Base Prospectus

THE FEDERAL REPUBLIC OF NIGERIA
U.S.$4,500,000,000
Global Medium Term Note Programme

Under this U.S.$4,500,000,000 Global Medium Term Note Programme (the "**Programme**"), the Federal Republic of Nigeria (the "**Issuer**") may from time to time issue notes (the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Notes may be issued in bearer or registered form (respectively "**Bearer Notes and Registered Notes**"). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.$4,500,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

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

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

Application has been made to the Financial Conduct Authority in its capacity as competent authority (the "**UK Listing Authority**") for Notes issued under the Programme during the period of twelve (12) months from the date of this Base Prospectus to be admitted to the official list of the UK Listing Authority (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Notes to be admitted to trading on the London Stock Exchange's regulated market.

References in this Base Prospectus to Notes being listed (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange's regulated market and have been admitted to the Official List. The London Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

The requirement to publish a prospectus under the Prospectus Directive (as defined under "*Important Information*" below) only applies to Notes which are to be admitted to trading on a regulated market in the European Economic Area (the "**EEA**") and/or offered to the public in the EEA other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a final terms document (the "**Final Terms**") which will be delivered to the UK Listing Authority and, where listed, the London Stock Exchange.

Copies of Final Terms in relation to Notes to be listed on the London Stock Exchange will also be published on the website of the London Stock Exchange through a regulatory information service.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or any U.S. State securities laws and may not be offered or sold in the United States except pursuant to an exemption from, or transaction not subject to, the registration requirements of the Securities Act and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. See "*Form of the Notes*" for a description of the manner in which Notes will be issued. Registered Notes are subject to certain restrictions on transfer, see "*Subscription and Sale and Transfer and Selling Restrictions*".

Neither this Base Prospectus nor the Notes are required to be registered or cleared under the Nigeria Investments and Securities Act No. 29 of 2007 or regulations of the Securities and Exchange Commission of Nigeria (the "**Nigerian SEC**"). The Notes have not been registered with, recommended by or approved or disapproved by the Nigerian SEC nor has the Nigerian SEC confirmed the accuracy or determined the adequacy of this Base Prospectus. Although the Notes may not be offered or sold to the public within Nigeria, the Issuer may apply for Notes issued under the Programme to be eligible for trading or listed on the Financial Markets Dealers Quotations Over-the-Counter Securities Exchange ("**FMDQ**") and/or the Nigerian Stock Exchange ("**NSE**").

The Issuer has been rated B2 by Moody's Investors Service, Inc. ("**Moody's**"), B+ by Fitch (Hong Kong) Limited ("**Fitch**") and B by Standard & Poor's Credit Market Services Europe Limited ("**S&P**"). A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the assigning rating agency. Neither Moody's nor Fitch is established in the European Union and neither Moody's nor Fitch has applied for registration under the Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). The ratings have been endorsed by Moody's Investors Service Limited and Fitch Ratings Ltd., respectively, in accordance with the CRA Regulation. Each of Moody's Investors Service Limited and Fitch Ratings Ltd. is established in the European Union and registered under the CRA Regulation. As such, each of Moody's Investors Service Limited and Fitch Ratings Ltd. is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation. The European Securities Markets Authority has indicated that ratings issued in the USA and Hong Kong which have been endorsed by Moody's Investors Service Limited and/or Fitch Ratings Ltd. may be used in the EU by the relevant market participants. S&P is established in the European Union and is registered under the CRA Regulation. As such, S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation. Notes issued under the Programme may be rated or unrated by either/any one or more of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms and will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency.

Arrangers and Dealers

Citigroup **Standard Chartered Bank**

Financial Adviser to the Issuer

Stanbic IBTC Capital

The date of this Base Prospectus is 21 November 2017.

IMPORTANT INFORMATION

This Base Prospectus comprises a base prospectus in respect of all Notes issued under the Programme for the purposes of Article 5.4 of the Prospectus Directive. When used in this Base Prospectus, Prospectus Directive means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the EEA.

The Issuer accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

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

This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated in it by reference. See "*Documents Incorporated by Reference*". This Base Prospectus shall be read and construed on the basis that those documents are incorporated and form part of this Base Prospectus.

None of the Dealers or Stanbic IBTC Capital Limited (the "Financial Adviser") has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or the Financial Adviser as to the accuracy or completeness of the information contained in this Base Prospectus or any other information provided by the Issuer in connection with the Programme. None of the Dealers or the Financial Adviser accepts any liability in relation to the information contained in this Base Prospectus or any other information provided by the Issuer in connection with the Programme.

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

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

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

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained in it concerning the Issuer is correct at any time subsequent to its date or that any other information supplied in connection with the

Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Financial Adviser expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in Notes issued under the Programme of any information coming to their attention.

IMPORTANT INFORMATION RELATING TO THE USE OF THIS BASE PROSPECTUS AND OFFERS OF NOTES GENERALLY

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

This Base Prospectus has been prepared on a basis that would permit an offer of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) only in circumstances where there is an exemption from the obligation under the Prospectus Directive to publish a prospectus. As a result, any offer of Notes in any Member State of the EEA which has implemented the Prospectus Directive (each, a "**Relevant Member State**") must be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer of Notes in that Relevant Member State may only do so in circumstances in which no obligation arises for the Issuer, any Dealer or the Financial Adviser to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. None of the Issuer, any Dealer or the Financial Adviser has authorised, and they do not authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer, any Dealer or the Financial Adviser to publish or supplement a prospectus for such offer.

U.S. INFORMATION

The Notes have not been registered with, recommended by or approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Base Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Base Prospectus. Any representation to the contrary is unlawful.

This Base Prospectus is being submitted on a confidential basis in the United States to a limited number of QIBs (as defined under "*Form of the Notes*") for informational use solely in connection with the consideration of the purchase of certain Notes issued under the Programme. Its use for any other purpose in the United States is not authorised. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

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

Registered Notes may be offered or sold within the United States only to QIBs in transactions exempt from registration under the Securities Act in reliance on Rule 144A under the Securities Act ("**Rule 144A**") or any other available exemption. Each U.S. purchaser of Registered Notes is hereby notified that the offer and sale of any Registered Notes to it may be being made in reliance upon the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.

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

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a sovereign State and investors may effect service of process upon the Issuer within the United Kingdom through the Issuer's High Commission in the United Kingdom.

Enforcement of Foreign Judgments in Nigeria

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

United Kingdom and Irish Court Judgments

The Ordinance applies to judgments obtained (a) in the High Courts of England or Ireland, or in the Court of Session in Scotland or in any territory under Her Majesty's dominions to which the Ordinance is extended by proclamation; or (b) in the superior court(s) of any country covered by the Ordinance. A judgment is defined under the Ordinance as any judgment or order given or made by a court in any civil proceedings, whether before or after the commencement of the Ordinance, whether any sum of money is made payable, and includes an award in proceedings or an arbitration if the award has, in pursuance of the law in force in the place where it was made, become enforceable in the same manner as a judgment given by the court. Subject to certain exceptions, judgments obtained in these jurisdictions are enforceable by registration under the Ordinance. To be enforceable, such judgments must be registered within twelve months after the date of the judgment or such longer period as may be allowed by a High court or other superior court in Nigeria. In addition, the judgment must: (i) derive from civil proceedings; (ii) be final and capable of execution in the country of delivery; (iii) must not have been wholly satisfied; and (iv) not suffer from want of jurisdiction, lack of fair hearing or fraud, be contrary to public policy or have been discontinued because the issue had already been decided by another competent court before its determination by the foreign court. Provided that the judgment satisfies these requirements, it will be recognised, registered and enforced in Nigeria in the currency of that judgment.

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

United States and Other Jurisdictions Court Judgments

Part 1 of the Act applies to judgments obtained in the superior courts of any country (other than Nigeria). For the Act to be applicable to any foreign judgment, the Minister of Justice and Attorney General of the Federation ("**Minister of Justice**") must have issued an order extending the provisions of Part 1 of the Act to the judgments obtained from the superior courts of the relevant foreign jurisdiction from where the judgment emanated. In extending the provisions of Part 1 of the Act to the judgments of any superior courts of any country, the Minister of Justice has to be satisfied that substantial reciprocity of treatment will be accorded in that country to judgments given by superior courts in Nigeria. Once the Minister of Justice has exercised his power by issuing an order extending the provisions of Part 1 of the Act to any country, judgments from the superior courts of such country will be enforceable within a period of six years from the date of the judgment, or where there have been proceedings by way of appeal against the judgment, within six years after the date of the last judgment given in those proceedings.

However, since the promulgation of the Act, the Minister of Justice has not issued any order extending Part 1 of the Act to any foreign jurisdiction. Section 10(a) of the Act, however, provides that a judgment issued before the commencement of the Minister of Justice's order extending Part 1 of the Act to the foreign country where the judgment was given may be registered within a period of twelve months from the date of the judgment or such longer period as may be allowed by a superior court in Nigeria. To be registered and enforced, the judgment must: (i) derive from civil proceedings; (ii) be final and conclusive as between the parties thereto and capable of execution in the country of delivery; (iii) not have been wholly satisfied; and (iv) be a judgment where there is a sum of money payable thereunder, not being a sum payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty (the "**Additional Requirements**").

Notwithstanding the above, Nigerian courts are permitted by virtue of section 10(a) of the Act to register foreign judgments obtained prior to the commencement of the order of the Minister of Justice extending Part 1 of the Act to the country in which such judgment emanated, **provided that** the registration application is brought within twelve months after the date of such judgments or such longer period extended by the court. The relevant foreign judgment must, however, satisfy the Additional Requirements.

In the case of a registration of a judgment by a superior court in Nigeria pursuant to Part 1 of the Act, the registering court may, upon the filing of an application by any party against whom such a registered judgment may be enforced, set aside the registration of such judgment where the court is satisfied that: (i) the judgment is not a judgment to which Part 1 of the Act applies or was registered in contravention of the provisions of the Act; (ii) the courts of the country of the original court had no jurisdiction in the circumstances of the case; (iii) the judgment debtor, being the defendant in the proceedings in the original court, did not (notwithstanding that process may have been duly served on him in accordance with the law of the country of the original court) receive notice of those proceedings in sufficient time to enable him to defend the proceedings and did not appear; (iv) the judgment was obtained by fraud; (v) the enforcement of the judgment would be contrary to public policy in Nigeria; or (vi) the rights under the judgment are not vested in the person by whom the application for registration was made. The registering court may also set aside a registration pursuant to Part 1 of the Act if it is satisfied that the matter in dispute in the proceedings in the original court had, previously on the date of the judgment, been the subject of a final and conclusive judgment by a court having jurisdiction in the matter.

There is currently no treaty between the United States and Nigeria providing for reciprocal enforcement of judgments and the Minister of Justice has not ordered the application of Part 1 of the Act to judgments obtained from United States' superior courts or to the courts of any other country. Thus, as of the date hereof, judgments from courts in the United States or the courts of any other country (apart from (a) the High Courts in England or Ireland, the Court of Session in Scotland and the courts in any territory under Her Majesty's dominions to which the Ordinance is extended by proclamation; or (b) the superior court(s) of any country covered by the Ordinance) can be enforced in Nigeria by registration pursuant to section 10(a) of the Act if such judgments are registered within twelve months after the date of the judgment or such longer periods as may be allowed by a superior court in Nigeria and they satisfy the Additional Requirements.

The Issuer has not consented to service in the United States, or waived sovereign immunity with respect to actions brought against it, under United States federal or State securities laws.

Furthermore, under the Arbitration and Conciliation Act, Chapter A18, LFN 2004 (the "**ACA**") an arbitral award shall (irrespective of the country in which such an award is made) be recognised as binding and, subject to section 32 of the ACA, shall, upon application in writing to the court be enforced by the High court in Nigeria. Section 32 of the ACA preserves the rights of any of the parties to request that the court refuse the recognition or enforcement of the award. By section 52 of the ACA, the court where recognition or enforcement of an award is sought or where an application for the refusal of recognition or enforcement thereof is brought, may in certain circumstances refuse to recognise or enforce an award.

Common Law Action on Foreign Judgment

In addition to the registration regimes described above, a foreign judgment may be enforced in Nigeria under the common law. A person seeking to enforce a foreign judgment through such means would be required to commence a civil action before a court of competent jurisdiction in Nigeria, with the foreign judgment as the cause of action. An action brought in this way may also be heard and determined summarily in accordance with the relevant rules of the relevant Nigerian court.

Currency of Judgment

Based on the provisions of the Ordinance and a line of Nigerian case law, foreign judgments can be enforced and recovered in Nigerian superior courts in a foreign currency. In contrast, Part 1 of the Act provides that a foreign judgment to which the part applies may only be enforceable in Nigeria in Naira.

The relevant provisions of Part 1 of the Act will only become effective when the Minister of Justice makes an order to the effect that the Act shall apply to judgments of superior courts of a particular country that accords reciprocal treatment to judgments of superior courts of Nigeria. However, upon the issuance of the order by the Minister of Justice, judgments of superior courts of any country (whether or not previously covered by the Ordinance), when registered and enforced in Nigeria, will be enforced only in Naira. One potential challenge presented by this regime of enforcement only in Naira is that the judgment creditor may be faced with significant exchange rate losses given that, pursuant to section 4(3) of the Act, the judgment sum will be converted into Naira on the basis of the prevailing rate of exchange on the date the judgment sought to be enforced is obtained in the original court. Given that the Minister of Justice is yet to issue any order extending the application of Part 1 of the Act to judgments of superior courts of any country, and until such order is made, there is no restriction on Nigerian courts to allow foreign judgments to be registered, enforced and recovered in foreign currency based on the Ordinance or section 10(a) of the Act (as the case may be).

Attachment of the Issuer's Assets

The legal effect of registration of any foreign judgment under the Ordinance or the Act is that the foreign judgment becomes the judgment of the registering court. By virtue of the Constitution, decisions of superior courts of Nigeria are enforceable in all parts of the Federation, and there is no carve-out preventing enforcement against any one of the three tiers of government or the Federal Government of Nigeria (the "**Federal Government**"). As such, assets of the Federal Government within Nigeria (except property of a military character and under the control of a military authority or defence agency of the Issuer and property dedicated to public or governmental use by the Issuer) do not enjoy immunity from execution or attachment and may be attached by the courts in satisfaction of any judgment against the Federal Government. Pursuant to the Sheriffs and Civil Process Act, Chapter S6, LFN 2004, the consent of the Attorney General must, however, first be obtained before money belonging to the Federal Government, and which is in the control or custody of a public officer, can be attached. Nigerian courts will generally be guided by principles of public policy and national security in granting applications for attachment of the assets of the Federal Government in satisfaction of any judgment against it. Execution of a judgment against assets of the Federal Government in the United States is subject to the limits of the Foreign Sovereign Immunities Act, as amended, and in the United Kingdom, subject to the limits in the State Immunity Act 1978, as amended.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

Annual information presented in this Base Prospectus is based upon the calendar year (which is the fiscal year for the Issuer), unless otherwise indicated. Certain figures included in this Base 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 the sum of the figures which precede them. Statistical information reported herein has been derived from official publications of, and information supplied by, a number of agencies and ministries of the Issuer including the Central Bank of Nigeria (the "**Central Bank**" or "**CBN**"), the Debt Management Office, the National Bureau of Statistics (the "**NBS**") and the Office of the Accountant General. Some statistical information has also been derived from information publicly made available by the International Monetary Fund (the "**IMF**"), the International Bank for Reconstruction and Development (the "**World Bank**") and other third parties. Where information has been so sourced, the source is stated where it appears in this Base Prospectus. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Similar statistics may be obtainable from other sources, but the date of publication, underlying assumptions, methodology and, consequently, the resulting data may vary from source to source. In addition, statistics and data published by one ministry or agency may differ from similar statistics and data produced by other agencies or ministries due to differing underlying assumptions, methodology or timing of when such data is reproduced. Certain historical statistical information contained herein is provisional or otherwise based on estimates that the Issuer and/or its agencies believe to be based on reasonable assumptions. The Issuer's official financial and economic statistics are subject to review as part of a regular confirmation process. Accordingly, the financial and economic information set out in this Base Prospectus may differ from similar information previously published by the Issuer or its various ministries and agencies, and is subject to further adjustment, amendment or revision, whether as part of regular review or otherwise. No assurance can be provided that such adjustment, amendment or revision may not be material. See *"Risk Factors—Risks Relating to Nigeria— The statistical information published by Nigeria may differ from that produced by other sources, may be incomplete, delayed or inconsistent and is subject to revision, amendment and adjustment*."

Nigeria has adopted of the Statistics Act of 2007, which established the National Statistical System ("**NSS**") and created the NBS (which came into existence as a result of the merger of the Federal Office of Statistics and the National Data Bank) as its co-ordinator. The strategic objectives of the NSS include providing high quality statistical information, promoting standardisation in statistics production and ensuring high quality and reliability of statistical information. The NSS is also responsible for building sustainable capacity across Nigeria for the production and use of statistical data, to promote cooperation, coordination and rationalisation among users and providers of statistics and to ensure optimal utilisation of resources. The NBS is also charged with implementation of the National Strategy for the Development of Statistics. According to the IMF's report on its 2017 Article IV consultation with Nigeria, the enactment of the Statistics Act of 2007 has led to a number of improvements in data management in Nigeria, including better information-sharing between data producing and collecting agencies. However, Nigeria nevertheless still faces a number of challenges in gathering statistical data, such as the lack of good source data and insufficient computerisation, inadequate information on sub national public finances and large errors and omissions in the balance of payments data, all of which continue to hinder compilation of timely and consistent data. See "*Risk Factors—Risks Relating to Nigeria— The statistical information published by Nigeria may differ from that produced by other sources, may be incomplete, delayed or inconsistent and is subject to revision, amendment and adjustment*."

While there have been significant efforts to improve the compilation of Nigeria's balance of payments data in recent years, there continue to be large errors and omissions in the balance of payments, which, according to the IMF, may suggest that the current account balance is overestimated by a significant (but unknown) amount.

Further, in 2010, the Federal Government of Nigeria (the "**Government**") revised balance of payment information due to a change in the methodology to estimate imports and to take account of additional sources of data available.

Historically, Nigeria prepared real GDP on the basis of 1990 constant basic prices and nominal GDP on the basis of the current basic prices of that year. In November 2011, the NBS announced its intention to change the GDP base year to 2010, a process that was completed in 2014. Rebasing enables the Government to have a better understanding of the general structure of the economy, the sectoral growth drivers, and sectors towards which investment and resources should be channelled in order to grow the economy, create jobs, improve infrastructure and reduce poverty. For example, Nigeria's GDP estimates prior to the rebasing exercise completed in 2014 did not adequately reflect the increasing contributions of sectors such as retail trade and the entertainment industry which had grown significantly in terms of total value and employment generation since the previous rebasing exercise of 1990. The United Nations (the "**UN**") Statistical Commission recommends that countries rebase GDP every five years to ensure that national accounts statistics present the most accurate reflection of the economy as possible. The NBS intends to undertake a further rebasing exercise, which is expected to complete in 2018.

Certain Defined Terms and Conventions

Capitalised terms which are used but not defined in any particular section of this Base Prospectus will have the meaning attributed to them in "*Terms and Conditions of the Notes*" or any other section of this Base Prospectus. In addition, the following terms as used in this Base Prospectus have the meanings defined below:

In this Base Prospectus, all references to:

- "**AMCON**" refers to the Asset Management Corporation of Nigeria;
- "**bscf**" refers to billion standard cubic feet;
- "**CBN**" or "**Central Bank**" refers to the Central Bank of Nigeria;
- "**CET**" means the Common External Tariff regime of ECOWAS;
- "**Constitution**" refers to the Constitution of the Federal Republic of Nigeria 1999 (as amended);
- "**DPR**" refers to the Department of Petroleum Resources;
- "**ECOWAS**" refers to the Economic Community of West African States;
- "**euro**" and "**€**" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended;
- "**ERGP**" refers to Nigeria's Economic Recovery and Growth Plan;
- "**FCT**" refers to Abuja, the Federal Capital Territory;
- "**FDI**" refers to Foreign Direct Investment;
- "**Federal Government**", "**Federal**" or "**FGN**" or "**Government**" refers to the Federal Government of Nigeria;
- "**Federation**" refers to the Federal Government, State Governments and Local Governments;
- "**Federation Account**" refers to a central distributable pool of funds (comprising oil revenues, value added tax, companies' income tax, customs and excise duties as well as royalties and other income) established pursuant to Section 162 of the Constitution and into which are paid all revenues collected by the Federation, except limited categories of revenues excluded pursuant to the Constitution, and managed by the Federal Government;

- "**First NIP**" refers to the National Implementation Plan for the period 2010-2013;
- "**GDP**" refers to the gross domestic product;
- "**IMF**" refers to the International Monetary Fund;
- "**IPOB**" means Indigenous People of Biafra;
- "**LFN**" means the Laws of the Federation of Nigeria;
- "**Local Government**" refers to the local governments of the State Government and the area councils of the FCT;
- "**LPG**" means liquefied petroleum gas;
- "**mbpd**" refers to million barrels per day;
- "**MDAs**" refers to Federal ministries, departments and agencies;
- "**mmscfd**" refers to millions of standard cubic feet per day;
- "**mmtpa**" refers to million metric tons per annum;
- "**Naira**" and "**₦**" refer to the Nigerian Naira, the lawful currency of Nigeria;
- "**NBS**" refers to the National Bureau of Statistics;
- "**Nigeria**" refers to the Federal Republic of Nigeria;
- "**NNPC**" refers to the Nigerian National Petroleum Corporation;
- "**OPEC**" refers to the Organisation of the Petroleum Exporting Countries;
- "**PHCN**" refers to the Power Holding Company of Nigeria Plc;
- "**State Governments**" refers to the state governments of Nigeria and the FCT;
- "**SURE-P**" refers to the Subsidy Re-investment and Empowerment Programme;
- "**Transformation Agenda**" refers to the Transformation Agenda 2011-2015 introduced by former President Goodluck Jonathan;
- "**UN**" refers to the United Nations;
- "**United States**" or the "**U.S.**" refers to the United States of America;
- "**U.S. dollars**", "**U.S.$**" and "**$**" refer to the lawful currency of the United States of America;
- "**VAT**" refers to value added tax; and
- "**Vision 20:2020**" refers to the Vision: 20:2020 plan;

References to a "**billion**" are to a thousand million.

Certain figures and percentages included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown in 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.

SUITABILITY OF INVESTMENT

The Notes may not be a suitable investment for all investors. Generally, investment in emerging markets such as Nigeria is only suitable for sophisticated investors who fully appreciate the significance of the risks involved in, and are familiar with, investing in emerging markets. Potential investors are urged to consult their own legal and financial advisers before making an investment in any Notes.

Such risks include, but are not limited to, higher volatility and more limited liquidity in respect of any Notes, a narrow export base, budget deficits, lack of adequate infrastructure necessary to accelerate economic growth and changes in the political and economic environment. Emerging markets can also experience more instances of corruption by government officials and misuse of public funds than more mature markets, which could affect the ability of governments to meet their obligations under issued securities.

Potential investors should also note that emerging markets such as Nigeria are subject to rapid change and that the information set out in this Base Prospectus may become out-dated relatively quickly.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

(i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;

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

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

(iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets; and

(v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

This Base Prospectus contains forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "projects", "expects", "intends", "may", "will", "seeks" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. Forward-looking statements are statements that are not historical facts and include statements about the Issuer's beliefs and expectations. These statements are based on current plans, estimates and projections and, therefore, undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made. Although the Issuer believes that the beliefs and expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such beliefs and expectations will be realised.

Forward-looking statements involve inherent risks and uncertainties. A number of important factors could cause actual results to differ materially from those expressed in any forward-looking statement. The information contained in this Base Prospectus identifies important factors that could cause such differences, including, but not limited to, the following adverse external factors, such as:

- changes in international commodity prices, particularly oil, foreign exchange rates or prevailing interest rates, which could adversely affect Nigeria's balance of payments and external reserves;
- recession, epidemics and other public health concerns, political unrest or low economic growth in Nigeria's trading partners, which could decrease exports, adversely affect Nigeria's economy and, indirectly, reduce tax and other public sector revenues, thereby adversely affecting Nigeria's budget;
- changes in the terms on which international financial institutions provide financial assistance to Nigeria or fund new or existing projects, which could decrease exports, could adversely affect Nigeria's economy and, indirectly, reduce tax and other public sector revenues, thereby adversely affecting Nigeria's budget; and
- adverse events in other emerging market countries, which could dampen foreign investment or adversely affect the trading price of the Notes;

and adverse domestic factors, such as:

- a failure to continue to implement reforms in the oil and gas industry, banking and power sectors or other industries or economic sectors;
- the climate for foreign direct investment, ability to grow the non-oil sector of the economy and the pace, scale and timing of privatisations;
- the inability of Nigeria to implement appropriate fiscal policies successfully;
- changes in the monetary policy applicable in Nigeria which could affect inflation and/or growth rates;
- political and electoral factors that could threaten the stability of the country, ignite religious and ethnic violence, undermine political and socio-economic developments, including the effective implementation of the Government's Vision 20:2020 plan and the ERGP and negatively impact the pace of reforms and economic growth;
- the inability of Nigeria to eliminate violence in the north of the country and in the Niger Delta region; and
- the inability of Nigeria to address its infrastructure deficiencies, such as those in the power sector, which may affect its ability to implement the Government's Vision 20:2020 plan effectively and negatively impact the pace of economic growth.

The sections of this Base Prospectus entitled "*Risk Factors*", "*The Federal Republic of Nigeria*", "*The Economy*", "*Foreign Trade and Balance of Payments*", "*Public Finance*", "*Monetary System*", and "*Public Debt*" contain forward-looking statements, as well as a more complete discussion of the factors that could adversely affect the Issuer. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Base Prospectus may not occur.

Any forward looking statements contained in this Base Prospectus speak only as at the date of this Base Prospectus. Without prejudice to any requirements under applicable laws and regulations, 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, except as may be required by law or applicable regulations. 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 Base Prospectus.

Exchange Rate

The official currency of Nigeria is the Naira, which was introduced in January 1973. Currently, two exchange rates operate in Nigeria.

- the interbank exchange rate is a rate determined by a two-way quote system of banks trading among themselves and with corporates, individuals and the CBN.
- the bureaux de change rate was introduced in 2009 when the CBN issued licenses to bureaux de change operators as one of the measures intended to stabilise the exchange rate and this was modified in August 2016. The bureaux de change rate is the rate at which private money changers sell foreign exchange sourced from both the CBN and the interbank market to small users for personal travel, overseas school fees, overseas medical fees or business travel allowances. In furtherance of the new foreign exchange policy, authorised foreign exchange dealers may sell a maximum of U.S.$30,000.00 of foreign exchange per week to a bureau de change at the prevailing interbank exchange rate. The bureaux de change are expected to sell foreign exchange to the public at a price not exceeding 2 per cent. above the Authorised Dealers selling rate, which applies to all funds sold by a bureau de change irrespective of the source. As of 17 January 2017, the CBN had confirmed 2,477 bureaux de change as in compliance with requirements.

In addition, prior to 18 February 2015, Nigeria operated the Dutch Auction System rate (the "**Official Rate**"). The Dutch Auction System rate was managed by the CBN and consisted of the Wholesale Dutch Auction System rate or the Retail Dutch Auction System rate; these were alternative regimes which did not operate at the same time. Pursuant to the Retail Dutch Auction System, banks purchased foreign exchange from the CBN on a customer's account. Under the Wholesale Dutch Auction System, banks bought foreign exchange from the CBN on their own account which they then sold to customers. The Wholesale Dutch Auction System was suspended in October 2013 and the Retail Dutch Auction System was re-introduced. The Retail Dutch Auction System was the preferred system in periods of high demand pressure and assisted in destabilising speculative activities by authorised dealers and was the Dutch Auction System rate in operation until February 2015, when the Dutch Auction System was closed following a decline in Nigeria's foreign exchange earnings due to a sharp decline in oil prices.

From November 2011 to November 2014, the midpoint Naira Official Rate was ₦155 to U.S.$1. In November 2014, the midpoint was revised to ₦168 to U.S.$1. As of 31 December 2014, the Official Rate was ₦169.68 to U.S.$1. The Central Bank's official foreign exchange auction window was subsequently closed on 18 February 2015, at which point the interbank exchange rate replaced the Official Rate and became the operative exchange rate for Nigeria.

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. Under the new policy, the CBN may intervene in the single market (for the primary purposes of seeking to improve liquidity and manage volatility) by purchasing or selling foreign exchange at no predetermined or maximum spread through the two-way quote system. As part of the new exchange rate policy, the CBN introduced Foreign Exchange Primary Dealers, which are registered authorised dealers designated to transact large trades with the CBN on a two-way quote basis. Although bureaux de change also participate in the single market, they are permitted only to disburse funds for certain eligible transactions such as personal travel, overseas school fees, overseas medical fees or business travel allowances. In April 2017, the CBN, via a circular dated 21 April 2017 (the "**Circular**"), introduced the Nigerian Autonomous Foreign Exchange Fixing Mechanism (commonly known as the "Investors' and Exporters'" foreign exchange window), a special foreign currency exchange window for investors, exporters and end-users. The new exchange window aims to increase liquidity in the foreign exchange market in Nigeria and ensure timely execution of settlement of eligible transactions. See "*Monetary System — Exchange Rate*" for further discussion.

The following table sets forth information on the exchange rate between the Naira and the U.S. dollar as reported by the Central Bank for each of the periods specified. See also "*Monetary System — Exchange Rate*"

Naira-U.S. Dollar Exchange Rate

	Average	High	Low	Period End
		(₦:$1.00)		
2012	155.89	156.40	148.67	159.70
2013	158.84	156.55	154.25	157.25
2014	159.25	155.57	155.20	159.90
2015(1)	164.88	167.50	155.20	180.00
2016	253.49	324.50	196.50	305.00
January 2017	305.20	305.00	304.50	305.25
February 2017	305.31	305.00	304.50	305.50
March 2017	306.40	307.50	304.75	306.35
April 2017	306.05	305.80	305.35	305.85
May 2017	305.54	305.30	304.90	305.40
June 2017	305.72	305.90	305.45	305.90
July 2017	305.86	306.00	305.65	305.70
August 2017	305.67	305.85	305.55	305.85
September 2017	305.89	306.00	305.75	305.75
October 2017	305.62	305.80	305.00	305.80
November 2017 (through 17 November 2017)	305.93	306.00	305.85	305.95

(1) On 18 February 2015, the Central Bank closed its official foreign exchange auction window, at which point the interbank exchange rate replaced the Official Rate as the operational exchange rate for Nigeria.

Source: *Central Bank of Nigeria*

TABLE OF CONTENTS

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) acting as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

OVERVIEW OF THE PROGRAMME

The following is an overview of certain information contained elsewhere in this Base Prospectus. The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms.

This Overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing Directive 2003/71/EC (the "**Prospectus Regulation**").

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

"**Issuer**"	The Federal Republic of Nigeria
"**Risk Factors**".................................	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme and risks relating to the structure of a particular Series of Notes issued under the Programme. All of these are set out under "*Risk Factors*".
"**Description**"...................................	Global Medium Term Note Programme
"**Arrangers and Dealers**"	Citigroup Global Markets Limited Standard Chartered Bank and any other Arrangers and/or Dealers appointed in accordance with the Programme Agreement.
"**Certain Restrictions**"......................	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale and Transfer and Selling Restrictions*") including the following restrictions applicable at the date of this Base Prospectus. **Notes having a maturity of less than one year** Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 ("**FSMA**") unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "*Subscription and Sale and Transfer and Selling Restrictions*".
"**Issuing and Principal Paying Agent**"...	Citibank, N.A., London Branch
"**Programme Size**"	Up to U.S.$4,500,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of

the Programme Agreement.

"Distribution".................................... Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.

"Currencies"..................................... Subject to any applicable legal or regulatory restrictions, the Notes may be denominated in any currency agreed between the Issuer and the relevant Dealer.

"Maturities" .... The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.

"Issue Price"..................................... Notes may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par.

"Form of Notes"................................ The Notes will be issued in either bearer or registered form as described in "*Form of the Notes*". Registered Notes will not be exchangeable for Bearer Notes and *vice versa*.

"Fixed Rate Notes" .... Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.

"Floating Rate Notes"....................... Floating Rate Notes will bear interest at a rate determined:

(a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or

(b) on the basis of the reference rate set out in the applicable Final Terms.

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

"**Zero Coupon Notes**"	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
"**Redemption**"....................................	The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer. Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "*Certain Restrictions - Notes having a maturity of less than one year*" above.
"**Denomination of Notes**"	The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see "*Certain Restrictions - Notes having a maturity of less than one year*" above, and save that the minimum denomination of each Note will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency). The minimum denomination of each Legended Note will be U.S.$200,000 or its approximate equivalent in other Specified Currencies.
"**Taxation**"	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction as provided in Condition 8. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.
"**Negative Pledge**"	The terms of the Notes will contain a negative pledge provision as further described in Condition 4.
"**Events of Default**"..........................	The terms of the Notes will permit the acceleration of the Notes following the occurrence of certain events of default as further described in Condition 10.
"**Status of the Notes**"........................	The Notes and any relative Coupons constitute direct, unconditional and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank and will rank *pari passu*, without any preference among themselves, with all other present and future unsecured and unsubordinated obligations of the Issuer, save only for such obligations as may be preferred by mandatory provisions of applicable law; *provided*, *however*, that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other obligations and, in particular, shall have no

	obligation to pay such other obligations at the same time or as a condition of paying sums due on the Notes and vice versa.
"**Meetings of Noteholders, Modification and Waivers**".............	The terms of the Notes contain a "**collective action**" clause, which permits defined majorities to bind all Noteholders. If the Issuer issues debt securities that contain collective action clauses in substantially the same form as the collective action clause in the terms of the Notes, the Notes would be capable of aggregation for voting purposes with any such debt securities, thereby allowing "cross-series" modifications to the terms and conditions of all affected Series of Notes (even, in some circumstances, where majorities in certain Series did not vote in favour of the modifications being voted on). See Condition 15 and "*Risk Factors—Risks Related to Notes Generally—The conditions of the Notes contain provisions which may permit their modification without the consent of all investors.*"
"**Rating**"..	Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the rating assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
"**Listing**"	Application has been made for Notes issued under the Programme to be listed on the London Stock Exchange. Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued. The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets. The Issuer may apply for Notes issued under the Programme to be eligible for trading or listed on the Financial Markets Dealers Quotations Over-the-Counter Securities Exchange and/or the Nigerian Stock Exchange.
"**Governing Law**".............................	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law.
"**Selling Restrictions**".......................	There are restrictions on the offer, sale and transfer of the Notes in the United States, the EEA (including the United Kingdom), Nigeria, the United Arab Emirates (excluding the Dubai International Financial Centre (the "**DIFC**")), the DIFC, Singapore and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale and Transfer and Selling Restrictions*".
"**United States Selling Restrictions**"	Regulation S, Category 1. Rule 144A, TEFRA C or

D/TEFRA not applicable, as specified in the applicable Final Terms.

RISK FACTORS

The Issuer believes that the following factors may affect Nigeria's economy and the Issuer's ability to fulfil its obligations under Notes issued under the Programme. In addition, factors which are material for the purpose of assessing the market risks associated with the Notes issued under the Programme are also described below. These factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay principal, interest or other amounts on or in connection with any Notes may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding Notes issued under the Programme comprise an exhaustive list of the risks inherent in investing in such Notes, and the Issuer may be unable to pay amounts due on the Notes for reasons not described below. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus prior to making any investment decision.

RISKS RELATED TO NIGERIA

Investing in securities of emerging market issuers such as Nigeria generally involves a higher degree of risk than investing in more developed markets.

Investing in securities of emerging market countries, such as Nigeria, generally involves a higher degree of risk than investments in securities of corporate or sovereign issuers from more developed countries and carries risks that are not typically associated with investing in more mature markets. These risks include, but are not limited to, higher volatility and more limited liquidity in respect of Notes issued under the Programme, political risk, social unrest, terrorism, inflation, currency volatility, instability in neighbouring countries, corruption, a narrow export base, budget deficits, delays in reform and transformation agendas, lack of adequate infrastructure necessary to accelerate economic growth and changes in the political and economic environment. Any such risks may adversely impact Nigeria's economy.

Although significant progress has been made in reforming Nigeria's economy and its political and judicial systems since the Constitution of the Federal Republic of Nigeria 1999 (as amended) (the "**Constitution**") came into effect and a democratically-elected government was sworn in in 1999, Nigeria is still in the process of developing the necessary infrastructure, regulatory and judicial framework that is essential to support market institutions and broad-based social and economic reforms. Emerging markets can also experience more instances of corruption by government officials and misuse of public funds than do more mature markets, which could affect the ability of governments to meet their obligations under issued securities. Generally, investment in securities of issuers in emerging markets, such as Nigeria, is only suitable for sophisticated investors who fully appreciate the significance of risks involved in, and are familiar with, investing in emerging markets and investors are urged to consult their own legal and financial advisers before making an investment.

Investors should also note that emerging markets such as Nigeria are subject to rapid change and that the information set out in this Base Prospectus may become outdated relatively quickly.

The Nigerian economy and, in particular, government revenues, are highly dependent on oil production and sales and prices of oil in global markets.

