44,197,061	(1,284,377)	(155,305)	(1,439,682)	42,757,379
Staff loan	258,526	(63,393)	(675)	(64,068)	194,458
	<u>44,455,587</u>	<u>(1,347,770)</u>	<u>(155,980)</u>	<u>(1,503,750)</u>	<u>42,951,837</u>

Micro Finance loans are with a duration of less than 12months

31 December 2014

<i>In thousands of Nigerian Naira</i>	Gross amount	Specific impairment	Collective impairment	Total impairment	Carrying amount
Microfinance loans	32,787,044	(1,250,512)	(111,950)	(1,362,462)	31,424,582
Staff loan	233,971	(94,880)	(584)	(95,464)	138,507
Other loans to individuals	1,314,355	(144,295)	(4,085)	(148,380)	1,165,975
	<u>34,335,371</u>	<u>(1,489,687)</u>	<u>(116,619)</u>	<u>(1,606,306)</u>	<u>32,729,065</u>

31 December 2013

<i>In thousands of Nigerian Naira</i>	Gross amount	Specific impairment	Collective impairment	Total impairment	Carrying amount
Microfinance loans	21,381,915	(232,038)	(77,288)	(309,326)	21,072,589
Other loans to individuals	2,053,225	(107,461)	(6,661)	(114,122)	1,939,102
	<u>23,435,140</u>	<u>(339,499)</u>	<u>(83,949)</u>	<u>(423,448)</u>	<u>23,011,692</u>

31 December 2012

<i>In thousands of Nigerian Naira</i>	Gross amount	Specific impairment	Collective impairment	Total impairment	Carrying amount
Microfinance loans	16,426,957	(115,064)	(59,614)	(174,678)	16,252,279
Other loans to individuals	507,588	(17,516)	(1,202)	(18,718)	488,870
	<u>16,934,545</u>	<u>(132,580)</u>	<u>(60,816)</u>	<u>(193,396)</u>	<u>16,741,149</u>

LAPO MFB SPV PLC – N20 Billion Debt Issuance Programme

LAPO MICROFINANCE BANK NIGERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS- Continued

Loans and advances to customers - Continued

Specific allowances for impairment on loans and advances to customers

In thousands of Nigerian Naira	Unaudited				
	31 December 2016	31 December 2015	31 December 2014	31 December 2013	31 December 2012
At 1 January	1,347,770	1,489,687	339,499	132,580	78,427
Reclassification from other assets (Note 17.2)	-	-	15,404	-	-
Transfer from LIFT MFB	-	-	-	-	-
Charge/(reversal) for the year (Note 7)	893,366	(141,917)	1,134,784	206,919	54,153
At 31 December	2,241,136	1,347,770	1,489,687	339,499	132,580

Collective allowances for impairment on loans and advances to customers

In thousands of Nigerian Naira	Unaudited				
	31 December 2016	31 December 2015	31 December 2014	31 December 2013	31 December 2012
Balance beginning of year	155,980	116,619	83,949	60,816	44,676
Transfer from LAPO NGO	-	-	-	-	-
Charge for the year (Note 7)	80,542	39,361	32,670	23,133	16,140
Balance end of year	236,522	155,980	116,619	83,949	60,816

Other assets

In thousands of Nigerian Naira	Unaudited				
	31 December 2016	31 December 2015	31 December 2014	31 December 2013	31 December 2012
Prepayments	660,192	478,261	276,517	195,857	155,282
Due from insurance company (Note 17.1)	182,335	190,423	172,407	116,092	73,365
Stock of stationeries	-	2,675	6,325	-	-
Other receivables	163,767	171,686	132,569	69,177	59,318
Specific allowances for impairment on other assets (Note 17.2)	1,006,294	843,045	587,818	381,126	287,965
	(153,969)	(124,768)	(205,128)	(140,383)	(96,953)
	852,325	718,277	382,690	240,743	191,012

This represents indemnity from insurance company in respect of loan asset insured against death, fire and permanent disability.

Movement in specific allowances for impairment on other assets

In thousands of Nigerian Naira	Unaudited				
	31 December 2016	31 December 2015	31 December 2014	31 December 2013	31 December 2012
At 1 January	124,768	205,128	140,383	96,953	53,457
Reclassification to loan (note 16)	-	-	(15,404)	-	-
Write off during the year	-	(152,375)	(31,923)	-	-
Charge for the year	29,201	72,015	112,072	43,430	43,496
At 31 December	153,969	124,768	205,128	140,383	96,953

LAPO MFB SPV PLC – N20 Billion Debt Issuance Programme

LAPO MICROFINANCE BANK NIGERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS- Continued

18 Property, plant and equipment

Unaudited
As at 31 December 2016

In thousands of Nigerian Naira

	Leasehold Land	Motor vehicles	Computer equipment	Plant and equipment	Furniture and fittings	Total
At 1 January 2016	478,367	227,367	671,123	628,390	703,568	2,708,814
Additions	174,186	424	278,332	272,870	333,170	1,058,982
At 31 December 2016	652,553	227,791	949,455	901,260	1,036,738	3,767,797
At 1 January 2015	458,514	146,846	447,899	438,605	504,398	1,996,261
Additions	19,853	80,521	223,402	189,785	199,619	713,180
Disposals	-	-	(178)	-	(449)	(627)
At 31 December 2015	478,367	227,367	671,123	628,390	703,568	2,708,815
At 1 January 2014	137,582	110,661	344,485	272,765	362,093	1,227,586
Additions	320,932	36,185	104,212	165,840	142,355	769,523
Disposals	-	-	(798)	-	(51)	(849)
At 31 December 2014	458,514	146,846	447,899	438,605	504,397	1,996,261
At 1 January 2013	132,500	66,022	248,668	174,324	291,589	913,103
Additions	5,082	55,640	97,610	99,186	70,620	328,139
Disposals	-	(11,001)	(1,793)	(745)	(116)	(13,655)
At 31 December 2013	137,582	110,661	344,485	272,765	362,093	1,227,586
At 1 January 2012	3,500	57,292	215,002	139,902	245,086	660,782
Additions	129,000	33,685	34,686	35,202	46,503	279,076
Disposals	-	(24,955)	(1,020)	(780)	-	(26,755)
At 31 December 2012	132,500	66,022	248,668	174,324	291,589	913,103
Accumulated depreciation						
Unaudited						
At 1 January 2016	-	132,401	483,266	233,245	313,051	1,161,963
Charge for the year	-	63,404	358,610	75,732	150,564	648,310
At 31 December 2016	-	195,805	841,876	308,977	463,615	1,810,273
At 1 January 2015	-	80,036	340,005	156,655	231,939	808,635
Charge for the year	-	52,365	143,380	76,590	81,313	353,648
Disposal	-	-	(119)	-	(201)	(320)
At 31 December 2015	-	132,401	483,266	233,245	313,051	1,161,963
At 1 January 2014	-	47,515	252,774	103,139	171,379	574,807
Charge for the year	-	32,521	88,029	53,516	60,602	234,668
Disposal	-	-	(798)	-	(42)	(840)
At 31 December 2014	-	80,036	340,005	156,655	231,939	808,635
At 1 January 2013	-	28,913	183,926	65,509	127,958	406,306
Charge for the year	-	26,147	70,641	38,096	43,492	178,376
Disposal	-	(7,545)	(1,793)	(467)	(71)	(9,876)
At 31 December 2013	-	47,515	252,774	103,138	171,379	574,806
At 1 January 2012	79	44,420	140,995	48,932	93,177	327,603
Charge for the year	2,063	8,849	43,951	17,041	34,781	106,685
Disposal	-	(24,356)	(1,020)	(464)	-	(25,840)
At 31 December 2012	2,142	28,913	183,926	65,509	127,958	408,448
Carrying amounts:						
At 31 December 2016 (unaudited)	652,553	31,986	107,579	592,283	573,123	1,957,523
At 31 December 2015	478,367	94,966	187,857	395,145	390,517	1,546,852
At 31 December 2014	458,514	66,810	107,894	281,950	272,458	1,187,626
At 31 December 2013	137,582	63,146	91,711	169,627	190,715	652,780
At 31 December 2012	130,358	37,109	64,742	108,815	163,631	504,655