The oil sector plays a central role in Nigeria's economy, accounting for a substantial portion of export earnings. In 2012, 2013, 2014, 2015 and 2016, the oil sector accounted for approximately 13.6 per cent., 11.2 per cent., 10.4 per cent., 9.6 per cent. and 8.4 per cent. of real gross domestic product ("**GDP**"), respectively, and 94.2 per cent., 92.6 per cent., 92.6 per cent., 92.5 per cent. and 92.3 per cent. of export earnings, respectively. For the six months ended 30 June 2017, the oil sector accounted for approximately 8.8 per cent. of GDP and 90.6 per cent. of export earnings.

Government revenues are substantially dependent on oil sector revenues, which arise from sales of crude oil and gas, royalties and taxes and fees. Oil sector revenues accounted for 79.8 per cent., 75.4 per cent., 72.5 per cent., 61.5 per cent. and 50.9 per cent. of total gross federally collectible revenue in 2012, 2013, 2014, 2015 and 2016, respectively. Government oil revenues are driven by the level of oil production in Nigeria and prevailing world oil prices. Decreases in international oil prices, and a reduction in oil production have adversely affected Government revenue in recent years and may continue to do so. Any decline in Government oil revenues could have a material and adverse effect on Nigeria's economy, and the Issuer's ability to make payments under the Notes. See also "*—Oil production in Nigeria is impacted by militant activity disrupting oil production and supply*".

In recent years, there have been significant fluctuations in world oil prices, including, in particular, a sharp downward trend since 2014. According to the Central Bank of Nigeria ("**CBN**"), the average price per barrel of Nigerian crude oil in December 2015 was U.S.$38.2, a decrease of 39.6 per cent. compared to U.S.$63.2 in December 2014. In December 2013, December 2012 and December 2011, the average price per barrel of Nigerian crude oil was U.S.$112.4, U.S.$112.5 and U.S.$111.5, respectively. By December 2016, the average price per barrel of Nigerian crude oil had recovered slightly to U.S.$54.1. In May 2017, the average price per barrel of Nigerian crude oil was U.S.$50.6. According to the Budget Office of the Federation, the average price of Nigerian crude oil stood at U.S.$48.5 per barrel in June 2017. Government oil revenues have declined considerably, largely as a result of the decrease in world oil prices since 2014, from ₦8,026.0 billion in 2012 to ₦6,795.6 billion, ₦6,733.9 billion, ₦3,753.6 billion and ₦2,695.4 billion in 2013, 2014, 2015 and 2016, respectively. A sustained period of low oil prices will likely further impact export earnings, government revenue, and national disposable income, while potentially widening the fiscal deficit should the price of oil fall below the budgeted benchmark oil price.

Oil prices are subject to wide fluctuations in response to relatively minor changes in the supply of oil, demand for oil, market uncertainty and a variety of additional factors that are beyond Nigeria's control. These factors include, but are not limited to, political conditions in the Middle East and other oil-producing regions, economic and political decisions of the Organisation of the Petroleum Exporting Countries ("**OPEC**"), of which Nigeria is a member, and other oil-producing nations' levels of crude oil production, domestic and foreign supplies of oil (including shale oil production in the United States), consumer demand, environmental conditions, domestic and foreign government regulations, transport costs, the price and availability of alternative fuels and overall economic conditions. OPEC is expected to review its capping arrangements in March 2018. The possible future imposition by OPEC of caps on Nigerian oil production, in respect of which Nigeria is currently exempt, as part of OPEC's attempt to support oil price by reducing excess availability of crude oil in world markets, could limit the Nigerian oil sector's recovery.

Many countries are actively seeking to develop alternative sources of energy and to reduce their dependence on oil as a source of energy. Any long-term shift away from fossil fuels could adversely affect oil prices and oil demand and the resulting oil revenue of Nigeria.

The level of Nigeria's oil revenues may also be adversely affected by the level of the costs and capital contributions borne or payable by the Nigerian National Petroleum Corporation ("**NNPC**") under its agreements with its joint venture partners. Although the NNPC has transitioned toward alternative arrangements with its joint venture partners that do not require cash contributions, the NNPC has executed an agreement with its joint venture partners which provides a framework for the liquidation, over an agreed period of time, of outstanding cash call arrears unpaid by the NNPC through production sharing contracts. NNPC's ability to pay this outstanding balance of arrears is dependent on the oil revenue it receives. The executed agreements between NNPC and its joint venture partners are expected to continue until the cash call arrears are fully recovered.

Since 2004, the Government has actively managed its oil and gas revenues to promote budget stability during times of lower oil prices. The Excess Crude Account, an account established to address volatility in crude oil prices and production, historically was funded with the positive difference, if any, between the revenue generated by the price of oil projected in the budget for a given year and the actual revenue collected in that year. Over the years, Excess Crude Account balances have fluctuated and withdrawals have been made for debt payments and to augment budgetary expenditures. As of 30 December 2016 and 30 June 2017, the balance in the Excess Crude Account was U.S.$2.4 billion and U.S.$2.3 billion, respectively. In 2011, the Nigeria Sovereign Investment Authority (Establishment etc.) Act was enacted, creating the Nigeria Sovereign Investment Authority, and authorising the establishment of the Future Generations Fund, the Infrastructure Fund and the Stabilisation Fund (the "**Sovereign Wealth Funds**"). The Sovereign Wealth Funds are intended to build a savings base for future generations of Nigerian citizens, fund development of the infrastructure sector and provide stabilisation support in times of economic stress. The Sovereign Wealth Funds are jointly owned and supervised by the Federal, state and local governments as well as the Federal Capital Territory and Area Councils. The Sovereign Wealth Funds are intended to improve the management of Nigeria's inflow from oil revenues. The Nigeria Sovereign Investment Authority was funded in 2012 by a U.S.$1 billion transfer from the Excess Crude Account. See "*Public Finance—Nigeria Sovereign Investment Authority (the Sovereign Wealth Funds)*".

Nigeria's political, economic and social stability has and will continue to be adversely affected by political and religious conflicts, terrorism, and social and religious tensions, any or all of which may materially and adversely impact economic conditions and growth in Nigeria.

In recent years, Nigeria has experienced considerable unrest, terrorism and political, ethnic and religious conflicts. Divisions based on geography can be magnified by religious differences, particularly between the north, which has a predominantly Muslim population, and the south, which has a predominantly Christian population. Since the return to civilian rule in 1999, certain northern states have adopted Sharia law, a system of laws based on the Koran and other Islamic sources. Other than the People's Democratic Party and the All Progressives Congress, many of Nigeria's political parties are based largely upon regional allegiance. These regional affiliations have in the past contributed to, and may continue to contribute to, political, ethnic and religious tension, which can also lead to social unrest. For example, in February 2015, Nigeria's Independent National Electoral Commission postponed the federal elections scheduled to take place in February 2015 until 28 March 2015 due to security concerns. There was some election related violence, particularly in the south-southern region of the country. Additionally, Nigeria has recently experienced an increase in separatist movements. Ethnic tensions have surfaced in recent months amid calls for a separate southern state, known as Biafra, while certain groups in the Niger Delta have called for independence and Boko Haram continues to seek an Islamic state in the north-east.

Nigeria has also, from time to time, experienced attacks and kidnappings in various parts of the country, particularly in the northern and south-southern states. While small-scale kidnapping activities attributed to various groups have been reported in a number of states, it is believed that the attacks in the northern states have been carried out by Islamist militia groups based in the north, such as Ansaru and Boko Haram. These attacks have occurred at various sites including churches, mosques, schools, business premises, police stations and immigration offices in Kano, Maiduguri, Mubi, Yola and Gombi. Instances of kidnappings have increased, and have in some cases been large-scale. For example, 276 female students were kidnapped from a school in Chibok, Borno State in 2014. In response to such occurrences, in May 2013, then-President Goodluck Jonathan declared a state of emergency in the north-eastern states of Borno, Yobe and Adamawa. Under the current administration of President Muhammadu Buhari, the Government has focussed on combating terrorism in Nigeria as one of its key priorities and has sought and gained the support of Western governments and a joint task force consisting of military forces from Nigeria, Chad and Niger. Despite progress made in combatting the group, Boko Haram has continued to mount attacks in 2017, particularly in the Lake Chad region. See "*The Federal Republic of Nigeria—Terrorism and Anti-Terrorism Measures—Boko Haram, Niger Delta Avengers and Indigenous People of Biafra*".

Insurgent activities in the north-east region of the country have also resulted in social and economic damage. The destruction of farm lands and a lack of labourers to engage in farming due to security fears have adversely affected agricultural production in the region and have resulted in instances of famine. In April 2017, a team from the United Nations Mine Action Service reportedly arrived in Nigeria to assess the number of landmines laid by Boko Haram in the Sambisa Forest. Additionally, continued security concerns have deterred humanitarian aid and in a number of cases foreign aid workers have been subject to attack. Following an incident in July 2016, the United Nations Children's Fund ("**UNICEF**") temporarily withdrew certain aid funds.

Additionally, there has been significant continued violence, oil theft, and civil disturbance in the Niger Delta, Nigeria's southern oil producing region, mainly from militant groups, most notably the Niger Delta Avengers, who attack oil installations, among other things, in protest against the Government and the allocation of oil revenue among the regions of the country. The theft and violence have mainly been directed at oil interests in the region, and oil production from onshore fields has slowed as a result, materially and adversely affecting Government revenues from oil production. In particular, the Trans Forcados crude export pipeline in the Batan area of Delta State of Nigeria was attacked on several occasions in July and November 2016. See "*—The Nigerian economy is highly dependent on oil production in Nigeria and global prices of oil*".

In 2017, Nigeria has experienced a renewed threat of secession, with groups in south-east Nigeria seeking to break away from Nigeria to form their own nation. The movement, which have been primarily led by the Indigenous People of Biafra ("**IPOB**"), has caused significant disturbances and, in some instances, has led to violent demonstrations in certain parts of the country. The IPOB, a separatist organisation led by Nnamdi Kanu, has a mandate to break away certain states in south-east Nigeria (made up primarily of the Igbo ethnic group), from Nigeria and form the independent nation of Biafra. On 20 September 2017, the Federal High Court granted an *ex-parte* declaration that the activities of IPOB are acts of terrorism and are illegal, with an interim injunction proscribing activities of the IPOB.

Furthermore, recent attacks by Fulani herdsmen in various parts of Nigeria have also posed a great threat to security in the country. Reports of acts of violence, assault and killings by the Fulani herdsmen as well as indiscriminate cattle grazing, particularly in the southern and middle-belt regions of the country have sparked civil unrest. Most recently, reports of armed Fulani herdsmen attacks in Suwa and Burkutu, Adamawa State, have left such communities in disarray. In addition, a clash between troops and Shiite Muslims in the Zaria area of Northern Kaduna also highlights the security risks faced by Nigeria.

Despite recent progress in combating insurgent groups, the risk of insurgents regrouping remains. Until the Government is able to address conditions such as poverty, low levels of education, religious intolerance, weak enforcement of law and order and insecurity, insurgent groups are expected to continue to operate, especially in the north-eastern part of Nigeria. So long as they continue to do so, insurgent activities will continue to create social, religious and political tension, which in turn can negatively impact the economy and fiscal stability, all of which could have a material adverse effect on Nigeria's economy and, therefore, on Nigeria's ability to meet its debt obligations, including those under the Notes.

Additionally, since the first half of 2016, Nigeria has experienced a degree of political uncertainty as a result of the recurring ill-health of President Buhari. On three different occasions between 6 June and 19 June 2016, 19 January and 13 March 2017 and 7 May and 19 August 2017, President Buhari, whilst undergoing medical treatment in the United Kingdom, designated his Vice-President, Professor Yemi Osinbajo as Acting President of the Federal Republic of Nigeria in accordance with the provisions of the Constitution. Upon President Buhari's return to Nigeria on each of the above three occasions, he resumed office as President, while Professor Yemi Osinbajo returned to being Vice-President. There can be no assurance that, going forward, concerns over President Buhari's health and associated implications will not continue to foster a degree of political uncertainty in Nigeria.

Inability to continue to implement economic and fiscal reforms may have a negative effect on the performance of the Nigerian economy.

In order to address the ongoing challenges affecting the Nigerian economy, the Government continues to implement economic and financial system reforms in order to improve the legal and regulatory environment, promote the private sector, diversify the economy and facilitate access to credit. The Government is pursuing various fiscal reforms to control expenditure and improve the tax system, in particular, as well as cutting public spending by reducing oil-related subsidies and the public payroll.

The framework for these economic and fiscal reforms is set forth in Vision 20:2020, the framework economic transformation plan first developed in 2009 that sets forth key objectives and targets in order to achieve sustained economic and socio-economic development, and the Economic Recovery and Growth Plan (the "**ERGP**"). The ERGP, which was published in March 2017, seeks to implement the objectives set forth in Vision 20:2020 and further the country's ongoing recovery from economic recession (see "*The Economy—Overview—Vision 20:2020*"). The achievement of medium-to-long-term objectives for economic and fiscal reforms, such as those set forth in Vision 20:2020 and the ERGP, depends on a number of factors, including political support across Nigerian society and multiple government administrations, adequate funding, improved security, power sector reform, availability of human capital and significant coordination. These plans also require significant funding, both domestic and international. If fiscal resources prove inadequate and borrowing in the amounts required is not feasible, it may not be possible to pursue adequately all of the contemplated public projects.

Governmental objectives for economic and fiscal reforms, including those objectives set forth in Vision 20:2020 and the ERGP, are based on certain assumptions, including economic assumptions with respect to oil prices and production, GDP growth, inflation, external debt and the fiscal deficit. These assumptions may not materialise, which may result in Nigeria failing to achieve programme objectives.

In particular, since 2014, primarily as a result of the impact of lower oil prices and reduced worldwide commodities demand, Nigeria has experienced slowing economic growth, which fell from a peak of approximately 6.2 per cent. in 2014, to approximately 2.8 per cent. in 2015. In July 2016, the Government stated that Nigeria had technically entered into a recession, and the country experienced a 1.6 per cent contraction in GDP in 2016. While the economy has experienced a slight recovery in 2017, with GDP growth of 0.43 per cent. (year-on-year) for the nine months ended 30 September 2017, further economic contraction or periods of slow growth may affect the central government's revenue and ability to service debt, including the Notes.

There can be no assurance that the Government's plans for economic, fiscal, and financial reform will be implemented or if they are implemented that they will have the expected consequences. In addition, if there is a delay or failure in such implementation or the funding of such plans, then the Government may not be able to achieve on schedule or at all the medium-to-long-term strategic objectives set forth in the Vision 20:2020 and the ERGP. Delays in the implementation of reforms, including those contemplated by the ERGP, and the policy uncertainty entailed by such delays, could influence commercial and multilateral lenders, such as the World Bank and the African Development Bank, when determining if and when to extend further financing to the Government. Failure to implement economic, financial and fiscal reforms or unexpected consequences resulting from implementation or external factors may have a negative effect on Nigeria's economy, affairs and political condition and its ability to service Notes issued under the Programme.

Any failure to adequately address actual and perceived risks of corruption may adversely affect Nigeria's economy and its political stability.

Corruption remains a significant issue in Nigeria. Nigeria is ranked 136 out of 176 in Transparency International's 2016 Corruption Perceptions Index and 145 out of 190 in the World Bank's Doing Business 2018 report. See "*Public Finance — Transparency and Anti-Corruption*". Nigeria has implemented and is pursuing major initiatives to reduce and prevent corruption and unlawful enrichment, and the Government led by President Buhari has been engaged in significant anti-corruption measures in line with the Buhari administration's election manifesto, including high profile arrests and investigations across different sectors and tiers of government. For example, in January 2017, the Federal High Court of Abuja ordered Royal Dutch Shell plc ("**Shell**") and Eni SpA ("**ENI**"), among others, to temporarily forfeit assets and transfer operations of an offshore oil concession, OPL 245, to the Federal Government, pending completion of a corruption investigation by Nigeria's Economic Financial Crimes Commission ("**EFCC**") into the circumstances surrounding the acquisition of an interest in the license to the OPL 245 bloc in 2011 by affiliates of Shell and ENI. The EFCC investigation follows allegations that the purchase involved "acts of conspiracy, bribery, official corruption and money laundering". Dutch and Italian authorities are also reportedly investigating the acquisitions of an interest in the OPL 245 bloc license. In March 2017, the Federal High Court in Abuja, following an appeal by Shell and ENI, held that the EFCC failed to meet the preconditions for making an application for an interim attachment of properties and consequentially reversed the initial order granted to the EFCC in January 2017. In addition, former oil minister, Diezani Alison-Maduek, is currently under investigation by the United States Department of Justice and the United Kingdom's National Crime Agency for her alleged involvement in a series of bribery and money laundering offences.

In August 2015, the Government established the Presidential Advisory Council Against Corruption, which advises the Government on anti-corruption policies and strategies for law enforcement, and measures are currently underway to establish one or more special courts to handle corruption cases.

Notwithstanding these reforms and initiatives, further progress needs to be achieved in terms of governance reform and corruption in the public sector. Corruption remains a concern for Nigeria given its potential impact on its affairs, political condition and economy and its perception by potential investors and development partners.

Corruption has many implications for a country, including increasing the risk of political instability, distorting decision-making processes and adversely affecting its international reputation. Failure to address these issues, continued corruption in the public sector and any future allegations of or perceived risk of corruption in Nigeria could have an adverse effect on the political stability of Nigeria and on the economy, including levels of foreign investment, which, in turn, may have a material adverse effect on Nigeria's ability to meet its debt obligations, including those under Notes issued under the Programme.

Inability to grow the non-oil-and-gas sectors of its economy may adversely affect Nigeria's economy.

In recent years, Nigeria has sought to develop the non-oil sectors of its economy by encouraging agriculture, trade, construction, telecommunications, financial services, mining and manufacturing activities. This has become increasingly critical in the current recessionary environment, particularly with low global oil prices. The non-oil sector recorded real growth of 5.81 per cent. in 2012, 8.42 per cent. in 2013, 7.18 per cent. in 2014 and 3.75 per cent. in 2015, followed by a contraction of 0.22 per cent. in 2016. In the six months ended 30 June 2017, real growth in the non-oil sector was 7.71 per cent. Growth in the non-oil sector generally has been driven largely by the services sector.

Factors such as deficient infrastructure (including inadequate power supply and transportation systems), limited availability of domestic credit, limited consumer demand, local shortages of skilled managers and workers and unimplemented government policies may constrain further development in non-oil sectors and the current rate of growth may decline in future periods. Any inability to continue to grow the non-oil sectors of its economy may constrain Nigeria's economic growth, which may in turn result in a material adverse effect on Nigeria's ability to meet its debt obligations, including those under the Notes. See "*—The Nigerian economy and, in particular, government revenues, are highly dependent on oil production and sales and prices of oil in global markets*".

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

Nigeria's public infrastructure is, in many cases, in poor condition and the Government has identified Nigeria's aged and underdeveloped infrastructure as a major impediment to economic growth. Underinvestment has led to the deterioration and absence of basic infrastructure to support and sustain growth and economic development. These shortcomings, particularly with respect to power generation, transmission and distribution, a deteriorating road network, congested port, obsolete rail infrastructure and aging airports have severely constrained socio-economic development in Nigeria by, among other things, leading to increased production costs and hindering competitiveness of domestic production. For example, Abuja's Nnamdi Azikiwe International Airport was closed from 8 March 2017 to 18 April 2017 while its sole runway, whose lifespan was reported to have ended in 2002, was resurfaced, which risked having a significant impact on government and economic activity in the region. Although significant advances have been made in the sectors of telecommunications and internet facilities in recent years, the state of development in those sectors nevertheless remains behind that of more developed economies.

In order to achieve desired infrastructural development to bridge the infrastructure deficit, the Government intends to continue allocating a significant portion of the budget toward public investments. For example, in the 2016 budget, public capital expenditure represented approximately 26.2 per cent. of the budget (₦1.6 trillion) and in the 2017 budget, public capital expenditure represents approximately 29.2 per cent. of the budget (₦2.2 trillion) although there can be no assurance that these investments will be realised nor that the targets will be met.

Failure to improve Nigeria's infrastructure, or to realise targeted improvements, could adversely affect Nigeria's economy, competitive ranking and growth prospects, including Nigeria's ability to meet GDP growth targets and its ability to repay its obligations, including those under the Notes. Further, there is no guarantee that the Government will have sufficient funding to implement the growth plan.

Nigeria suffers from electricity shortages.

The lack of a reliable electricity supply remains a serious impediment to Nigeria's economic growth and development. Insufficient power generation, aging infrastructure, weak distribution networks, overloaded transformers and acts of sabotage to pipelines and infrastructure by vandals result in frequent power outages, high transmission and distribution losses and poor voltage output. The NBS reported that the total energy generated in Nigeria as at 30 June 2017 was approximately 3,899 MW, a decrease from the high of approximately 5,846 MW recorded on 24 January 2017. The Power Sector Recovery Plan, a programme designed in consultation with the World Bank aimed at restoring and improving the power sector, indicates that, unless actions are taken immediately, the power sector will face losses estimated at U.S.$1.5 billion per year for the next five years.

The Government has identified the improvement of electricity generation, transmission and distribution infrastructure as a critical element in meeting economic growth and development objectives. To address these issues, the Government is pursuing a number of policy initiatives, including those set forth in the ERGP and the "Roadmap for Power Sector Reform". The Roadmap for Power Sector Reform seeks to remove obstacles to private sector investment in the power sector, to complete the privatisation of generation and distribution companies, to facilitate the construction of new transmission networks and to reform the fuel-to-power sector with the goal of increasing electricity generation capacity. The current Government has stated that the proposed strategy to electricity generation is by an "incremental approach" from 5,000 megawatts to 7,000 megawatts, before "steady power" then to "uninterrupted power", with the goal of reaching 20,000 megawatts by 2021.

In addition to funding, reforms in the power sector require significant coordination and human capital investment across several Federal ministries, departments and agencies ("**MDAs**"). No assurances can be given that Nigeria will be able to obtain the necessary funding or resources to achieve this target or to effectively reform the power sector, or that the reforms will not cost significantly more than currently estimated.

Any failure to successfully implement the power sector reform and development plan and address the significant deficiencies in Nigeria's power generation, transmission and distribution infrastructure could lead to lower GDP growth, hampering the development of the economy and Nigeria's ability to meet its debt obligations, including those under the Notes.

Further depreciation of the Naira against other currencies and the lack of widespread availability of foreign currency could adversely impact the Nigerian economy.

The Central Bank historically has sought to maintain the exchange rate between the Naira and the U.S. dollar within a narrow band with periodic adjustments. In recent years, the Naira has depreciated significantly against the U.S. dollar. The Central Bank's Official Rate stood at ₦155.20 to U.S.$1 as of 31 December 2013 and ₦167.50 to U.S.$1 as of 31 December 2014. In early 2015, the Central Bank instituted certain currency control policies and pegged the Naira at ₦168 to the U.S. dollar. Among other steps, in order to protect Nigeria's foreign currency reserves following depleted earnings caused by the falling price of oil, the Central Bank imposed restrictions on commercial banks' foreign exchange trading, closed the official foreign exchange auction window and channelled those transactions to the interbank market, at which point the interbank exchange rate replaced the Official Rate and became the operative exchange rate for Nigeria.

These measures resulted in the Central Bank being unable to meet the demand for foreign currency at the official rate, and many market participants, including the manufacturing sector in particular, suffered from restricted access to foreign currencies needed to operate their businesses and/or turning to the unofficial parallel markets, where the Naira was trading between ₦300 to ₦350 to the U.S. dollar, to obtain foreign currency. The capital control measures and currency peg also resulted in increased inflation, while foreign investment declined significantly due to concerns over devaluation and limitations on the ability to repatriate funds invested in Nigeria.

In order to address these issues, in June 2016, the Central Bank commenced the operation of a liberalised single market structure with the introduction of an autonomous inter-bank market and the ending of the Naira peg to the U.S. dollar. Under the new policy, the Central Bank may intervene in the single market (for the primary purposes of seeking to improve liquidity and manage volatility) by purchasing or selling foreign exchange at no predetermined or maximum spread through the two-way quote system. As part of the new exchange rate policy, the Central Bank introduced Foreign Exchange Primary Dealers, which are registered authorised dealers designated to transact large trades with the Central Bank on a two-way quote basis. Although bureaux de change also participate in the single market, they are permitted only to disburse funds for certain eligible retail transactions. On the day of the Central Bank's June 2016 announcement, the official rate fell approximately 30 per cent. in value to ₦280 to the U.S. dollar and, as at 31 December 2016, the official rate was ₦304.5 to the U.S. dollar. Additionally, in April 2017, the Central Bank, via a circular dated 21 April 2017 (the "**Circular**"), introduced the Nigerian Autonomous Foreign Exchange Fixing Mechanism (commonly known as the "Investors' and Exporters'" foreign exchange window), a special foreign currency exchange window for investors, exporters and end-users. The new exchange window aims to increase liquidity in the foreign exchange market in Nigeria and ensure timely execution of settlement of eligible transactions. See "*Monetary System — Exchange Rate*" for further discussion. As of 17 November 2017, the inter-bank exchange rate was ₦305.95 to the U.S. dollar.

Despite the measures outlined above and the gradual convergence of rates, there continues to be a material difference between the official rate and rates available on the unofficial parallel markets, where demand for foreign currency continues to exceed supply and delays in processing payments through the official market and a desire to source foreign currency for non-eligible retail transactions has seen the unofficial parallel rate reach levels close to ₦500 to the U.S. dollar.

While the Central Bank has taken certain actions to reduce the gap between the official rate and the parallel rate, there continues to be a material difference between the two rates, and private sector activity may continue to be impacted by a lack of available foreign currency at official rates with individuals and companies having to transact at the unofficial rates provided by the parallel market. See "*Monetary System — Exchange Rate*" for further discussion.

Although the Central Bank expects to continue to direct exchange rate policy towards maintaining price stability, no assurance can be given that the exchange rate will remain stable or that the Central Bank will or will not draw on external reserves to stabilise the exchange rate or that inflation will be stable. Demand pressure continues to increase in the foreign exchange market largely due to speculative demand following declines in international crude oil prices. Any further currency fluctuations and/or fluctuations in Nigeria's external reserves may negatively affect the Nigerian economy and therefore Nigeria's ability to meet its debt obligations. See also "*A significant decline in the level of external reserves could adversely impact the Nigerian economy and impair Nigeria's ability to service its debt*".

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

According to the Debt Management Office, as of 30 June 2017, Nigeria's external debt was U.S.$15.0 billion, consisting of U.S.$11.1 billion owed directly by the Federal Government and U.S.$3.9 billion which was on-lent by the Federal Government to states and the Federal Capital Territory. Further, the Federal Government had U.S.$39.3 billion of domestic debt outstanding as of 30 June 2017. On 16 February and 5 April 2017, the Federal Government issued in aggregate U.S.$1,500,000,000 7.875 per cent. notes due 2032, while on 20 June 2017, the Federal Government issued U.S.$300,000,000 5.625 per cent. "diaspora bonds" due 2022. In September 2017, the Federal Government issued a ₦100,000,000,000 16.47% Ijarah Sukuk due 2024.

The U.S. dollar value of the total public debt stock of the Government (i.e., external and domestic debt owed directly by the Federal Government and external debt on-lent by the Federal Government to the States and Federal Capital Territory) was U.S.$48.5 billion, U.S.$54.5 billion, U.S.$56.8 billion, U.S.$55.6 billion and U.S.$47.7 billion as of the end of 2012, 2013, 2014, 2015 and 2016, respectively. As of 30 June 2017, Nigeria's total public debt in U.S. dollar terms stood at U.S$54.4 billion. The decrease in the U.S. dollar value of public debt from 2014 to 2016 was primarily due to a decrease in the U.S. dollar value of domestic debt due to the depreciation of the Naira over the period, although in real terms public debt has risen, with total public debt stock of the Government (i.e., external and domestic debt owed directly by the Federal Government and external debt on-lent by the Federal Government to the States and Federal Capital Territory) standing at ₦14.5 trillion as at 31 December 2016, compared to ₦10.9 trillion as at 31 December 2015 and ₦9.5 trillion as at 31 December 2014.

Nigeria's debt-to-GDP ratio as of 31 December 2016 was 14.2 per cent., compared to 11.4 per cent. as of 31 December 2015. Nigeria's debt-to-GDP ratio as of 30 June 2017 was 17.8 per cent. The ratio of net present value of debt (using World Bank methodology) to GDP for fiscal years 2012, 2013, 2014 and 2015 was 22.4 per cent., 12.7 per cent., 12.7 per cent. and 13 per cent., respectively.

Despite relatively low levels of public debt, the fiscal deficit remains large, and the Government plans to continue to raise debt both domestically and externally (including through the Programme) to fund its reform programmes and to address the current fiscal deficit. In addition, the Government relies on resources from the CBN through ways and means advances and other forms of lending secured against the Treasury Single Account held with the CBN to meet short-term liquidity requirements. If the CBN were not able to continue to supply this funding, the Government may be required to reduce spending or increase its borrowings in order to fund the deficit. Such borrowings when coupled with a continued contracting economy, elevated interest rates on domestic debt, and higher amounts of foreign currency borrowings in Naira terms if there is any further depreciation of the Naira, will increase total debt as a percentage of GDP and also debt service amounts.

As a result, the Federal Government's debt service-to-revenue ratio (based on combined Federal Government and State revenues), a key indicator of debt sustainability, stood at 34 per cent. as of 30 June 2017, according to the Debt Management Office. There can be no assurance that the Federal Government's efforts to improve debt sustainability pursuant to its Medium-Term Debt Management Strategy 2016-2019, will be effective. See "*Public Debt—Debt Management Office*".

In addition, while not categorised as public debt, the Government had recorded ₦1.4 trillion of contingent liabilities of the Federal Government as at 31 December 2016, including pension liabilities of ₦1.1 trillion. See "*Public Debt—Guarantees and Contingent Liabilities*". Additionally, the Federal Executive Council approved the settlement of discounted obligations with a total value of ₦2.7 trillion in August 2017 relating to Government arrears toward third parties, including construction contractors, suppliers of goods and services and state governments, that were announced in December 2016, in respect of which the administration of President Buhari intends to issue promissory notes in 2018. These promissory notes will be recorded as public domestic debt by the Federal Government, thereby increasing Nigeria's total debt stock significantly. See "*Public Finance—Federal Government Expenditures*".

Increased borrowings, whether domestic or international, including the issuance of debt to fund widening fiscal deficits, infrastructure spending and other requirements or contingent liabilities, could negatively impact Nigeria's debt sustainability analysis and sovereign credit rating and may impair the Issuer's ability to service the Notes.

Inability to collect certain revenues from ministries, departments and agencies may adversely impact the Government's revenues.

MDAs are obligated by law to remit independent revenue they generate to the Federation Account for onward allocation and distribution. Despite this requirement, the Government has faced significant challenges in collecting full remittances from the MDAs, due in part to systemic inefficiencies and the use of intermediary institutions. Although budgeted independent revenue, consisting primarily of remittances from MDAs, for 2016 was ₦1.5 trillion, actual collection of independent revenue in 2016 was ₦0.2 trillion.

The Government has taken a number of steps to address these challenges, including deploying information technology systems as part of its strategy to install controls to improve the efficiency and transparency of public finances. These include (i) the adoption of the Treasury Single Account, which is designed to centralise balances of MDAs at the Central Bank, which became mandatory in September 2015 (except for the NNPC, which is expected to participate in the near future) and (ii) the introduction of the Government Integrated Financial Management System in 2012 and the Integrated Personnel and Payroll Information System in 2007. See "*Public Finance—Public Accounts—Treasury Single Account*".

The use of the Integrated Personnel and Payroll Information System has allowed ₦82 billion to be cut in personnel costs in the 2016 budget compared to the budget in 2015. As of October 2017, a total of 470 MDAs had been enrolled into the Integrated Personnel and Payroll Information System.

There have also been claims of mismanagement of proceeds due to the Federal Government. In September 2013, the then CBN Governor alleged that over U.S.$49 billion of funds had not been remitted by the NNPC into the Federation Account. Following these allegations, a special Senate committee announced the launch of an independent forensic audit of the allocation of oil subsidies and management of NNPC accounts. In 2014, the CBN Governor appeared before the Senate Committee alleging a failure by the NNPC to remit a reduced amount of approximately U.S.$20 billion from crude oil sales to the Government. The audit, undertaken by PricewaterhouseCoopers Limited ("**PwC**"), estimated the unremitted amount at approximately U.S.$1.5 billion in its report to the Auditor General of the Federation in February 2015. The report was disputed by the NNPC, which indicated that the amounts had been deducted by the NNPC as operational costs before remittance to the Federation Account. See "*Economy—Oil and Gas—Revenue Sources*".

While the Government continues to take steps to address these challenges, to the extent that the Federal Government is unable to collect projected independent revenue from the MDAs, the resulting reduction in federally collectible revenue may lead to higher budget deficits, leading to an increased debt burden on Nigeria, which may result in a material adverse effect on its ability to service Notes issued under the Programme.

The Nigerian banking system has in the past required and may, in the future require, significant state support and has been impacted by the recession in Nigeria.

Deteriorating economic conditions in Nigeria in 2015 and 2016 led to a significant increase in non-performing loans in the Nigerian banking sector as a whole. The increase in non-performing loans within the Nigerian banking sector is largely attributable to the challenges faced by the public sector and by Nigerian corporate borrowers (accounting, according to the IMF, for approximately 80 per cent. of Nigerian bank loans), whose liquidity and balance sheet positions weakened due to their high degree of exposure to the oil and gas sector and foreign exchange risk. See *"—Further depreciation of the Naira against other currencies and the lack of widespread availability of foreign currency could adversely impact the Nigerian economy*".

The CBN continues to provide support to the Nigerian banking sector through the Asset Management Corporation of Nigeria ("**AMCON**"), which was established in 2010 in the wake of the 2007 global financial crisis to, among other measures, acquire non-performing loans held by Nigerian banks and issue notes guaranteed by the Debt Management Office to Nigerian banks to improve their capitalisation. Since its establishment, AMCON has issued notes with a face value of approximately ₦5.674 trillion and has acquired an estimated ₦3.767 trillion of non-performing loans in the banking sector. No assurance can be given that AMCON's performance will continue to be positive and will enable it to repay or refinance its outstanding debt. See "*Monetary System — Banking Reforms*" for additional information on AMCON and its activities. AMCON reported losses of ₦304.4 billion and ₦275.5 billion for 2015 and 2014, respectively and had reported a cumulative loss of ₦4.854 trillion as of 31 December 2016. In December 2016, as a measure to address the increase in non-performing loans since 2015, the Central Bank and the Nigeria Deposit Insurance Corporation ("**NDIC**") set up a joint committee to consider the potential need to establish a second AMCON to acquire non-performing loans from banks, which would be funded by the private sector and pave the way for the gradual transition or folding up of the current AMCON. The Central Bank has also issued a Supervisory Intervention Framework, and it is expected that the intervention that will be adopted will be dependent on the financial condition of the affected banks. In 2016, the CBN intervened to support Skye Bank. The management of Skye Bank has been changed and the CBN has further extended the guarantee for another year whilst considering Skye Bank's recapitalisation proposal, although the guarantee has not yet been called on.

Should the second AMCON or other initiatives introduced by the Central Bank fail to materialise or fail to achieve the desired results, weakness in the banking sector may continue to have a material adverse effect on investment and confidence in, and the performance of, the Nigerian economy. In addition, the ability of the Government to provide further support may be limited in light of the impact of the recent economic downturn on public finances.

Sustained periods of high inflation could have a material adverse effect on Nigeria's economy.

In 2012, 2013, 2014, 2015 and 2016, year-on-year consumer price inflation was 12.0 per cent., 8.0 per cent., 8.0 per cent., 9.6 per cent. and 18.6 per cent., respectively, according to the Central Bank. The rise in inflation in 2016 was attributable primarily to currency depreciation and increases in some tariffs and administered prices (particularly for fuel and electricity). Year-on-year inflation reached 18.7 per cent. in January 2017, before decreasing gradually over the course of 2017. In October 2017, the year-on change in consumer price inflation stood at 15.9 per cent. For more information on historical inflation rates see "*Monetary System — Inflation*".

A significant contributing factor to inflation in Nigeria is that many goods, including food, are imported, and accordingly prices are affected by currency movements. Although the agricultural sector in Nigeria grew by 4.3 per cent., 3.7 per cent. and 4.1 per cent. in 2014, 2015 and 2016, respectively, Nigeria continues to rely heavily on food imports. In December 2016, year-on change in inflation in the food sector stood at 17.4 per cent., as compared to 10.6 per cent. in December 2015, driven in large part by the depreciation of the Naira, from ₦196.5 to the U.S. dollar as of 31 December 2015, to ₦304.5 to the U.S. dollar as of 31 December 2016. In September 2017, the year-on change in inflation in the food sector was 20.3 per cent.

Although tighter monetary policies may help to curb inflation, there can be no assurance that inflation will not continue to remain at high levels or that the inflation rate will not rise in the future. Significant inflation could have a material adverse effect on Nigeria's economy and Nigeria's ability to meet its debt obligations, including those under the Notes.

A significant decline in the level of external reserves could adversely impact the Nigerian economy and impair Nigeria's ability to service its debt.

In the short- to medium-term, the level of foreign exchange reserves depends on the price of crude oil in the international market and the foreign exchange rate. The downside risks of lower crude oil prices and higher cost of imports may put significant pressure on the external reserves, exchange rate and inflation rate.

There has been some volatility in gross external reserves since 2012. Gross external reserves stood at U.S.$43.8 billion as at the end of 2012, and decreased to U.S.$42.9 billion as at the end of 2013, and further to U.S.$34.2 billion as at the end of 2014. As of 31 December 2015, gross external reserves had decreased further to U.S.$28.3 billion, providing more than six months of import cover. As of 31 December 2016, gross external reserves were U.S.$27.0 billion, providing approximately five months of import cover, being the proportion of the amount of gross external reserves to the value of imports during the most recent preceding year. As of 30 June 2017, gross external reserves totalled U.S.$30.3 billion, enough to cover approximately 10.5 months of imports.

Given the fluctuations in Nigeria's external reserves, its high dependence on oil exports for foreign currency and its dependence on imports for key goods that typically are priced in U.S. dollars, such as petroleum products and food, in U.S. dollar terms, the Naira will remain vulnerable to external shocks that could lead to a sharp decline in its value, as has occurred since 2014. Such decline could prompt the Central Bank to intervene further in the currency markets in an attempt to stabilise the Naira.

Oil production in Nigeria is impacted by militant activities, vandalism and theft disrupting oil supply and transportation.

High levels of disruptions resulting from militant activities, pipeline vandalism and oil theft in the Niger Delta area have resulted in significant fluctuations in oil production in Nigeria. Average daily production for 2016 was 1.8 million barrels per day ("**mbpd**"), compared to a budgeted estimate of 2.2 mbpd, and was as low as 1.5 mbpd in August 2016, before recovering slightly in 2017 as a result of fewer disruptions stemming from militant activity in the Niger Delta region. For the six months ended 30 June 2017, average daily production was 1.8 mbpd. In August 2015, the Nigerian unit of Royal Dutch Shell plc invoked a force majeure and shut down the Trans-Niger Pipeline and Nembe Creek Trunkline, each serving the Bonny Terminal, following incidents of vandalism, and militants attacked Nigeria's state-owned Trans Forcados pipeline on multiple occasions in 2016. This hampered operations significantly, reducing production until the force majeure was lifted in June 2017. According to the NNPC, in 2014 and 2015, 3,700 and 2,783 incidents of vandalism were reported, respectively, costing an estimated ₦44.8 billion and ₦51.3 billion, respectively. In 2016, 2,560 incidents of vandalism were reported, while in the 12 months between June 2016 and June 2017, 1,820 incidents of vandalism were reported.

The interruption of production operations and vandalism of oil pipelines and theft of crude oil from pipelines and tank farms has resulted in loss of revenue and may continue to do so. Disruption, or a perceived risk of disruption, by militants may result in higher occurrence of delayed or abandoned oil projects, or contribute to slower growth in oil and gas production, all of which could have a negative impact on Nigeria's economy given its reliance on oil.

Nigeria has limited refinery capacity and relies heavily on imported refined oil and petroleum products.

Nigeria's four oil refineries, which were built in the 1970s and 1980s, operate inefficiently and significantly below their production capacities, in part due to old technology and infrastructure and lack of regular maintenance attributable to budgetary constraints, as well as the high cost of transportation of crude oil to the refineries. Due to the limited production by its oil refineries, Nigeria relies heavily on imported refined petroleum products to meet its energy and transport requirements. Accordingly, any rise in the international price of oil significantly affects Nigeria's economy because, among other things, higher oil prices increase the country's costs of imported petroleum products and exert upward pressure on prices. To alleviate the impact on consumers, the Government has historically regulated the prices of certain petroleum products while subsidising petroleum retailers. The cost of these subsidies is substantial and increases as the global price for refined oil increases. Even if global oil prices are low, any benefit in terms of reduced subsidy payments may be transient and may be outweighed by effects of lower crude oil prices on Nigeria's revenues from sales of oil products.

In late 2011, the Government announced the complete removal of petroleum subsidies with effect from the beginning of 2012. Following the subsidy removal, protests and violence broke out across Nigeria and Nigeria's national labour unions called for an indefinite nationwide strike until the subsidies were partially reinstated, affecting economic and political instability. By mid-January 2012, former President Goodluck Jonathan announced that the partial subsidy reinstatement was temporary, and that the Government remained committed to deregulating the downstream sector and removing all subsidies on petroleum products. In May 2016, the Buhari administration introduced a new approach for the supply, distribution and pricing of petroleum products that is designed to adjust pricing of petroleum products to market levels.

While the Government has stated that it has removed petroleum products subsidies in light of the fact that no provisions for payment of subsidies have been included in the 2016 and 2017 budgets, the Government policy in this regard remains uncertain. Should international oil prices rise above current levels, the Government may encounter pressure to resume subsidising petroleum products, even partially, and the financial cost to the Government could be significant. Given the country's high dependency on petroleum products and its reliance on imported refined products in the absence of an increase in domestic refined capacity, no assurance can be given that attempts to remove or reduce any reintroduced subsidies in the future will not lead to further protests or other unrest or have an adverse effect on the segments of the economy required to bear the resulting higher prices, all of which could have a negative impact on Nigeria's economy.

The regulatory environment in the Nigerian oil and gas sector is subject to significant on-going change and persistent delays in policy implementation.

Over the past several years, Nigeria has been pursuing new policies intended to restructure its upstream and deregulate its downstream oil and gas sectors, including by seeking to pass the Petroleum Industry Bill, proposed originally in 2008 and proposing a new National Petroleum Policy in July 2017. In an effort to expedite the passage of the necessary reforms, the Petroleum Industry Bill was divided into separate bills. The Government intends to implement the first phase of regulatory reforms through the Petroleum Industry Governance Bill 2016, which was passed by the Senate on 25 May 2017 and then transmitted to the House of Representatives. On 15 June 2017, the Petroleum Industry Governance Bill passed a second reading before the House of Representatives and was referred to the House of Representatives Ad-hoc Committee on the Petroleum Industry. The Government is currently proceeding with other related bills, with the Senate having passed the Petroleum Industry Administration Bill, the Petroleum Industry Fiscal Bill and the Petroleum Host Community Bill on 27 July 2017. The objectives of the Petroleum Industry Governance Bill 2016 are to (a) create efficient and effective governing institutions with clear and separate roles for the petroleum industry; (b) establish a framework for the creation of commercially oriented and profit driven petroleum entities that ensures value addition and internationalisation of the petroleum industry; (c) promote transparency and accountability in the administration of the petroleum resources of Nigeria; and (d) foster a conducive business environment for petroleum industry operations. Any further delays in the effective implementation of the Petroleum Industry Bill may affect investment in Nigeria's oil and gas industries, negatively impacting potential growth.

While it is expected that the passage of new legislation in relation to the petroleum industry may address certain challenges in the oil and gas sector, there is no assurance that the proposed legislation will implemented effectively given the divergent regional and political interests against its passage and implementation. For additional information about the original Petroleum Industry Bill and Petroleum Industry Governance Bill 2016, please see "*The Economy — Principal Sectors of the Economy — Oil and Gas — Oil and Gas Reforms*".

Nigeria suffers from poverty and unemployment

Despite generally strong macroeconomic performance over the past decade, poverty remains high in Nigeria, with approximately 50 per cent of the population living below the poverty line in the northern states in 2016, according to the World Bank. In the Human Development Report 2016, published by the United Nations Development Programme ("**UNDP**"), Nigeria's ranking in the Human Development Index ("**HDI**"), a composite measure of life expectancy, education, and incomes, was 152 out of 188 countries and territories, based on an HDI of 0.527, which was slightly above the Sub-Saharan African average of 0.523. The UNDP Human Development Report 2016 indicated a life expectancy at birth in Nigeria of approximately 53.4 years for females and 52.7 years for males, an adult literacy rate of 59.6 per cent. (based on 2005—2015 data), and a primary school enrolment rate of 85 per cent. (based on 2010—2015 data).

According to the NBS, the unemployment rate was 14.2 per cent. as of the end of 2016. Underemployment was 21.0 per cent. as of the end of 2016. The report of the NBS indicates that unemployment and underemployment are more pronounced in the northern part of the country compared to the southern part.

If high levels of poverty and unemployment are not addressed, they could continue to be a source of political and social instability in Nigeria, including violence. Furthermore, failure to reduce poverty and unemployment may individually or in the aggregate have negative effects on the Nigerian economy and, as a result, a material adverse effect on Nigeria's capacity to service the Notes.

Nigeria may face a reduction in foreign investment.

Nigeria's total foreign direct investment ("**FDI**"), which comprises equity capital and other capital inflows, had been steadily increasing in previous year. However, it declined from U.S.$7.13 billion in 2012 to U.S.$5.6 billion in 2013. With the global fall in oil prices, it dropped further to U.S$4.69 billion in 2014 and U.S.$3.06 billion in 2015. The decrease in 2015 was compounded by heightened concerns about economic and political stability as the country prepared for, and eventually postponed, the presidential elections in early 2015, which significantly affected the flow of foreign direct investments into Nigeria. Following the 2015 elections, perceived delays in the transition to the new government, continued terrorist activities in the north and the mid-year uncertainties surrounding the devaluation of the Naira continued to negatively impact foreign investments in Nigeria. As of 31 December 2016, Nigeria's FDI was recorded at U.S.$ 4.45 billion.

Any inability to return FDI to pre-2014 levels and further promote FDI in the country could adversely affect the Nigerian economy, including funding for infrastructure, petroleum, power, gas and other projects requiring significant investment by the private sector.

Events in neighbouring and other emerging markets, including those in sub-Saharan Africa and Saharan Africa, may negatively affect Nigeria and its economy.

Economic, security or health distress in Nigeria's neighbours and nearby emerging market countries may adversely affect Nigeria's economy, the prices of securities and the level of investment in other emerging market issuers as investors move their money to more stable, developed markets. Financial problems or an increase in the perceived risks associated with investing in emerging market economies could dampen foreign investment in Nigeria, adversely affect the Nigerian economy or adversely affect the trading price of Notes issued under the Programme. Even if the Nigerian economy remains relatively stable, economic distress in neighbouring or other emerging market countries could adversely affect the trading price of Notes issued under the Programme and the availability of foreign funding sources for the Government. Adverse developments in other countries in sub-Saharan Africa, in particular, may have a negative impact on Nigeria if investors perceive risk that such developments will adversely affect Nigeria or that similar adverse developments may occur in Nigeria. Risks associated with sub-Saharan Africa include political uncertainty, civil unrest and conflict, corruption, the outbreak of disease and poor infrastructure. Investors' perceptions of certain risks may be compounded by incomplete, unreliable or unavailable economic and statistical data on Nigeria, including elements of the information provided in this Base Prospectus.

The statistical information published by Nigeria may differ from that produced by other sources, may be incomplete, delayed or inconsistent and is subject to revision, amendment and adjustment.

Various MDAs, including the NBS, Central Bank, Ministry of Finance, Ministry of Petroleum, Ministry of Trade and Investment and Ministry of Environment produce statistics relating to Nigeria and its economy. Although collaborative efforts are being undertaken by MDAs toward producing accurate and consistent social and economic data, there may be inconsistencies in the compilation of data and methodologies used by some of these MDAs. As is common in many developing economies, the size of the informal economy in Nigeria may lead to material omissions or misstatements in the statistical data prepared by MDAs. Nigeria still faces a number of challenges in gathering statistical data, such as the lack of good source data and insufficient computerisation, inadequate information on sub-national public finances and large errors and omissions in the balance of payments data, all of which continue to hinder compilation of timely and consistent data. In particular, prospective investors should be aware that figures relating to Nigeria's GDP, its balance of payments and other figures cited in this Base Prospectus may be subject to some degree of uncertainty and that the information set forth in this Base Prospectus may become outdated relatively quickly. Some of the statistics contained in this Base Prospectus may be indicated as estimated or provisional figures that are subject to later revision. In addition, the Issuer's financial and economic statistics are subject to review as part of a regular confirmation process. Accordingly, such data and statistics may differ from information previously published by the Issuer or MDAs, and are subject to further adjustment, amendment or revision, whether as part of regular review or otherwise. No assurance can be given that such adjustment, amendment or revision may not be material. In line with recommendations from the UN Statistical Commission that countries rebase GDP every five years, the NBS completed the most recent rebasing exercise in 2014 and intends to undertake a further rebasing exercise, which is expected to complete in 2018.

Although there have been significant efforts to improve the compilation of Nigeria's data in recent years, including through technical assistance provided by the IMF, deficiencies remain; in particular, inadequate information on subnational public finances and large errors and omissions in the balance of payments. The IMF commented in March 2016 that there is a need for improved validation of transactions reported by banks, measurement of transactions outside the banking system, appropriate treatment of transactions of enterprises in free trade zones (using a residency criterion) and improved coverage of estimates of the external assets and liabilities of the banking sector. In particular, there continue to be large errors and omissions in the balance of payments, which, according to the IMF, may suggest that the current account balance is overestimated by a significant (but unknown) amount.

A significant portion of the Nigerian economy is not recorded.

A significant portion of the Nigerian economy consists of the informal, or shadow, economy. According to the NBS, in 2015, the informal sector accounted for approximately 41.4 per cent. of Nigeria's nominal GDP. Although following the rebasing of the country's GDP in 2014, the number of economic activities surveyed and computed as part of GDP figures increased, the presence of the informal sector in the economy remains significant. The informal economy is not recorded and is only partially taxed, resulting in less revenue for the

Government, ineffective regulation, unreliability of statistical information (including the understatement of GDP and inaccuracies in the apparent contribution to GDP of various sectors) and an inability to monitor or otherwise regulate a large portion of the economy. Lack of effective regulation and enforcement in this sector also gives rise to other issues, including health and safety issues. Although the Government is attempting to address the informal economy by streamlining certain regulations, particularly tax laws, there can be no assurance that such reforms will adequately address the issues and bring the informal economy into the formal sector.

Health risks could adversely affect Nigeria's economy.

HIV/AIDS, tuberculosis (which is exacerbated in the presence of HIV/AIDS), malaria and typhoid are major healthcare challenges in Nigeria. According to the World Bank, in 2011 Nigeria had an HIV prevalence of approximately 3.3 per cent. among its population of adults aged between 15 and 49 years old, which decreased to 2.9 per cent. in 2016. On 31 March 2017, the Federal Ministry of Health announced that an outbreak of cerebrospinal meningitis across Nigeria had begun in December 2016, affecting primarily northern areas. The Nigerian Centre for Disease Control reported that, as of June 2017, there had been 14,473 suspected cases and 1,155 deaths. With support from multilateral and bilateral development partners, vaccines have been deployed to affected areas and all public sector hospitals have been directed to provide free treatment for all cases of cerebrospinal meningitis. The high prevalence of HIV/AIDS, malaria, typhoid, cerebrospinal meningitis or other diseases in Nigeria may have a material adverse effect on the economy of Nigeria and therefore on Nigeria's ability to meet its debt obligations, including those under the Notes.

Nigeria is a foreign sovereign state and accordingly it may be difficult to obtain or enforce judgments against it.

Nigeria is a sovereign state. As a result, it may be difficult for investors to obtain judgment against Nigeria in foreign or Nigerian courts or to enforce foreign judgments, including judgments predicated upon civil liabilities under the securities laws of the United States or any state or territory within the United States against Nigeria. Although Nigeria will consent in the conditions of the Notes to the giving of any relief or the issue of any process in connection with proceedings in England arising out of any dispute arising from or connected with the Notes and will agree to waive any immunity it may have in a suit, execution, attachment or other legal process in respect of any such proceedings, that waiver of immunity does not extend to any other proceedings and excludes from its scope certain diplomatic, military and other government properties, located in Nigeria. The Issuer has not consented to service or waived sovereign immunity with respect to actions brought against it under United States federal securities laws or any State securities laws. In the absence of a waiver of immunity by the Issuer with respect to these actions, it would not be possible to obtain a judgment in such an action brought against the Issuer in a court in the United States unless the court were to determine that the Issuer is not entitled, under the United States Foreign Sovereign Immunities Act 1976, as amended (the "**FSIA**") to sovereign immunity with respect to such action. Further, even if a United States judgment could be obtained in such an action, it may not be possible to enforce against the Issuer a claim based on such a United States judgment. Execution upon property of the Issuer located in the United States to enforce a United States judgment may not be possible except under the limited circumstances specified in the FSIA, and execution upon property of the Issuer located in the United Kingdom to enforce a United Kingdom judgment may not be possible except under the limited circumstances specified in the United Kingdom's State Immunity Act 1978, as amended. Even if a foreign judgment is converted into a Nigerian judgment, the consent of the Attorney General of the Federation must be first obtained before money belonging to the Federal Government, liable to be attached by garnishee proceedings and which is in the control or custody of a public officer can be attached. See "*Service of Process and Enforcement of Civil Liabilities*".

Part of the offering proceeds of Notes issued under the Programme could be attached by creditors attempting to execute outstanding and pending judgments and awards against Nigeria.

Creditors holding outstanding and pending court judgments or arbitral awards present a risk of disruption to the offering and to payments on Notes issued under the Programme. See "*The Federal Republic of Nigeria – Legal Proceedings*". Such creditors could attempt to attach the proceeds of Notes issued under the Programme in order to settle the relevant claim. Should any such creditor attempt to do so, it could result in a delay in the Issuer receiving the proceeds on the settlement date of any Notes so issued (and, accordingly, using such proceeds) and/or reduce the amount of the net proceeds of such Notes.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME

Risks related to the structure of a particular issue of Notes

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

Risks applicable to all Notes

If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.

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

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

If the Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned.

Fixed/Floating Rate Notes are Notes which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market in, and the market value of, the Notes since the Issuer may be expected to convert the rate when it is likely to result in a lower overall cost of borrowing for the Issuer. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing market rates.

Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates.

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

Future discontinuation of LIBOR may adversely affect the value of Floating Rate Notes which reference LIBOR

On 27 July 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR going forward. This may cause LIBOR to perform differently than it did in the past and may have other consequences that cannot be predicted.

Investors should be aware that, if LIBOR were discontinued or otherwise unavailable, the rate of interest on Floating Rate Notes which reference LIBOR would be determined for the relevant period in accordance with the fall-back provisions applicable to such Notes. Depending on the manner in which the LIBOR rate is to be determined under the conditions of the Notes, such determination may in certain circumstances (i) be reliant upon the provision by reference banks of offered quotations for the LIBOR rate which, depending on market circumstances, may not be available at the relevant time or (ii) result in the effective application of a fixed rate based on the rate which applied in the previous period when LIBOR was available. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Notes which reference LIBOR.

Risks related to Notes generally

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

The conditions of the Notes contain provisions which may permit their modification without the consent of all investors.

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

In addition, the terms of the Notes permit "cross-series modifications" to be made to more than one series of debt securities, *provided that* each affected series of debt securities also contains a cross-series modification provision. Under certain circumstances, including the satisfaction of the Uniformly Applicable condition (as more particularly described in the conditions of the Notes), such cross-series modification may be made to more than one series of debt securities with the approval of the applicable percentage of the aggregate principal amount of the outstanding debt securities of all affected series and without requiring the approval of a particular percentage of the holders of any individual affected series of debt securities.

There is therefore a risk that the terms of the Notes may be modified in circumstances where the holders of debt securities approving the modification may be holders of different series of debt securities and the majority of Noteholders would not necessarily have approved such modification. In addition, there is a risk that the provisions allowing for aggregation across multiple series of debt securities may make the Notes less attractive to purchasers in the secondary market and adversely affect the market value of the Notes in circumstances where such modification or a proposal for such modification is expected to be made by the Issuer.

The terms of the Notes also provide that the Notes, their terms and conditions and the provisions of the Agency Agreement (as defined in "*Terms and Conditions of the Notes*") may be amended by the Issuer and the Principal Paying Agent without the consent of the Noteholders or the Couponholders (i) for the purpose of curing any ambiguity or of curing, correcting or supplementing any manifest or proven error or any other defective provision contained therein or (ii) in any other manner which is, in the sole opinion of the Issuer, not materially prejudicial to the interests of the Noteholders.

The value of the Notes could be adversely affected by a change in English law or administrative practice

The conditions of the Notes are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Base Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed or issued) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

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

Holders of Notes held through DTC, Euroclear and Clearstream, Luxembourg must rely on procedures of those clearing systems to effect transfers of Notes, receive payments in respect of Notes and vote at meetings of Noteholders

Notes issued under the Programme will be represented on issue by one or more Global Notes that may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or may be deposited with a nominee for DTC (each as defined under "*Form of the Notes*"). Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of DTC, Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

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

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

Risks related to the market generally

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

An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes

The trading market for the Notes will be influenced by economic and market conditions in Nigeria and, to varying degrees, interest rates, currency exchange rates and inflation rates in other countries, such as the United States, European Union Member States and elsewhere. Notes may have no established trading market when issued, and one may never develop. If a market for the Notes does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. If Notes are traded after their initial issuance, they may trade at a discount to their offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the economic and political condition of Nigeria.

If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The value of Fixed Rate Notes may be adversely affected by movements in market interest rates

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

Credit ratings assigned to the Issuer or any Notes may not reflect all the risks associated with an investment in those Notes.

The Issuer has been rated B2 by Moody's, B by S&P and B+ by Fitch. On 7 November 2017, Moody's lowered its long-term issuer and senior unsecured debt rating from B1 to B2 citing continued economic weaknesses (particularly in growing the non-oil sector) and vulnerability of the Government's balance sheet to further shocks given deficit levels and debt availability, while on 25 January 2017 Fitch changed its outlook from 'Stable' to 'Negative'. In addition, one or more independent credit rating agencies may assign credit ratings to the Notes. Ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and have been filed with the Financial Conduct Authority shall be incorporated in, and form part of, this Base Prospectus:

(a) the Terms and Conditions of the Notes contained on pages 33 to 66 (inclusive) in the Base Prospectus dated 6 February 2017 prepared by the Issuer in connection with the Programme.

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

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the specified office of the Principal Paying Agent for the time being in London and will be available for viewing on the website of the Regulatory News Service operated by the London Stock Exchange at http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Base Prospectus.

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

FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes will be issued outside the United States in reliance on Regulation S under the Securities Act ("**Regulation S**") and Registered Notes will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the Securities Act.

Bearer Notes

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

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

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

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

The applicable Final Terms will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, interest coupons and talons attached upon either (a) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein or (b) only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that (i) an Event of Default (as defined in Condition 10) has occurred and is continuing, or (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) may give notice to the Principal Paying Agent requesting an exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The exchange of a Permanent Bearer Global Note for definitive Bearer Notes upon notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder) should not be expressed to be applicable in the applicable Final Terms if the Bearer Notes are issued with a minimum Specified Denomination such as €100,000 (or its equivalent in another currency) plus one or more higher integral multiples of another smaller amount such as €1,000 (or its equivalent in another currency). Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Bearer Notes which is to be represented on issue by a Temporary Bearer Global Note exchangeable for definitive Notes.

The following legend will appear on all Bearer Notes (other than Temporary Bearer Global Notes), and interest coupons relating to such Notes where TEFRA D is specified in the applicable Final Terms:

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

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of Bearer Notes or interest coupons.

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

Registered Notes

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold outside the United States, will initially be represented by a global note in registered form (a "**Regulation S Global Note**").

The Registered Notes of each Tranche offered and sold in the United States may only be offered and sold in private transactions to "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act ("**QIBs**"). The Registered Notes of each Tranche sold to QIBs will be represented by a global note in registered form (a "**Rule 144A Global Note**" and, together with a Regulation S Global Note, each a "**Registered Global Note**").

Registered Global Notes will either (i) be deposited with a custodian for, and registered in the name of a nominee of, the Depository Trust Company ("**DTC**") or (ii) be deposited with a common depositary, and registered in the name of the nominee for the Common Depositary of, Euroclear and Clearstream, Luxembourg, as specified in the applicable Final Terms. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form and, in the case of Regulation S Global Notes, outside the United States and its possessions.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 6.4) as the registered holder of the Registered Global Notes. None of the Issuer, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 6.4) immediately preceding the due date for payment in the manner provided in that Condition.

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

Transfer of Interests

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

General

Pursuant to the Agency Agreement, the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CUSIP and CINS number which are different from the common code, ISIN, CUSIP and CINS assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series.

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

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 10. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then from 8.00 p.m. (London time) on such day holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear, Clearstream, Luxembourg and/or DTC on and subject to the terms of a deed of covenant (the "**Deed of Covenant**") dated 6 February 2017 and executed by the Issuer. In addition, holders of interests in such Global Note credited to their accounts with DTC may require DTC to deliver definitive Notes in registered form in exchange for their interest in such Global Note in accordance with DTC's standard operating procedures.

APPLICABLE FINAL TERMS

[*Date*]

THE FEDERAL REPUBLIC OF NIGERIA

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the [U.S.$4,500,000,000]
Global Medium Term Note Programme**

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated 21 November 2017 [and the supplement[s] to it dated [●] [and [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the "**Base Prospectus**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on the website of the London Stock Exchange at http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated [●] [and the supplement to it dated [●]] which are incorporated by reference in the Base Prospectus dated [●]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus dated [●] [and the supplement[s] to it dated [●] [and [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the "**Base Prospectus**"), including the Conditions incorporated by reference in the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on the website of the London Stock Exchange at http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.]

1.	Issuer:		The Federal Republic of Nigeria
2.	(a)	Series Number:	[●]
	(b)	Tranche Number:	[●]
	(c)	Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [●] on [the Issue Date /exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 21 below, which is expected to occur on or about [●]][Not Applicable]
3.	Specified Currency or Currencies:		[●]
4.	Aggregate Nominal Amount:		
	(a)	Series:	[●]
	(b)	Tranche:	[●]
5.	Issue Price:		[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]
6.	(a)	Specified Denominations:	[●]
	(b)	Calculation Amount (in relation to calculation of interest in global form	[●]

		see Conditions):	
7.	(a)	Issue Date:	[●]
	(b)	Interest Commencement Date:	[[●]/[Issue Date/Not Applicable]
8.		Maturity Date:	[●]/[Interest Payment Date falling in or nearest to [●]]
9.		Interest Basis:	[[●] per cent. Fixed Rate] [[[●] month [LIBOR/EURIBOR]] +/- [●] per cent. Floating Rate] [Zero Coupon] (further particulars specified below)
10.		Redemption/Payment Basis:	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [●] per cent. of their nominal amount
11.		Change of Interest Basis:	[●] [Not Applicable]
12.		Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)] [Not Applicable]
13.		Status of the Notes:	Senior

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.		Fixed Rate Note Provisions	[Applicable/Not Applicable]
	(a)	Rate(s) of Interest:	[●] per cent. per annum payable in arrear on each Interest Payment Date
	(b)	Interest Payment Date(s):	[●] in each year up to and including the Maturity Date
	(c)	Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):	[●] per Calculation Amount
	(d)	Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):	[[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]][Not Applicable]
	(e)	Day Count Fraction:	[30/360] [Actual/Actual (ICMA)]
	(f)	Determination Date(s):	[[●] in each year][Not Applicable]
15.		Floating Rate Note Provisions	[Applicable/Not Applicable]
	(a)	Specified Period(s)/Specified Interest Payment Dates:	[●] [, subject to adjustment in accordance with the Business Day Convention set out in (b) below/, not subject to adjustment, as the Business Day Convention in (b) below is specified to be Not

		Applicable]
(b)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention][Not Applicable]
(c)	Additional Business Centre(s):	[●]
(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[●]
(f)	Screen Rate Determination:	
	● Reference Rate:	[●] month [LIBOR/EURIBOR]
	● Interest Determination Date(s):	[●]
	● Relevant Screen Page:	[●]
(g)	ISDA Determination:	
	● Floating Rate Option:	[●]
	● Designated Maturity:	[●]
	● Reset Date:	[●]
(h)	Linear Interpolation:	[Not Applicable/Applicable - the Rate of interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]
(i)	Margin(s):	[+/-][●] per cent. per annum
(j)	Minimum Rate of Interest:	[●] per cent. per annum
(k)	Maximum Rate of Interest:	[●] per cent. per annum
(l)	Day Count Fraction:	[Actual/Actual (ISDA)][Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360][360/360][Bond Basis] [30E/360][Eurobond Basis] [30E/360 (ISDA)]
16.	Zero Coupon Note Provisions	[Applicable/Not Applicable]
(a)	Accrual Yield:	[●] per cent. per annum
(b)	Reference Price:	[●]

	(c) Day Count Fraction in relation to Early Redemption Amounts:	[30/360] [Actual/360] [Actual/365]

PROVISIONS RELATING TO REDEMPTION

17.	Issuer Call:	[Applicable/Not Applicable]
	(a) Optional Redemption Date(s):	[●]
	(b) Optional Redemption Amount:	[[●] per Calculation Amount]
	(c) If redeemable in part:	
	(i) Minimum Redemption Amount:	[[●] per Calculation Amount]
	(ii) Maximum Redemption Amount:	[[●] per Calculation Amount]
	(d) Notice periods:	Minimum period: [15] days Maximum period: [30] days
18.	Investor Put:	[Applicable/Not Applicable]
	(a) Optional Redemption Date(s):	[●]
	(b) Optional Redemption Amount:	[●] per Calculation Amount
	(c) Notice periods:	Minimum period: [15] days Maximum period: [30] days
19.	Final Redemption Amount:	[●] per Calculation Amount
20.	Early Redemption Amount payable on event of default:	[●] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

21.	Form of Notes:	[Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]] [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date] [Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]] [Registered Notes: [Regulation S Global Note(s) (U.S.$ [●] aggregate nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg]]

		[Rule 144A Global Note(s) (U.S.$ [●] aggregate nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg]]]
22.	Additional Financial Centre(s):	[Not Applicable/give details]
23.	Talons for future Coupons to be attached to Bearer Notes in definitive form:	[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No/Not Applicable]

[THIRD PARTY INFORMATION

[●] has been extracted from [●]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of The Federal Republic of Nigeria:

By: ....

Duly authorised

PART B – OTHER INFORMATION

1.	**LISTING AND ADMISSION TO TRADING**		
	(i)	Listing and Admission to trading	[Application [has been] [is expected to be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's regulated market and to be listed on the Official List of the UK Listing Authority with effect from [●].]
	(ii)	Estimate of total expenses related to admission to trading:	[●]

2. **RATINGS**

Ratings:	[The Notes to be issued [[have been]/[are expected to be]] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]: [*Details of rating agencies to be included*]. Each of [*rating agencies*] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**")]

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

[Save for any fees payable to the [Managers/Dealer], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer.]

4. **YIELD (Fixed Rate Notes only)**

Indication of yield:	[●] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

5. **[HISTORIC INTEREST RATES (Floating Rate notes only)**

Details of historic [LIBOR/EURIBOR] rates can be obtained from [Reuters].]

6. **OPERATIONAL INFORMATION**

(i)	ISIN:	[●]
(ii)	Common Code:	[●]
(iii)	CUSIP:	[●]
(iv)	CINS:	[●]
(v)	Any clearing system(s) other than DTC, Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	[Not Applicable]/ [●]

(vi)	Delivery:	Delivery [against/free of] payment
(vii)	Names and addresses of additional Paying Agent(s) (if any):	[●]

7. **DISTRIBUTION**

(i)	Method of distribution:	[Syndicated/Non-syndicated]
(ii)	If syndicated, names of Managers:	[Not Applicable]/[]
(iii)	Date of Subscription Agreement:	[●]
(iv)	Stabilisation Manager(s) (if any):	[Not Applicable]/ [●]
(v)	If non-syndicated, name of relevant Dealer:	[Not Applicable]/ [●]
(vi)	U.S. Selling Restrictions:	[Reg. S Compliance Category 1; Rule 144A; TEFRA D/TEFRA C/TEFRA not applicable]

TERMS AND CONDITIONS OF THE NOTES

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

This Note is one of a Series (as defined below) of Notes issued by the Federal Republic of Nigeria (the "**Issuer**") pursuant to the Agency Agreement (as defined below).

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

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

(b) any Global Note;

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

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

The Notes and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated 6 February 2017 and made between the Issuer, Citibank, N.A., London Branch as issuing and principal paying agent and agent bank (the "**Principal Paying Agent**", which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents), Citibank, N.A., London Branch as exchange agent (the "**Exchange Agent**", which expression shall include any successor exchange agent) and Citigroup Global Markets Deutschland AG as registrar (the "**Registrar**", which expression shall include any successor registrar) and a transfer agent and the other transfer agents named therein (together with the Registrar, the "**Transfer Agents**", which expression shall include any additional or successor transfer agents). The Principal Paying Agent, the Registrar, the Paying Agents, the Exchange Agent and other Transfer Agents together referred to as the "**Agents**".

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Terms and Conditions (the "**Conditions**"). References to the "**applicable Final Terms**" are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note. The expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the European Economic Area.

Interest bearing definitive Bearer Notes have interest coupons ("**Coupons**") and, in the case of Bearer Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Registered Notes and Global Notes do not have Coupons or Talons attached on issue.

Any reference to "**Noteholders**" or "**holders**" in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to "**Couponholders**" shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

The Noteholders and the Couponholders are entitled to the benefit of the Deed of Covenant (such Deed of Covenant as modified and/or supplemented and/or restated from time to time, the "**Deed of Covenant**") dated 6 February 2017 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Paying Agents. If the Notes are to be admitted to trading on the regulated market of the London Stock Exchange the applicable Final Terms will be published on the website of the London Stock Exchange through a regulatory information service. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

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

In the Conditions, "**euro**" means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

1. Form, Denomination and Title

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

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

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

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

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

Registered Global Note shall be treated by the Issuer and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly.

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

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

2. Transfers of Registered Notes

2.1 Transfers of interests in Registered Global Notes

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

2.2 Transfers of Registered Notes in definitive form

Subject as provided in paragraphs 2.1 above and 2.5 and 2.6 below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer (a) the holder or holders must (i) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (ii) complete and deposit such other certifications as may be required by the relevant Transfer Agent and (b) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 8 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

2.3 Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 7, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

2.4 Costs of registration

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

2.5 Transfers of interests in Legended Notes

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

(a) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a written confirmation substantially in the form set out in the Agency Agreement, amended as appropriate from the transferor to the effect that such transfer is being made in accordance with Regulation S; or

(b) to a transferee who takes delivery of such interest through a Legended Note where the transferee is a person who the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or

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

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

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

2.6 Exchanges and transfers of Registered Notes generally

Holders of Registered Notes in definitive form may exchange such Notes for interests in a Registered Global Note of the same type at any time.

2.7 Definitions

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

"**Legended Note**" means Registered Notes (whether in definitive form or represented by a Registered Global Note) sold in private transactions to QIBs in accordance with the requirements of Rule 144A which bear a legend specifying certain restrictions on transfer (a "**Legend**");

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

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

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

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

“Rule 144A Global Note” means a Registered Global Note representing Notes sold in private transactions to QIBs in accordance with the requirements of Rule 144A; and

“Securities Act” means the United States Securities Act of 1933, as amended.

3. Status of the Notes

The Notes and any relative Coupons constitute direct, unconditional and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank and will rank pari passu, without any preference among themselves, with all other present and future unsecured and unsubordinated obligations of the Issuer, save only for such obligations as may be preferred by mandatory provisions of applicable law; provided, however, that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other obligations and, in particular, shall have no obligation to pay such other obligations at the same time or as a condition of paying sums due on the Notes and vice versa.

4. Negative Pledge

4.1 Negative Pledge

So long as any Note remains outstanding (as defined in the Agency Agreement) the Issuer will not, save for the exceptions set out below in Condition 4.3, create, incur, assume or permit to subsist any Security upon the whole or any part of its present or future assets, undertakings or revenues to secure (i) any of its Public External Indebtedness; (ii) any Guarantees in respect of Public External Indebtedness; or (iii) the Public External Indebtedness of any other person; without at the same time or prior thereto securing the Notes equally and rateably therewith or providing such other arrangement (whether or not comprising Security) as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of Noteholders.

4.2 Interpretation

In these Conditions:

(a) “**External Indebtedness**” means Indebtedness expressed or denominated or payable or which, at the option of the relevant creditor may be payable, in any currency other than the lawful currency from time to time of the Federal Republic of Nigeria;

(b) “**Guarantee**” means any obligation of a person to pay the Indebtedness of another person including, without limitation: an obligation to pay or purchase such Indebtedness; an obligation to lend money or to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness; an indemnity against the consequences of a default in the payment of such Indebtedness; or any other agreement to be responsible for such Indebtedness;

(c) “**Indebtedness**” means any obligation (whether present or future) for the payment or repayment of money which has been borrowed or raised (including money raised by acceptances and leasing);

(d) “**person**” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, trust or other juridical entity, state or agency of a state or other entity, whether or not having a separate legal personality;

(e) “**Public External Indebtedness**” means any External Indebtedness which is in the form of, or is represented by, bonds, notes or other securities with a stated maturity of more than one year from the date of issue which are, or are capable of being, quoted, listed or ordinarily purchased or sold on any stock exchange, automated trading system, over the counter or other securities market; and

(f) “**Security**” means any mortgage, pledge, lien, hypothecation, security interest or other charge or encumbrance including, without limitation, anything analogous to the foregoing under the laws of any jurisdiction.