(a) There were no capitalised borrowing costs related to the acquisition of property and equipment during the year
(b) The Microfinance Bank had no capital commitments as at the end of the reporting period

LAPO MICROFINANCE BANK NIGERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS- Continued

19 Intangible assets

Unaudited As at 31 December 2016 <i>In thousands of Nigerian Naira</i>	Computer Software	Work in Progress	Total
Cost			
Unaudited			
Balance at 1 January 2016	1,145,539	-	1,145,539
Additions	150,066	-	150,066
Balance at 31 December 2016	1,295,605	-	1,295,605
Balance at 1 January 2015	887,017	-	887,017
Additions	258,522	-	258,522
Balance at 31 December 2015	1,145,539	-	1,145,539
Balance at 1 January 2014	102,594	288,254	390,848
Additions	49,094	447,075	496,169
Transfer to computer software	735,329	(735,329)	-
Balance at 31 December 2014	887,017	-	887,017
Balance at 1 January 2013	36,110	186,949	223,059
Additions	66,484	101,305	167,799
Balance at 31 December 2013	102,594	288,254	390,848
Balance at 1 January 2012	36,110	-	36,110
Additions	-	186,949	186,949
Balance at 31 December 2012	36,110	186,949	223,059
Amortization and impairment losses			
Unaudited			
Balance at 1 January 2016	711,717	-	711,717
Amortisation for the year	420,319	-	420,319
Balance at 31 December 2016	1,132,036	-	1,132,036
Balance at 1 January 2015	341,908	-	341,908
Amortisation for the year	369,809	-	369,809
Balance at 31 December 2015	711,717	-	711,717
Balance at 1 January 2014	58,272	-	58,272
Amortisation for the year	283,636	-	283,636
Balance at 31 December 2014	341,908	-	341,908
Balance at 1 January 2013	33,476	-	33,476
Amortisation for the year	24,796	-	24,796
Balance at 31 December 2013	58,272	-	58,272
Balance at 1 January 2012	25,609	-	25,609
Amortisation for the year	7,867	-	7,867
Balance at 31 December 2012	33,476	-	33,476
Carrying amounts			
Balance at 31 December 2016 (unaudited)	163,569	-	163,569
Balance at 31 December 2015	433,822	-	433,822
Balance at 31 December 2014	545,109	-	545,109
Balance at 31 December 2013	44,322	288,254	332,577
Balance at 31 December 2012	2,634	186,949	189,583

LAPO MFB SPV PLC – N20 Billion Debt Issuance Programme

LAPO MICROFINANCE BANK NIGERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS- Continued

20 Deposits from customers

<i>In thousands of Nigerian Naira</i>	Unaudited				
	31 December 2016	31 December 2015	31 December 2014	31 December 2013	31 December 2012
Savings deposits	25,865,259	24,723,612	20,321,406	13,822,857	9,762,299
Term deposits	1,777,511	982,171	38,610	30,689	30,752
	27,642,770	25,705,783	20,360,016	13,853,546	9,793,051
Current	27,642,770	25,705,783	20,360,016	13,853,546	9,793,051

21 Borrowings

Short term borrowings	292,245	884,094	35,633	304,961	1,233,179
Long term borrowings	15,854,725	11,941,516	7,629,267	5,181,825	3,068,863
Short term borrowings	16,146,969	12,825,610	7,664,900	5,486,786	4,302,042

In thousands of Nigerian Naira

First City Monument Bank Plc (see note (i) below)	-	69,254	35,633	53,466	-
Standard Chartered Bank Nigeria Limited (see note (ii) below)	-	312,014	-	251,495	914,988
Access Bank (see note (xiv) below)	292,245	502,827	-	-	99,993
United Bank for Africa Plc	-	-	-	-	187,146
Micro Credit Enterprises	-	-	-	-	31,052
	292,245	884,095	35,633	304,961	1,233,179

Long term borrowings

In thousands of Nigerian Naira

Standard Chartered Bank Nigeria Limited (see note (ii) below)	211,835	803,012	396,875	-	-
Lotus Capital (see note (iii) below)	288,186	183,327	83,910	50,195	-
CPP Incofin CVSO (see note (iv) below)	669,240	541,490	539,496	992,471	807,260
Planis/ResponsAbility Global Microfinance Fund (see note (v) below)	2,224,837	1,831,545	1,831,579	987,846	802,659
Symbiotics Asset Management (see note (vi) below)	1,904,074	1,771,232	2,171,755	1,994,414	978,896
Partners for Development (see note (vii) below)	154,427	157,173	156,587	176,698	145,642
International Finance Corporation (IFC) (see note (viii) below)	2,100,701	2,296,482	501,146	710,846	-
Althitea (see note (ix) below)	62,071	62,069	62,081	63,440	4,818
Blue Orchard (see note (x) below)	1,768,555	2,102,350	689,880	-	-
Agence Francaise De Developpement (see note (xi) below)	407,685	345,945	344,222	-	-
FMO (see note (xii) below)	1,837,226	1,544,398	751,226	-	-
Central Bank of Nigeria (see note (xiii) below)	1,606,174	302,493	100,510	-	-
Deutsche Bank (see note (xv) below)	-	-	-	-	-
First City Monument Bank Plc (see note (i) below)	-	-	-	205,915	205,637
African Development Bank (see note (xvi) below)	1,617,537	-	-	-	123,951
Bank of Industry (see note (xvii) below)	1,002,177	-	-	-	-
	15,854,725	11,941,616	7,629,267	5,181,825	3,068,863

(i) First City Monument Bank Plc

This is the balance of an overdraft facility granted on the 17 June, 2015 in the sum of N110 million in favour of LAPO MFB for a period of one (1) year to augment working capital requirement of the organization. The interest rate was at 18% p.a. with processing and management fee of 1% flat per tenor. The facility was secured by the sum of \$883,649.58 funding (Principal plus accrued interest) from Microcredit Enterprises (MCE). Though, the MCE loan has been fully repaid.