4.3 Exceptions

The following exceptions apply to the Issuer's obligations under Condition 4.1:

(a) any Security upon property to secure Public External Indebtedness of the Issuer or any Guarantee by the Issuer of Public External Indebtedness of any other person incurred for the purpose of financing the acquisition or construction of such property and any renewal and extension of such Security which is limited to the original property covered thereby and which (in either case) secures any renewal or extension of the original secured financing;

(b) any Security securing Public External Indebtedness of the Issuer or any Guarantee by the Issuer of Public External Indebtedness of any other person incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project; provided that (A) the holders of such Public External Indebtedness or Guarantee expressly agree to limit their recourse to the assets and revenues of such project or the proceeds of insurance thereon as the sole source of repayments of such Public External Indebtedness and (B) the property over which such Security is granted consists solely of such assets and revenues; and

(c) any Security securing the Public External Indebtedness of the Issuer or any Guarantee by the Issuer of Public External Indebtedness of any other person which was in existence on the date on which agreement is reached to issue the first Tranche of the Notes.

5. Interest

5.1 Interest on Fixed Rate Notes

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

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

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

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

(a) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note; or

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

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

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest, in accordance with this Condition 5.1:

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

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

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

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

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

(ii) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Conditions:

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

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

5.2 Interest on Floating Rate Notes

(a) **Interest Payment Dates**

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

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

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

Such interest will be payable in respect of each Interest Period. In these Conditions, "**Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(A) in any case where Specified Periods are specified in accordance with Condition 5.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

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

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

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

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

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre (other than TARGET2 System) specified in the applicable Final Terms;

(b) if TARGET2 System is specified as an Additional Business Centre in the applicable Final Terms, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the "**TARGET2 System**") is open; and

(c) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(b) **Rate of Interest**

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

(i) ISDA Determination for Floating Rate Notes

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

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

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

(C) the relevant Reset Date is the day specified in the applicable Final Terms.

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

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

(ii) Screen Rate Determination for Floating Rate Notes

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

(A) the offered quotation; or

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

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

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

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

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

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

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

The Principal Paying Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

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

(i) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or

(ii) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

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

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 5.2:

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

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

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

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

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

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

where:

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

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

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

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

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

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

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

where:

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

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

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

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

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30;

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

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

where:

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

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

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

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

$\mathbf{D_1}$ is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

$\mathbf{D_2}$ is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30.

(e) **Linear Interpolation**

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

"**Designated Maturity**" means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

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

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(g) **Certificates to be final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.2 by the Principal Paying Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Principal Paying Agent, the other Agents and all Noteholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Principal Paying Agent in connection with the exercise or non exercise by it of its powers, duties and discretions pursuant to such provisions.

5.3 Accrual of interest

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

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

(b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 14.

6. Payments

6.1 Method of payment

Subject as provided below:

(a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and

(b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8.

6.2 Presentation of definitive Bearer Notes and Coupons

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

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

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

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

6.3 Payments in respect of Bearer Global Notes

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

6.4 Payments in respect of Registered Notes

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the "**Register**") at the close of business on the fifteenth calendar day before the relevant due date (the "**Record Date**"). For these purposes, "**Designated Account**" means the account (which, in the case of a payment in Japanese yen to a non resident of Japan, shall be a non resident account) maintained by a holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by transfer on the due date to the Designated Account of the holder (or the first named of joint holders) of the Registered Note appearing in the Register at the close of business on the Record Date. Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

No commissions or expenses shall be charged to the holders by the Registrar in respect of any payments of principal or interest in respect of Registered Notes.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Principal Paying Agent to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars unless the participant in DTC with an interest in such Notes has elected to receive any part of such payment in that Specified Currency in the manner specified in the Agency Agreement and in accordance with the rules and procedures for the time being of DTC.

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

6.5 General provisions applicable to payments

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

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

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

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

(c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

6.6 Payment Day

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 9) is:

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

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

  (ii) each Additional Financial Centre (other than TARGET2 System) specified in the applicable Final Terms;

  (iii) if TARGET2 System is specified as an Additional Financial Centre in the applicable Final Terms, a day on which the TARGET2 System is open; and

(b) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open; and

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

6.7 Interpretation of principal and interest

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

(a) any additional amounts which may be payable with respect to principal under Condition 8;

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

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

(e) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7.4); and

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

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8.

7. Redemption and Purchase

7.1 Redemption at maturity

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

7.2 Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms.

In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will (i) in the case of Redeemed Notes represented by definitive Notes, be selected individually by lot, not more than 30 days prior to the date fixed for redemption and (ii) in the case of Redeemed Notes represented by a Global Note, be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg and/or DTC. In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption.

7.3 Redemption at the option of the Noteholders (Investor Put)

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms, the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a "**Put Notice**") and in which the holder must specify a bank account to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2.2. If this Note is in definitive bearer form, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear, Clearstream, Luxembourg or DTC, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and DTC (which may include notice being given on his instruction by Euroclear, Clearstream, Luxembourg, DTC or any common depositary for Euroclear or Clearstream, Luxembourg to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear, Clearstream, Luxembourg and DTC from time to time.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and DTC by a holder of any Note pursuant to this Condition 7.3 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 7.3 and instead to declare such Note forthwith due and payable pursuant to Condition 10.

7.4 Early Redemption Amounts

For the purpose of Condition 10:

(a) each Note (other than a Zero Coupon Note) will be redeemed at its Early Redemption Amount; and

(b) each Zero Coupon Note will be redeemed at an amount (the "**Amortised Face Amount**") calculated in accordance with the following formula:

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

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

y is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

7.5 Purchases

The Issuer may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. All Notes so purchased will be surrendered to a Paying Agent or the Registrar for cancellation. Any Notes so purchased, while held by or on behalf of the Issuer, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of such meetings.

7.6 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 7.5 above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

7.7 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 7.1, 7.2 or 7.3 above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 7.4(b) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

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

(b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent or the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 14.

8. Taxation

All payments of principal and interest in respect of the Notes and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction for or on account of any present or future Taxes is required by law. In such event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable in relation to any payment of principal and interest in respect of any Note or Coupon:

(a) presented for payment in the Federal Republic of Nigeria; or

(b) the holder of which is liable for such Taxes in respect of such Note or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note or Coupon; or

(c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6.6).

As used herein:

(i) the "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been received by the Principal Paying Agent or the Registrar, as the case may be, on or before such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14; and

(ii) "**Tax Jurisdiction**" means the Federal Republic of Nigeria or any political subdivision or any authority thereof or therein having power to tax.

9. Prescription

The Notes (whether in bearer or registered form) and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6.2 or any Talon which would be void pursuant to Condition 6.2.

10. Events of Default

If any of the following events ("**Events of Default**" and each an "**Event of Default**") shall have occurred and be continuing:

(a) **Non-payment**

(i) the Issuer fails to pay any principal on any of the Notes when due and payable and such failure continues for a period of 15 business days; or

(ii) the Issuer fails to pay any interest on any of the Notes or any amount due under Condition 8 when due and payable, and such failure continues for a period of 30 days; or

(b) **Breach of Other Obligations**

the Issuer does not perform or comply with any one or more of its other obligations in the Notes or the Agency Agreement, which default is incapable of remedy or is not remedied within 45 days following the service by any Noteholder on the Issuer of notice requiring the same to be remedied; or

(c) **Cross-acceleration**

(i) any other External Indebtedness of the Issuer becomes due and payable prior to stated maturity thereof by reason of default, or

(ii) any such External Indebtedness is not paid at maturity; or

(iii) any Guarantee of such External Indebtedness is not honoured when due and called upon,

and, in the case of (ii) or (iii), that failure continues beyond any applicable grace period;

provided that the aggregate amount of the relevant External Indebtedness in respect of which one or more of the events mentioned in this paragraph (c) have occurred equals or exceeds U.S.$25,000,000 or its equivalent; or

(d) **Moratorium**

a moratorium on the payment of principal of, or interest on, the External Indebtedness of the Issuer shall be declared by the Issuer; or

(e) **IMF Membership**

the Issuer shall cease to be a member of the International Monetary Fund (IMF) or shall cease to be eligible to use the general resources of the IMF; or

(f) **Validity**

(i) the validity of the Notes shall be contested by the Issuer; or

(ii) the Issuer shall deny any of its obligations under the Notes (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise); or

(iii) it shall be or become unlawful for the Issuer to perform or comply with all or any of its obligations set out in the Notes or the Agency Agreement, including, without limitation, the payment of interest on the Notes, as a result of any change in law or regulation in the Federal Republic of Nigeria or any ruling of any court in the Federal Republic of Nigeria whose decision is final and unappealable or for any reason such obligations cease to be in full force and effect; or

(g) **Consents**

if any authorisation, consent of, or filing or registration with, any governmental authority necessary for the performance of any payment obligation of the Issuer under the Notes, when due, ceases to be in full force and effect or remain valid and subsisting,

then the holders of at least 25 per cent. in aggregate nominal amount of the outstanding Notes may, by notice in writing to the Issuer (with a copy to the Principal Paying Agent), declare all the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their Early Redemption Amount together with accrued interest (if any) to the date of repayment without further action or formality. Notice of any such declaration shall promptly be given to all other Noteholders by the Issuer in accordance with Condition 14.

If the Issuer receives notice in writing from holders of at least 50 per cent. in aggregate nominal amount of the outstanding Notes to the effect that the Event of Default or Events of Default giving rise to any above mentioned declaration of acceleration is or are cured following any such declaration and that such holders wish the relevant declaration to be withdrawn, the Issuer shall give notice thereof to the Noteholders (with a copy to the Principal Paying Agent), whereupon the relevant declaration shall be withdrawn and shall have no further effect but without prejudice to any rights or obligations which may have arisen before the Issuer gives such notice (whether pursuant to these Conditions or otherwise). No such withdrawal shall affect any other or any subsequent Event of Default or any right of any Noteholder in relation thereto.

11. Replacement of Notes, Coupons and Talons

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (in the case of Bearer Notes or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

12. Agents

The initial Agents are set out above. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

(a) there will at all times be a Principal Paying Agent and a Registrar;

(b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;

(c) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent; and

(d) there will at all times be a Paying Agent in a jurisdiction other than the Federal Republic of Nigeria.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6.5. Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 14.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholder or Couponholder. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

13. Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

14. Notices

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that any such publication in a newspaper will be made in the *Financial Times* in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, be substituted for such publication in such newspaper(s) or such mailing the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or DTC for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the second day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or DTC.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the

Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, may approve for this purpose.

15. Meetings of Noteholders, Modification and Waiver

15.1 Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions

(a) The Issuer may convene a meeting of the Noteholders at any time in respect of the Notes in accordance with the Agency Agreement. The Issuer will determine the time and place of the meeting. The Issuer will notify the Noteholders of the time, place and purpose of the meeting not less than 21 and not more than 45 days before the meeting.

(b) The Issuer or the Principal Paying Agent will convene a meeting of Noteholders if the holders of at least 10 per cent. in principal amount of the outstanding Notes (as defined in the Agency Agreement and described in Condition 15.9 below) have delivered a written request to the Issuer or the Principal Paying Agent (with a copy to the Issuer) setting out the purpose of the meeting. The Principal Paying Agent will agree the time and place of the meeting with the Issuer promptly. The Issuer or the Principal Paying Agent, as the case may be, will notify the Noteholders within 10 days of receipt of such written request of the time and place of the meeting, which shall take place not less than 21 and not more than 45 days after the date on which such notification is given.

(c) The Issuer (with the agreement of the Principal Paying Agent) will set the procedures governing the conduct of any meeting in accordance with the Agency Agreement. If the Agency Agreement does not include such procedures, or additional procedures are required, the Issuer and the Principal Paying Agent will agree such procedures as are customary in the market and in such a manner as to facilitate any multiple series aggregation, if in relation to a Reserved Matter the Issuer proposes any modification to the terms and conditions of, or action with respect to, two or more series of debt securities issued by it.

(d) The notice convening any meeting will specify, *inter alia*:

(i) the date, time and location of the meeting;

(ii) the agenda and the text of any Extraordinary Resolution to be proposed for adoption at the meeting;

(iii) the record date for the meeting, which shall be no more than five business days before the date of the meeting;

(iv) the documentation required to be produced by a Noteholder in order to be entitled to participate at the meeting or to appoint a proxy to act on the Noteholder's behalf at the meeting;

(v) any time deadline and procedures required by any relevant international and/or domestic clearing systems or similar through which the Notes are traded and/or held by Noteholders;

(vi) whether Condition 15.2, or Condition 15.3, or Condition 15.4 shall apply and, if relevant, in relation to which other series of debt securities it applies;

(vii) if the proposed modification or action relates to two or more series of debt securities issued by the Issuer and contemplates such series of debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group of debt securities;

(viii) such information that is required to be provided by the Issuer in accordance with Condition 15.6;

(ix) the identity of the Aggregation Agent and the Calculation Agent (each as defined in these Conditions), if any, for any proposed modification or action to be voted on at the meeting, and the details of any applicable methodology referred to in Condition 15.7; and

(x) any additional procedures which may be necessary and, if applicable, the conditions under which a multiple series aggregation will be deemed to have been satisfied if it is approved as to some but not all of the affected series of debt securities.

(e) All information to be provided pursuant to Condition 15.1(d) shall also be provided, mutatis mutandis, in respect of Written Resolutions and Electronic Consents (as defined in Condition 15.12).

(f) A "**record date**" in relation to any proposed modification or action means the date fixed by the Issuer for determining the Noteholders and, in the case of a multiple series aggregation, the holders of debt securities of each other affected series that are entitled to vote on a Multiple Series Single Limb Extraordinary Resolution or a Multiple Series Two Limb Extraordinary Resolution, or to sign a Multiple Series Single Limb Written Resolution or a Multiple Series Two Limb Written Resolution.

(g) An "**Extraordinary Resolution**" means any of a Single Series Extraordinary Resolution, a Multiple Series Single Limb Extraordinary Resolution and/or a Multiple Series Two Limb Extraordinary Resolution, as the case may be.

(h) A "**Written Resolution**" means any of a Single Series Written Resolution, a Multiple Series Single Limb Written Resolution and/or a Multiple Series Two Limb Written Resolution, as the case may be.

(i) Any reference to "**debt securities**" means any notes (including the Notes), bonds, debentures or other debt securities issued by the Issuer in one or more series with an original stated maturity of more than one year.

(j) "**Debt Securities Capable of Aggregation**" means those debt securities which include or incorporate by reference this Condition 15 and Condition 16 or provisions substantially in these terms which provide for the debt securities which include such provisions to be capable of being aggregated for voting purposes with other series of debt securities.

15.2 Modification of this Series of Notes only

(a) Any modification of any provision of, or any action in respect of, the Notes, these Conditions, the Agency Agreement and/or the Deed of Covenant may be made or taken if approved by a Single Series Ordinary Resolution, a Single Series Extraordinary Resolution or a Single Series Written Resolution as set out below.

(b) For the purposes of a meeting of Noteholders convened in respect of this Series of Notes only and for the purposes of passing a Single Series Ordinary Resolution and/or a Single Series Extraordinary Resolution (each as defined below)(a "**Single Series Meeting**"), at any such Single Series Meeting any one or more persons present in person holding Notes or proxies or representatives and holding or representing in the aggregate not less than 50 per cent. in principal amount of the Notes for the time being outstanding (or, in the case of an adjourned meeting, one or more persons present in person holding Notes or being proxies or representatives (whatever the principal amount of Notes so held or represented)) shall (except for the purposes of passing a Single Series Extraordinary Resolution) form a quorum for the transaction of business and no business (other than the choosing of a chairman) shall be transacted at any such Single Series Meeting unless the requisite quorum be present at the commencement of business. The quorum at any such Single Series Meeting convened for the purpose of passing a Single Series Extraordinary Resolution shall be one or more persons present in person holding Notes or being proxies or representatives and holding or representing in the aggregate not less than 66.67 per cent. of the principal amount of the Notes for the time being outstanding, (or, in the case of an adjourned meeting, one or more persons so present in person holding Notes or being proxies or representatives and holding or representing in the aggregate not less than 33.34 per cent. in the principal amount of Notes for the time being outstanding).

(c) A **Single Series Ordinary Resolution** means a resolution passed at a Single Series Meeting duly convened and held in accordance with the procedures prescribed by the Issuer and the Principal Paying Agent pursuant to Conditions 15.1 and 15.2(b) in respect of any matter other than a Reserved Matter, by a majority of at least 66.67 per cent. of the votes cast.

(d) A **Single Series Extraordinary Resolution** means a resolution passed at a Single Series Meeting duly convened and held in accordance with the procedures prescribed by the Issuer and the Principal Paying Agent pursuant to Conditions 15.1 and 15.2(b) in respect of a Reserved Matter by a majority of at least 75 per cent. of the votes cast.

(e) A "**Single Series Written Resolution**" means a resolution in writing signed or confirmed in writing by or on behalf of the holders of:

(i) in the case of a Reserved Matter, at least 75 per cent. of the aggregate principal amount of the outstanding Notes; or

(ii) in the case of a matter other than a Reserved Matter, at least 66.67 per cent. of the aggregate principal amount of the outstanding Notes.

Any Single Series Written Resolution may be contained in one document or several documents in the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders.

(f) Any Single Series Ordinary Resolution, Single Series Extraordinary Resolution duly passed or Single Series Written Resolution approved shall be binding on all Noteholders, whether or not they attended such Single Series Meeting, whether or not they voted in favour thereof and whether or not they signed or confirmed in writing any such Single Series Written Resolution, as the case may be and on all Couponholders.

15.3 Multiple Series Aggregation – Single limb voting

(a) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Single Limb Extraordinary Resolution or by a Multiple Series Single Limb Written Resolution as set out below, provided that the Uniformly Applicable condition is satisfied.

(b) A "**Multiple Series Single Limb Extraordinary Resolution**" means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer and the Principal Paying Agent pursuant to Condition 15.1, as supplemented if necessary, which is passed by a majority of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate).

(c) A "**Multiple Series Single Limb Written Resolution**" means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate). Any Multiple Series Single Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of debt securities.

(d) Any Multiple Series Single Limb Extraordinary Resolution duly passed or Multiple Series Single Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Single Limb Written Resolution, as the case may be, and on all Couponholders and couponholders (where applicable) of each other affected series of Debt Securities Capable of Aggregation.

(e) The "**Uniformly Applicable**" condition will be satisfied if:

(i) the holders of all affected series of Debt Securities Capable of Aggregation are invited to exchange, convert, or substitute their debt securities, on the same terms, for (i) the same new instrument or other consideration or (ii) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or

(ii) the amendments proposed to the terms and conditions of each affected series of Debt Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to different currency of issuance).

(f) It is understood that a proposal under Condition 15.3(c) above will not be considered to satisfy the Uniformly Applicable condition if each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation (or, where a menu of instruments or other consideration is offered, each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation electing the same option from such menu of instruments).

(g) Any modification or action proposed under Condition 15.3(a) may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 15.3 may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

15.4 Multiple Series Aggregation – Two limb voting

(a) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Two Limb Extraordinary Resolution or by a Multiple Series Two Limb Written Resolution as set out below.

(b) A "**Multiple Series Two Limb Extraordinary Resolution**" means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer and the Principal Paying Agent pursuant to Condition 15.1, as supplemented if necessary, which is passed by a majority of:

(i) at least 66.67 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate); and

(ii) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

(c) A "**Multiple Series Two Limb Written Resolution**" means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of:

(i) at least 66.67 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate); and

(ii) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

Any Multiple Series Two Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of Debt Securities Capable of Aggregation.

(d) Any Multiple Series Two Limb Extraordinary Resolution duly passed or Multiple Series Two Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Two Limb Written Resolution, as the case may be, and on all Couponholders and couponholders (where applicable) of each other affected series of Debt Securities Capable of Aggregation.

(e) Any modification or action proposed under Condition 15.4(a) may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 15.4 may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

15.5 Reserved Matters

In these Conditions, "**Reserved Matter**" means any proposal:

(a) to change the dates, or the method of determining the dates, for payment of principal, interest or any other amount in respect of the Notes, to reduce or cancel the amount of principal, interest or any other amount payable on any date in respect of the Notes or to change the method of calculating the amount of principal, interest or any other amount payable in respect of the Notes on any date;

(b) to change the currency in which any amount due in respect of the Notes is payable or the place in which any payment is to be made;

(c) to change the majority or quorum required to pass a Single Series Ordinary Resolution, an Electronic Consent, an Extraordinary Resolution, a Written Resolution or any other resolution of Noteholders or the number or percentage of votes required to be cast, or the number or percentage of Notes required to be held, in connection with the taking of any decision or action by or on behalf of the Noteholders or any of them;

(d) to change this definition, or the definition of “Electronic Consent”, “Extraordinary Resolution”, “Single Series Ordinary Resolution”, “Single Series Extraordinary Resolution”, “Multiple Series Single Limb Extraordinary Resolution”, “Multiple Series Two Limb Extraordinary Resolution”, “Written Resolution”, “Single Series Written Resolution”, “Multiple Series Single Limb Written Resolution” or “Multiple Series Two Limb Written Resolution”;

(e) to change the definition of “debt securities” or “Debt Securities Capable of Aggregation”;

(f) to change the definition of “Uniformly Applicable”;

(g) to change the definition of “outstanding” or to modify the provisions of Condition 15.9;

(h) to change the legal ranking of the Notes;

(i) to change any provision of the Notes describing circumstances in which Notes may be declared due and payable prior to their scheduled maturity date, set out in Condition 10(a);

(j) to change the law governing the Notes, the courts to the jurisdiction of which the Issuer has submitted in the Notes, the Issuer’s obligation to maintain an agent for service of process in England, any of the arrangements specified in the Notes to enable proceedings to be taken or the Issuer’s waiver of immunity, in respect of actions or proceedings brought by any Noteholder, set out in Condition 20;

(k) to impose any condition on or otherwise change the Issuer’s obligation to make payments of principal, interest or any other amount in respect of the Notes, including by way of the addition of a call option;

(l) to modify the provisions of this Condition 15.5;

(m) except as permitted by any related guarantee or security agreement, to release any agreement guaranteeing or securing payments under the Notes or to change the terms of any such guarantee or security; or

(n) to exchange or substitute all the Notes for, or convert all the Notes into, other obligations or securities of the Issuer or any other person, or to modify any provision of these Conditions in connection with any exchange or substitution of the Notes for, or the conversion of the Notes into, any other obligations or securities of the Issuer or any other person, which would result in the Conditions as so modified being less favourable to the Noteholders which are subject to the Conditions as so modified than:

    (i) the provisions of the other obligations or debt securities of the Issuer or any other person resulting from the relevant exchange or substitution or conversion; or

    (ii) if more than one series of other obligations or debt securities results from the relevant exchange or substitution or conversion, the provisions of the resulting series of debt securities having the largest aggregate principal amount.

15.6 Information

Prior to or on the date that the Issuer proposes any Extraordinary Resolution or Written Resolution pursuant to Condition 15.2, Condition 15.3 or Condition 15.4, the Issuer shall publish in accordance with Condition 16, and provide the Principal Paying Agent with the following information:

(a) a description of the Issuer’s economic and financial circumstances which are, in the Issuer’s opinion, relevant to the request for any potential modification or action, a description of the Issuer’s existing debts and a description of its broad policy reform programme and provisional macroeconomic outlook;

(b) if the Issuer shall at the time have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, a description of any such arrangement or agreement;

(c) a description of the Issuer's proposed treatment of external debt securities that fall outside the scope of any multiple series aggregation and its intentions with respect to any other debt securities and its other major creditor groups; and

(d) if any proposed modification or action contemplates debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group, as required for a notice convening a meeting of the Noteholders in Condition 15.1(d)(vii).

15.7 Claims Valuation

For the purpose of calculating the par value of the Notes and any affected series of debt securities which are to be aggregated with the Notes in accordance with Condition 15.3 and Condition 15.4, the Issuer may appoint a calculation agent (the "**Calculation Agent**"). The Issuer shall, with the approval of the Aggregation Agent and any appointed Calculation Agent, promulgate the methodology in accordance with which the Calculation Agent will calculate the par value of the Notes and such affected series of debt securities. In any such case where a Calculation Agent is appointed, the same person will be appointed as the Calculation Agent for the Notes and each other affected series of debt securities for these purposes, and the same methodology will be promulgated for each affected series of debt securities.

15.8 Manifest error, etc.

The Notes, these Conditions and the provisions of the Agency Agreement may be amended by the Issuer and the Principal Paying Agent without the consent of the Noteholders or the Couponholders either (i) for the purpose of curing any ambiguity or of curing, correcting or supplementing any manifest or proven error or any other defective provision contained herein or therein or (ii) in any other manner which is, in the sole opinion of the Issuer, not materially prejudicial to the interests of the Noteholders. Any such modification shall be binding on the Noteholders and the Couponholders and shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 14.

15.9 Notes controlled by the Issuer

For the purposes of (a) determining the right to attend and vote at any meeting of Noteholders, the right to give an Electronic Consent, or the right to sign or confirm in writing, or authorise the signature of, any Written Resolution, (b) this Condition 15 and (c) Condition 10, any Notes which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is owned or controlled directly or indirectly by the Issuer or by any public sector instrumentality of the Issuer shall be deemed not to remain outstanding, where:

(x) "public sector instrumentality" means the Central Bank of Nigeria, any other department, ministry or agency of the government of the Federal Republic of Nigeria or any corporation, trust, financial institution or other entity owned or controlled by the government of the Federal Republic of Nigeria or any of the foregoing; and

(y) "control" means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or through contractual control or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity.

A Note will also be deemed to be not outstanding if the Note has previously been cancelled or delivered for cancellation or held for reissuance but not reissued, or, where relevant, the Note has previously been called for redemption in accordance with its terms or previously become due and payable at maturity or otherwise and the Issuer has previously satisfied its obligations to make all payments due in respect of the Note in accordance with its terms.

In advance of any meeting of Noteholders, or in connection with any Electronic Consent or Written Resolution, the Issuer shall provide to the Principal Paying Agent a copy of the certificate prepared pursuant to Condition 16.5, which includes information on the total number of Notes which are for the time being held by any person (including but not limited to the Issuer) on behalf of the Issuer or by any public body owned or controlled, directly or indirectly, by the Issuer or by any public sector instrumentality of the Issuer and, as such, such Notes shall be disregarded and deemed not to remain outstanding for the purposes of ascertaining the right to attend and vote at any meeting of Noteholders or the right to sign, or authorise the signature of, any Written Resolution in respect of any such meeting. The Principal Paying Agent shall make any such certificate available for inspection during normal business hours at its Specified Office and, upon reasonable request, will allow copies of such certificate to be taken.

15.10 Publication

The Issuer shall publish all Extraordinary Resolutions and Written Resolutions which have been determined by the Aggregation Agent to have been duly passed in accordance with Condition 16.8.

15.11 Exchange and Conversion

Any Extraordinary Resolutions or Written Resolutions which have been duly passed and which modify any provision of, or action in respect of, the Conditions may be implemented at the Issuer's option by way of a mandatory exchange or conversion of the Notes and each other affected series of debt securities, as the case may be, into new debt securities containing the modified terms and conditions if the proposed mandatory exchange or conversion of the Notes is notified to Noteholders at the time notification is given to the Noteholders as to the proposed modification or action. Any such exchange or conversion shall be binding on all Noteholders and Couponholders.

15.12 Written Resolutions and Electronic Consents

A Written Resolution 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 Noteholders.

For so long as any Notes are in the form of a global Note held on behalf of one or more of Euroclear, Clearstream, Luxembourg, DTC or any other clearing system (the "**relevant clearing system(s)**"), then:

(a) Approval of a resolution proposed by the Issuer given by way of electronic consent communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures (i) by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders or (ii) (where such holders have been given at least 21 days' notice of such resolution) by or on behalf of:

    (A) in respect of a proposal that falls within paragraphs (c), (d) and (e) of Condition 15.2, the persons holding at least 75 per cent. of the aggregate principal amount of the outstanding Notes in the case of a Reserved Matter or at least 66.67 per cent. of the aggregate principal amount of the outstanding Notes, in the case of a matter other than a Reserved Matter;

    (B) in respect of a proposal that falls within paragraphs (b) and (c) of Condition 15.3, the persons holding at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate);

    (C) in respect of a proposal that falls within paragraphs (b) and (c) of Condition 15.4, (x) the persons holding at least 66.67 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate); and (y) the persons holding more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually), (in the case of (A), (B) and (C), each an "**Electronic Consent**") shall, for all purposes (including Reserved Matters) take effect as (i) a Single Series Extraordinary Resolution (in the case of (A) above), (ii) a Multiple Series Single Limb Extraordinary Resolution (in the case of (B) above) or (iii) a Multiple Series Two Limb Extraordinary Resolution (in the case of (C) above), as applicable.

The notice given to Noteholders shall specify, in sufficient detail to enable Noteholders to give their consents in relation to the proposed resolution, the method by which their consents may be given (including, where applicable, blocking of their accounts in the relevant clearing system(s)) and the time and date (the "**Relevant Date**") by which they must be received in order for such consents to be validly given, in each case subject to and in accordance with the operating rules and procedures of the relevant clearing system(s).

If, on the Relevant Date on which the consents in respect of an Electronic Consent are first counted, such consents do not represent the required proportion for approval, the resolution shall, if the party proposing such resolution (the "**Proposer**") so determines, be deemed to be defeated. Alternatively, the Proposer may give a further notice to Noteholders that the resolution will be proposed again on such date and for such period as shall be agreed with the Issuer (unless the Issuer is the Proposer). Such notice must inform Noteholders that insufficient consents were received in relation to the original resolution and the information specified in the previous paragraph. For the purpose of such further notice, references to "**Relevant Date**" shall be construed accordingly.

An Electronic Consent may only be used in relation to a resolution proposed by the Issuer which is not then the subject of a meeting that has been validly convened above, unless that meeting is or shall be cancelled or dissolved.

(b) Where Electronic Consent has not been sought, for the purposes of determining whether a Written Resolution has been validly passed, the Issuer shall be entitled to rely on consent or instructions given in writing directly to the Issuer (a) by accountholders in the relevant clearing system(s) with entitlements to any global Note and/or (b) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, the relevant clearing system(s) and, in the case of (b) above, the relevant clearing system(s) and the accountholder identified by the relevant clearing system(s). Any such certificate or other document (i) shall be conclusive and binding for all purposes and (ii) may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. The Issuer shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

All information to be provided pursuant to paragraph (d) of Condition 15.1 shall also be provided, *mutatis mutandis*, in respect of Written Resolutions and Electronic Consents.

A Written Resolution and/or Electronic Consent (i) shall take effect as an Extraordinary Resolution and (ii) will be binding on all Noteholders and Couponholders, whether or not they participated in such Written Resolution and/or Electronic Consent, even if the relevant consent or instruction proves to be defective.

16. Aggregation Agent; Aggregation Procedures

16.1 Appointment

The Issuer will appoint an aggregation agent (the "**Aggregation Agent**") to calculate whether a proposed modification or action has been approved by the required principal amount outstanding of Notes, and, in the case of a multiple series aggregation, by the required principal amount of outstanding debt securities of each affected series of debt securities. In the case of a multiple series aggregation, the same person will be appointed as the Aggregation Agent for the proposed modification of any provision of, or any action in respect of, these Conditions or the Agency Agreement in respect of the Notes and in respect of the terms and conditions or bond documentation in respect of each other affected series of debt securities. The Aggregation Agent shall be independent of the Issuer.

16.2 Extraordinary Resolutions

If an Extraordinary Resolution has been proposed at a duly convened meeting of Noteholders to modify any provision of, or action in respect of, these Conditions and other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as practicable after the time the vote is cast, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have voted in favour of the Extraordinary Resolution such that the Extraordinary Resolution is passed. If so, the Aggregation Agent will determine that the Extraordinary Resolution has been duly passed.

16.3 Written Resolutions

If a Written Resolution has been proposed under the terms of these Conditions to modify any provision of, or action in respect of, these Conditions and the terms and conditions of other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as reasonably practicable after the relevant Written Resolution has been signed or confirmed in writing, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have signed or confirmed in writing in favour of the Written Resolution such that the Written Resolution is passed. If so, the Aggregation Agent will determine that the Written Resolution has been duly passed.

16.4 Electronic Consents

If approval of a resolution proposed under the terms of these Conditions to modify any provision of, or action in respect of, these Conditions and the terms and conditions of other affected series of debt securities, as the case may be, is proposed to be given by way of Electronic Consent, the Aggregation Agent will, as soon as reasonably practicable after the relevant Electronic Consent has been given, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have consented to the resolution by way of Electronic Consent such that the resolution is approved. If so, the Aggregation Agent will determine that the resolution has been duly approved.

16.5 Certificate

For the purposes of Condition 16.2, 16.3 and Condition 16.4, the Issuer will provide a certificate to the Aggregation Agent up to three days prior to, and in any case no later than, with respect to an Extraordinary Resolution, the date of the meeting referred to in Condition 15.2, Condition 15.3 or Condition 15.4, as applicable, and, with respect to a Written Resolution, the date arranged for the signing of the Written Resolution.

The certificate shall:

(a) list the total principal amount of Notes outstanding and, in the case of a multiple series aggregation, the total principal amount of each other affected series of debt securities outstanding on the record date; and

(b) clearly indicate the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities which shall be disregarded and deemed not to remain outstanding as a consequence of Condition 15.9 on the record date identifying the holders of the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities.

The Aggregation Agent may rely upon the terms of any certificate, notice, communication or other document believed by it to be genuine.

16.6 Notification

The Aggregation Agent will cause each determination made by it for the purposes of this Condition 16 to be notified to the Principal Paying Agent and the Issuer as soon as practicable after such determination. Notice thereof shall also promptly be given to the Noteholders.

16.7 Binding nature of determinations; no liability

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 16 by the Aggregation Agent and any appointed Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Principal Paying Agent and the Noteholders and (subject as aforesaid) no liability to any such person will attach to the Aggregation Agent or the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

16.8 Manner of publication

The Issuer will publish all notices and other matters required to be published pursuant to this Condition 16, including any matters required to be published pursuant to Condition 10 and Condition 15:

(a) on the website of the Debt Management Office of Nigeria, acting on behalf of the Issuer: http://www.dmo.gov.ng;

(b) through the systems of Clearstream, Luxembourg, Euroclear, DTC and/or any other international or domestic clearing system(s) through which the Notes are for the time being cleared and otherwise in accordance with Condition 14; and

(c) in such other places and in such other manner as may be required by applicable law or regulation.

17. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes; provided that any additional Notes having the same CUSIP, ISIN or other identifying number of outstanding Notes or any Series must be fungible with such outstanding Notes for U.S. federal income tax purposes if either the outstanding Notes or the additional Notes were or are issued under Rule 144A.

18. Currency Indemnity

If any sum due from the Issuer in respect of the Notes or the Coupons, or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes or the Coupons, as the case may be, the Issuer shall indemnify each Noteholder or Couponholder, as the case may be, on the written demand of such Noteholder or Couponholder, as the case may be, addressed to the Issuer and delivered to the Issuer or to the specified office of the Principal Paying Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder or Couponholder, as the case may be, may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

19. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

20. Governing Law and Submission to Jurisdiction

20.1 Governing law

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

20.2 Submission to jurisdiction

The Courts of England have exclusive jurisdiction to settle any dispute, claim, difference or controversy, arising from or connected with the Notes and/or the Coupons (including a dispute regarding the existence, validity or termination of and any non-contractual obligations arising out of or in connection with the Notes and/or the Coupons) or the consequences of their nullity (a "**Dispute**") and accordingly each of the Issuer and any Noteholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts. The Issuer agrees that the Courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary. This Condition 20.2 is for the benefit of the holders of Notes and/or Coupons only. As a result, and to the extent allowed by law, nothing in this Condition 20.2 prevents any holder of Notes and/or Coupons from taking proceedings related to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Noteholders or Couponholders may take concurrent proceedings in any number of jurisdictions.

20.3 Appointment of Process Agent

The Issuer confirms and agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to The High Commissioner of the Federal Republic of Nigeria to the United Kingdom, Nigeria High Commission, 9 Northumberland Avenue, London WC2N 5BX. If such agent ceases to be able to act as a process agent or to have an address in England, the Issuer irrevocably agrees to appoint a new process agent in England as soon as practicable thereafter. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

20.4 Consent to Enforcement and Waiver of immunity

The Issuer consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation but subject as provided in the following paragraph) the making, enforcement or execution against any property whatsoever of any order or judgment which is made or given in such Proceedings.

To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgement or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets or revenues, the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction (and consents generally for the purposes of the State Immunity Act 1978 to the giving of any relief or the issue of any process in connection with any Proceedings). The Issuer does not hereby waive such immunity from execution or attachment in respect of (a) property, including any bank account, used by a diplomatic or consular mission of the Issuer or its special missions or delegations to international organisations, (b) property of a military character and under the control of a military authority or defence agency of the Issuer or (c) property located in the Federal Republic of Nigeria and dedicated to a public or governmental use by the Issuer (as distinct from property which is for the time being in use or intended for use for commercial purposes within the meaning of the State Immunity Act 1978). The Issuer reserves the right to plead sovereign immunity under the US Foreign Sovereign Immunities Act of 1976 with respect to actions brought against it in any court of or in the United States of America under any United States federal or State securities law.