(ii) Standard Chartered Bank Nigeria Limited

On the 4 July, 2014 and 30 June, 2015, Standard Chartered Bank Limited disbursed N450 million and N850 million respectively to LAPO MFB out of the term loan and overdraft of N1.5 billion approved.

(iii) Lotus Capital

Lotus Capital granted credit facilities of N100,000,000 and N200,000,000 to LAPO MFB Limited on 5 September, 2014 and 3 August 2015 respectively at an interest rate of 19%. The facilities are for 18 months each. Principal is payable in six equal installments, while interest is paid on a monthly basis.

(iv) CPP Incofin CVSO

CPP Incofin CVSO, on behalf of Rural Impulse, granted the bank a subordinated loan of N121,171,200 at a variable interest rate determined annually and it will mature for payment on 16 July, 2016. CPP Incofin CVSO disbursed N100 million to LAPO MFB Limited on 09 September, 2013 in Euro equivalent, the same day, Rural Impulse Fund II advanced N300 million in Euro equivalent to LAPO MFB Limited. While the CPP Incofin CVSO facility was at 18.9%, that of RIF was closed at 19% and both facilities are for a period of 3 years. Interest is payable semi-annually in arrears. All facilities were secured by a pledge on the loan portfolio of the bank in first rank for a total amount of 100% of the principal and interest outstanding.

LAPO MICROFINANCE BANK NIGERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS- Continued

21 Borrowings - Continued

(v) Planis/Responsibility Global Microfinance Fund

Credit Suisse Microfinance Fund Management Company (on behalf of 'Responsibility') offered to LAPO Microfinance Bank Limited the sum of \$1.50 million and \$500,000 (indexed to Naira) a promissory notes for a period of 3 years, from 19 November, 2013, at an interest rate of 19.60% p.a. Interest is payable to the Note Holder semi-annually in arrears on May 19 and November 19 of each year, beginning on 19 May 2014. The basis for the USD/NGN exchange rate for fixing the principal amount is found on the Reuters Page NIFEXD1. The Issuer is not entitled to voluntarily repay, in full or in part.

Credit Suisse Microfinance Fund Management Company offered LAPO MFB the sum of \$250,000 and \$750,000 for a period of 3 years, from 16 September, 2013 to 16 September 2016 at an interest rate of 20.75% p.a. Interest is payable on semiannual basis in arrears on 16 March and 16 September of each year, this was indexed at the Nigerian Naira equivalent with the USD/NGN exchange rate found on Reuters page NIFEXD1 as of two working days preceding the value date.

ResponsAbility SICAV (Lux) offered LAPO MFB the sum of \$2 million and additional \$1 million on behalf of Credit Suisse Microfinance Fund Management Company for a period of 3 years, from 20 September, 2013 to 20 September, 2016 at an interest rate of 20.75% p.a. Interest is payable on semi-annual basis in arrears on 20 March and 20 September of each year, this was indexed at the Nigerian Naira equivalent with the USD/NGN exchange rate found on Reuters page NIFEXD1 as of two working days preceding the value date. Payment shall be made in bullet at the maturity of the loan.

ResponsAbility SICAV (Lux) offered LAPO MFB the sum of \$3million for a period of 3 years, from 08 April, to 08 April, 2017 at an interest rate of 20.50% p.a. Interest is payable on semi-annual basis in arrears on 08 April and 08 October of each year, this was indexed at the Nigerian Naira equivalent with the USD/NGN exchange rate found on Reuters page NIFEXD1 as of two working days preceding the value date. Payment shall be made in bullet at the maturity of the loan.

ResponsAbility SICAV (Lux) offered LAPO MFB the sum of \$0.5 million and additional \$1.5 million on behalf of ResponsAbility SICAV (Lux) offered LAPO MFB the sum of \$0.5 million and additional \$1.5 million on behalf of at an interest rate of 19.90% p.a. Interest is payable on semi-annual basis in arrears on 23 May and 23 November of each year, this was indexed at the Nigerian Naira equivalent with the USD/NGN exchange rate found on the Reuters page NIFEXD1 as of two working days preceding the value date. Principal payment shall be made in bullet at the maturity of the loan.

(vi) Symbiotics Asset Management

Symbiotics Asset Management has approved a total term loan of \$11.5 million for LAPO MFB. This was disbursed follows:
- \$3 million term loan was disbursed on 27 September 2013 in two tranches of \$1.5 million each at the rate of 17.25% each. The loan was converted to Nigerian naira at the USD/NGN exchange rate prevailing at the disbursement date. Interest is payable semi-annually March and September of every year in arrears. Principal repayment shall be made in bullet at the maturity of the loan in 27 September 2016.

- \$1 million term loan was disbursed 14 March, 2014 for a period of two years at the rate of 20%. The loan was converted to Nigerian Naira at the USD/NGN exchange rate prevailing on the disbursement date. Interest is payable semi-annually March and September every year in arrears. Principal repayment shall be made in bullet at the maturity of the loan in March, 2016.

- \$3 million term loan was disbursed July 25, 2013 at an interest rate of 18% for 3 years. The loan was converted to Nigerian naira at the USD/NGN exchange rate prevailing at the disbursement date. Interest is payable semi-annually January and July of every year in arrears. Principal repayment shall be made in bullet at the maturity of the loan.

Another \$3 million term loan was disbursed 13 November, 2013 for a period of three years at the rate of 18.5%. The loan was converted to Nigerian Naira at the USD/NGN exchange rate prevailing on the disbursement date. Interest is payable semi-annually May and November every year in arrears. Principal repayment shall be made in Bullet at the maturity of the loan.

Also, \$1.5 million term loan was disbursed 04 April, 2014 for a period of three years at the rate of 20.25%. The loan was converted to Nigerian Naira at the USD/NGN exchange rate prevailing on the disbursement date. Interest is payable semi-annually April and October every year in arrears. Principal repayment shall be made in Bullet at the maturity of the loan.

(vi) Partners for Development (PFD)

PFD granted LAPO MFB, the sum of N155 million at an interest rate of 18% payable on quarterly basis. On maturity, the loan was rolled over on the request of the Lender. The maturity has been set for 9 March 2016.

(vii) International Finance Corporation

International Finance Corporation granted LAPO MFB Limited a loan of N800 million. The first tranche of N300 million was disbursed 8 March 2013. The balance N500 million was disbursed on the 2nd of August, 2013. It has an interest rate of 18.5% and final maturity is 15 June 2017. The interest is paid quarterly, while the principal is paid half-yearly after a six months moratorium.

Another facility of N2 Billion was disbursed by International Finance Corporation to LAPO MFB Limited on 24 November, 2015. It has an interest rate of 18.75% and final maturity is 15 June 2021. The interest is payable quarterly, while principal is to be paid every six months.

LAPO MFB SPV PLC – N20 Billion Debt Issuance Programme

LAPO MICROFINANCE BANK NIGERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS- Continued

22 Other liabilities

<i>In thousands of Nigerian Naira</i>	Unaudited				
	31 December 2016	31 December 2015	31 December 2014	31 December 2013	31 December 2012
Liability for defined contribution obligations (Note 22.1)	92,261	31,841	8,638	51,578	17,131
Microinsurance payable (Note 22.2)	46,049	57,087	138,168	23,906	42,569
Clients' unclaimed funds (Note 22.3)	84,979	84,983	86,370	86,984	86,820
Accruals	307,244	701,323	567,275	342,589	308,240
Statutory deductions (PAYE, NHF, WHT)	219,439	161,208	102,221	27,679	20,075
Benefits due to clients (Note 22.4)	154,088	100,250	83,329	67,295	31,441
Dividend payable (Note 22.5)	-	-	532,357	-	-
Account payable	336,927	282,024	142,470	44,171	25,838
	1,240,986	1,418,716	1,660,828	644,202	532,114

22.1 Liability for defined contribution obligations

This represents contribution by the bank and staff of the bank in compliance with the statutory contributory pension scheme. The balance in this account was accrued for in December.

22.2 Microinsurance payable

Balance represents outstanding premium to Goldlink Insurance Plc. Premium to Goldlink represents 0.5% of total loan disbursement.

22.3 Clients' unclaimed funds

This represents clients' balances on closed/dormant accounts. They have remained un-claimed as at date.

22.4 Benefits due to clients

Balance represents insurance claims in respect of deceased customers from Goldlink insurance.

22.5 Dividend Payable

<i>In thousands of Nigerian Naira</i>	Unaudited				
	31 December 2016	31 December 2015	31 December 2014	31 December 2013	31 December 2012
At 1 January	-	532,357	-	-	-
Additions during the year	1,191,151	979,685	600,097	-	-
Payment during the year	(1,191,151)	(1,512,102)	(67,740)	-	-
At 31 December	-	-	532,357	-	-

LAPO MFB SPV PLC – N20 Billion Debt Issuance Programme

LAPO MICROFINANCE BANK NIGERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS- Continued

23 Capital and reserves	Unaudited				
	31 December 2016	31 December 2015	31 December 2014	31 December 2013	31 December 2012
<i>In thousands of Nigerian Naira</i>					
(a) Share capital					
Share capital comprises:					
(i) Authorised -					
4,000,000,000 Ordinary shares of 50k each	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
(ii) Issued and fully paid -					
2,800,268,000 (2012-2,679,868,000) (2011- 2,647,868,000) ordinary shares at 50k each	1,994,028	1,985,256	1,419,731	1,400,134	1,339,934
(iii) Bonus shares issued					
1,079,758,800 ordinary shares of 50k each	-	-	539,879	-	-

The ordinary shareholders are entitled to receive dividends as declared from time to time and are entitled to vote at meetings of the Bank. All ordinary shares rank pari-passu with the same rights and benefits of the Bank.

The movement on the issued and fully paid-up share capital account during the year was as follows:

<i>In thousands of Nigerian Naira</i>	Unaudited				
	31 December 2016	31 December 2015	31 December 2014	31 December 2013	31 December 2012
Balance, beginning of year/period	1,985,256	1,959,610	1,400,134	1,339,934	1,339,934
Transfer from LAPO NGO & LIFT MFB (note iii)	-	-	-	-	-
Shares Issued and fully paid	8,772	25,646	19,597	60,200	60,200
Bonus share issued	-	-	539,879	-	-
Balance, end of year	1,994,028	1,985,256	1,959,610	1,400,134	1,400,134

At the board meeting of 13th December 2015, it was agreed that 51,291,357 units of shares of 50k be allotted to some shareholders. This has been registered with the Corporate Affairs Commission.

(b) Retained earnings

Retained earnings is the carried forward recognised income net of expenses plus current period profit attributable to shareholders.

(c) Regulatory reserves

The regulatory reserve includes movements in the following:

(i) Statutory reserve

Nigerian banking regulations require the Microfinance Bank to make an annual appropriation to a statutory reserve. Transfer to statutory reserve is made at the rate of 50% of the profit after tax in line with the requirements of the Regulatory and Supervisory framework for Microfinance Banks in Nigeria issued by the Central Bank of Nigeria.

(ii) Regulatory risk reserve

The regulatory risk reserves warehouses the difference between the impairment on balance on loans and advances under the Nigeria GAAP ("Previous GAAP") and based on Central Bank of Nigeria's Regulatory and Supervisory framework for Microfinance Banks in Nigeria compared with the loss incurred model used in calculating the impairment balance under IFRS.

LAPO MICROFINANCE BANK NIGERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS- Continued

24 Contingencies

Litigation and claims

There are litigation claims against the Bank as at 31 December 2016 amounting to N65,875,230 (2015: N65,319,230), (2014 Nil), (2013 Nil), (2012 Nil). These litigations arose in the normal course of the business and are being contested by the Bank. The Directors having sought advice of professional counsel, are of the opinion that no significant additional liability will crystallise from these claims other than as recognised in these financial statements.

25 Related Party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes associates, joint ventures and the bank's pension schemes as well as key management personnel.