20.5 Other documents

The Issuer has in the Agency Agreement and the Deed of Covenant submitted to the jurisdiction of the English courts and appointed an agent for service of process in terms substantially similar to those set out above.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer toward funding of approved budgetary expenditures and for refinancing of domestic debt as may be applicable.

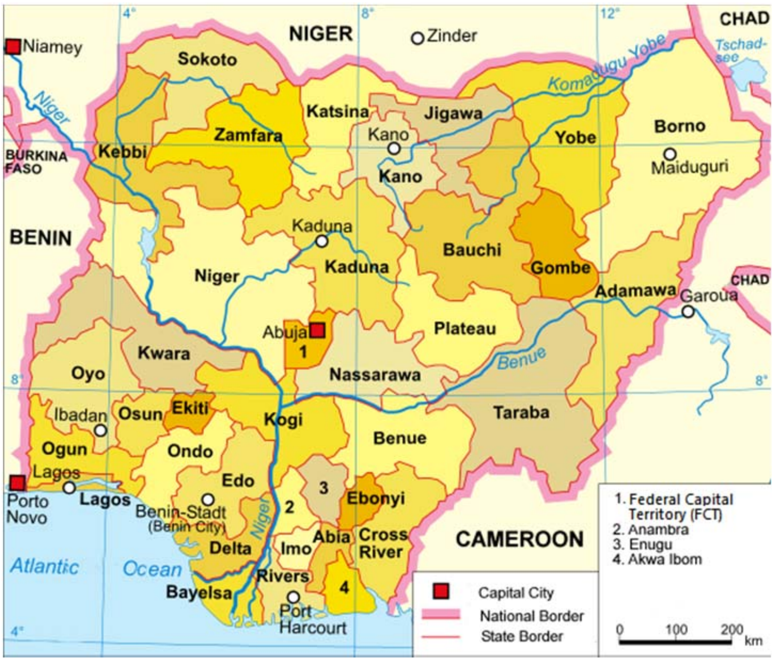
THE FEDERAL REPUBLIC OF NIGERIA

Location and Geography

The Federal Republic of Nigeria occupies 923,768 square kilometres of West Africa, bordering the Republic of Benin to the west, Niger and Chad to the north, Cameroon to the east and the Gulf of Guinea to the south. The climate in Nigeria is tropical. Temperatures oscillate between an average of 25º C in July and August, and 29º C in February and March. It is characterised by high humidity and substantial rainfall. There are two seasons in Nigeria, the wet and dry seasons. The wet season is from April to October while the dry season is from November to March.

Nigeria's topography and vegetation vary considerably. The coast of Nigeria is a belt of mangrove swamps that is traversed by a network of creeks, rivers and the Niger Delta. Beyond this lie successive belts of tropical rain forest in the south that break into more open woodland in the central part of the country and savannah in the northeast. The northernmost part of the country borders the Sahara Desert.

Nigeria consists of 36 states and the Federal Capital Territory, Abuja, which is located in central Nigeria. The states and the Federal Capital Territory are grouped into six geopolitical zones: North West, North Central, North East, South East, South South and South West. Lagos, which is situated in the South West of Nigeria, is the principal commercial centre and main port in the country. There are currently 774 constitutionally recognised local government areas and area councils in Nigeria.



The map above highlights the 36 States of Nigeria and the capital city of Abuja. The southern states of Ondo, Edo, Delta, Bayelsa, Anambra, Rivers, Imo, Abia, Akwa Ibom, and Cross River constitute the Niger Delta region.

Nigeria has an abundance of natural resources, particularly oil, natural gas, coal, bauxite, tin, iron ore, limestone, lead and zinc. The main oil fields are located both onshore and offshore in the Niger Delta.

History

Prior to the arrival of Portuguese traders in present-day Nigeria, there were various separate cultural, ethnic and linguistic groups, such as the Oyo, Benin, Nupe, Jukun, Kanem-Bornu and Hausa-Fulani empires. Portuguese traders arrived in Nigeria in the fifteenth century and were followed by the Dutch, British, and French in the sixteenth century.

In the eighteenth century, Britain became the dominant power followed by the Portuguese and French. The British also consolidated their hold over the Colony and Protectorate (a state that is controlled and protected by another) of Nigeria and governed by an "indirect rule" system through local leaders.

In 1914, Nigeria was formed by the amalgamation of the Northern and Southern Protectorates and the Colony of Lagos and was presided over by a Governor-General. In 1922, part of the former German colony "Kamerun" was added to Nigeria under a League of Nations mandate and the British introduced the principle of direct election to a Legislative Council. In 1951, the provinces were changed to regions. The National Council of Nigeria and the Cameroons was the political party that had control of the Eastern Region, the Northern People's Congress had control of the Northern Region, and the Action Group had control of the Western Region. By 1957, the Eastern and Western Regions had attained self-governing status while the Northern Region attained self-governing status in 1959.

Nigeria gained its independence from the United Kingdom in 1960, and in 1963 Nigeria became a Republic. Nnamdi Azikiwe was elected by a joint session of the parliament for a five-year term as the country's first President. The first post-independence parliamentary elections were held in December 1964, and Tafawa Balewa was re-elected as the country's Prime Minister. However, in January 1966, the first military coup in Nigeria occurred. Prime Minister Tafawa Balewa was killed and Major-General Johnson Aguiyi-Ironsi became the head of the military administration. In July 1966, Aguiyi-Ironsi was killed in a countercoup and replaced by Lieutenant-Colonel Yakubu Gowon.

In 1967, the Eastern Region declared its independence from Nigeria, proclaiming the independent Republic of Biafra. This triggered a civil war which lasted for 30 months. In 1970, the Biafran leaders surrendered and the former Biafran regions were reintegrated into the country. During the post-war period, all significant political power remained concentrated in the Federal Military Government and the regime ruled by decree. In 1972, a ban on political activity which had been in force since 1966 was partially lifted to permit a discussion of a new constitution that would pave the way for civilian rule. However, in 1975, Yakubu Gowon was overthrown in a bloodless coup and was replaced by Brigadier Murtala Mohammed. In February 1976, Murtala Mohammed was assassinated in an unsuccessful coup and Lieutenant General Olusegun Obasanjo succeeded him. In 1979, under Olusegun Obasanjo's leadership, Nigeria adopted a constitution that provided for a separation of powers among the executive, legislative, and judicial branches and general elections were held for the return of Nigeria to civilian rule in 1979.

In 1979, five parties competed in national elections, marking the beginning of the Second Republic. The presidential succession from Olusegun Obasanjo to a civilian, President Alhaji Shehu Shagari, was the first peaceful transfer of power since independence. However, in December 1983 the military, led by Major General Muhammadu Buhari, took control of power, primarily because there was no confidence in, and alleged corruption by, the civilian regime. Another military coup occurred in August 1985 when a group of officers under Major General Ibrahim Babangida removed Major General Buhari from power. President Babangida pledged to transfer power to a civilian administration and by 1992, local government, State Government and National Assembly elections were held and the winners in the various elections were sworn into their respective offices. Presidential elections then were held in June 1993 and it was believed that initial results indicated that Chief Moshood Abiola had won the majority of votes. However, the results were annulled by the ruling National Defence and Security Council, which declared that the transition to civilian rule could not be completed by August 1993. Following the annulment of the June 1993 presidential election results, Ibrahim Babangida resigned after establishing an Interim National Government under the leadership of Chief Ernest Shonekan. In November 1993, General Sani Abacha took control of power from the Interim National Government, and in 1994 Chief Moshood Abiola was arrested after proclaiming himself President. In 1995, as a result of various human rights violations, the European Union ("**EU**"), which had already imposed sanctions in 1993, suspended development aid to Nigeria. Nigeria was also temporarily expelled from the Commonwealth. Sani Abacha governed as a military dictator until his death in June 1998, and Chief Moshood Abiola died shortly afterwards.

Upon Sani Abacha's death, his chief of defence staff, Major General Abdulsalami Abubakar, assumed control and released political prisoners, including the former military head of state Olusegun Obasanjo. General elections were then conducted in January 1999 and Chief Olusegun Obasanjo was elected president, and his party, the Peoples Democratic Party, won a majority of the seats in both the Senate and House of Representatives, amidst allegations of election irregularities. A new constitution was adopted, and a peaceful transition to civilian government was completed with President Olusegun Obasanjo assuming power. In May 2006, the Senate rejected a constitutional amendment that would have permitted Chief Olusegun Obasanjo to stand for election for a third term. In April 2007, Umaru Musa Yar'Adua of the Peoples Democratic Party was elected President and succeeded Obasanjo. Following the death of President Umaru

Musa Yar'Adua on 5 May 2010, Goodluck Jonathan (then Vice-president) was sworn in as President, in accordance with the Constitution, on 6 May 2010. Goodluck Jonathan was then elected as President in the April 2011 general elections.

In general elections held on 28 March 2015, former Head of State, Major General Buhari defeated incumbent President Goodluck Jonathan and took office on 29 May 2015. See "— *Political Parties*".

Political System

Nigeria is a federation made up of three tiers of Government: the Federal Government, State Governments and Local Governments (together, the "**Federation**"). The present Constitution came into effect in May 1999. It was modelled after the United States Constitution and it provides for a tripartite structure in which power is divided among the executive, legislative and judicial branches. It establishes and sets out the powers and functions of the President (executive), the National Assembly (legislative) and an independent judicial system (judiciary) and prescribes the qualifications that individuals must possess to be appointed or elected to exercise such powers.

The Constitution has been amended three times since it came into force in May 1999. In July 2010, the Constitution of the Federal Republic of Nigeria (First Alteration) Act No. 5 of 2010 (the "**First Amendment**") was enacted into law. The First Amendment dealt mainly with issues relating to elections and circumstances when the President or a Governor is absent from the country.

In November 2010, the Constitution of the Federal Republic of Nigeria (Second Alteration) Act No. 2 of 2010 (the "**Second Amendment**") was passed. The Second Amendment expanded the exclusive appellate jurisdiction in the Supreme Court of Nigeria (the "**Supreme Court**") to hear and determine certain appeals from the Court of Appeal.

In February 2011, the Constitution of the Federal Republic of Nigeria (Third Alteration) Act was passed, creating the National Industrial Court as a court of record to deal with matters relating to employment, including the interpretation of the provisions of a collective agreement between employers and employees or labour unions.

There are currently a number of bills before the Senate or House of Representatives or both which, if enacted into law, will further amend the Constitution.

Executive Branch

The executive powers of the Federal Government are vested in the President, while the executive powers of the State Governments are vested in the Executive Governors and those of the Local Governments are vested in the Executive Chairmen. The executive powers of the Federal Government, subject to the provisions of the Constitution and of any law made by the National Assembly, may be exercised by the President directly or through the Vice-President and Ministers of the Federal Government or officers in the public service of the Federal Government. There are provisions in the Constitution designed to assure appropriate checks and balances among the three arms of government. The President is elected by popular vote for a four-year term and is eligible for election to a second (and final) term of four years. In addition to being the head of the Federal Government, the President is also the Head of State and the Commander-in-Chief of the Armed Forces of the country. The President is empowered to establish such ministerial offices as he may require and to appoint ministers to hold such offices subject to confirmation by the Senate. The President is required to appoint at least one Minister from each state.

The President may assign to the Vice-President or any Minister responsibility for any business of the Government, including the administration of any governmental department. The President holds regular meetings with the Vice-President and all the Ministers comprising the Federal Executive Council for the purposes of:

- determining the general direction of domestic and foreign policies of the Government;
- coordinating the activities of the President, the Vice-President and the Ministers of the Government in the discharge of their executive responsibilities; and

- advising the President generally in the discharge of his executive functions other than those functions with respect to which he is required by the Constitution to seek the advice or act on the recommendation of any other person or body.

The Constitution provides that if the office of the President becomes vacant by reason of death, resignation, impeachment, permanent incapacity or removal, the Vice-President shall hold the office for the remainder of the term of office of the President.

Legislative Branch

The legislative powers of the Federal Government are vested in the bicameral National Assembly, comprising a Senate and a House of Representatives.

The current House of Representatives, constituted following the general elections held in April 2015, is composed of 360 members who represent constituencies of nearly equal proportion. Members serve four-year terms. The number of seats per state is determined based on the population of each state. The head of the House of Representatives is called the Speaker. As of January 2017, twelve seats in the House of Representatives were vacant. This is due to the appointment of Hon. Khadija Bukar Abba Ibrahim of Yobe as the Minister of State, External Affairs; the election of Hon. Philip Shaibu of Edo as the Deputy Governor of Edo State as well as pending re-run elections to be held for the seats of Rivers State. At present there is only one representative from Rivers State.

The Senate is made up of members elected into that upper house for a four-year term. Each Nigerian state elects three senators while the Federal Capital Territory elects one senator, amounting to 109 seats in total. The head of the Senate is referred to as the Senate President. On 15 December 2016, three newly elected senators representing Rivers State were sworn in after the conclusion of the Rivers State senatorial re-run elections which were conducted by the Independent National Electoral Commission.

As of January 2017, three seats in the Senate were vacant due to Anambra, Kogi and Abia each having one vacant seat to be filled.

The two Chambers of the National Assembly work in collaboration with the executive branch in areas such as budgetary appropriation, appointment of certain officers and the enactment of laws. A bill for an act may originate from either of the Chambers or from the executive; however, before the President can assent to the bill, it must be passed by both Chambers.

The Senate and the House of Representatives are each required by the Constitution to sit for a minimum period of 181 days in each year.

House of Representatives

Political Party	Number of Seats
All Progressives Congress	215
Peoples Democratic Party	138
All Progressives Grand Alliance	5
Accord	1
Labour Party	1
Total	**360**

Senate

Political Party	Number of Seats
All Progressives Congress	67
Peoples Democratic Party	41
Labour Party	0
Total	**108**(1)

(1) As of 1 November 2017, 1 of the 109 seats in the Senate is vacant.

See "— *Political Parties*"

Judicial Branch

In accordance with the Constitution, judicial authority is vested mainly in the following courts: the Supreme Court; the Court of Appeal; the Federal High Court; the High Court of the Federal Capital Territory, Abuja; the Sharia Court of Appeal of the Federal Capital Territory, Abuja; the Customary Court of Appeal of the Federal Capital Territory, Abuja; the State High Courts of each state; the Sharia Court of Appeal and the Customary Court of Appeal in states which have established these courts; and the National Industrial Court (which handles labour and employment matters). The judiciary is independent and its powers are exercised in compliance with the Constitution.

The Constitution also vests judicial authority in such other courts as may be created by the National Assembly or the State House of Assembly and as may be authorised by law to exercise jurisdiction over matters with respect to which the National Assembly or the State House of Assembly may make laws, and they exercise jurisdiction in the first instance or on appeal.

The Constitution establishes election tribunals and a code of conduct tribunal; it also authorises the National Assembly to constitute other tribunals as may be required. The Investments and Securities Tribunal and the Tax Appeal Tribunal, which were established by the National Assembly pursuant to the Investments and Securities Act No. 29 of 2007 and the Federal Inland Revenue Service (Establishment) Act 2007, handle disputes in relation to capital markets activities and taxation, respectively.

Supreme Court

The Supreme Court, situated in the Federal Capital Territory, is the highest court in Nigeria and its decisions are binding on all lower courts. It has jurisdiction in respect of disputes (i) between the Federal Government and the states, (ii) between the states of the Federation, if and in so far as the disputes involve any question (whether of law or fact) on which the existence or extent of a legal right depends, (iii) between the National Assembly and the President, (iv) between the National Assembly and a state and (v) between the National Assembly and a State House of Assembly. It hears appeals from the Court of Appeal to the exclusion of any other court. The Supreme Court consists of the Chief Justice of Nigeria and such number of justices, not to exceed 21, as may be prescribed by the National Assembly. The court is duly constituted by not less than five or seven justices (depending on the nature of the matter before it) for the purpose of exercising any of its stated jurisdictions. The Chief Justice of Nigeria and other justices of the Supreme Court are appointed by the President on recommendation of the National Judicial Council, subject to confirmation of such appointment by the Senate. The Chief Justice of Nigeria heads the judiciary of Nigeria and presides over the Supreme Court. Currently, the Supreme Court is comprised of an acting Chief Justice and 16 other Justices.

The Court of Appeal

The Court of Appeal is the second highest court in Nigeria and its decisions are binding on all lower courts. It is composed of the President of the Court of Appeal and such number of other justices of the Court of Appeal which must not be less than 49. The court has original and exclusive jurisdiction over questions as to whether a person has been validly elected to the office of President or Vice-President of the Federation or whether the term of office of such person has ceased or whether the office has become vacant. It also has appellate jurisdiction to hear appeals from decisions of the High Courts of the states and the Federal Capital Territory, the Federal High Court, the Sharia Courts of Appeal of the states or of the Federal Capital Territory, the Customary Courts of Appeal of the states or of the Federal Capital Territory as well as from decisions of a court martial or other tribunals as specified by an Act of the National Assembly. The court is duly constituted by not less than three or five justices (depending on the nature of the matter before it) for the purpose of exercising any of its stated jurisdictions. For administrative convenience, the Court of Appeal is divided into judicial divisions which sit in various parts of the country: namely, Abuja, Lagos, Enugu, Kaduna, Ibadan, Benin, Jos, Calabar, Ilorin, Sokoto, Owerri, Yola, Ekiti, Makurdi, Akure and Port Harcourt. The appointment of the President of the Court of Appeal and the justices of the Court of Appeal is made by the President on the recommendation of the National Judicial Council. The appointment of the President of the Court of Appeal is subject to confirmation by the Senate.

The Federal High Court

The Federal High Court of Nigeria comprises a Chief Judge and such number of Judges as the National Assembly may prescribe. The Court has limited but exclusive jurisdiction in civil and criminal cases or matters as set out in the Constitution. Similar to the Court of Appeal, the Federal High Court is divided into judicial divisions for administrative convenience. There are currently 36 divisions of the Federal High Court spread across the States in Nigeria.

The State High Courts

There is a High Court in each state and the Federal Capital Territory. Each High Court of a state and the Federal Capital Territory is made up of a Chief Judge and such other number of judges as the State House of Assembly may prescribe or as the National Assembly may prescribe in the case of the High Court of the Federal Capital Territory. The State High Courts have general original jurisdiction over civil and criminal matters except matters in respect of which any other court has been vested with exclusive original jurisdiction and supervisory/appellate jurisdiction over lower courts, making them the courts with the widest jurisdiction under the Constitution. A State High Court is duly constituted by one judge. Each State High Court is divided into judicial divisions for administrative convenience.

The Sharia Court of Appeal

Sharia law and principles have been adopted in certain states in Nigeria. There is a Sharia Court of Appeal for the Federal Capital Territory and any state which requires it. This Court has appellate and supervisory jurisdiction in civil proceedings involving questions of Islamic personal law, which the Court is competent to decide in accordance with the Constitution. The Court comprises a Grand Khadi and other Khadis as the National Assembly or the State Houses of Assembly (as the case may be) may prescribe.

The Customary Court of Appeal

There is a Customary Court of Appeal for the Federal Capital Territory and any state that requires it. This Court has appellate and supervisory jurisdiction in civil proceedings involving questions of customary law and is comprised of a President and such number of judges as the National Assembly or the State Houses of Assembly (as the case may be) may prescribe.

The National Industrial Court

The National Industrial Court has exclusive jurisdiction in civil cases and matters relating to labour, employment, trade unions, industrial relations, terms of service and matters arising in relation to the workplace. The Court also has exclusive jurisdiction on matters relating to or arising from the Factories Act, 1987, the Trade Disputes Act 1976, the Trade Unions Act 1973 (as amended), the Employees' Compensation Act 2010 or any other legislation relating to labour, employment, industrial relations or workplaces. In May 2013, President Goodluck Jonathan approved the appointment of 12 new judges for the National Industrial Court, in addition to the nine existing judges and the President of the Court. In July 2017, the Vice President of Nigeria, Professor Yemi Osibanjo SAN, approved the appointment of 19 additional new judges for the National Industrial Court.

Other courts

In addition to the courts above, there are also Magistrates Courts, District Courts, Area Courts and Customary Courts established in various states by state laws. These courts have limited jurisdiction as specified in their enabling laws and appeals from them are referred to the High Court, the Sharia Court of Appeal or the Customary Court of Appeal (as the case may be).

State and Local Government

Nigeria is subdivided into 36 states and the Federal Capital Territory. Each state is governed by a Chief Executive (known as the Governor) who is elected for a four-year term and is eligible for one further term. The Governor is assisted in carrying out his or her functions by a Deputy Governor, commissioners and other public officers of the state. The Governor is empowered to appoint commissioners and advisers and to assign responsibilities to them.

The legislative powers of a state are vested in a unicameral legislative body called the House of Assembly. Members serve four-year terms and are not subject to a term limit for re-election. The House of Assembly of each state may legislate in respect of matters within its legislative competence, as set out in the Constitution. It is made up of representatives from all local government areas within the state and exercises identical functions at the state level to those of the National Assembly at the federal level. A state House of Assembly must consist of not less than 24 and not more than 40 members.

State Governments are vested with the power, for example, to collect personal income tax from residents, impose sales tax and collect certain forms of stamp duties and capital gains tax.

The states are further divided into local governments. There are 774 constitutionally recognised local government areas and area councils in Nigeria. Each local government area or area council is administered under a local government or area council, consisting of a Chairman who is the Chief Executive of the local government area or area council and other elected members who are referred to as councillors. The functions of local governments include the consideration and the making of recommendations to a state commission on economic, administrative and urban planning issues including the economic development of the state, collection of rates, radio and television licenses and establishment and maintenance of cemeteries, burial grounds and homes for the destitute or infirm, the naming of roads and streets and the numbering of houses and such other functions as may be conferred on a local government or area council by the State House of Assembly or National Assembly, as the case may be. The local government councils receive their funding from the State Government, and the area councils receive funding from the Federal Government, which in turn is financed by statutory allocations from the Federation Account. The Federation Account is a central distributable pool of funds (comprising oil revenues, value added tax, companies' income tax, customs and excise duties as well as royalties and other income) established pursuant to Section 162 of the Constitution and into which are paid all revenues collected by the Federation, except limited categories of revenues excluded pursuant to the Constitution, and managed by the Federal Government (the "**Federation Account**").

Population, Education and Health

Population

According to the 2017 Revision of the UNPD's World Population Prospects, Nigeria's population was approximately 186.0 million in 2016, representing an annual growth rate of 2.65 per cent from 181.2 million in 2015. The UNPD estimated Nigeria's population to be approximately 190.8 million in 2017.

Nigeria has a relatively young population, with approximately 4 per cent. of the population aged 60 and above, 51 per cent. between the ages of 15 and 59 and 44 per cent. under 15 years of age, in 2017, according to the UNPD. The World Bank estimated the average population density for the country at 199 people per square kilometre in 2015 and at 204 people per square kilometre in 2016. Nigeria's population is unevenly distributed across the country. Kano State had the highest population among Nigerian states in 2017, followed closely by Lagos State, which had the highest population density. Other densely populated states are Kaduna, Katsina, Oyo and Rivers States. In 2017, approximately 50.7 per cent. of Nigeria's population was male and approximately 49.3 per cent. was female.

There are three main ethnic groups in Nigeria: the Yorubas in the west, Hausa-Fulanis in the north and the Igbos in the east. There also are more than 250 other ethnic groups and languages, including Urhobo, Efik, Edo, Ijaw and Kanuri, and over 500 dialects within the ethnic groups. The official language in Nigeria is English, although the main indigenous languages spoken by the three predominant ethnic groups in the country are Yoruba, Hausa and Igbo. There is also a dialect known as "broken/Pidgin English," which is a Nigerian adaptation of the English language that is spoken and understood by many Nigerians.

The table below sets out selected comparative macroeconomic statistics and socioeconomic indicators for 2016 (unless otherwise indicated) for Nigeria and for certain other countries:

	Nigeria	Ghana	Zambia	Ivory Coast	South Africa
Gross National Income per capita (*current U.S.*\$)(1)	2,450	1,380	1,300	1,520	5,480
GDP growth (*annual %*)...	(1.5)	3.6	3.3	8.8	0.3
Population Growth (*annual %*)...	2.6	2.2	3.0	2.5	1.6
Life expectancy at Birth (*years*)(2)	53.0	62.4	61.3	53.1	61.9
Primary School Enrolment *(% gross*)(3)	93.7	109.9	103.7	93.6	99.7
Mortality Rate, under 5 (*per 1,000*)(2)	108.8	61.6	64	92.6	40.5
Adult Literacy Rate *(%)*(2)	59.6	76.6	85.1	43.3	94.6

(1) Gross National Income per capita is the Gross National Income, converted to U.S. dollars using the World Bank Atlas method, divided by the midyear population. The World Bank Atlas method of conversion is used by the World Bank to smooth fluctuations in prices and exchange rates. The World Bank Atlas method applies a conversion factor that averages the exchange rate for a given year and the two preceding years, adjusted for differences in rates of inflation between the country and countries in the EU, Japan, the United Kingdom and the United States.

(2) Data for 2015

(3) Percentage above 100 per cent. is due to students who re-enrol after a period of absence, in which case one student may account for more than one enrolment. Data do not account for re-enrolment. Primary school enrolment data for Nigeria and Zambia are 2013, for South Africa are 2014, and for Ghana and Ivory Coast are 2015.

Source: World Bank, World Development Indicators database.

Education

The Nigerian education system has three main segments: basic education, post-basic education (or senior secondary education) and tertiary education. Early childhood care and development (or pre-primary education) is viewed as a specialised part of basic education for younger children who are not yet of primary school age.

Primary or basic education

Primary education is free and compulsory, although not all eligible children attend school. According to the Federal Ministry of Education, in 2013 there were 92,851 primary schools in Nigeria with 26.2 million children enrolled. There is strong participation by the private sector in primary education but the Government is the dominant provider of education at this level. According to the National Bureau of Statistics, in 2014, the total number of public primary schools in Nigeria was 62,406 with 23.1 million enrolled students. In that same year, according to the NBS, enrolment had declined for both sexes from 12,916,185 males and 11,268,842 females in 2013 to 12,145,968 and 10,983,959 respectively in 2014, representing a decrease of 6.0 per cent. and 2.5 per cent., respectively.

Post Basic Secondary

According to the Federal Ministry of Education, in 2013 there were 21,113 junior secondary schools in Nigeria with 6.2 million children enrolled and 20,906 senior secondary schools with 5.2 million children enrolled. The level of primary and junior secondary school enrolment was 52 per cent. male and 48 per cent. female, while for senior secondary schools the level was 54 per cent. male and 46 per cent. female. In 2014, the total number of public junior secondary schools was 11,874 compared to 11,561 in 2013.

Tertiary

Tertiary education encompasses all forms of post-secondary education, which includes universities, colleges, polytechnics and monotechnics. The National Open University of Nigeria was founded in 2002 to provide tertiary education through a network of local study centres located in different parts of the country. According to the National Universities Commission, there are approximately 69 private universities, 40 federal universities and 45 state universities, totalling 154. According to the National Board for Technical Education, there are 107 federal, state and private polytechnics in Nigeria, 27 federal, state and approved private monotechnics, 36 Federal and State Colleges of Agriculture. The country also has Colleges of Health Education and technical colleges.

In November 2016, the Government approved the establishment of eight new private universities.

Quality of Education

According to the UNESCO, the adult literacy rate in Nigeria for 2015 is estimated at 59.6 per cent. (69.2 per cent. for males and 49.7 per cent. for females) and the youth literacy rate is estimated at 72.8 per cent. (79.9 per cent. for males and 65.3 per cent. for females). According to the NBS, the adult literacy rate (age 15 and over) in 2010 was 57.9 per cent. (65.1 per cent. for males and 50.6 per cent. for females) in the English language and 71.6 per cent. (79.3 per cent. for males and 63.7 per cent. for females) in any language. The youth literacy rate (age 15-24) stood at 76.3 per cent. (81 per cent. for males and 71.4 per cent. for females) in the English language and 85.6 per cent. (89.4 per cent. for males and 81.6 per cent. for females) in any language.

Primary and secondary school education is hampered by adverse conditions such as inadequate teaching and instructional materials, poor infrastructure and overcrowded classrooms, as well as an inadequate number of teachers in schools and institutions.

Improving education is a central goal of Vision 20:2020, (as described in "*The Economy — Overview — Vision 20:2020*"), and the First National Implementation Plan ("**First NIP**") aimed to increase net primary school enrolment from 61.5 per cent. to 75 per cent. by 2013 and to increase access to nomadic education from 22 per cent. to 40 per cent. by 2013. Net primary and secondary school attendance stood at 71 per cent. and 54.8 per cent. in 2012, respectively, compared with 68.7 per cent. and 57.4 per cent. in 2014, respectively. The target of the First NIP was not achieved due to instability in the north resulting from Boko Haram activity.

In 1993, the Tertiary Education Trust Fund (formerly, the Education Trust Fund and the Education Tax Fund) was established by the Government to manage, disburse and monitor the education tax (a 2 per cent. tax on the assessable profit of all registered companies in Nigeria) for the benefit of public tertiary institutions in Nigeria at the federal and state levels. The funds disbursed are for essential physical infrastructure, teaching, teaching material and equipment, research, publications, academic staff training and for maintaining and improving overall quality and standards.

Health

Nigeria operates modern healthcare delivery systems, as well as indigenous healthcare delivery systems. The private and the public sectors provide orthodox healthcare services, while the traditional healthcare system is managed by traditional healthcare practitioners. The public health service is organised into primary, secondary and tertiary levels. The National Health Policy assigns responsibilities for primary healthcare to local governments, secondary healthcare to State Governments and tertiary healthcare to the Federal Government.

According to a survey conducted by the Federal Ministry of Health in 2011, Nigeria had 23,640 health care facilities, 88.4 per cent. of which were at the primary level, 11.3 per cent. of which were at the secondary level, and 0.2 per cent. of which were at the tertiary level. According to the Primary Healthcare Under One Roof Implementation Scorecard III Report issued by the National Primary Health Care Development Agency, in November 2015, there were 33,973 health facilities (private and public) in the Country. Although the healthcare system covers the entire country, there are wide regional disparities in the delivery of healthcare services and availability of resources, and the system faces funding and capacity constraints. Healthcare services are more prevalent in the southern states than in the northern states. The current priorities of the health sector are in the areas of childhood immunisation and HIV/AIDS prevention.

According to the UNDP's Human Development Report 2016, the maternal mortality rate in Nigeria is estimated to be 814 per 100,000 live births, as of 2015, while the under-five mortality rate is estimated to be 108.8 per 1,000 live births, as of 2015. Communicable diseases are the major causes of mortality and morbidity in the country. In children, the major causes of mortality and morbidity are malaria, diarrhoea, acute respiratory infections, measles and other vaccine-preventable diseases and the exacerbating effect of malnutrition.

Also according to the UNDP's Human Development Report 2016, life expectancy at birth in Nigeria was approximately 53.4 years for females and 52.7 years for males. According to the World Bank, in 2016, Nigeria had an HIV prevalence of approximately 2.9 per cent. among its population of adults aged between 15 and 49 years old, a decrease from 3.3 per cent. in 2011.

According to the Nigeria Malaria Indicator Survey (NMIS) of 2015, 69 per cent. of the Country's total population has access to improved drinking water representing about 89 per cent. of the total urban population and approximately 58 per cent. of the total rural population.

In 2014, amid an outbreak of Ebola in certain areas of West Africa, twenty cases of Ebola were reported in Nigeria (19 laboratory confirmed and one probable). On 31 March 2017, the Federal Ministry of Health announced that an outbreak of cerebrospinal meningitis across Nigeria had begun in November 2016, affecting primarily northern areas. With support from multilateral and bilateral development partners, vaccines have been deployed to affected areas and all public sector hospitals have been directed to provide free treatment for all cases of cerebrospinal meningitis.

Political Parties

According to the Independent National Electoral Commission, as of November 2016 there are 40 registered political parties in Nigeria. In addition to the ruling All Progressives Congress (which resulted from the merger in 2013 of a faction of the All Progressives Grand Alliance, the Action Congress of Nigeria, the All Nigeria People's Party and the Congress for Progressive Change), which has been in power since 2015, the main political parties include the Peoples Democratic Party, the All Progressives Grand Alliance, the Labour Party and the Accord Party. The All Progressives Congress was the main opposition party in the 2015 general elections; its candidate, former Head of State Major General Buhari, won the Presidential election in March 2015 and took office on 29 May 2015.

The tenures of the previous President, Vice President, members of the National Assembly, as well as the Governors of all the States in Nigeria (except Anambra, Bayelsa, Kogi, Edo, Ondo, Ekiti and Osun States) expired on 28 May 2015.

2015 Elections

Nigeria held general elections with respect to the executive and legislative arms of the federal government on 28 March 2015 and at the state level on 11 April 2015. Although there was some election related violence, the elections were widely accepted by local and international observers, such as the United States, EU, African Union, and the Economic Community of West African States ("**ECOWAS**"), as credible, free and fair. In its congratulatory message to Nigeria, the government of the United States described the federal elections of 28 March 2015 as "historic, well-conducted, and largely peaceful."

The presidential election was contested by 14 political parties, while 28 registered political parties sponsored candidates for the National Assembly elections. The two major contestants for the presidency were the incumbent President, Dr. Goodluck Ebele Jonathan of the Peoples Democratic Party, and Major General Buhari of the All Progressives Congress. Major General Buhari won the election with 15,424,921 votes, followed by President Jonathan with 12,853,162 votes. In the presidential election, the All Progressives Congress won a majority of the votes in 21 of the 36 states, while the Peoples Democratic Party won in 15 states and the Federal Capital Territory. President Jonathan congratulated President-elect Buhari, who took office on 29 May 2015 in accordance with the Constitution. There was no election dispute before any tribunal with respect to the presidential election.

The results of elections in the National Assembly, which were held alongside the presidential election on 28 March 2015, shifted the balance of power in favour of the All Progressives Congress, which gained a majority of seats in both the upper and lower chambers of the National Assembly.

General elections at the state level for offices of the executive governor and for seats in the state legislatures were held on 11 April 2015. Elections for offices of the executive governor were held in only 29 states, as the elections for seven other states already had been settled through by-elections. The All Progressives Congress won governor positions in 20 of the 29 states, bringing to 22 the number of states governed by the All Progressives Congress. The Peoples Democratic Party won nine states in the 11 April 2015 election, bringing the states to be governed by the Peoples Democratic Party to 13, while the All Progressives Grand Alliance retained its control of one state.

The administration of the All Progressives Congress has stated that its party's mission is to construct and institute a progressive state anchored on social democracy, where the welfare and security of the citizenry is paramount. To achieve these objectives, the All Progressives Congress government has proposed the eight following key programmes:

1. War Against Corruption: This programme aims to strengthen the powers of the Economic and Financial Crimes Commission, the Independent Corruption Practices and Other Related Offences Commission and other Anti-graft agencies and repeal the laws which inhibit their independence. The party also proposes to embark upon a public sensitisation campaign and increase civic education against corruption in schools and town halls, and well as to encourage Civil Society Organisations, Advocacy groups and Whistle-Blowers in the anti-graft movement.

2. Food Security: This programme involves comprehensive re-organisation and revolution of the agricultural industry, with the aim of sustaining agriculture as the strategic centre of national economic development to feed the nation, supplying adequate raw material for industrial processing and manufacturing and earning stable remunerative prices in the local and international markets.

3. Accelerated Power Supply: This programme aims to pursue the expansion of electricity generation and distribution, and to make power available from renewable energy sources such as coal, solar, hydro, wind and biomass for domestic and industrial use, wherever these prove viable.

4. Integrated Transport Network: This programme involves undertaking a survey of the condition of the Federal highways and State roads, including rural feeder roads as a basis for embarking on appropriate reconstruction, rehabilitation and maintenance works. The party also proposes to embark on the building of up to 200 km of modern standard railway lines annually, improve and modernise aviation infrastructure to ensure compatibility with international safety standards and renovate and modernise the ports to enable them to cope with growing traffic.

5. Free Education: This programme aims to fully implement and enforce the provisions of the Universal Basic Education Act 2004, with emphasis on gender equity in primary and secondary school enrolment whilst improving the quality and substance of the schools. The party will target up to 10 per cent. of the annual budget for this critical sector whilst making substantial investments in training programmes at all levels of the educational system.

6. Devolution of Power: This programme aims to ensure that the Local Government system of administration is autonomous, to allow it to perform the constitutional role demanded of it.

7. Accelerated Economic Growth: This programme aims to maintain a sound macro-economic policy environment, run an efficient government and preserve the independence of the Central Bank. The programme also aims to restore and strengthen financial confidence by putting in place more robust monitoring, supervision and regulation of all financial institutions and make the economy one of the fastest growing emerging economies in the world, achieving a real GDP growth averaging 10 per cent. annually.

8. Affordable Health Care: This programme aims to reduce the infant mortality rate by 2019 to 3 per cent., reduce maternal mortality by more than 70 per cent., reduce HIV/AIDS infection rate by 50 per cent. and other infectious disease by 75 per cent., as well as improve life expectancy by an additional 10 years on average through the implementation of a national healthy living programme. The party also proposes to increase the number of physicians from 19 per 1000 population to 50 per 1000 and increase national health expenditure per person per annum to about ₦50,000 (from less than ₦10,000 currently).