Related Entity	Nature of relationship	Unaudited			
		31 December 2016	31 December 2015	31 December 2014	31 December 2013
Lapo Institute	Sister Company	32,573,509	221,252,780	334,625,036	150,113,776
Orange Publishing	Sister Company	165,596,200	136,187,417	140,261,346	71,424,006
Orange Insurance Brokers	Sister Company	151,939,577	93,813,786	33,985,650	66,851,996
Lapo NGO	Principal shareholder	163,463,002	119,442,865	117,318,086	95,241,556

Key management personnel and their immediate relatives engaged in the following transactions with the Bank, during the year:

In thousands of Nigerian Naira	Unaudited				
	31 December 2016	31 December 2015	31 December 2014	31 December 2013	31 December 2012
Loans and advances					
- Managing Director	47,169	54,806	61,631	99,306	103,642
- Others	10,345	18,361	29,802	-	-
	57,514	73,167	91,433	99,306	103,642

Key management personnel compensation for the year comprises:

Short-term employee benefits	322,794	309,466	242,223	167,811	165,938
Post-employment benefits	33,862	13,243	7,918	5,696	5,485
	356,656	322,709	250,141	173,507	171,423

Directors remuneration

Chairman	1,500	1,500	1,200	800	800
Other directors	26,068	8,260	14,400	2,800	2,333
	27,568	9,760	15,600	3,600	3,133
Executive compensation	93,740	89,030	49,311	33,000	33,000
	121,308	98,790	64,911	36,600	36,133

	Number	Number	Number	Number	Number
Managing Director	1	1	1	1	1
Executive Director	2	2	2	2	2
Non- Executive Director	5	5	5	5	5
	8	8	8	8	8

LAPO MICROFINANCE BANK NIGERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS- Continued

26 Statement of Prudential Adjustments

In thousands of Nigerian Naira	Unaudited				
	31 December 2016	31 December 2015	31 December 2014	31 December 2013	31 December 2012
Loans and advances to customers:					
Specific allowance for impairment	2,241,136	1,347,770	1,489,687	339,499	132,580
Collective allowance for impairment	236,522	155,980	116,619	83,949	60,816
	2,477,658	1,503,750	1,606,306	423,448	193,396
Other financial assets:					
Specific allowance for impairment on Other assets	217,387	153,462	205,128	140,383	96,953
Total impairment allowances by the Microfinance Bank (a)	2,695,045	1,657,212	1,811,434	1,811,434	563,831
Total provisions based on Prudential Guidelines (b)	2,035,266	1,479,529	1,056,738	578,516	407,072
Closing / required balance in regulatory risk reserve (c = b - a)	-	-	-	14,685	116,723
Opening balance in regulatory risk reserve (d)	-	-	14,685	116,723	43,988
Transfers during the year / period (e = c - d)	-	-	(14,685)	(102,038)	72,735

The difference has been adjusted under the Statement of Changes in Equity through the Regulatory risk reserve.

EXTRACTS OF ISSUER/SPONSOR'S RATING

GCR

GLOBAL CREDIT RATING CO.

Local Expertise • Global Presence

LAPO Mfb Microfinance Bank Limited**Nigeria Bank Analysis**

July 2017

Rating class	Rating scale	Rating	Rating outlook	Expiry date
Long-term	National	BBB ⁺ (NIG)	Stable	June 2018
Short-term	National	A2(NIG)		

Financial data:

(USDm comparative)

	31/12/15	31/12/16
NGN/USD (avg)*	196.9	256.0
NGN/USD (close)*	197.0	305.0
Total assets	266.0	205.6
Total capital	52.0	44.6
Net advances	218.0	162.5
Liquid assets	34.3	31.9
Operating income	88.9	94.2
Profit after tax	16.7	17.8
Market capitalisation	Not applicable	
Market share**	18.3%	

* Central Bank of Nigeria ("CBN") rate.

**Based on total subsector loans and advances at 31 December 2016.

Rating history:**Initial/last rating (June 2016)**

Long term rating: xxx

Short term rating: xxx

Rating outlook: xxx

Related methodologies/research:

Global Criteria for Rating Banks and Other Financial Institutions, updated March 2017

Nigeria Financial Institutions Overview (2017)

Glossary of Terms/Ratios, February 2016

GCR contacts:**Primary Analyst**

Julius Adekoye

Senior Credit Analyst

adekoye@globalratings.net

Committee Chairperson

Dave King

king@globalratings.net

Analyst location: Lagos, Nigeria**Tel:** +23 41 462-2545**Website:** <http://globalratings.com.ng>**Summary rating rationale**

- The ratings of LAPO Mfb Microfinance Bank Limited ("LAPO Mfb" or "the bank") reflect its strong competitive position as the market leader in the Nigeria microfinance banking subsector by size. LAPO Mfb is one of eight microfinance banks ("MFB") licensed to operate nationally in Nigeria presently. Furthermore, the profile of the bank's management team (in terms of experience) is considered satisfactory.
- LAPO Mfb's capitalisation is considered strong, with total shareholders' funds amounting to N13.6bn at FY16, translating to over 6.8x the statutory minimum requirement for its license category, and a capital adequacy ratio of 25% (compared with the 10% statutory requirement). The bank registered a strong compound annual growth rate ("CAGR") of 36.8% in total capital in the four year period to FY16 on account of steady internal capital generation and successful capital raising initiatives.
- LAPO Mfb's asset quality (in terms of loans and advances portfolio) came under pressure in FY16, with the non-performing loan ("NPL") ratio rising to 6.2%, having improved from the five-year high of 6.9% in FY14 to 4.7% in FY15. However, the provisioning level is considered adequate, while capital protection appears strong, considering the low net NPL/capital ratio of 5.6% at FY16.
- The bank has displayed satisfactory liquidity metrics across the five year review period to FY16, with liquid and trading assets/total short term funding ratio of 27.3% at FY16, compared with the 20% statutory benchmark.
- LAPO Mfb recorded steady improvement in profitability in the five year review period to FY16. Performance in FY16 was mainly revenue driven, as an increase in earning assets delivered a strong 37.7% rise in interest revenue to N23.9bn. Despite a significant 28.2% escalation in operating expenses (driven by staff related and traveling costs) and additional pressure from impairment charge rise, the bank ended with a pre-tax profit of N6.7bn, representing a 38.1% improvement over FY15. Overall, the bank achieved stronger ROaE and ROaA of 38.1% and 7.9% in FY16, up from 36.2% and 7.2% in FY15 respectively. An unaudited pre-tax profit of N3.4bn was reported for the first half of FY17, translating to annualised 70.1% of the full year budget.

Factors that could trigger a rating action may include

Positive change: A significant improvement in the bank's market share, asset quality and liquidity position could trigger a positive rating action.

Negative change: A negative rating action may follow a decline in the bank's profitability, as well as pressure on asset quality and liquidity indicators.

Organisational profile

Corporate summary

LAPO Mfb was initially founded as a non-governmental organisation (“NGO”) in 1987, registered with the Corporate Affairs Commission in 1993, and subsequently incorporated as a private limited liability company in April 2007. The company thereafter obtained CBN approval to operate as a microfinance bank in June 2010. LAPO Mfb was re-licensed as a National MFB in September 2012 in line with the new microfinance banking model introduced in the country by CBN in 2011.

Ownership structure

While the local regulations permit individuals, groups of individuals, community development associations, private corporate entities, and foreign investors to establish MFBs, a single investor is not permitted to own a controlling interest in more than one MFB without the prior approval of CBN. LAPO Mfb is more or less an owner-run institution, with the shares largely owned by two key investors (the Managing Director and an institutional investor, Lift Above Poverty Organisation (“LAPO”)), each having 30.1% and 67.1% shareholding respectively at FY16. The remainder (2.8%) is owned by other directors in the company.

Strategy and operations

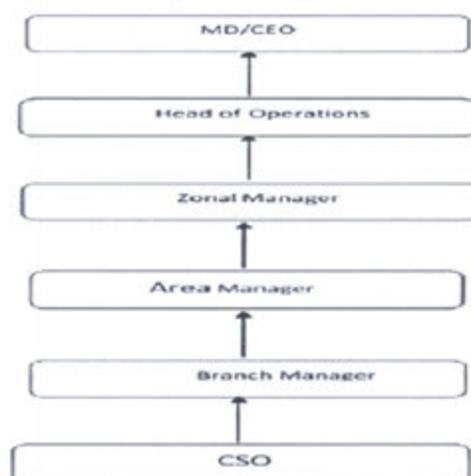
LAPO Mfb’s microfinance banking activities are strategically targeted at micro, small and medium enterprises (“MSMEs”), particularly poor women micro enterprises owners, who are served on a group basis. Specifically, membership of a LAPO Mfb Group (Union¹) is a mandatory requirement for accessing the bank’s financing.

Operationally, the bank is structured into seven business units (Risk Management, Legal & Compliance, Corporate Planning & Strategy, Finance & Accounts, Corporate Services, Operations & IT, and Internal Audit/Control). The head of each business unit (save for that of the Legal & Compliance, and Internal Audit) reports directly to the Managing Director. The heads of Legal & Compliance and Internal Audit/Control report directly to the board of directors (“board”). However, responsibility for mobilisation and coordination of LAPO Mfb Groups is vested in the Clients Support Officers (“CSO”) at the branches. The CSO interfaces directly with the clients and reports to the branch manager, who in turn reports to the area manager. The primary functions of the CSO include: (i) creating awareness about LAPO Mfb’s activities to prospective clients, (ii) guiding the prospective clients on formation of LAPO Mfb Groups, (iii) registration of eligible members, (iv) organising pre-

loan training for the Group, (v) ensuring the approval of the Group by the branch manager and (vi) loan monitoring.

Figure 1 illustrates the reporting lines of LAPO Mfb’s market facing team.

Figure 1: Market facing team’s reporting line



Source: LAPO Mfb

LAPO Mfb offers a wide range of customised microfinance banking products to its clientele. The bank’s loan products include Regular Loans, Festival Loans, Asset Loans, Enterprise Development Loans Scheme, Special Loans, and Nedoghama Loans, each having unique characteristics with regards to target customer, amount, purpose, tenor and applicable interest rates. On the liability side, the bank has mandatory and voluntary savings products (Festival Savings, Ordinary Voluntary Savings, and My Pkin Savings, each possessing distinct features).

LAPO Mfb has 438 business offices across 30 states of the country as at end-June 2017, with a total staff of over 6,000. The branches are in three categories (Super, Mega, and Regular) based on their permitted activity level. For administrative convenience, the branches are clustered into area offices, while the area offices are further desegregated into zonal offices. Supervisory functions are tiered in that order, with the zonal offices reporting to the head office. LAPO Mfb’s operations are supported by Orbit-R, a robust microfinance banking software package, developed by Neptune Software Plc. An offsite data backup facility is in place to aid data recovery in case of disaster.

¹ A self-selected group of people who access LAPO Mfb’s loans individually, but have a group guarantee.

STATUTORY AND GENERAL INFORMATION

1. Authorization of the Programme

At the meeting held on 26 September 2016, the Shareholders and Directors of LAPO MFB SPV Plc passed a resolution respectively authorizing the establishment of a N20 Billion Debt Issuance Programme and the issuance of debt securities thereunder during the subsistence of the Programme.

2. Incorporation and Share Capital History of the Sponsor

LAPO Microfinance Bank Limited was incorporated as a private limited liability company on 25th April, 2007 under the provisions of the Companies and Allied Matters Act CAP C20 LFN 2004 with registration number 688867. On 21st June 2010, it obtained the approval of the Central Bank of Nigeria to operate as State Microfinance Bank under the Nigerian Microfinance Policy, Regulatory and Supervisory Guidelines of 2005 as amended in 2011. On September 10, 2012 the Microfinance Bank received an approval from the Central Bank of Nigeria (CBN) to operate as a National Microfinance Bank.

The principal activity of the Bank remained provision of microfinance services to micro-enterprises and low-income persons specifically to support Small and Medium Scale Enterprises (SMEs) operators and low-income households in Nigeria.

The following changes have taken place in the Bank's authorised and issued share capital since its incorporation:

Year Date	Authorized (N)		Issued (N)		Consideration
	Increase	Cumulative	Increase	Cumulative	Cash/Bonus
2007	200,000,000	200,000,000	200,000,000	200,000,000	Cash
2010	200,000,000	200,000,000	200,000,000	200,000,000	Cash
2011	1,800,000,000	2,000,000,000	1,800,000,000	1,323,934,000	Cash
2012	-	-	16,000,000	1,339,934,000	Cash
2013	-	-	60,200,000	1,400,134,000	Cash
2014	-	-	539,879,400	1,940,013,400	Bonus
2014	-	-	19,597,320	1,959,610,720	Cash
2015	-	-	25,645,679	1,985,256,399	Cash
2016	-	-	10,720,788	1,995,977,187	Cash

3. Shareholding Structure

As at 31 December 2015, the significant shareholders of above 5% of the 3,970,512,000 ordinary shares of 50 kobo each in the issued ordinary share capital of the Bank are as follows:

Shareholders	Number of Shares	Shareholding (%)
LAPO NGO	2,680,095,600	67.50
Godwin Ehigiamusoe	1,201,689,368	30.27

4. Directors Beneficial Interests

The beneficial interests of Directors in the issued share capital of the Company as at 31 December 2015 are as follows:

Directors	Number of Shares	Shareholding (%)
Osarenren Emokpae	23,994,640	0.60
Godwin Ehigiamusoe	1,201,689,368	30.27
Osaretin Demuren	23,994,640	0.60
Ede Osayande	21,798,660	0.55
Andrew Ejoh	12,000,000	0.30
Rene Azokly	8,698,057	0.22

5. Subsidiaries and Associated Companies

As at 31 December 2016, the Sponsor's effective interest in subsidiaries is as shown below:

Shareholders	Number of Shares	Shareholding (%)
LAPO MFB SPV Plc	990,000,000	99.00
Godwin Ehigiamusoe	10,000,000	1.00

6. Statement of Indebtedness

Details of all indebtedness of the Issuer at the time of issuance of any Bonds under the Programme will be disclosed in the Supplementary Prospectus relating to the series of Bonds to be issued.