The new government assumed office on 29 May 2015 and has pursued administrative and legislative steps to implement the agenda of the All Progressives Congress. One of the major objectives of the new administration is the enforcement of anti-corruption laws and, in general, its battle against corruption. Under the new administration, has taken a more proactive stance in tackling corrupt practices in the public service sector (namely, the executive, legislature and the judiciary). The ERGP aims to build on the existing Strategic Implementation Plan and aims to meet the objectives required to revive the economy.

Some of the steps which the current administration has taken include:

- exiting the Joint Venture Cash call obligation arrangement with the international oil companies;
- adopting the Zero Based Budget (ZBB) approach, commencing with the 2016 Budget, with the aim of justifying every government spending in line with government policies and priorities;
- introducing a Treasury Single Account;
- introducing the Efficiency Unit in the Ministry of Finance to block financial leakages ; and
- fully removing the fuel subsidy.

Legal Proceedings

Save as disclosed in this section "*— Legal Proceedings*", in "*Public Finance — Excess Crude Account*" and in "*Public Finance — Public Accounts*", the Federal Republic of Nigeria is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which it is aware), during the 12 months prior to the date hereof, which may have, or have had in the recent past a significant effect on the financial position of the Federal Republic of Nigeria.

Dispute with Global Steel Holdings Ltd

In August 2004, Global Steel Holdings Ltd and Global Infrastructures (Nigeria) Ltd (together, "**Global**") entered into a concession agreement with the Government for the rehabilitation, completion, commissioning and operation of the Ajaokuta Steel Plant in Ajaokuta, Kogi State by Global. In May 2007, the concession agreement was terminated and the Government entered into a share sale and purchase agreement ("**Global SPA**") with Global pursuant to which the Government agreed to sell 300,000 ordinary shares, or 60 per cent. of Ajaokuta Steel Company Ltd. ("**ASCL**") to Global for U.S.$525 million. In February 2008, Global alleged that the Government breached the Global SPA by failing to give Global unfettered possession of the Ajaokuta Steel Plant, failing to take responsibility for payment of salaries, allowances and emoluments of the staff of ASCL and failing to indemnify Global for all liabilities and obligations against ASCL prior to the effective date of the Global SPA. Following initial attempts to settle the matter by agreement, in April 2008 Global brought an arbitration claim at the ICC International Court of Arbitration in London (the "**ICC**"). Global was seeking damages for losses resulting from the alleged breaches plus costs of the arbitration. In September 2008, the Government filed a response denying the allegations and in 2011 the parties decided to suspend the arbitral proceedings in order to pursue a mediation process and reach a settlement. Following negotiations, the parties reached an agreement on the major issues of the dispute and signed a settlement agreement on 1 May 2013. The settlement agreement provided that the National Iron Ore Mining Company Ltd. ("**NIOMCL**") would revert to Global under a modified concession agreement (the "**Modified Concession Agreement**") while ASCL would revert to the Government. The parties signed the Modified Concession Agreement on 1 August 2016, in Abuja with an initial duration of seven years and an option to renew for a further 10 years. In line with the Modified Concession Agreement, both parties are currently conducting technical and financial due diligence in relation to NIOMCL, following which the Government will approve Global's business plan for the Ajaokuta Steel Plant and production will commence. The parties intend to re-approach the ICC for a final arbitration award on the basis of the new understanding and agreements.

Dispute with Korea National Oil Corporation

In 2005, the Korea National Oil Corporation ("**Korea National Oil**") and its Nigerian affiliates were awarded oil prospecting licenses in respect of the Oil Prospecting License 321 and 323 oil blocks (see "*The Economy — Principal Sectors of the Economy — Oil and Gas — Upstream*"). The awards were subject to the payment of certain signature bonuses equal to approximately U.S.$485 million. The Government claims that Korea National Oil paid only approximately U.S.$100 million. Subsequently the Government revoked Korea National Oil's licenses. Korea National Oil brought an action in the Federal High Court, Abuja, for the reinstatement of the licenses.

In August 2009, the court issued a judgment in favour of Korea National Oil, declaring that the purported revocation of Oil Prospecting Licence 321 and Oil Prospecting License 323 by the Government was invalid and granting an order restraining the Government, its agencies and servants from exercising any authority over the oil blocks. In August 2009, the Government and certain other parties appealed the decision to the

Court of Appeal, Abuja Division, contending that Korea National Oil had failed to pay the applicable signature bonuses and execute agreed downstream projects which were conditions precedent for the award of the oil prospecting licenses and that consequently the revocation of the oil prospecting licenses was valid. The Court of Appeal decided against Korea National Oil and set aside the judgment of the Federal High Court. Korea National Oil then appealed to the Supreme Court, with certain matters also subject to cross-appeal. On 24 February 2017, the Supreme Court upheld the decision of the Court of Appeal.

Dispute with Continental Transfert Technique Ltd

In May 1999, Continental Transfert Technique Ltd ("**Continental**") entered into an agreement with the Government to manufacture the Combined Expatriate Residence Permit and Aliens Card (CERPAC) for the Ministry of the Interior. Pursuant to the agreement, Continental was to provide equipment, technical support and training and the Ministry of the Interior (previously the Ministry of Internal Affairs) was to provide office accommodation for the Combined Expatriate Residence Permit and Aliens Card facilities. The fees earned from the Combined Expatriate Residence Permit and Aliens Card cards were to be split 60 per cent. to Nigeria, 30 per cent. to Continental and 10 per cent. for operating expenses. In November 2007, Continental commenced arbitration proceedings alleging misrepresentations by the Government in the agreement, in particular with respect to Combined Expatriate Residence Permit and Aliens Card sales projections. Continental sought damages in the amount of approximately U.S.$604 million. The Government denied the allegations and counterclaimed for Continental's failure to deliver equipment and perform services. The amount of the Government's counterclaim was approximately U.S.$34 million. The arbitration proceedings were held at the International Dispute Resolution Centre in London. In August 2008, the arbitration panel awarded damages of approximately U.S.$252 million in favour of Continental. In May 2010, the Government initiated an action in the Federal High Court, Lagos, to have the award set aside. Continental has initiated proceedings in the U.S. District Court of the District of Columbia to seek recognition and enforcement of the arbitration award. While all proceedings in the Nigerian courts have since been abated, on 26 March 2013 the U.S. District Court of the District of Columbia issued a judgment that grants Continental an award in the amount of U.S.$276.1 million, including post-judgment interest at a rate of 3.4 per cent. per annum. On 25 April 2013, the Government filed an appeal against the judgment. Although the Government's appeal with the U.S. Court of Appeals for the D.C. Circuit is still pending, Continental commenced enforcement proceedings in the United States. In order to ensure that the Government's assets in the United States are protected against such enforcement proceedings, the Government has filed for protective orders against any potential discovery or deposition requests filed by Continental as part of the enforcement proceedings. In an out-of-court settlement chaired by the former Attorney-General of the Federation, the FGN agreed to pay Continental ₦18 billion in three instalments within six months of the execution of the settlement agreement as well as extend the CERPAC contract for a term of three years as full and final payment. The sum of ₦7 billion has been proposed to be paid up-front, with subsequent payments of ₦6 billion and ₦5 billion. The judgment debt is still outstanding and legal proceedings are ongoing.

Dispute with Enron Nigeria Power Holding, Ltd.

In November 2012, an international arbitration tribunal constituted by the International Court of Arbitration of the International Chamber of Commerce ("**ICC**") issued an award in favour of Enron Power Holding Company of Nigeria Ltd. ("**Enron**") against Nigeria in the amount of $11,220,000 plus interest from June 2006, plus GBP 718,147 and $870,000 in respect of costs and expenses (the "**Enron ICC Award**"). In October 2015, the U.S. District Court for the District of Columbia ("**DC District Court**") confirmed the Enron ICC Award, which the U.S. Court of Appeals for the District of Columbia Circuit affirmed in December 2016. On 26 April 2017, the DC District Circuit issued an order for entry of a final judgment in amounts totalling $21,270,691.68.

In 2014, Enron obtained a third party debt order against the NNPC and J.P. Morgan Chase Bank in London. The order was later discharged.

Dispute between the Nigerian National Petroleum Corporation and the 1993 Production Sharing Contract contractor parties

The NNPC is currently in dispute with its 1993 Production Sharing Contract contractor parties over the interpretation and application of certain provisions of the Production Sharing Contracts. The disputes are currently the subject of four separate arbitral proceedings which the contractor parties (Nigeria Agip Exploration Limited ("**NAE**"), Shell Nigeria Exploration and Production Company ("**SNEPCo** "), Esso Exploration and Production Nigeria Limited ("**Esso**") and Statoil (Nigeria) Limited ("**Statoil**")) have instituted against the NNPC. The issues for determination before the arbitral panels are:

- timing of amortisation of capital costs;
- allocation of tax;
- treatment of investment tax credit; and
- treatment of signature bonuses, loan interest and non-operator sole costs as deductible items for tax purposes.

The four arbitral tribunals have issued awards of at least U.S.$3.2 billion, plus interest and costs. However, the NNPC applied to the Federal High Court, Abuja challenging the arbitration proceedings on the basis that the exclusive jurisdiction to determine tax disputes lies with the Federal High Court of Nigeria pursuant to Section 251 of the Constitution. Consequently, the arbitral award in the Esso case was set aside by the Federal High Court on 22 May 2012, while the court is yet to determine the cases involving NAE, SNEPCo and Statoil. Esso appealed the judgment of the Federal High Court and on 22 July 2016, the Court of Appeal partly decided in favour of NNPC and affirmed the decision of the Federal High Court that such tax disputes are not arbitrable. The Court of Appeal affirmed the arbitral award determination that, pursuant to the Production Sharing Contracts, preparation of the Petroleum Profit Tax Returns and the determination of the oil lifting allocation were to be made by Esso.

Esso and SNEPCo also applied, as lead plaintiffs, to the United States District Court for the Southern District Court of New York for the recognition of arbitral awards against NNPC that were issued in October 2011 and May 2013, respectively. NNPC has moved for dismissal of the Esso case claiming enforcement of an award of U.S.$1.8 billion plus interest and costs. The case involving claims led by SNEPCo was stayed in April 2017 pending a decision by the Federal High Court in Nigeria concerning an application to set-aside the underlying arbitral award.

In addition, the Nigerian Federal Inland Revenue Service (the "**FIRS**") also commenced proceedings at the Federal High Court against NNPC and each of NAE, SNEPCo, Esso and Statoil, challenging the propriety of the arbitrations in view of Section 251 of the Constitution and claiming that the Federal High Court has exclusive jurisdiction in matters relating to Nigerian tax. The Federal High Court ruled in favour of the FIRS and the judgments were appealed. The Court of Appeal upheld the decision of the Federal High Court and affirmed that tax disputes are not arbitrable, as the Federal High Court has exclusive jurisdiction to deal with and hear tax matters.

Esso/Total and CNOOC/SAPETRO have separately commenced arbitral proceedings against the NNPC in respect of disputes resulting from their respective Production Sharing Contracts. The issues for determination relate to:

- manner of capital amortization and recovery;
- responsibility for the preparation of entitlements, amortization and royalty rate;
- cost consolidation; and
- treatment of certain cost items including signature bonuses, loan interest and non-operator sole costs.

The arbitral tribunals in both cases have been constituted and parties to the Total Production Sharing Contracts are exploring amicable settlement.

Process and Industrial Development Limited v Ministry of Petroleum Resources of the Federal Republic of Nigeria

Arbitration proceedings were commenced against the Ministry of Petroleum Resources by Process and Industrial Development Limited ("**P&ID**") in relation to a definite agreement dated 11 January 2010 (the "**Definite Agreement**") between the Ministry and P&ID for Accelerated Gas Development in OMLs 123 and 67 for a period of twenty years.

Following the inability of the parties to implement the Definite Agreement as envisaged, P&ID commenced the arbitral proceedings, initially claiming the sum of U.S.$1.9 billion against the Ministry of Petroleum Resources. P&ID thereafter increased its claim to U.S.$5.9 billion and has recently submitted a final claim against the Ministry of Petroleum Resources of U.S.$8.1 billion. In January 2017, the arbitration tribunal awarded U.S.$8.4 billion against the Ministry of Petroleum Resources. The Government has entered negotiations for settlement of the award with P&ID.

Interstella v NITEL

Interstella Communication Limited obtained a consent judgment against the now defunct Nigerian Telecommunications Limited in the sum of U.S.$119 million. Due to interest accruing on the judgment sum, the judgment now amounts to U.S.$286 million. Subsequently, an order absolute was obtained by Interstella Communication Limited.

The consent judgment has been challenged by the Attorney-General of the Federation and Minister of Justice on the allegation that it was obtained without the knowledge of the Attorney-General. The matter was heard by the Supreme Court of Nigeria on 3 October 2017 and adjourned to 5 December 2017 for judgment.

LR Avionics v. Federal Republic of Nigeria

LR Avionics commenced arbitration proceedings against the Federal Republic of Nigeria, seeking redress for breach of a contract it entered into with the Ministry of Defence for the supply of six SU-27 Fighter Aircrafts for the Nigerian Air Force. In its final award, the Arbitration Tribunal awarded LR Avionics a sum of U.S.$5 million as general damages, U.S.$3 million as cost of legal representation and ₦9,420,000 as arbitrators' fees.

Following the failure of the Federal Republic of Nigeria to pay the arbitration award sum, LR Avionics obtained an order for recognition and enforcement of the award in 2014 from the Commercial Court in London, in the sum of U.S.$5 million (which has now risen to about U.S.$6 million as a result of the accumulated interest on the award). The order includes a final charging order, allowing LR Avionics to sell property belonging to the Federal Republic of Nigeria at 56/57 Fleet Street in London. Following an application from the Government, the Commercial Court in London set aside the final charging order. This was appealed by LR Avionics and the Government subsequently approved the settlement of U.S.$6 million. The Ministry of Finance is in the process of determining how the judgment debt should be settled.

Terrorism and Anti-Terrorism Measures

Terrorism Prevention Act

In February 2011, Nigeria passed the Terrorism Prevention Act, which authorises police and security forces to seal off property, detain terror suspects, and search property without first obtaining a warrant if in the interest of national security. Additionally, the Terrorism Prevention Act granted jurisdiction over all terrorism cases to Nigeria's Federal High Court, where judges may issue sentences of up to 30 years for anyone convicted of acts of terrorism.

The Terrorism Prevention Act was passed amid growing concerns about violence caused by extremist militant groups operating in Nigeria. In December 2012, an amendment was passed which designates the office of the National Security Adviser as the coordinating body for all security and enforcement agencies and tasks the Attorney General with ensuring the conformity of Nigeria's counter-terrorism laws with international standards and UN conventions. In May 2015, the Administration of Criminal Justice Act came into force. It regulates the procedure of all criminal investigations and trials (including terrorism cases) in the federal courts.

In a bid to further deter acts of terrorism, there is presently a Terrorism (Prevention) Repeal and Enactment Bill, 2015 (which was consolidated with the Terrorism Act (Amendment) Bill, 2016) which seeks to impose more stringent prison terms for Terrorist offences amongst connected purposes is Awaiting Committee Report at the House of Representatives. The Bill was first read on 16 December 2015 and the second reading of the Bill took place on 15 November 2016.

Certain Counter-Terrorism Measures

The Federal Government of Nigeria has established various anti-terrorism measures. In 2011, a Joint Task Force (comprising the Nigerian Military, Nigeria Police Force, and State Security Service) was established and 3,600 personnel were deployed to Maiduguri, the capital of Borno State. An additional 2,000 troops with heavy military equipment, including fighter jets, were sent to Maiduguri in May 2013.

In April 2013, then President Goodluck Jonathan inaugurated a 17-member Committee on Proliferation of Small Arms and Light Weapons. Through the ECOWAS, Nigeria participated in establishing a Three Pillar Counter-Terrorism Strategy and Implementation Plan that includes improved border control and measures countering the financing of terrorism. In April 2014, Nigeria, along with other Member States of the ECOWAS, adopted the international Arms Trade Treaty.

The Federal Government of Nigeria has participated in U.S. counterterrorism capacity-building programmes under the Department of State's Antiterrorism Assistance (ATA) programme.

Boko Haram, Niger Delta Avengers and Indigenous People of Biafra

Boko Haram

Boko Haram is a home-grown terrorist group which has operated primarily in North Eastern Nigeria since 2009. The group's ideology is directed toward "Islamising" Northern Nigeria, implementing Sharia law and providing for the purification of Islam. Since 2009, Nigeria has experienced attacks and kidnappings, particularly in the northern States. It is believed that these attacks have been carried out by Islamist militia groups based in the north, such as Ansaru and Boko Haram. These attacks have occurred at various sites including churches, mosques, schools, business premises, police stations and immigration offices in Kano, Maiduguri, Mubi, Yola and Gombi States. Instances of kidnappings have increased, and have in some cases been large-scale, including the 276 female students kidnapped from a school in Chibok, Borno State in 2014. On 6 May 2017, the Government announced the release of 82 of the students in exchange for the release of suspected members of Boko Haram. In July 2016, a team from the UNICEF was attacked by suspected Boko Haram insurgents, leaving several injured and leading UNICEF to temporarily withdraw certain aid funds. Since the insurgency began, an estimated 20,000 lives have been lost in attacks of this kind and nearly two million people have been displaced in Nigeria, according to the World Bank North-East Nigeria Recovery and Peace Building Assessment Report, 2016.

In May 2013, then-President Goodluck Jonathan declared a state of emergency in Borno, Yobe and Adamwa, thereby authorising the military to take over all security operations in those States, although the state of emergency has since lapsed. In February 2015, Nigeria's Independent National Electoral Commission postponed the presidential elections scheduled to take place in February 2015 until 28 March 2015 amid concerns that the military would be unable to provide sufficient security for the elections while fighting Boko Haram. To help contain the threat of regional instability from Boko Haram activities, the African Union agreed on 7 February 2015 to send 8,700 troops from Nigeria, Benin, Cameroon, Chad and Niger to help put down the Boko Haram insurgency. Additionally, the defence budget was increased from about ₦100 billion in 2010 to about ₦1 trillion in 2014. The 2017 Appropriation Act included an allocation of approximately ₦139.3 billion for the Ministry of Defence as capital expenditure, compared to ₦130.8 billion in the 2016 Appropriation Act and ₦35.3 billion in the 2015 Appropriation Act. The joint task force consisting of military forces from Nigeria, Cameroon, Chad and Niger has made significant progress in disrupting Boko Haram's operations and maintaining security in the north-eastern region of Nigeria, including through the liberation of cities previously captured by the insurgents, which allowed internally displaced persons to return to their communities. In August 2016, the so-called Islamic State in Syria, a Middle-Eastern terrorist group to which Boko Haram has pledged allegiance, announced the appointment of a new leader for Boko Haram, supporting reports that the previous leader of Boko Haram had been killed during military operations. In December 2016, the Nigerian Army seized and took control of the Sambisa forest which was the major enclave of the Boko Haram group. Despite progress made in combatting the group, Boko Haram has continued to mount attacks in 2017, particularly in the Lake Chad region. Additionally, Nigeria has recently experienced an increase in separatist movements. Ethnic tensions have surfaced in recent months amid calls for a separate southern state, known as Biafra, while certain groups in the Niger Delta have called for independence and Boko Haram continues to seek an Islamic state in the north-east. *See "Risk Factors—Risks related to Nigeria--Nigeria's political, economic and social stability has and will continue to be adversely affected by political and religious conflicts, terrorism, and social and religious tensions, any or all of which may materially and adversely impact economic conditions and growth in Nigeria".*

Niger Delta Avengers

In addition to the instability caused by Boko Haram in the North, the Niger Delta region of Nigeria continues to experience militant activities, such as the targeting of oil and gas installations across the region by groups such as the Niger Delta Avengers. The Niger Delta Avengers are the first official armed group to emerge in the region since 2009, when the then-President Umar Musa Yar'Adua, granted amnesty to militants in the region. The Niger Delta Avengers have expressed that their main objective is to ensure increased consideration for people who have suffered severe damage as a result of the environmental degradation caused by oil production and exploration activities in the region. In a bid to put a stop to the violence and sabotage in the region, the Presidential Amnesty Programme (the "**PAP**") was established in 2009 by then-President Yar'Adua. Under the PAP, militants in the region are given the opportunity to surrender their arms and be reintegrated into the society through vocational, educational and human capital development programmes locally and overseas. Members under the PAP are also given monetary stipends as financial support. Under the administration of President Buhari, the PAP has been re-engineered to include an Exist Strategy for sustainable reintegration. The PAP has partnered with strategic partners such as the Niger Delta State Government, the Ministry of Agriculture, the World Bank and the private sector, in order to achieve the aims of the programme. The initiative has seen about 30,000 youths from communities in the Niger Delta region be enrolled in education scholarships, vocational courses and post training empowerment programmes. As of 2016, 909 members under the programme are engaged at various overseas educational institutions on scholarships, while 852 have graduated. Similarly, 1,726 members are engaged in universities locally and 955 had graduated, as of 2016. The PAP has resulted in substantial benefits, as members have been integrated into various sectors of the economy such as maritime, aviation, engineering and agriculture. The Federal Government has expressed its willingness to bring members of the Niger Delta Avengers and its agitators in under PAP. In August 2016, the Niger Delta Avengers announced that it is ready for a dialogue with the Federal Government. Additionally, in 2016, the Buhari administration committed U.S.$1 billion over five years to the clean-up of Ogoniland in the Niger Delta, following decades of oil pollution, which may help appease tensions among certain segments of the local population. *See "Risk Factors—Risks related to Nigeria--Nigeria's political, economic and social stability has and will continue to be adversely affected by political and religious conflicts, terrorism, and social and religious tensions, any or all of which may materially and adversely impact economic conditions and growth in Nigeria".*

Indigenous People of Biafra

The IPOB, a separatist organisation led by Nnamdi Kanu, has emerged as a significant security concern since 2017. IPOB demands that a number of states in south-east Nigeria, made up primarily of people from the Igbo ethnic group, break away from Nigeria and form the independent nation of Biafra. The group has called for a referendum, stating that they will continue to agitate until the Nigerian government fixes a date for the referendum. On 14 October 2015, Nnamdi Kanu was arrested by the Department of State Services and detained until May 2017 when he was released on bail.

According to Amnesty International, the Nigerian army killed at least 150 members of IPOB between August 2015 and August 2016, including at a prayer breakfast in Ngwa in February 2016 and during the Biafran Remembrance Day celebration in May 2016. In September 2017, the 14 brigade of the Nigerian Army initiated an exercise code in the south-east region with the objective of preparing troops to suppress agitations for secession and address reported cases of kidnapping and other concerns in the region. However, IPOB members were injured and approximately five killed in a clash with troops following allegations that attempts were made by the soldiers to invade the residence of and arrest the IPOB leader. On 20 September 2017, the Federal High Court granted an *ex-parte* declaration that the activities of IPOB are acts of terrorism and are illegal, with an order proscribing of IPOB. *See "Risk Factors—Risks related to Nigeria--Nigeria's political, economic and social stability has and will continue to be adversely affected by political and religious conflicts, terrorism, and social and religious tensions, any or all of which may materially and adversely impact economic conditions and growth in Nigeria".*

Foreign Relations

Nigeria has diplomatic relations with 100 countries. In pursuing the goal of regional economic cooperation and development, Nigeria has, over the past decades, played a pivotal role supporting peace in Africa. It has provided the bulk of troops for the UN peacekeeping mission in Sierra Leone, the UN Mission in Liberia and the African Union Mission in Sudan. Nigeria also has had a presence in countries such as the Democratic Republic of Congo, Chad and Bosnia. Nigeria is also leading the International Support Mission in Mali. According to the UN, as of 31 December 2016, Nigeria contributed 2,171 military experts, troops and police to UN peacekeeping missions, ranking 14th globally in contributions to UN operations.

EU Relations

The EU is Nigeria's main trading partner and Nigeria, through the ECOWAS, concluded in February 2014 an Economic Partnership Agreement with the EU after more than ten years of negotiation. In July 2014, the ECOWAS Heads of States and Government gave final approval to sign the Economic Partnership Agreement, in spite of reservations raised by Nigeria concerning potential negative impacts on the Nigerian economy and integration of ECOWAS. Nigeria expressed its inability to sign the Economic Partnership Agreement in its present form. However, Nigeria is still working with the ECOWAS Commission to find a way forward.

The European Development Fund is the EU's main vehicle for development cooperation in certain African, Caribbean and Pacific States, including Nigeria, focusing on economic growth and poverty reduction. The tenth European Development Fund programme for Nigeria for the period 2008 – 2013 was launched in November 2009. The development cooperation strategy was formulated jointly with Nigeria and an allocation of €677 million was made for the period 2008 to 2013 to fund programmes and projects in three focal areas: peace and security, governance and human rights. Trade and regional integration and key development issues, such as climate change, health and cultural, scientific and technical cooperation, were included as non-focal areas. The eleventh European Development Fund, for the years 2014-2020, includes a Regional Indicative Programme for West Africa with a budget of approximately €1.15 billion, with priorities centred on regional integration.

U.S. Relations

Trade between Nigeria and the United States historically has been very strong due to the trade in petroleum products; however, trade between Nigeria and the United States has declined sharply since 2012. Total trade between Nigeria and the United States declined from U.S.$24.0 billion in 2012 to U.S.$18.2 billion in 2013 and to U.S.$9.8 billion in 2014, mostly due to a rise in shale oil production in the United States, which serves as an alternative to imports of crude oil from Nigeria. Nigeria's exports to the United States in 2015 and 2016 totalled ₦334.6 billion and ₦1,030.3 billion, respectively, while imports from the United States totalled ₦582.0 billion and ₦706.2 billion, respectively.

In April 2010, the United States and Nigeria formed the United States/Nigeria Bi-National Commission to provide a platform for a more productive and strengthened bilateral cooperation between the two countries. In March 2014, the United States and Nigeria met under an existing Trade and Investment Framework Agreement to advance the ongoing work programme and to discuss improvements in Nigerian trade policies and market access. According to the U.S. Census Bureau, in 2014, Nigeria's crude oil exports to the United States were U.S.$2.3 billion, compared to U.S.$1.1 billion in 2015. According to the NBS, Nigeria's crude oil exports to the United States increased to ₦963.9 billion (approximately U.S.$4.1 billion, at the average exchange rate of ₦235.8/U.S.$1) in 2016.

Foreign Direct Investment in Nigeria is concentrated in the petroleum/mining and wholesale and trade sectors. Exxon Mobil Corporation ("**ExxonMobil**") and Chevron Corporation ("**Chevron**") are the two largest U.S.-based corporations operating in offshore oil and gas production in Nigeria.

In addition to the decline in oil exports to the United States, two principal issues affect Nigeria-U.S. relations. First, the negotiation of the extension of trade benefits granted under the United States African Growth and Opportunity Act 2000, which aims to offer incentives for African countries to continue efforts to open their economies and build free markets. Second, there is an ongoing effort by the Nigeria Customs Service to harmonise Nigeria's tariff classifications with the World Customs Organisation Harmonised Commodity Description and Coding System. Currently, the United States contends that oatmeal has been misclassified, leading to an import duty that is twice as high as the United States contends it should be.

China Relations

Nigeria and the People's Republic of China ("**China**") established diplomatic relations on 10 February 1971. Relations between the two countries have been very cordial and active. Bilateral relations between the two countries include the establishment of a Joint Economic and Trade Commission, the signing of agreements on trade, economic and technical cooperation, scientific and technological cooperation and investment protection, as well as frequent exchange of high-level visits and consultations. One of the agreements signed, the Bilateral Trade Agreement, dated 27 August 2001, has lapsed and a new agreement is in process.

China's main exports to Nigeria in 2015/2016 were light industrial, mechanical and electrical products. In 2015/2016, China mainly imported from Nigeria crude oil, timber and cotton. Both countries also executed a double taxation treaty in April 2002, which came into force in January 2010.

To date, China has set up a number of solely funded companies or joint ventures in Nigeria. Some of the main projects contracted or undertaken by Chinese companies in Nigeria are the rehabilitation of Nigerian railways, construction of houses at the Games Village of the National Stadium Complex in Abuja and the construction of the corporate headquarters of the Nigerian Communications Commission.

In 2010, the NNPC signed a memorandum of understanding with China State Construction Engineering Corporation Limited ("**CSCEC**") to jointly seek an estimated U.S.$23 billion in contractor financing and supplier credits from the China Export and Credit Insurance Corporation and a consortium of Chinese banks to fund the establishment of three greenfield refineries and one petrochemical complex at various locations in Nigeria. The three greenfield refinery projects have since been put on hold. See "*Public Debt — Guarantees and Contingent Liabilities*".

In December 2010, the Federal Government signed agreements with the Export-Import Bank of China for two loans with a total value of U.S.$899.5 million to provide funding for two key infrastructure projects in Nigeria: the Abuja-Kaduna Railway project (U.S.$500 million) and the Nigerian National Public Security Communication System project (U.S.$399.5 million). The loans are for periods of 20 years (with a 7-year grace period) and the interest rate is 2.5 per cent. per annum.

In November 2012, the Federal Government entered into another loan agreement with the Export-Import Bank of China in the amount of U.S.$500 million for the Abuja Light Rail project. The loan is for a period of 20 years (with a 7-year grace period) and the interest rate is 2.5 per cent. per annum.

The Government has entered into agreements with Export-Import Bank of China for two loans with a total value of U.S.$600 million, to provide funding for the Nigerian ICT Infrastructure Backbone Project (U.S.$100 million) and expansion of Lagos, Kano, Abuja and Port Harcourt Airports Terminals (U.S.$500 million). The Government has also entered into an agreement with Chinese state-owned companies to build a U.S.$1.3 billion, 700-megawatt hydroelectric power plant in Zungeru, Niger state. The majority of the project will be financed by a loan from the Export-Import Bank of China (75 per cent.), with the remainder of the cost to be paid by the Nigerian Government.

While commercial operation has commenced on the Abuja-Kaduna rail service in July 2016, disbursements on the remaining loans and execution of the projects are ongoing.

In May 2016, President Buhari signed an agreement with the Industrial and Commercial Bank of China, pursuant to which Nigeria will provide clearing services for renminbi-denominated transactions throughout Africa and the Central Bank will diversify its foreign reserves from U.S. dollars to include Chinese renminbi.

In July 2016, the Federal Government, eight Nigerian states and the China-Africa Machinery Corporation entered a memorandum of understanding designed to increase Nigeria's stock of agricultural tractors and mechanization. The China-Africa Machinery Corporation is a venture funded by the China African Development Fund, a strategic partnership between China and Africa to encourage and support Chinese enterprises to invest in Africa.

Membership of International and Regional Organisations

United Nations

Nigeria has been a member of the UN since October 7, 1960. Nigeria is a member of the UN Human Rights Council as well as other agencies of the UN. Nigeria made a commitment to the Millennium Declaration at the UN's Millennium Summit of 2000.

Nigeria was elected in October 2013 for a two-year term as a non-permanent member of the UN Security Council. Nigeria held the presidency of the Council for the month of April 2014.

IMF/World Bank

Nigeria has been a member of the World Bank since 14 November 1961 and the IMF since 30 March 1961. In March 2017, the IMF concluded its 2017 Article IV Consultation with the Nigerian Government, which involved discussion of economic and socio-economic policies that the IMF regularly holds with each member country. In April 2017, the IMF published a staff report of its Article IV consultation with the Nigerian Government and a press release summarising the views of the IMF Executive Board during its consideration of the staff report. The IMF Executive Board recognised that the Nigerian economy has been negatively impacted by low oil prices and production and commended the efforts already made to reduce vulnerabilities and enhance resilience, while also emphasising that stronger macroeconomic policies are urgently needed to rebuild confidence and foster economic recovery. The IMF Executive Board welcomed the ERGP and its initiatives for economic diversification and infrastructure development, while underlining that stronger policies will be needed to achieve ERGP objectives.

In 2013, the World Bank changed Nigeria's classification from low-income country to lower-middle-income country. Nigeria has also graduated from the list of countries with access to the International Development Association's concessionary window.

OPEC

Nigeria became a member of OPEC in 1971. OPEC's mission is to coordinate and unify the petroleum policies of its member countries with the goal of stabilising oil markets to secure an efficient, economic and regular supply of petroleum to consumers, a steady income to producers and a fair return on capital for those investing in the petroleum industry. These goals are pursued through agreement on each country's production allocation, or quotas. These quotas are regularly discussed at OPEC meetings and agreed by consensus. They are technically voluntary as the OPEC members reserve the rights to their sovereignty; however, there can be pressure to ensure compliance from other member countries. Each year from 2011 to 2015, the OPEC allocation for Nigeria was 1.7 million barrels per day of crude oil (excluding condensates, which are not included in the OPEC quota). For 2016, OPEC's allocation for Nigeria was 1.673 million barrels per day. OPEC has stated that it is considering imposing caps on Nigerian oil production, as part of an attempt to support oil price by reducing excess availability of crude oil on world markets. Nigeria's crude oil production in 2012, 2013, 2014, 2015 and 2016 was estimated at 2.3 mbpd, 2.2 mbpd, 2.2 mbpd, 2.1 mbpd and 1.8 mbpd, respectively. For the six months ended 30 June 2017, average daily production was 1.8 mbpd.

See "*The Economy — Principal Sectors of the Economy — Oil and Gas — Oil and Gas Sector History, Regulation and Reform —History*".

WTO

Nigeria joined the World Trade Organisation ("**WTO**") on 1 January 1995. Nigeria is committed to a multilateral trading system and has made efforts to improve its customs procedures and to facilitate trade. Nigeria's tariffs are based on the Common External Tariff ("**CET**") regime of ECOWAS. See "*Foreign Trade and Balance of Payments — Foreign Trade—Trade Policy*". The WTO Trade Policy Review Body conducted its most recent review of the trade policies and practices of Nigeria in June 2011. The 2011 Trade Policy Review Report by the WTO Secretariat observed that, while Nigeria's economy continues to grow and diversify, sustaining economic growth requires further diversification of the economy away from the petroleum sectors. The report noted also that any description or assessment of Nigeria's trade policies was particularly difficult due to problems related to availability of information and coordination between official agencies.

African Organisations

African Union

Nigeria was a founding member and is one of 54 members of the African Union, the successor to the Organisation of African Unity. The African Union is modelled on the EU and has had a parliament since March 2004 when the Pan African Parliament was created. Its day-to-day affairs are run by the African Union Commission, which is chaired by Dr. Nkosazana Dlamini Zuma, a South African politician.

The African Union agreed on 7 February 2015 to send 8,700 troops from Nigeria, Chad, Cameroon, Niger and Benin to fight Boko Haram. The troops sent included soldiers, policemen, and civilians and is expected to be headquartered in Chad's capital, N'Djamena. Neither a budget nor a timetable has yet been given for the intervention. According to the African Union, as of April 2016, the European Commission had decided to contribute EU funding to the Multinational Joint Task Force fighting Boko Haram.

African Development Bank

Nigeria is a member of the African Development Bank. The primary objective of the African Development Bank is to encourage sustainable economic development and social progress in its regional member countries, thus contributing to poverty reduction. According to the African Development Bank, as of 31 December 2016, Nigeria holds the largest equity share in the African Development Bank and approximately 8.9 per cent. of voting power. Nigeria has a permanent seat on the Board of the African Development Bank. According to the African Development Bank, as of October 2017, the African Development Bank had 17 ongoing projects in Nigeria, 11 approved projects and 12 pipeline projects in Nigeria.

Economic Community of West African States & Economic Community of West African States Monitoring Group

Nigeria is a member of ECOWAS, which was established in 1975. ECOWAS is headquartered in Abuja and has 15 West African countries as members. The organisation promotes integration in all fields of economic activity, particularly industry, transport, telecommunications, energy, agriculture, natural resources, commerce, monetary and financial questions, and social and cultural matters.

In 1993, the Economic Community of West African States Treaty was revised with an intention to accelerate economic integration and to establish an economic and monetary union in West Africa with the following objectives: the removal of customs duties for intra-ECOWAS trade and taxes having equivalent effect, the establishment of a common external tariff, the harmonisation of economic and financial policies and the creation of a single monetary zone. However, regional trade within the ECOWAS as a share of total trade remains limited due to the lack of economic harmonisation.

In December 2014, Nigeria launched the CET regime of the ECOWAS. The CET took effect in Nigeria on 1 January 2015 and is expected to boost national productivity through reduction of customs duties on raw materials required for industrial production. As of late 2016, ten countries, including Nigeria, have implemented the CET.

Nigeria is also a member of the Economic Community of West African States Monitoring Group ("**ECOMOG**"). ECOMOG was founded in 1990 under the auspices of Member States of the ECOWAS that were concerned about the threat of instability in the region during the Liberian Civil War. ECOMOG is composed of soldiers from the national armies of Member States. Nigeria contributed a majority of the troops and material and financial backing in respect of ECOMOG.

THE ECONOMY

Overview

According to the World Bank, Nigeria was Africa's largest economy by GDP in 2015, ahead of South Africa and Egypt. Nigeria is also the most populous country in Africa, with a population of approximately 181.2 million in 2015 and 186.0 million in 2016. Following strong growth in the early part of the decade, Nigeria's economy entered a recession in 2016 in the low oil-price environment, before recovering slightly in the second quarter of 2017.