7. Claims and Litigations

The Bank is, in its ordinary course of business, involved in fourteen (14) cases. Of the fourteen (14) cases, the Company instituted two (2) cases while twelve (12) cases were instituted against the Bank.

The total monetary claims in the twelve (12) cases instituted against the Bank is approximately ₦65,875,230.00 (Sixty Five Million, Eight Hundred and Seventy Five Thousand, Two Hundred and Thirty Naira), excluding interest and costs, which may be awarded by the courts in which those cases have been instituted or following appellate court reviews; after conclusion of same.

The Solicitors to the Transaction are of the opinion that the contingent liability to which the Bank may likely be exposed in respect of the cases instituted against it is approximately ₦2,792,000.00 (Two Million, Seven Hundred and Ninety Two Thousand Naira), excluding interests and costs, which may be awarded by the relevant courts, after the conclusion of the cases. The Solicitors are also of the opinion that the claims against the Bank should not have any material adverse effect on the Transaction.

The Directors of the Bank are of the opinion that none of the aforementioned cases is likely to have any material adverse effect on the Bank or the Transaction, and are not aware of any other pending and/or threatened claim or litigation.

8. Off Balance Sheet Items

As at 31 December, 2016, the Sponsor had no Off Balance Sheet items other than in the ordinary course of business.

9. Declarations

Except as otherwise disclosed in this Shelf Prospectus:

1. No share of the Bank is under option or agreed conditionally or unconditionally to be put under option;
2. No commissions, brokerages or other special terms have been granted by the Bank to any person in connection with the Debt Issuance Programme or sale of any share of the Bank;
3. Save as disclosed herein, the directors of the Bank have not been informed of any holding representing 5% or more of the issued share capital of the Bank;
4. There are no founders', management or deferred shares or any options outstanding in the Bank;
5. There are no material service agreements between the Bank or any of its Directors and employees other than in the ordinary course of business;
6. There are no long-term service agreements between the Bank or any of its Directors and employees other than in the ordinary course of business;
7. No Director of the Bank has had any interest, direct or indirect, in any property purchased or proposed to be purchased by the Bank in the five years prior to the date of this Shelf Prospectus;

8. No prosecution has commenced against the Bank or any of its subsidiaries in respect of any breach of any securities or banking laws or Companies and Allied Matters Act, Cap C20, LFN, 2004; and
9. No shareholder, Director or key management personnel has been involved in any of the following (in or outside Nigeria) to the best of the Director's knowledge as at December 31, 2015:
 - a) None of the shareholders/key management staff is under any bankruptcy or insolvency proceedings in any court of law;
 - b) None of the shareholders/key management staff has been convicted in any criminal proceeding;
 - c) None of the shareholders/key management staff is subject of any order, judgment or ruling of any court of competent jurisdiction or regulatory body relating to fraud or dishonesty.

10. Cost and Expenses

The cost, charges and expenses of and incidental to the Issue, including fees payable to regulatory bodies and professional parties' fees, brokerage commission, printing and distribution expenses will be determined at each issuance. These costs shall be payable by the Issuer or the Sponsor and shall be disclosed in the applicable Pricing Supplement relating to the Bonds being issued.

11. Material Contracts

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

- a) A Programme Trust Deed dated 16 August 2017 among LAPO MFB SPV PLC, LAPO Microfinance Bank Limited and FBN Trustees Limited in connection with the Programme. The extracts of the Programme Trust Deed are set out in pages 68 to 92 of this Shelf Prospectus;
- b) A Master Bond Purchase Agreement dated 16 August 2017 among LAPO MFB SPV PLC, LAPO Microfinance Bank Limited and FBN Trustees Limited
- c) Deed of Covenant dated 16 August 2017 by LAPO Microfinance Bank Limited; and
- d) A Vending Agreement dated 20 December 2017 between LAPO MFB SPV PLC, (as the Issuer) and the Issuing Houses under which the Issuing Houses have agreed to offer on behalf of the Bank, N20 Billion Debt Issuance Programme established by the Issuer.

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

12. Relationship between the Sponsor, Issuing Houses and Other Advisers

There are no known relationship other than the professional ones established pursuant to this Programme in the ordinary course of its business.

13. Mergers and Takeovers

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

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

14. Consents

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

Directors of the Issuer	Godwin Eseiwi Ehigiamusoe Josephine Nwachukwu Faith Osazuwa Ojo
Company Secretary	Cynthia Ikponmwosa
Directors of the Sponsor	Osarenren P. Emokpae Ph.D. Godwin Eseiwi Ehigiamusoe Josephine Nwachukwu Faith Osazuwa Ojo Andrew Edozie Ejoh Osayande Ede Rene Azokly Osaretin Demuren (Mrs.) Hannatu Yaro
Issuing Houses	FCMB Capital Markets Limited United Capital Plc
Solicitor to the Issue	Banwo & Ighodalo
Solicitor to the Issuer	Tokunbo Orimobi LP
Solicitor to the Trustees	Aluko & Oyebode
Trustee	FBN Trustees Nigeria Limited
Registrars	CardinalStone Registrars Limited
Reporting Accountant	Ernst & Young

Issuer's Auditor	Akintola Williams Deloitte
Sponsor's Auditor	Akintola Williams Deloitte
Rating Agency	Global Credit Ratings Co.
Receiving Banks	First City Monument Bank Limited First Bank of Nigeria Limited

15. Documents Available for Inspection

Copies of the following documents may be inspected at the Issuing Houses' offices as listed on page **Error! Bookmark not defined.** between 8.00 a.m. and 5.00 p.m. on any Business Day throughout the validity of this Programme:

- Certificate of Incorporation of the Issuer, duly certified by the CAC;
- Memorandum and Articles of Association of the Issuer, duly certified by the CAC;
- Reporting Accountants' Report on the audited accounts of the Sponsor for the five years ended 31 December 2015;
- Shareholders' Resolution of the Issuer dated 26 September 2016 authorising the Debt Issuance Programme;
- Board of Director's Resolution of the Issuer dated 26 September 2016, authorising the Debt Issuance Programme;
- Board of Director's Resolution of the Sponsor dated 24 August 2016, authorizing the Sponsor to support the establishment of the Debt Issuance Programme through the Issuer;
- Letter from the Securities & Exchange Commission dated 16 August 2017 approving the registration of the Shelf Prospectus;
- Audited Financial Statement of the Sponsor for the years ended 31 December 2012 to 2015;
- Management Accounts of the Sponsor for the year ended 31 December 2016;
- Audited Statement of Affairs of the Issuer as at 31 December 2016;
- Shelf Prospectus issued with respect to the Debt Issuance Programme;
- Supplementary Shelf Prospectus/Pricing Supplement;
- Consents of Parties referred to on page 125;
- Material contracts referred to on page 124;
- List of claims and litigations referred to on page 123 and the Solicitors to the Programme's opinion thereon;
- Letter of No Objection from the Central Bank of Nigeria dated 15 December 2016; and
- The Rating Reports issued by Global Credit Ratings Co for in respect of the Issuer and the Bond.