Nigeria experienced real GDP growth rates of 4.2 per cent. in 2012, 5.5 per cent. in 2013, 6.2 per cent. in 2014 and 2.8 per cent. in 2015, before contracting by 1.6 per cent. in 2016. The Nigerian economy contracted by 0.09 per cent. in the first half of 2017 (year-on-year). The Nigerian economy is highly dependent on the oil and gas sector, which, in 2016, accounted for 8.4 per cent. of real GDP, 92.3 per cent. of export earnings and 50.9 per cent. of total gross federally collectible revenue. For the six months ended 30 June 2017, the oil and gas sector accounted for 8.8 per cent. of real GDP. Dependence on oil makes the economy vulnerable to oil price fluctuations, as most economic sectors in Nigeria depend on public spending which itself is dependent on oil and gas revenues.

However, GDP growth in more recent years has been supported by growth in non-oil and gas GDP, which grew by 5.8 per cent. in 2012, 8.4 per cent. in 2013, 7.2 per cent. in 2014 and 3.8 per cent. in 2015, before contracting by 0.22 per cent. in 2016. The biggest drivers for this growth have historically been agriculture, telecommunications, manufacturing and trade. For the six months ended 30 June 2017, Nigeria's total real GDP was ₦32.1 trillion (or U.S.$105.0 billion, at an average exchange rate of ₦305.70/U.S.$1), a 0.09 per cent. contraction compared to the six months ended 30 June 2016. Nigeria's real GDP contracted by 0.91 per cent. (year-on-year) in the first quarter of 2017, but the second quarter showed real GDP growth of 0.72 per cent. (year-on-year) (revised in November 2017 from real GDP growth of 0.55 per cent. originally reported in September 2017, following revisions by the NNPC to oil production figures and consequent revisions to oil sector GDP), driven by improving performance of the oil sector, indicating the emergence of the economy from recession after five consecutive quarters of contraction.

Nigeria's real GDP showed further growth of 1.40 per cent. (year-on-year) in the third quarter of 2017, resulting in overall growth of 0.43 per cent. for the nine months ended 30 September 2017. The real GDP growth reported in the third quarter of 2017 was primarily as a result of increased oil production and real growth in the oil sector of 25.89 per cent. (year-on-year). Conversely, the non-oil sector contracted by 0.76 per cent. (year-on-year) during the third quarter of 2017. Although the electricity, gas, steam and air conditioning supply, agriculture, and other services sectors grew by11.46 per cent., 3.06 per cent. and 1.72 per cent., respectively, in the third quarter of 2017 compared to the same period in 2016, such growth was offset by contractions of 4.48 per cent. in the information and communication sector, 4.12 per cent. in the real estate sector, 2.85 per cent. in the manufacturing sector, 1.74 per cent. in the trade sector and 0.46 per cent. in the construction sector. As a share of the economy, the oil sector's contribution increased to 10.04 per cent. of total real GDP in the third quarter of 2017, while the non-oil sector contributed 89.96 per cent. to total real GDP.

The following table sets forth the contribution to real GDP and growth rate of certain sectors of the Nigerian economy for the periods indicated (based on 2010 constant basic prices):

	Year ended 31 December										Six months ended 30 June	
	2012		2013		2014		2015		2016		2017	
Economic Sector	**% of GDP**	**Growth rate (%)**	**% of GDP**	**Growth rate (%)**	**% of GDP**	**Growth rate (%)**	**% of GDP**	**Growth rate (%)**	**% of GDP**	**Growth rate (%)**	**% of GDP**	**Growth rate (%)**
Agriculture	23.91	6.70	23.33	2.94	22.90	4.27	23.11	3.72	24.45	4.11	22.19	3.19
Crude Petroleum and Natural Gas	13.64	(4.95)	11.24	(13.07)	10.44	(1.32)	9.61	(5.45)	8.35	(14.45)	8.79	(6.58)
Trade	16.44	2.21	16.62	6.64	16.57	5.88	16.95	5.14	17.18	(0.24)	17.45	(2.36)
Manufacturing	7.98	13.46	9.22	21.80	9.95	14.72	9.54	(1.46)	9.28	(4.32)	9.56	1.00
Information and Communication	10.46	3.05	10.73	8.21	10.81	6.99	11.17	6.22	11.57	(1.95)	12.41	0.73

Source: National Bureau of Statistics

Economic Reform Policies

The Government seeks to continue to diversify the economy by pursuing a range of economic reforms, including power and banking sector reforms, privatisation programmes to address poor infrastructure, including power and transportation, oil and gas reforms to reduce dependence on oil and gas as a major source of income and policies to improve economic coordination. The Government aims to diversify the economy away from oil. Key levers and initiatives driving growth of non-oil revenue include tailored revenue strategies for ministries, department and agencies, improved efficiency for tax collection, enabling customs collections and strengthening of controls.

The Government's reform plans are based on Vision 20:2020, a long-term strategic economic transformation plan developed by the Nigerian government in 2009 for stimulating Nigeria's economic growth. Vision 20:2020 articulates Nigeria's broad economic growth strategies and is designed to be implemented using a series of more detailed medium-term national development plans. The Vision 20:2020 has been further developed through the First NIP, the Transformation Agenda and the ERGP.

Vision 20:2020

In May 2009, the Government launched Vision 20:2020, a long-term strategic plan which aims for Nigeria to become one of the 20 largest economies in the world by 2020. The three key pillars of Vision 20:2020 are:

- optimising the key sources of economic growth;
- guaranteeing the productivity and wellbeing of the Nigerian people; and
- fostering sustainable economic development.

The First NIP

In May 2010, the Government adopted the First NIP for the years 2010-2013. The First NIP was a medium-term plan for implementing the first stage of Vision 20:2020 and the first of three expected national implementation plans. In early 2011, the Government announced the Transformation Agenda, which prioritised the key projects and programmes in Vision 20:2020 and the First NIP for the four following years. See "— *Transformation Agenda*".

The First NIP had six main areas of focus:

- Physical Infrastructure – focusing on power, transport and housing;
- Productive Sector – focusing on the key sectors of economic growth such as agriculture, oil and gas and manufacturing;
- Human Capital and Social Development – focusing on the social sectors of the economy, namely, education, health, labour, employment and productivity;
- Building a Knowledge-Based Economy – building a knowledgeable workforce and ensuring widespread access to information, internet and communication technology;
- Governance and General Administration – focusing on electoral reform and combating corruption; and
- Regional Geopolitical Zone Development – fostering accelerated, sustainable social and economic development among regions in Nigeria by encouraging economic competition.

Transformation Agenda

Following his election in 2011, former President Goodluck Jonathan introduced the Transformation Agenda, which was based on the goals of the Vision 20:2020 and the First NIP. A key challenge in implementing the First NIP was a lack of coordination among the various goals. The Transformation Agenda included pillars addressing (1) the macroeconomic framework, (2) governance, (3) human capital development, (4) the productive sector and (5) infrastructure. The Transformation Agenda fell short of its goals due to lower than expected global growth and the steep fall in petroleum prices beginning in 2014.

Economic Recovery and Growth Plan (ERGP)

The current administration intends to continue implementing the Vision 20:2020 master plan for Nigeria's economic development and has developed a more comprehensive economic plan—the ERGP. The ERGP, which was published in March 2017, addresses the implementation of medium-term growth plans, as well as short-term initiatives aimed at strengthening the economy, and is intended to promote national prosperity and an efficient, dynamic and self-reliant economy to secure the maximum welfare, freedom and happiness of every citizen on the basis of social justice and equality of status and opportunity. The ERGP assumed oil price benchmarks of U.S.$42.50, U.S.$45.00, U.S.$50.00, and U.S.$52.00 per barrel in 2017, 2018, 2019, and 2020, respectively.

The ERGP set forth policy objectives in five thematic areas: (1) macroeconomic policy, (2) economic diversification and growth drivers, (3) competitiveness, (4) social inclusion and jobs, and (5) governance and other enablers. Key targets of the ERGP during the 2017—2020 period include single-digit inflation (9.9 per cent.) by 2020; average annual real GDP growth of 4.6 per cent.; average annual growth in the agricultural sector of 6.9 per cent.; reducing the unemployment rate to 11.2 per cent. by 2020; attaining 10 GW of operational energy capacity by 2020; restoring and increasing crude oil output to 2.2 mbpd in 2017 and 2.5 mbpd by 2020; increasing domestic refining capacity; improving road, rail, and port infrastructure; driving industrialisation with targeted annual growth of 8.5 per cent. in manufacturing and the creation of 1.5 million jobs; and stable exchange rates and greater availability of foreign exchange. There can be no assurance that such objectives in fact will be achieved.

The ERGP defines six priority sectors: agriculture, manufacturing, solid minerals, services, construction and real estate, and oil and gas. Three of these sectors—services, agriculture, and manufacturing—are projected by the ERGP to account for three-quarters of growth from 2017 through 2020. Key policies intended to promote growth of the non-oil sector under the ERGP include industrial and trade policy, a digital-led strategy for growth, which aims to expand the information and communication technology ecosystem in Nigeria, and cross- sector strategies, which aim to support micro, small and medium enterprises.

Additional policy objectives under the ERGP include reducing the cost of governance, developing the skills of public servants, and improving public service productivity. With the goal of reducing the cost of governance, the ERGP contemplates streamlining the number of MDAs with an aim to eliminate overlapping mandates and to reduce public expenditures. With the goal of developing the skills of public services, the ERGP contemplates developing institutional capacity in budgeting, planning, policy analysis, financial management, procurement, human resources management, and leadership. With the goal of improving public service productivity, the ERGP contemplates implementing e-government across Government bodies, starting with a pilot scheme in selected MDAs.

Gross Domestic Product

GDP is a measure of the total value of final products and services produced in a country in a specific year. Nominal GDP measures the total value of final production in current prices. Real GDP measures the total value of final production in constant prices of a particular year, thus allowing historical GDP comparisons that exclude the effect of inflation.

The following table below provides information regarding Nigeria's nominal GDP for the periods indicated:

	For the year ended 31 December					For the six month period ended 30 June
	2012	2013	2014	2015	2016	2017
Real GDP (constant prices) (millions of ₦)	59,929,893.0	63,218,721.7	67,152,785.8	69,023,929.9	67,931,235.9	32,132,685.1
Nominal GDP (current prices) (millions of ₦)	71,713,935.1	80,092,563.4	89,043,615.3	94,144,960.5	101,489,492.2	53,058,606.5
Naira/U.S. dollar (annual/period average)(1)	155.44	155.25	156.47	192.64	252.69	305.70
GDP (current prices, millions of U.S. dollars)	461,360.9	515,894.1	569,077.9	488,709.3	401,636.36	173,564.30

(1) For 2011-2014, CBN Official Rate; for 2015, 2016 and 2017, CBN interbank exchange rate.
Source: National Bureau of Statistics, Central Bank of Nigeria

In 2016, Nigeria's nominal GDP was ₦101.5 trillion, an increase of 7.8 per cent. compared to ₦94.1 trillion in 2015. In U.S. dollar terms, Nigeria's nominal GDP in 2016 was U.S.$401.6 billion, a decrease of 17.8 per cent. compared to U.S.$488.7 billion in 2015.

In 2016, real GDP was ₦67.9 trillion, a decrease of 1.6 per cent. compared to ₦69.0 trillion in 2015. Real GDP growth in 2015, 2014, 2013 and 2012 was 2.8 per cent., 6.2 per cent., 5.5 per cent. and 4.2 per cent., respectively. In 2016, non-oil real GDP contracted by 0.2 per cent., compared to real GDP growth of 3.8 per cent. in 2015, 7.2 per cent. in 2014, 8.4 per cent. in 2013 and 5.8 per cent. in 2012.

The main drivers of the overall contraction in real GDP in 2016 included the oil sector, mining and quarrying and real estate. Despite the overall contraction in real GDP in 2016, growth was recorded in agriculture, information and communication, education, and other services. The main drivers of overall GDP year-over-year real growth recorded in 2015 were trade, agriculture, information and communication, financial and insurance and other services.

In the six months ended 30 June 2017, real GDP was ₦32.1 billion, a decrease of 0.09 per cent. compared to the six months ended 30 June 2016. Although real GDP contracted in the first quarter of 2017, the second and third quarters of 2017 showed real GDP growth of 0.72 per cent. (year-on-year) and 1.40 per cent. (year-on-year), respectively, with the main driver being the recovery of the oil and gas sector. While the oil and gas sector contracted by 15.60 per cent. (year-on-year) in the first quarter of 2017, it grew by 3.53 per cent. (year-on-year) and 25.89 per cent. (year-on-year) in the second and third quarters of 2017, respectively. Quarter-on-quarter, the oil and gas sector grew by 9.53 per cent. in the second quarter of 2017 and 21.10 per cent. in the third quarter of 2017, partly as a result of increased oil production in the period, due to fewer disruptions to oil production in the Niger Delta region. The main drivers of growth in the non-oil sector were agriculture, finance and insurance, electricity, gas, steam and air conditioning and other services. According to the CBN, the manufacturing Purchasing Managers' Index ("**PMI**"), which indicates changes in the level of business activities in the manufacturing sector as compared to the preceding month, stood at 55.0 index points in October 2017, indicating the continued expansion of the manufacturing sector for a seventh consecutive month (a composite PMI above 50 points indicates that the relevant sector is generally expanding).

GDP Rebasing

Historically, Nigeria prepared real GDP on the basis of 1990 constant basic prices and nominal GDP on the basis of the current basic prices of that year. In 2014, the NBS completed the process of changing the GDP base year to 2010. Rebasing enables the Government to better understand the general structure of the economy, sectoral growth drivers, and sectors to which investment and resources should be channelled. For example, Nigeria's GDP estimates prior to the rebasing exercise completed in 2014 did not adequately reflect increasing contributions of sectors such as retail trade and entertainment that had grown significantly in total value and employment generation since the previous rebasing exercise of 1990. The UN Statistical Commission recommends that countries rebase GDP every five years. The NBS intends to undertake a further rebasing exercise, which is expected to be completed in 2018.

GDP by Sector

The table below provides information regarding Nigeria's real GDP by sector for the periods indicated (based on 2010 constant basic prices):

Activity Sector	For the year ended 31 December (₦ millions, except percentages; at 2010 constant basic prices) 2012	2013	2014	2015	2016	For the six month period ended 30 June 2017
Agriculture	**14,329,705.62**	**14,750,523.21**	**15,380,389.34**	**15,952,220.14**	**16,607,337.33**	**7,130,692.42**
Crop Production	12,919,542.05	13,247,801.80	13,793,450.01	14,274,936.74	14,894,447.82	6,272,021.39
Livestock	972,762.79	1,030,937.33	1,086,847.00	1,151,323.39	1,185,118.44	587,130.12
Forestry	146,094.08	154,314.17	161,338.20	167,258.41	171,642.65	86,356.23
Fishing	291,306.71	317,469.91	338,754.12	358,701.61	356,128.42	185,184.68
Agriculture (% change)	*6.70%*	*2.94%*	*4.27%*	*3.72%*	*4.11%*	*3.19%*
Mining and Quarrying	**8,244,386.09**	**7,188,151.52**	**7,107,029.63**	**6,732,507.56**	**5,759,816.75**	**2,858,151.55**
Crude Petroleum and Natural Gas	8,173,255.83	7,105,283.40	7,011,814.77	6,629,963.75	5,672,207.01	2,824,384.34
Coal Mining	4,576.63	5,496.76	6,587.70	7,272.05	7,344.65	4,713.48
Metal Ores	2,889.58	3,326.64	3,878.94	4,160.92	5,023.79	4,156.36
Quarrying and Other Minerals	63,664.04	74,044.72	84,748.23	91,110.83	75,241.30	24,897.37
Mining and Quarrying (% change)	*(4.78)%*	*(12.81)%*	*(1.13)%*	*(5.27)%*	*(14.45)%*	*(6.42)%*
Manufacturing	**4,783,659.43**	**5,826,358.45**	**6,684,217.74**	**6,586,618.64**	**6,302,232.45**	**3,072,360.19**
Oil Refining	223,520.19	344,710.73	311,383.84	200,883.05	205,966.43	74,598.27
Cement	270,345.66	376,446.41	488,279.07	596,173.72	564,213.86	273,198.34
Food, Beverage and Tobacco	2,628,306.89	2,938,606.11	3,104,004.91	2,937,062.39	2,752,898.95	1,380,389.17
Textile, Apparel and Footwear	815,285.85	1,096,388.66	1,438,342.87	1,423,019.65	1,407,504.32	680,172.35
Wood and Wood Products	157,343.70	171,312.06	193,065.36	205,212.33	196,929.27	98,405.63
Pulp, Paper and Paper Products	30,348.04	44,017.16	50,243.71	53,671.22	51,431.11	24,752.13
Chemical and Pharmaceutical Products	61,899.43	92,636.14	127,773.72	150,992.61	152,792.52	75,334.96
Non-Metallic Products	112,063.11	148,213.28	198,958.94	227,227.04	234,495.00	120,221.85
Plastic and Rubber products	106,425.78	138,509.58	180,371.28	212,628.01	220,268.05	110,068.97
Electrical and Electronics	4,525.31	4,759.19	5,067.19	5,134.31	4,716.98	2,009.99
Basic metal , Iron and Steel	124,491.86	141,109.72	163,112.52	168,192.21	169,399.09	81,159.99
Motor vehicles & assembly	35,317.97	44,401.45	55,773.39	52,678.91	37,394.36	15,229.80
Other Manufacturing	213,785.65	285,247.96	367,840.93	353,743.18	304,222.48	136,818.67
Manufacturing (% change)	*13.46%*	*21.80%*	*14.72%*	*(1.46)%*	*(4.32)%*	*1.00%*
Electricity, Gas, Steam and Air Conditioning Supply	**286,970.94**	**328,764.36**	**300,206.38**	**272,431.57**	**231,569.73**	**102,353.93**
Electricity, Gas ,Steam and Air Conditioning Supply (% change)	*14.61%*	*14.56%*	*(0.09)%*	*(0.09)%*	*(14.99)%*	*20.21%*
Water Supply, Sewerage, Waste Management and Remediation	**45,971.19**	**66,813.53**	**82,234.93**	**94,883.16**	**103,675.42**	**56,808.36**
Water Supply, Sewerage, Waste Management and Remediation (% change)	*4.10%*	*45.34%*	*23.08%*	*15.38%*	*9.27%*	*7.46%*
Construction	**1,989,464.28**	**2,272,376.69**	**2,568,464.75**	**2,680,216.00**	**2,520,852.18**	**1,355,539.35**
Construction Growth Rate	*9.44%*	*14.22%*	*13.03%*	*4.35%*	*(5.95)%*	*0.14%*
Trade	**9,853,678.82**	**10,507,899.27**	**11,125,795.61**	**11,697,587.66**	**11,669,061.39**	**5,607,417.22**
Trade Growth Rate	*2.21%*	*6.64%*	*5.88%*	*5.14%*	*(0.24)%*	*(2.36)%*
Accommodation and Food Services	**310,950.38**	**540,627.40**	**639,714.73**	**654,215.32**	**619,419.23**	**278,892.31**
Accommodation and Food Services (% change)	*15.85%*	*73.86%*	*18.33%*	*2.27%*	*(5.32)%*	*(3.99)%*
Transportation and Storage	**711,076.24**	**738,078.52**	**770,690.90**	**805,455.74**	**808,597.29**	**388,741.03**
Road Transport	601,854.84	616,125.63	639,304.77	667,810.60	679,305.23	333,554.74
Rail Transport & Pipelines	146.86	159.66	171.80	176.39	175.25	77.15
Water Transport	3,750.51	3,919.20	4,261.77	4,621.74	4,686.63	2,129.40
Air Transport	54,099.70	59,139.72	60,867.24	63,120.21	60,054.09	27,625.91
Transport Services	33,392.30	39,136.21	44,692.90	47,111.52	46,584.26	17,664.62
Post and Courier Services	17,832.03	19,598.11	21,392.43	22,615.28	17,791.83	7,689.21
Transportation and Storage (% change)	*(3.42)%*	*3.80%*	*4.42%*	*4.51%*	*0.39%*	*2.22%*
Information and Communication	**6,268,513.42**	**6,783,070.36**	**7,257,062.04**	**7,708,113.83**	**7,858,698.29**	**3,988,997.16**
Telecommunications and Information Services	5,176,559.39	5,420,654.36	5,677,875.45	5,933,089.01	6,053,663.28	3,002,373.52
Publishing	12,631.74	14,230.59	16,051.42	17,703.14	18,127.90	9,735.93
Motion Pictures, Sound recording and Music production	491,893.60	610,870.38	735,768.14	765,640.63	734,432.87	389,549.12
Broadcasting	587,428.68	737,315.03	827,367.03	991,681.06	1,052,474.24	587,338.60
Information and Communication (% change)	*3.05%*	*8.21%*	*6.99%*	*6.22%*	*1.95%*	*0.73%*
Arts, Entertainment and Recreation	**97,834.04**	**112,444.89**	**129,182.67**	**141,329.25**	**146,579.96**	**84,069.82**
Arts, Entertainment and Recreation (% change)	*27.36%*	*14.93%*	*14.89%*	*9.40%*	*3.72%*	*5.89%*
Financial and Insurance	**1,687,905.91**	**1,833,645.51**	**1,982,669.74**	**2,123,896.82**	**2,027,512.30**	**1,046,578.12**
Financial Institutions	1,461,704.34	1,592,125.49	1,723,775.90	1,851,828.28	1,748,753.70	895,406.02
Insurance	226,201.57	241,520.01	258,893.84	272,068.54	278,758.60	151,172.09
Financial and Insurance (% change)	*21.02%*	*8.63%*	*8.13%*	*7.12%*	*(4.54)%*	*5.51%*
Real Estate	**4,379,936.80**	**4,904,636.97**	**5,155,727.95**	**5,264,695.89**	**4,903,604.64**	**2,179,271.46**
Real Estate (% change)	*5.65%*	*11.98%*	*5.12%*	*2.11%*	*(6.86)%*	*(3.33)%*
Professional, Scientific and Technical Services	**2,190,072.53**	**2,265,110.18**	**2,390,438.12**	**2,516,073.97**	**2,536,292.03**	**1,161,216.69**
Professional, Scientific and Technical Services (% change)	*7.81%*	*3.43%*	*5.53%*	*5.26%*	*0.80%*	*(0.15)%*
Administrative & Support Services	**13,370.39**	**13,720.21**	**13,982.48**	**14,473.98**	**14,374.75**	**6,767.49**
Administrative & Support Services (% change)	*(3.29)%*	*2.62%*	*1.91%*	*3.52%*	*(0.69)%*	*(0.24)%*
Public Administration	**1,838,732.42**	**1,828,842.45**	**1,874,943.17**	**1,644,782.79**	**1,569,517.75**	**765,655.22**
Public Administration (% change)	*(20.31)%*	*(0.54) %*	*2.52%*	*(12.28)%*	*(4.58)%*	*(0.17)%*

Activity Sector	For the year ended 31 December (₦ millions, except percentages; at 2010 constant basic prices) 2012	2013	2014	2015	2016	For the six month period ended 30 June 2017
Education	**1,105,896.41**	**1,278,414.00**	**1,391,953.38**	**1,498,707.07**	**1,518,933.09**	**643,300.77**
Education (% change)	*1.68%*	*15.60%*	*8.88%*	*7.67%*	*1.35%*	*(0.18)%*
Human Health and Social Services	**390,300.73**	**427,717.45**	**472,633.66**	**484,336.50**	**475,690.00**	**231,410.55**
Human Health and Social Services (% change)	*4.33%*	*9.59%*	*10.50%*	*2.48%*	*(1.79)%*	*0.02%*
Other Services	**1,401,467.40**	**1,551,526.76**	**1,825,448.63**	**2,151,384.05**	**2,257,471.35**	**1,174,461.45**
Other Services (% change)	*49.95%*	*10.71%*	*17.65%*	*17.86%*	*4.93%*	*1.95%*
Total GDP	**59,929,893.04**	**63,218,721.73**	**67,152,785.84**	**69,023,929.94**	**67,931,235.93**	**32,132,685.10**
Total GDP (% change)	*4.21%*	*5.49%*	*6.22%*	*2.79%*	*(1.58)%*	*(0.09)%*
Non-Oil GDP	**51,756,637.21**	**56,113,438.33**	**60,141,049.31**	**62,393,966.19**	**62,259,028.92**	**29,308,300.76**
Oil GDP (% change)	*(4.95)%*	*(13.07)%*	*(1.32)%*	*(5.45)%*	*(14.45)%*	*(6.58)%*
Non-Oil GDP (% change)	*5.81%*	*8.42%*	*7.18%*	*3.75%*	*(0.22)%*	*0.58%*

Source: National Bureau of Statistics and Central Bank of Nigeria

The table below provides information regarding Nigeria's real GDP by sector as a percentage of total real GDP for the periods indicated (based on 2010 constant basic prices):

Activity Sector	For the year ended 31 December (*% of GDP at 2010 constant basic prices*)					For the six month period ended 30 June
	2012	2013	2014	2015	2016	2017
Agriculture	**23.91**	**23.33**	**22.90**	**23.11**	**24.45**	**22.19**
Crop Production	21.56	20.96	20.54	20.68	21.93	19.52
Livestock	1.62	1.63	1.62	1.67	1.74	1.83
Forestry	0.24	0.24	0.24	0.24	0.25	0.27
Fishing	0.49	0.50	0.50	0.52	0.52	0.58
Mining and Quarrying	**13.76**	**11.37**	**10.58**	**9.75**	**8.48**	**8.89**
Crude Petroleum and Natural Gas	13.64	11.24	10.44	9.61	8.35	8.79
Coal Mining	0.01	0.01	0.01	0.01	0.01	0.01
Metal Ores	0.00	0.01	0.01	0.01	0.01	0.01
Quarrying and Other Minerals	0.11	0.12	0.13	0.13	0.11	0.08
Manufacturing	**7.98**	**9.22**	**9.95**	**9.54**	**9.28**	**9.56**
Oil Refining	0.37	0.55	0.46	0.29	0.30	0.23
Cement	0.45	0.60	0.73	0.86	0.83	0.85
Food, Beverage and Tobacco	4.39	4.65	4.62	4.26	4.05	4.30
Textile, Apparel and Footwear	1.36	1.73	2.14	2.06	2.07	2.12
Wood and Wood Products	0.26	0.27	0.29	0.30	0.29	0.31
Pulp, Paper and Paper Products	0.05	0.07	0.07	0.08	0.08	0.08
Chemical and Pharmaceutical Products	0.10	0.15	0.19	0.22	0.22	0.23
Non-Metallic Products	0.19	0.23	0.30	0.33	0.35	0.37
Plastic and Rubber products	0.18	0.22	0.27	0.31	0.32	0.34
Electrical and Electronics	0.01	0.01	0.01	0.01	0.01	0.01
Basic metal , Iron and Steel	0.21	0.22	0.24	0.24	0.25	0.25
Motor vehicles & assembly	0.06	0.07	0.08	0.08	0.06	0.05
Other Manufacturing	0.36	0.45	0.55	0.51	0.45	0.43
Electricity, Gas, Steam and Air Conditioning Supply	**0.48**	**0.52**	**0.45**	**0.39**	**0.34**	**0.32**
Water Supply, Sewerage, Waste Management and Remediation	**0.08**	**0.11**	**0.12**	**0.14**	**0.15**	**0.18**
Construction	**3.32**	**3.59**	**3.82**	**3.88**	**3.71**	**4.22**
Trade	**16.44**	**16.62**	**16.57**	**16.95**	**17.18**	**17.45**
Accommodation and Food Services	**0.52**	**0.86**	**0.95**	**0.95**	**0.91**	**0.87**
Transportation and Storage	**1.19**	**1.17**	**1.15**	**1.17**	1.19	1.21
Road Transport	1.00	0.97	0.95	0.97	1.00	1.04
Rail Transport &Pipelines	0.00	0.00	0.00	0.00	0.00	0.00
Water Transport	0.01	0.01	0.01	0.01	0.01	0.01
Air Transport	0.09	0.09	0.09	0.09	0.09	0.09
Transport Services	0.06	0.06	0.07	0.07	0.07	0.05
Post and Courier Services	0.03	0.03	0.03	0.03	0.03	0.02
Information and Communication	**10.46**	**10.73**	**10.81**	**11.17**	**11.57**	**12.41**
Telecommunications and Information Services	8.64	8.57	8.46	8.60	8.91	9.34
Publishing	0.02	0.02	0.02	0.03	0.03	0.03
Motion Pictures, Sound recording and Music production	0.82	0.97	1.10	1.11	1.08	1.21
Broadcasting	0.98	1.17	1.23	1.44	1.55	1.83
Arts, Entertainment and Recreation	**0.16**	**0.18**	**0.19**	**0.20**	**0.22**	**0.26**
Financial and Insurance	**2.82**	**2.90**	**2.95**	**3.08**	**2.98**	**3.26**
Financial Institutions	2.44	2.52	2.57	2.68	2.57	2.79
Insurance	0.38	0.38	0.39	0.39	0.41	0.47
Real Estate	**7.31**	**7.76**	**7.68**	**7.63**	**7.22**	**6.78**
Professional, Scientific and Technical Services	**3.65**	**3.58**	**3.56**	**3.65**	**3.73**	**3.61**
Administrative & Support Services	**0.02**	**0.02**	**0.02**	**0.02**	**0.02**	**0.02**
Public Administration	**3.07**	**2.89**	**2.79**	**2.38**	**2.31**	**2.38**
Education	**1.85**	**2.02**	**2.07**	**2.17**	**2.24**	**2.00**
Human Health and Social Services	**0.65**	**0.68**	**0.70**	**0.70**	**0.70**	**0.72**
Other Services	**2.34**	**2.45**	**2.72**	**3.12**	**3.32**	**3.66**
Total GDP	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**
Non-Oil GDP Growth Rate (%)	**5.81**	**8.42**	**7.18**	**3.75**	**(0.22)**	**0.58**
Total GDP Growth Rate (%)	**4.21**	**5.49**	**6.22**	**2.79**	**(1.58)**	**(0.09)**
Oil GDP (% change)	**(4.95)**	**(13.07)**	**(1.32)**	**(5.45)**	**(14.45)**	**(6.58)**

Source: National Bureau of Statistics and Central Bank of Nigeria

The table below provides information regarding Nigeria's nominal GDP by sector for the periods indicated (at current basic prices):

Activity Sector	For the year ended 31 December (₦ millions, except percentages; at current basic prices) 2012	2013	2014	2015	2016	For the six month period ended 30 June 2017
Agriculture	**15,815,997.51**	**16,816,553.01**	**18,018,612.87**	**19,636,969.04**	**21,523,512.50**	**9,896,368.57**
Crop Production	14,071,235.47	14,862,324.87	15,812,570.60	17,189,973.04	18,883,081.50	8,499,643.69
Livestock	1,251,931.35	1,399,484.73	1,573,052.59	1,748,025.04	1,875,783.35	962,084.56
Forestry	170,159.66	187,950.18	207,739.58	222,826.75	236,254.98	125,224.35
Fishing	322,671.03	366,793.23	425,250.11	476,144.21	528,392.66	309,415.96
Mining and Quarrying	**11,386,522.67**	**10,380,971.63**	**9,716,760.81**	**6,100,008.81**	**5,469,545.18**	**4,609,373.31**
Crude Petroleum and Natural Gas	11,315,033.28	10,296,327.20	9,616,489.52	5,990,417.06	5,367,322.68	4,562,318.57
Coal Mining	4,599.54	5,535.33	6,927.35	7,983.40	8,494.33	6,117.92
Metal Ores	2,904.05	3,349.98	4,079.42	4,461.52	5,742.73	5,386.98
Quarrying and Other Minerals	63,985.80	75,759.12	89,264.52	97,146.83	87,985.44	35,549.84
Manufacturing	**5,588,821.69**	**7,233,322.48**	**8,685,430.03**	**8,973,773.15**	**8,903,236.28**	**4,861,093.73**
Oil Refining	254,697.93	412,300.10	385,815.11	248,020.06	276,591.99	106,004.79
Cement	300,680.54	450,753.85	604,612.45	749,930.41	649,600.71	409,822.36
Food, Beverage and Tobacco	3,158,989.33	3,814,496.47	4,241,783.64	4,291,523.03	4,101,673.55	2,225,276.35
Textile, Apparel and Footwear	928,444.28	1,303,679.14	1,815,731.02	1,871,579.84	2,027,013.20	1,111,284.98
Wood and Wood Products	178,520.82	204,087.66	238,547.00	259,258.65	275,101.44	150,808.02
Pulp, Paper and Paper Products	33,547.95	50,642.65	59,929.16	66,090.93	70,712.70	40,627.87
Chemical and Pharmaceutical Products	69,687.12	109,025.22	154,617.96	190,128.52	197,727.53	109,020.73
Non-Metallic Products	126,881.58	182,406.24	259,283.11	315,595.05	344,090.85	206,615.98
Plastic and Rubber products	120,268.24	161,983.60	221,951.17	267,160.10	291,442.58	160,682.47
Electrical and Electronics	4,848.25	5,222.57	5,755.27	6,020.50	6,199.49	2,868.04
Basic metal, Iron and Steel	136,352.54	162,154.68	195,763.20	207,303.24	219,570.37	115,539.49
Motor vehicles & assembly	39,275.19	51,104.61	67,142.78	70,056.34	52,793.55	30,170.00
Other Manufacturing	236,627.92	325,465.68	434,498.16	431,106.49	390,718.31	192,372.65
Electricity, Gas, Steam and Air Conditioning Supply	**375,844.05**	**492,675.21**	**531,954.59**	**536,673.07**	**524,676.91**	**251,345.48**
Water Supply, Sewerage, Waste Management and Remediation	**47,814.32**	**70,591.52**	**90,037.37**	**105,866.49**	**137,147.28**	**85,423.51**
Construction	**2,188,718.59**	**2,676,284.47**	**3,188,822.90**	**3,472,255.13**	**3,606,560.18**	**2,244,434.31**
Trade	**11,843,529.17**	**13,702,835.12**	**15,704,127.45**	**18,028,895.26**	**20,675,860.01**	**10,465,204.48**
Accommodation and Food Services	**353,222.80**	**648,392.25**	**819,784.78**	**893,669.56**	**925,064.25**	**446,583.12**
Transportation and Storage	**917,315.74**	**1,051,221.51**	**1,197,435.66**	**1,361,065.27**	**1,573,520.12**	**822,197.79**
Road Transport	784,810.74	893,127.83	1,017,156.37	1,156,293.33	1,358,682.97	726,976.41
Rail Transport & Pipelines	185.50	216.43	252.50	282.10	309.73	143.37
Water Transport	5,570.36	6,220.46	7,148.85	8,071.98	8,924.90	4,228.58
Air Transport	65,608.82	76,914.10	84,407.81	95,735.98	94,500.59	47,402.71
Transport Services	42,177.54	53,053.24	63,545.97	72,952.66	82,245.90	32,821.53
Post and Courier Services	18,962.79	21,689.43	24,924.16	27,729.23	28,856.04	10,625.20
Information and Communication	**7,266,722.68**	**8,359,406.86**	**9,588,575.79**	**10,781,076.87**	**11,479,495.60**	**6,017,277.72**
Telecommunications and Information Services	5,960,901.61	6,621,734.16	7,424,575.03	8,147,607.99	8,529,392.52	4,329,801.97
Publishing	14,215.13	17,248.55	20,977.63	25,142.43	29,820.96	16,833.81
Motion Pictures, Sound recording and Music production	588,640.40	779,533.85	1,008,176.90	1,136,691.61	1,199,978.72	666,184.53
Broadcasting	702,965.54	940,890.30	1,134,846.22	1,471,634.85	1,720,303.40	1,004,457.42
Arts, Entertainment and Recreation	**117,076.27**	**143,491.32**	**176,993.92**	**210,415.26**	**239,378.20**	**143,770.66**
Financial and Insurance	**2,028,761.37**	**2,391,167.00**	**2,791,393.64**	**3,260,496.16**	**3,593,327.39**	**1,953,333.29**
Financial Institutions	1,756,880.68	2,076,212.62	2,426,654.67	2,842,390.40	3,099,872.40	1,671,159.86
Insurance	271,880.68	314,954.38	364,738.96	418,105.75	493,454.99	282,173.43
Real Estate	**5,544,996.12**	**6,677,097.01**	**7,475,535.17**	**8,187,548.27**	**8,340,425.20**	**3,977,909.18**
Professional, Scientific and Technical Services	**2,632,335.44**	**2,953,818.88**	**3,401,553.85**	**3,927,297.80**	**4,507,763.81**	**2,167,218.15**
Administrative & Support Services	**16,070.40**	**17,891.85**	**19,723.05**	**22,251.63**	**25,524.81**	**12,630.57**
Public Administration	**2,210,045.75**	**2,384,903.57**	**2,644,232.30**	**2,552,449.73**	**2,783,828.73**	**1,429,034.95**
Education	**1,252,721.65**	**1,549,933.93**	**1,804,404.99**	**2,116,348.46**	**2,445,951.47**	**1,101,785.36**
Human Health and Social Services	**442,939.32**	**518,735.90**	**615,025.72**	**682,697.04**	**745,582.17**	**382,003.06**
Other Services	**1,684,479.51**	**2,023,269.82**	**2,573,210.38**	**3,295,203.44**	**3,989,092.10**	**2,191,619.24**
Total GDP	**71,713,935.06**	**80,092,563.38**	**89,043,615.26**	**94,144,960.45**	**101,489,492.2**	**53,058,606.50**
Non-Oil GDP	60,398,901.78	69,796,236.18	79,427,125.74	88,154,543.39	96,122,169.52	48,496,287.93
Oil GDP (% change)	2.50	(9.0)	(6.60)	(37.71)	(10.40)	147.01
Non-Oil GDP (% change)	16.28	15.56	13.80	10.99	9.04	10.38

Source: National Bureau of Statistics and Central Bank of Nigeria

The table below provides information regarding Nigeria's nominal GDP by sector as a percentage of total nominal GDP for the periods indicated (at current basic prices):

	For the year ended 31 December (% of GDP, *at current basic prices*)					For the six month period ended 30 June
Activity Sector	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Agriculture	**22.05**	**21.00**	**20.24**	**20.86**	**21.21**	**18.65**
Crop Production	19.62	18.56	17.76	18.26	18.61	16.02
Livestock	1.75	1.75	1.77	1.86	1.85	1.81
Forestry	0.24	0.23	0.23	0.24	0.23	0.24
Fishing	0.45	0.46	0.48	0.51	0.52	0.58
Mining and Quarrying	**15.88**	**12.96**	**10.91**	**6.48**	**5.39**	**8.69**
Crude Petroleum and Natural Gas	15.78	12.86	10.80	6.36	5.29	8.60
Coal Mining	0.01	0.01	0.01	0.01	0.01	0.01
Metal Ores	0.00	0.00	0.00	0.00	0.01	0.01
Quarrying and Other Minerals	0.09	0.09	0.10	0.10	0.09	0.07
Manufacturing	**7.79**	**9.03**	**9.75**	**9.53**	**8.77**	**9.16**
Oil Refining	0.36	0.51	0.43	0.26	0.27	0.20
Cement	0.42	0.56	0.68	0.80	0.64	0.77
Food, Beverage and Tobacco	4.40	4.76	4.76	4.56	4.04	4.19
Textile, Apparel and Footwear	1.29	1.63	2.04	1.99	2.00	2.09
Wood and Wood Products	0.25	0.25	0.27	0.28	0.27	0.28
Pulp, Paper and Paper Products	0.05	0.06	0.07	0.07	0.07	0.08
Chemical and Pharmaceutical Products	0.10	0.14	0.17	0.20	0.19	0.21
Non-Metallic Products	0.18	0.23	0.29	0.34	0.34	0.39
Plastic and Rubber products	0.17	0.20	0.25	0.28	0.29	0.30
Electrical and Electronics	0.01	0.01	0.01	0.01	0.01	0.01
Basic metal , Iron and Steel	0.19	0.20	0.22	0.22	0.22	0.22
Motor vehicles & assembly	0.05	0.06	0.08	0.07	0.05	0.06
Other Manufacturing	0.33	0.41	0.49	0.46	0.38	0.36
Electricity, Gas, Steam and Air Conditioning Supply	**0.52**	**0.62**	**0.60**	**0.57**	**0.52**	**0.47**
Water Supply, Sewerage, Waste Management and Remediation	**0.07**	**0.09**	**0.10**	**0.11**	**0.14**	**0.16**
Construction	**3.05**	**3.34**	**3.58**	**3.69**	**3.55**	**4.23**
Trade	**16.51**	**17.11**	**17.64**	**19.15**	**20.37**	**19.72**
Accommodation and Food Services	**0.49**	**0.81**	**0.92**	**0.95**	**0.91**	**0.84**
Transportation and Storage	**1.28**	**1.31**	**1.34**	**1.45**	**1.55**	**1.55**
Road Transport	1.09	1.12	1.14	1.23	1.34	**1.37**
Rail Transport & Pipelines	0.00	0.00	0.00	0.00	0.00	0.00
Water Transport	0.01	0.01	0.01	0.01	0.01	0.01
Air Transport	0.09	0.10	0.09	0.10	0.09	0.09
Transport Services	0.06	0.07	0.07	0.08	0.08	0.06
Post and Courier Services	0.03	0.03	0.03	0.03	0.03	0.02
Information and Communication	**10.13**	**10.44**	**10.77**	**11.45**	**11.30**	**11.34**
Telecommunications and Information Services	8.31	8.27	8.34	8.65	8.40	8.16
Publishing	0.02	0.02	0.02	0.03	0.03	0.03
Motion Pictures, Sound recording and Music production	0.82	0.97	1.13	1.21	1.18	1.26
Broadcasting	0.98	1.17	1.27	1.56	1.70	1.89
Arts, Entertainment and Recreation	**0.16**	**0.18**	**0.20**	**0.22**	**0.24**	**0.27**
Financial and Insurance	**2.83**	**2.99**	**3.13**	**3.46**	**3.54**	**3.68**
Financial Institutions	2.45	2.59	2.73	3.02	3.05	3.15
Insurance	0.38	0.39	0.41	0.44	0.49	0.53
Real Estate	**7.73**	**8.34**	**8.40**	**8.70**	**8.22**	**7.50**
Professional, Scientific and Technical Services	**3.67**	**3.69**	**3.82**	**4.17**	**4.44**	**4.08**
Administrative & Support Services	**0.02**	**0.02**	**0.02**	**0.02**	**0.03**	**0.02**
Public Administration	**3.08**	**2.98**	**2.97**	**2.71**	**2.74**	**2.69**
Education	**1.75**	**1.94**	**2.03**	**2.25**	**2.41**	**2.08**
Human Health and Social Services	**0.62**	**0.65**	**0.69**	**0.73**	**0.73**	**0.72**
Other Services	**2.35**	**2.53**	**2.89**	**3.50**	**3.93**	**4.13**
Total GDP	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**
Non-Oil GDP	84.22	87.14	89.20	93.64	94.71	91.40

Source: National Bureau of Statistics and Central Bank of Nigeria

Principal Sectors of the Economy

Oil and Gas

The oil and gas sector plays a central role in Nigeria's economy. However, the impact of the sector on employment generation and diversification of other economic sectors has been comparatively low. Its contribution to the country's real GDP was 8.4 per cent. in 2016, despite constituting 50.9 per cent. of total gross federally collectible revenue. In 2015 and 2016, the oil sector accounted for 92.5 per cent. and 92.3 per cent., respectively, of export earnings in each year. In the six months ended 30 June 2017, the oil and gas sector contributed 8.8 per cent. to real GDP.

While the oil and gas sector contracted by 15.60 per cent. (year-on-year) in the first quarter of 2017, it grew by 3.53 per cent. (year-on-year) and 25.89 per cent. (year-on-year) in the second and third quarters of 2017, respectively. Quarter-on-quarter, the oil and gas sector grew by 9.53 per cent. in the second quarter of 2017 and 21.10 per cent. in the third quarter of 2017, partly as a result of increased oil production in the period, due to fewer disruptions to oil production in the Niger Delta region.

According to the United States Energy Information Administration, in 2016, Nigeria was the 15th largest producer of "petroleum and other liquids" in the world, with the 11th largest proven crude oil reserves in the world. With respect to natural gas, in 2016, Nigeria was the 15th largest producer, with the 10th largest proven natural gas reserves. According to the CBN, in December 2016, the average price per barrel of Nigerian crude oil (Bonny Light) was U.S.$54.1, an increase of 41.6 per cent. compared to U.S.$38.2 in December 2015. In December 2014, December 2013 and December 2012, the average price per barrel of Nigerian crude oil was U.S.$63.2, U.S.$112.4 and U.S.$112.5, respectively. The decline in oil prices has reduced export earnings, government revenue and national disposable income. In May 2017, the average price per barrel of Nigerian crude oil was U.S.$50.6. According to the Budget Office of the Federation, the average price of Nigerian crude oil stood at U.S.$48.5 per barrel in June 2017.

Revenue Sources

Oil and gas revenue is a significant source of revenue for Nigeria, despite declining in recent years. Oil and gas revenue constituted 50.9 per cent. of federally collectible revenue in 2016, compared to 61.5 per cent. in 2015 and 72.5 per cent. in 2014.

The primary sources of oil revenues are described below:

- revenue from sales of crude oil – the Government sells the crude oil it receives from its participating interest from joint operating agreements and production sharing contracts;
- taxes – the second most significant source of oil revenue for the Government;
- royalties – amounts payable to the Government as owner of oil or gas as compensation. Royalties are charged at 20 per cent. of production for onshore drilling and on a graded scale for offshore drilling depending on the depth (and thus the difficulty) of the drilling;
- bonuses – non-recurring payments made by companies to the Government, such as a signature bonus, paid when a contract is signed, or a production bonus, paid when production reaches a mutually agreed level;
- concession rents – amounts paid in exchange for an oil prospecting license or oil mining lease; and
- license fees – fees paid by international oil companies, production sharing contractors and oil prospectors in exchange for licensed rights.

The following table sets forth the amount of oil revenue that the Government received during the periods indicated.

	For the year ended 31 December					For the six month period ended 30 June
	2012	2013	2014	2015	2016	2017
			(₦ billions)			
Sales of Crude oil	3,305.1	2,814.1	2,973.3	1,859.4	1,453.2	880.3
Sales of Gas	350.0	255.1	309.0	89.9	42.2	56.2
Taxes and fees	3,278.7	2,736.0	2,432.3	1,245.9	857.5	428.3
Royalties	1,086.7	983.0	1,006.7	536.5	334.8	221.7
Other	5.5	7.4	12.4	21.9	7.7	1.3
Total Oil Revenue	**8,026.00**	**6,795.6**	**6,733.9**	**3,753.6**	**2,695.4**	**1,587.70**

Source: Budget Office of the Federation

In 2016, total government oil revenue was ₦2.7 trillion, a decrease of 28.2 per cent. compared to ₦3.8 trillion in 2015, driven by reduced government revenue from sales of crude oil, sales of gas, taxes and fees and royalties. Due largely to the decrease in oil prices, in 2015, 2014 and 2013, total government oil revenue decreased by 44.2 per cent., 0.9 per cent. and 15.3 per cent., compared to each respective previous year. The reduction in oil revenue was due to drop in crude oil prices and reduction in production arising from pipeline vandalism.

In February 2014, the Governor of the Central Bank, Sanusi Lamido Sanusi, appeared before the Senate Committee on Finance to discuss alleged discrepancies between crude oil production and oil revenues actually collected by the Nigerian Government. In a memorandum submitted to the committee, Mr. Sanusi pointed to more than U.S.$20 billion of revenue from crude oil sales allegedly owed to the Government that Mr. Sanusi claimed the NNPC had failed to remit. Mr. Sanusi provided a summary of funds that the Central Bank had received and identified irregularities. The memorandum also highlighted an apparent anomaly in the allocation of fuel subsidies. The NNPC denied the allegations presented by Mr. Sanusi, stating that the Central Bank is not familiar with the technicalities of the oil industry and that the NNPC would welcome an official external audit into its operations. In May 2014, the Federal Government announced that the accounting firm PwC had been appointed to carry out an independent audit into the allocation of oil revenues by the NNPC. The audit was conducted under the supervision of the Auditor General of the Federation. PwC published its report on 2 February 2015, concluding that NNPC and Nigerian Petroleum Development Company should refund to the Federation Accounts a minimum of U.S.$1.48 billion. The report was disputed by the NNPC, which indicated that the amounts had been deducted by the NNPC as operational costs before remittance to the Federation Account. See "*Risk Factors—Risks related to Nigeria—Inability to collect certain revenues from ministries, departments and agencies may adversely impact the Government's revenues*".

In order to prevent further such occurrences, the Government has instituted reforms in the management of the NNPC, leading to the monthly publication of a statement of the NNPC's affairs, the engagement of auditors, including PwC and KPMG, on an ongoing basis to conduct additional forensic audits, and improved monitoring of oil receipts at the State level.

Upstream

The upstream oil sector primarily consists of exploration and production activities.

Reserves and Exploration

According to OPEC's Annual Statistical Bulletin 2017, Nigeria's proven crude oil reserves stood at 37.5 billion barrels as of 2016, as compared to 36.1 billion barrels in 2012. Proven crude oil reserves include developed and undeveloped volumes that are recoverable at current prices and forecasted future prices, respectively. Estimations of proven crude oil reserves are representative of Nigeria's economic interest and are comparable to estimates prepared using international standards. Nigeria and joint venture companies estimate proven crude oil reserves and such estimates are aggregated annually. Estimations are prepared pursuant to the Petroleum Resources Management System sponsored by the Society of Petroleum Engineers, American Association of Petroleum Geologists, World Petroleum Council and Society of Petroleum Evaluation Engineers.

International oil companies traditionally have played a significant role in oil exploration and production in Nigeria. Major international oil companies operating in Nigeria include Shell, Chevron, ConocoPhillips Limited, ExxonMobil, Agip and Total, and each operates in Nigeria through Nigerian subsidiaries.

In 2016, a total of 223 square kilometres of 3D seismic data was acquired and 8,156 square kilometres was processed or reprocessed by joint ventures and production sharing contract companies. Nine rigs were in operation and 74 wells were drilled. In 2015, a total of 1,906 square kilometres of 3D seismic data was acquired and 5,518 square kilometres was processed or reprocessed by joint ventures and production sharing contract companies. Twenty-nine rigs were in operation and 116 wells were drilled in 2015. In 2014, a total of 1,668 square kilometres of 3D seismic data were acquired by joint ventures and production sharing contract companies and as at 31 December 2014, 46 rigs were in operation.

The Government continues to invest in exploration activities. The recent discovery of the Owowo field by Mobil in October 2016 is expected to add a potential resource of between 500 million and 1 billion barrels of crude oil. Estimation of potential reserves depends on the price of crude oil at a given time, with higher prices implying a higher level of potential reserves that can be extracted profitably. The delay in enacting the Petroleum Industry Bill and lower oil prices have created uncertainty in the upstream sector and have slowed investment.

Production and Exports

In 2016, Nigeria produced approximately 661.1 million barrels of oil and exported approximately 644.75 million barrels, compared to production of approximately 773.5 million barrels and exportation of approximately 771.7 million barrels in 2015. The following table sets out total crude oil and condensate production for the periods indicated:

	For the year ended 31 December					For the six month period ended 30 June
	2012	2013	2014	2015	2016	2017
			(barrels)			
Production	852,776,653	800,488,096	798,541,589	773,458,592	661,085,662	328,045,123
Exports	830,772,048	762,045,201	796,654,109	771,689,625	541,436,932	311,534,613

Source: NNPC, Central Bank of Nigeria

The following table sets out total crude oil and condensate production and average daily volumes produced for the periods indicated:

	Production	
	Total	Daily Average
	(barrels)	
January 2016	66,626,809	2,149,251
February 2016	59,212,928	2,041,825
March 2016	60,682,760	1,957,508
April 2016	59,574,936	1,985,831
May 2016	52,167,434	1,682,820
June 2016	53,065,307	1,768,843
July 2016	51,374,608	1,657,245
August 2016	47,263,880	1,524,641
September 2016	49,456,803	1,648,560
October 2016	54,923,620	1,771,729
November 2016	57,854,600	1,928,486
December 2016	48,881,977	1,576,837
January 2017	56,954,098	1,837,229
February 2017	50,901,246	1,817,902
March 2017	49,567,855	1,598,963
April 2017	53,794,121	1,793,137
May 2017	58,224,738	1,878,217
June 2017	58,603,065	1,953,436

Source: NNPC

According to provisional estimates of the NNPC, in the month of June 2017, a total of 58,603,065 barrels of crude oil and condensate were produced, with average daily production of approximately 1,953,436 barrels.

The following table sets out average volumes of crude oil and condensates produced and exported for the periods indicated:

	For the year ended 31 December					For the six month period ended 30 June
	2012	2013	2014	2015	2016	2017
			(mbpd)			
Production	2.3	2.2	2.2	2.1	1.8	1.8
Exports	2.3	2.1	2.2	2.1	1.5	1.7

Sources: NNPC, Central Bank of Nigeria

Total crude oil and condensate production in Nigeria averaged 1.8 mbpd in 2016, a decrease from 2.1 mbpd in 2015, 2.2 mbpd in 2014 and 2013 and 2.3 mbpd in 2012. In the second quarter of 2017, oil production averaged 1.9 mbpd, as compared to 1.7 mbpd in the first quarter of 2017.

Nigeria produced a total of approximately 661.1 million barrels of crude oil in 2016, a decrease of 14.5 per cent. compared to approximately 773.5 million barrels of oil in 2015. This decrease was mainly due to rising levels of production disruptions due to facility shutdowns resulting from vandalism and oil theft. In particular, in August 2015, the Nigerian unit of Royal Dutch Shell plc invoked a force majeure and shut down the Trans Niger Pipeline and Nembe Creek Trunkline, each serving the Bonny Terminal, following incidents of vandalism, and militants attacked Nigeria's state owned Trans Forcados pipeline on multiple occasions in 2016. This resulted in lower production between August 2015 and June 2017, when the force majeure was lifted, leading to a rebound in oil production. In the six months ended 30 June 2017, Nigeria produced approximately 328,045,123 barrels of crude oil, averaging 1.8 mbpd over the period, as compared to 351,330,174 barrels of crude oil in the six months ended 30 June 2016, averaging 1.9 mbpd over the period. See "*Risk Factors—Risks related to Nigeria—Oil production in Nigeria is impacted by militant activity disrupting oil production and supply*".

The following table sets out certain information regarding crude oil production by joint venture companies, production sharing companies, service contract companies, independent/sole risk companies and marginal fields companies for the periods indicated:

	For the year ended 31 December									
Company	**2012**		**2013**		**2014**		**2015**		**2016**	
	(barrels)	**(%)**	**(barrels)**	**(%)**	**(barrels)**	**(%)**	**(barrels)**	**(%)**	**(barrels)**	**(%)**
Joint venture companies	464,979,329	54.5	399,381,533	49.9	397,285,035	49.8	372,184,605	48.1	289,680,469	43.8
Production Sharing Companies	320,434,163	37.6	313,965,407	39.2	320,200,461	40.1	320,626,072	41.5	323,182,866	48.9
Service Contracts	3,056,412	0.4	3,204,453	0.4	3,004,571	0.4	2,546,386	0.3	2,211,120	0.3
Independent/Sole Risk Companies	46,245,470	5.4	64,589,836	8.1	58,369,650	7.3	54,809,832	7.1	29,227,685	4.4
Marginal Fields Companies	18,061,279	2.1	19,346,873	2.4	19,681,872	2.5	23,291,697	3.0	16,783,522	2.5
Total	**852,776,653**	**100.0**	**800,488,102**	**100.0**	**798,541,589**	**100.0**	**773,458,592**	**100.0**	**661,085,662**	**100.0**

Source: NNPC

In 2016, crude oil production by joint venture companies and production sharing companies comprised approximately 43.8 per cent. and 48.9 per cent., respectively, of total crude oil production, compared to approximately 48.1 per cent. and 41.5 per cent., respectively, of total crude oil production in 2015.

The primary destination of oil exports from Nigeria in 2016 was Europe, which accounted for approximately 34.9 per cent. of total Nigerian oil exports, followed by Asia (approximately 27.9 per cent. of total oil exports), the Americas (including the United States) (approximately 22.5 per cent. of total oil exports), Africa (approximately 14.6 per cent. of total oil exports) and Oceania/Pacific (approximately 0.1 per cent. of total oil exports). On a country-by-country basis, in 2015, India represented the primary country destination for Nigeria's crude oil exports, accounting for approximately 20 per cent. of total Nigerian oil exports, followed by the Netherlands (approximately 15.4 per cent. of total oil exports), Spain (approximately 10.4 per cent. of total oil exports) and South Africa (approximately 7.4 per cent. of total oil exports). Since 2012, Nigerian oil exports to the United States have declined, due largely to the rise in U.S. production of shale oil, which is an alternative to Nigeria's crude oil.

The following table sets forth proportions of Nigerian oil production exported to each world region for the years indicated.

	For the year ended 31 December				
	2012	2013	2014	2015	2016
			(%)		
Europe	40.2	42.8	45.8	45.6	34.9
Americas	31.3	23.8	15.2	13.4	22.5
Asia	16.9	20.1	25.0	26.8	27.9
Africa	9.0	11.1	12.6	13.9	14.6
Oceania/Pacific	2.5	2.2	1.3	-	0.1
Other	-	-	-	0.3	-

Source: NNPC

Historical Framework for Exploration and Production in Nigeria

Early oil operations in Nigeria were carried out on a concession basis in which oil companies had 100 per cent. ownership of oil production and Nigeria collected tax and royalties. This changed when the Petroleum Act of 1969 was passed, pursuant to which the entire ownership and control of all petroleum in and upon any land in Nigeria was vested in the state. The passage of this legislation and the formation of the Nigerian National Oil Company (the predecessor to the NNPC) were, in part, a response to Nigeria's desire to join OPEC, as a primary aim of OPEC at that time was to encourage its members to increase state participation in their respective national oil industries. See "*The Federal Republic of Nigeria — Membership of International and Regional Organisations*".

The Petroleum Act of 1969 provides that only Nigerian citizens or companies incorporated in Nigeria may be granted licenses for oil exploration and production. Three licenses may be issued pursuant to the Petroleum Act:

- Oil Exploration License – confers a non-exclusive right to do a preliminary search using surface, geological and geophysical methods, including aerial surveys but excluding drilling below 91.4 metres. An oil exploration license expires on 31 December of the year in which the license is granted. In recent years, oil exploration licenses have been granted only rarely;

- Oil Prospecting License – confers an exclusive right to explore and prospect for petroleum and is for a maximum initial term of five years; and

- Oil Mining Lease – confers an exclusive right over an area and an interest in petroleum discovered within the area covered by the oil mining lease. An oil mining lease may be granted only to a person who has discovered oil in commercial quantities (defined to be production of at least 10,000 barrels per day of crude oil). An oil mining lease has a maximum duration of 20 years, but may be renewed.

In addition to the three forms of licensing opportunities, the Petroleum Act of 1969 provides several other means by which legal rights to explore or produce oil in Nigeria may be obtained. Within this regime, companies that have not been granted a license may obtain rights or interests in oil production that is being undertaken pursuant to a license. Five primary legal arrangements for crude oil production are currently available:

- Concessions/sole risk – An independent company with a concession bears the full risk and costs of exploration, development and production, has interests over the crude oil produced and is liable for all royalty and petroleum profit tax payments. Currently, concessions in respect of oil mining leases are only awarded to domestic contractors (defined as a company of which at least 60 per cent. of its shares are owned by Nigerians);

- Joint ventures – Oil mining leases are held by the Government and oil companies in proportion to their respective ownership interests, and the relationship between the Government and the oil company is governed by a joint operating agreement;

- Production Sharing Contract - An arrangement pursuant to which a company bears the risk of exploration and, when oil is found in commercial quantities, the company is entitled to recoup its costs. Thereafter, crude oil is shared by the company and the Government. Production sharing contracts are entered into by oil mining lease holders and contractors in respect of contract areas that are governed by an oil mining lease. In respect of production sharing contracts involving the Government, the oil mining leases are held by the NNPC;

- Marginal Field Development Programme – An arrangement pursuant to which an oil mining lease holder farms-out those fields within its license. In 2003, international oil companies were compelled to farm-out to indigenous oil companies any fields where no production had taken place for more than ten years; and

- Service Contracts – An arrangement pursuant to which an oil mining lease holder engages a contractor who provides the risk capital for exploration and production, but if no commercial discovery is made, the contract is terminated with no further obligation on either party. If a commercial discovery is made, the contractor is entitled to recover its costs and to receive additional remuneration. Service contracts are uncommon in Nigeria.

Currently, international oil companies in Nigeria operate in partnership with the NNPC mainly under joint ventures or production sharing contracts. As of December 2016, there were nine joint ventures in place. Other oil companies, including independent and domestic oil companies, may operate in partnership with international oil companies under sole risk or other arrangements.

Joint Ventures

Joint ventures are governed by joint operating agreements between the NNPC and international oil companies. The percentage interest of either party to a joint operating agreement is referred to as its participating interest and consists of its share of the oil mining lease, the fixed and moveable assets of the joint operating agreement and the working capital applicable to the operation of the oil mining lease. In each joint operating agreement, an international oil company is typically designated as the operator and is responsible for all joint operating agreement operations; however, the NNPC reserves the right to become an operator. It is the Government's stated intention to convert all unincorporated joint ventures into corporations by 2020.

In January 2008, the Department of Petroleum Resources informed the NNPC's joint venture partners of the Government's intention to treat a 2000 Memorandum of Understanding as lapsed and to revert to the fiscal regime of the Petroleum Profits Tax Act 1990. The memorandum of understanding was accordingly deemed lapsed and there is currently no memorandum of understanding with any joint venture partner.

Between 2010 and 2012, Shell, Total and Agip divested their joint 45 per cent. participating interest in several concessions owned by an NNPC/Shell/Total/Agip joint venture to various consortia, including Nigerian indigenous companies. In response to these divestments, new joint ventures were established between the NNPC and the new owners of the 45 per cent. interest.

The table below sets out information regarding the current equity structure of joint venture arrangements:

Joint Venture	**Nigerian National Petroleum Corporation Shareholding**
NNPC/Shell/Total/Agip	55%
NNPC/Mobil	60%
NNPC/Chevron	60%
NNPC/Agip	60%
NNPC/Total	60%
NNPC/Pan Ocean	60%
NNPC/TEPNG	60%
NNPC/NEWCROSS	55%
NNPC/EROTON	55%

Source: Ministry of Petroleum

During the 1990s, the NNPC was often in arrears with respect to its payment obligations and faced challenges in meeting its cash call obligations. This led to project deferrals which resulted in a reduction in production capacity. To address the issue of the joint venture cash calls, the NNPC and international oil companies developed alternative funding arrangements, whereby international oil companies pay the NNPC's share of upfront costs on certain projects and developments.

Under the initial carry agreements signed between 2000 and 2006, the NNPC repaid costs with a portion of its share of production. Under more recent carry agreements, the NNPC repays costs on a cash basis, rather than with oil. The alternative funding arrangement has been carried out on a number of projects, including three major shallow water projects: EA (a Shell joint venture), Amenam (a Total joint venture) and Yoho (MPN/ExxonMobil joint venture). The NNPC has also executed modified carry agreements for the Ofon Phase II project (a Total joint venture), the Gbaran Ubie (a Shell joint venture) developments, the Cawthrone Channel Integrated Project, the Nembe Creek Trunkline Field Logistics Phase I projects, the Santa Barbra Phase I projects and the Oil Mining Lease 58 Upgrade Gas Export project.

In late 2016, the Government announced that it had formally exited the cash call arrangements that had been in place between the NNPC and its international joint venture partners. The NNPC also has entered into an agreement with its joint venture partners providing for the repayment of outstanding cash call arrears owed by the NNPC to its joint venture partners. The Government also plans to reduce its equity in oil joint venture assets in line with the Nigeria Liquefied Natural Gas Company Limited model, where the NNPC's shareholding is less than 50 per cent.

Production Sharing Contracts

The introduction of production sharing contracts in the 1990s was motivated by the need to relieve the NNPC of its financial commitments in connection with the exploration, development and production of new fields. The NNPC does not have any financial obligations under a typical production sharing contract. However, it reserves the right to take equity in a production sharing contract that, if exercised, would involve assuming the associated financial obligations. All contracts awarded to foreign oil companies since 1990 have been under production sharing contract terms.

Under a production sharing contract, legal ownership and interest in the oil mining lease or oil prospecting licence remain with the NNPC and one or more oil companies are the contractor to the NNPC. The NNPC has no cash call obligations under the production sharing contracts. The contractor agrees to carry out oil exploration, development and production activities on behalf of the NNPC at its risk and expense in return for a share of production. The contractor is under an obligation to provide the entire funding for exploration, drilling and production and is reimbursed from petroleum discovered and produced.

Many production sharing contracts benefit from incentives under the Deep Offshore and Inland Basins Production Sharing Contracts Decree 1999 (now Cap D3, LFN 2004) (the "**Decree**"). The Decree, signed in 1999, was deemed to apply retroactively with effect from January 1993, when the first deep water production sharing contracts were awarded, and provides certain fiscal incentives for oil and gas companies operating in deep offshore areas and Inland Basin areas under production sharing contracts.

The terms and conditions in the production sharing contracts vary with respect to cost recovery limits and profit splits. Production sharing contracts typically allocate oil production in the following manner:

- Royalty oil – oil allocated to the NNPC which is the first claim on production. The royalty rate varies depending on the location of the oil field and the water depth. The royalty rates for deep offshore production sharing contracts vary from 0 per cent. to 12 per cent. depending on the water depth, while the royalty rate production in the inland basin is 10 per cent.

- Cost oil – oil based on the quantum of oil production which is allocated to the contractor to enable it to generate an amount of proceeds for the recovery of operating and capital costs. It is deducted from the remaining production after the deduction of royalty oil.

- Tax oil – oil based on the quantum of oil production, the proceeds of which would be equal to the Petroleum Profit Tax liability of the NNPC and the contractors at the prevailing rate. It is deducted from the oil remaining after deduction of royalty oil and cost oil.

- Profit oil – oil equal to the balance of the available crude oil after the deduction of the royalty oil, cost oil and the tax oil. This is allocated to the NNPC and the contractors according to a sliding scale based on production rates.

Production splits can vary from one production sharing contract to another, and allocations are made on a monthly basis. Where proceeds from royalty oil, cost oil and tax oil are insufficient to fully discharge their corresponding liabilities, the excess is carried over to the following months.

All pipelines (related to upstream production) are included in the upstream cost base and any third party tariff income is added to production income. Downstream gas utilisation project profits are covered by standard corporate income tax. However, various incentives, such as accelerated depreciation and tax holidays, may be available for gas utilisation projects.

Marginal Field Development

In 1996, the Petroleum Act 1969 was amended to authorise the Government to order the farm-out of marginal fields, which were defined as any fields that had reserves booked and reported annually to the Government and which had remained unproduced for more than ten years from the first discovery of oil in such field. This amendment was in line with the Government's local content policy aimed at increasing the participation of domestic companies in oil exploration and production.

Marginal fields were subject to compulsory farm-outs to domestic companies under a competitive bid process. In 2003, 24 marginal oil fields were awarded to 31 domestic oil companies. These companies were encouraged to enter into agreements with international oil companies for assistance with financing and technical support; however, non-Nigerian companies may not hold more than a 40 per cent. participating interest in a marginal field. The domestic companies pay an overriding royalty to the NNPC and the international oil company as consideration for the assignment of a marginal field

based on the domestic company's daily production.

Marginal field rights are often granted for an initial period of 60 months and are renewable by the Department of Petroleum Resources. The domestic company is solely responsible for the costs, risk and expenses of developing the marginal field. According to the Ministry of Petroleum, a marginal field typically produces less than 10,000 barrels per day of crude oil. According to the NNPC, as of 2016, there were over 20 marginal field farm-out agreements with the NNPC.

Service Contracts

The NNPC also enters into service contract arrangements pursuant to which the ownership of an oil mining lease or oil prospecting license is vested in the NNPC, and a contractor provides all funds and expertise required for the exploration, development and production of oil. The NNPC holds the title and has the rights to the oil produced and can elect to pay the contractor in cash or in kind. The contractor does not have title to the oil produced but is reimbursed, with additional remuneration, only from funds derived from the sale of oil. According to National Petroleum Investment Management Services, there are two subsisting service contracts, one between the Nigerian Petroleum Development Company and Agip Energy and Natural Resources Limited, which has begun production, and one between the Nigerian Petroleum Development Company and Sinopec Limited, which is yet to reach production.

Midstream

The midstream sector consists primarily of the oil refining and the gas sector.

Oil Refining

Nigeria's four oil refineries are located at Kaduna, Warri and Eleme (with two refineries) near Port Harcourt. These four refineries have a combined installed capacity of about 445,000 barrels of oil per day; however, they consistently operate significantly below capacity, in part due to old technology and infrastructure and a lack of regular maintenance attributable to budgetary constraints.

Nigeria's refining capacity historically has been substantially lower than domestic demand for refined oil, resulting in significant imports. To increase domestic refining capacity, the NNPC has partnered with international oil companies and other investors to establish Greenfield refineries. Among other challenges, feedstock supplies for oil refining, such as naphtha, have not been reliably available in Nigeria at competitive prices.

In 2016, domestically refined oil totalled 22.50 million barrels, an increase of 182.5 per cent. from 8.0 million barrels in 2015. In 2014, 2013 and 2012, domestically refined oil totalled 23.4 million barrels, 35.2 million barrels and 33.6 million barrels, respectively. Decreases in refining capacity utilisation was due to non-availability of the pipelines to supply crude to the refineries as a result of vandalism, poor infrastructure, non-commercial business models and non-adherence to turn-around maintenance schedules.

The following table sets out the volume of domestically refined oil products and imported refined oil products for the periods indicated:

	For the year ended 31 December				
	2012	2013	2014	2015	2016
			(million barrels)		
Domestically Refined Oil Products	33.6	35.2	23.4	8.0	22.5
Imported Refined Oil Products	64.7	53.9	57.2	60.9	69.9

Source: NNPC

A network of pipelines and depots throughout Nigeria links the four refineries. The NNPC, through its subsidiary, the Pipelines and Products Marketing Company, supplies bulk customers, who in turn supply refined petroleum products such as gasoline, jet fuel, diesel, fuel oil and liquefied petroleum gas to customers across the country.

Issues such as fire, sabotage, poor management, lack of turnaround maintenance and non-commercial business models have resulted in refineries producing significantly under the installed capacity. This deficiency has resulted in shortages of refined petroleum products and the need to increase imports to meet domestic demand. Current efforts to rehabilitate and revamp domestic refineries are designed to enable the refineries to reach approximately 90 per cent. of installed capacity. See "*—Oil refining capacity constraints and proposed reforms*".

Oil refining capacity constraints and proposed reforms

Inadequate funding for routine maintenance and sabotage by militants have contributed to the inability of Nigerian refineries to operate near their installed capacity levels. The Government has long had plans to privatise existing refineries and to encourage private investors to build new refineries. However, price controls and subsidies on refined petroleum products, as well as the significant investments required to upgrade and maintain such refineries have discouraged potential investors from participating in the refining sector. See "*—Principal Sectors of the Economy—Oil and Gas—Downstream.*"

Deregulation of petroleum products remains a very sensitive political and social issue; nevertheless, deregulation is under consideration in connection with the Petroleum Industry Bill and associated bills. See "*—Principal Sectors of the Economy—Oil and Gas—Oil and Gas Sector History, Regulation and Reform—Oil and Gas Reforms*". In the 2016 Appropriation Bill, the Government announced the deregulation of the downstream oil sector. In 2016, the combined average capacity utilisation of the refineries was 13.82 per cent, compared 4.9 per cent. in 2015, down from a 13.5 per cent. capacity utilisation rate in 2014. According to the NNPC, 2013 Full Year Performance Report, low production levels were attributable to protracted maintenance at the Kaduna refinery and disruptions of crude oil supply to all refineries due to pipeline vandalism. In 2016, 2,560 incidents of vandalism were reported, while in the 12 months between June 2016 and June 2017, 1,820 incidents of vandalism were reported.

There are a number of ongoing refinery projects intended to increase oil refining capacity in Nigeria, including the Dangote refinery project which is expected to have capacity to process 500,000 barrels of oil per day, with completion expected in 2018. Other licensed private refinery projects, when completed, are expected to contribute an aggregate of 400,000 barrels per stream day to Nigeria's refining capacity in the short term (over the next 24 to 48 months) and 1,235,000 barrels per day in the long term (over the next 5 – 6 years). These include, among others, 12,000 barrels per stream day facilities located in Eket in Akwa Ibom State and 100,000 barrels per stream day facilities located in Ibeno in Akwa Ibom State, as well as additional facilities in Rivers State, Imo State and Lagos. A "stream day" refers to the maximum number of barrels of input that a facility can process within a 24-hour period. In June 2010, the Department of Petroleum Resources certified the completion of key units of the first phase of the Amakpe International Refinery for 6,000 barrels per stream day.

NNPC is also planning to co-locate smaller but cost efficient modular refineries within the existing refineries premises to boost the nation's refining capacity. In addition, the NNPC has switched to the Direct-Sale-Direct-Purchase (DSDP) arrangement to replace offshore processing and crude swap arrangement which hitherto has resulted in huge losses.

Following strikes and public disorder that followed the attempt to deregulate the pricing of petroleum products in January 2012, the Minister of Petroleum Resources established the Task Force to assist the Ministry in devising a plan to promote self-sufficient petroleum production in Nigeria. The terms of reference for this Task Force included a diagnostic review of the refineries and a review of private refinery licensing and partnership models for greenfield refineries. The Task Force submitted a report to the Minister of Petroleum Resources in August 2012. The findings published in the Task Force report are summarised below:

- NNPC Refineries – The Task Force recommended that the Government relinquish control of the operation and management of the three Nigerian refineries by divesting a majority of its equity to competent, resourceful and experienced refining private partner(s) in accordance with the Public (Privatisation and Commercialisation) Enterprises Act in an aggressive but