FORM OF PRICING SUPPLEMENT

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

**Pricing Supplement
To the Shelf Prospectus dated 16 August 2017**



LAPO MFB SPV PLC

Offer for Subscription RC: 1363556

Of

[●]

Series [●]: [●]-Year [●]%

Fixed Rate Subordinated Unsecured Bonds due 2021

Under a N20,000,000,000 Debt Issuance Programme

Issue Price: [●] per unit

Payable in full on Application

Application List Opens: [●]

Application List Closes: [●]

This Pricing Supplement is prepared for the purpose of Rule 279(3) of the Rules and Regulation of the Securities & Exchange Commission ("the Commission" or SEC) in connection with the N20, 000,000,000 Debt Issuance Programme established by LAPO MFB SPV PLC ("the Issuer"). This Pricing Supplement is supplemental to, and should be read in conjunction with, the Shelf Prospectus dated [●] 2017 and any other supplements to the Shelf Prospectus to be issued by the Issuer. Terms defined in the Shelf Prospectus have the same meaning when used in this Pricing Supplement.

To the extent that there is any conflict or inconsistency between the contents of this Pricing Supplement and the Shelf Prospectus, the provisions of this Pricing Supplement shall prevail. This Pricing Supplement may be used to offer and sell the Bonds only if accompanied by the Shelf Prospectus. Copies of the Shelf Prospectus can be obtained from any of the Issuing Houses.

The registration of the Shelf Prospectus and this Pricing Supplement shall not be taken to indicate that the Commission endorses or recommends the Securities or assumes responsibility for the correctness of any statements made or opinions or reports expressed in the Shelf Prospectus or this Pricing Supplement. No Securities will be allotted or issued on the basis of the Shelf Prospectus read together with this Pricing Supplement later than two years after the date of the issue of the Shelf Prospectus.

This Pricing Supplement contains particulars in compliance with the requirements of the Commission for the purpose of giving information with regard to the Securities being issued hereunder (the "Series 1 Bonds" or "Bonds"). Application has been made to the Council of the Exchange for the admission of the Bonds to the Daily Official List of the Exchange. The Bonds now being issued will upon admission to the Daily Official List qualify as a security in which Trustee may invest under the Trustee Investments Act (Cap T22) Laws of the Federation of Nigeria, 2004.

The Issuer accepts full responsibility for the accuracy of the information contained in this Pricing Supplement. The Issuer declares that having taken reasonable care to ensure that such is the case, the information contained in this Pricing Supplement is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information and that save as disclosed herein, no other significant new factor, material mistake or inaccuracy relating to the information included in the Shelf Prospectus has arisen or has been noted, as the case may be, since the publication of the Shelf Prospectus. Further, the material facts contained herein are true and accurate in all material respects and the Issuer confirms that, having made all reasonable enquiries, to the best of its knowledge and belief, there are no material facts, the omission of which would make any statement contained herein misleading or untrue.

Final Terms of the Series [•] Bonds

1. Issuer	LAPO MFB SPV PLC
2. Series Number:	[•]
3. Aggregate Principal Amount of Bonds:	[•]
4. Issue Price: Net Proceeds:	[•]
5. Denomination(s):	[•]
6. Issue Date: Interest Commence Date (if different from Issue Date)	[•]
7. Maturity Date:	[•]
8. Principal Moratorium:	[•]
9. Interest Basis:	[•]
10. Redemption/Payment Basis:	[•]
11. Status:	[•]
12. Security:	[•]
13. Listing(s):	[•]
14. Method of Distribution:	[•]
15. Offer Period	[•]

Provisions Relating To Interest (If Any) Payable

16. Fixed Rate Note Provisions	
- Interest Rate:	[•]
- Coupon Payment Date(s) /Payment Dates:	[•]
- Interest Amount(s):	[•]
- Business Day Convention:	[Following Business Day Convention/ Preceding Business Day Convention/ Modified Business Day]
- Business Day:	Modified Business Day
- Other terms relating to method of calculating interest for Fixed Rate Bonds:	[•]

17	Floating Rate Note Provisions	[•] (if not delete the remaining sub-paragraphs of this paragraph)
	- Coupon Payment Date(s):	[•]
	- Reference Banks:	[•]
	- Spread (if applicable):	[•]
	- Party responsible for calculating interest rate and interest amount(s)	[•]
	- Relevant Time (if applicable):	[•]
	- Screen Rate Determination:	
	• Benchmark:	Actual/Actual: Actual/360
	• Coupon Determination Dates(s):	
	• Relevant Screen Page:	
	- Day Count Fraction	[•]

Provisions Relating To Redemption

18.	Optional Early Redemption (Call Option):	[Applicable/Not Applicable]
19.	Optional Early Redemption (Put Option):	[Applicable/Not Applicable]
20.	Scheduled Redemption/Amortization:	[Applicable/Not Applicable]
21.	Redemption Amount(s):	[•]
22.	Scheduled Redemption Dates:	[•]
23.	Final Redemption Amount:	[•]

General Provisions Applicable to the Bonds

24.	Form of Bonds:	Dematerialized Bonds
24.	Form of Dematerialized Bonds:	[Registered/Certificate/Dematerialized]
	Registrar:	[•]
25.	Trustee(s):	[•]
26.	Record Date:	[•]
27.	Other terms or special conditions:	[•]

Distribution, Clearing and Settlement Provisions

28.	Underwritten/Book-building:	[•]
29.	If Underwritten, names of Underwriters	[•]
30.	Clearing System:	Central Securities Clearing System Plc

General

- | | |
|-------------------|---------|
| 31. Rating: | A- |
| 32. Taxation: | [•] |
| 33. Governing Law | Nigeria |

Appendices

- | | |
|-----------------|--|
| 34. Appendices: | [List and Attach Appendices if applicable] |
|-----------------|--|

Use of Proceeds

[Insert details of use of proceeds]

Material Adverse Change Statement

Except as disclosed in this document and in the Shelf Prospectus dated 16 August 2017, there has been no significant change in the financial or trading position of the Issuer since [insert date of last audited accounts or interim accounts (if later)] and no material adverse change in the financial position or prospects of the Issuer since [insert date of last published annual accounts].

Responsibility

The Issuer accepts responsibility for the information contained in this Pricing Supplement which, when read together with the Shelf Prospectus referred to above, contains all information that is material in the context of the issue of the Bonds.

Signed on behalf of the Issuer: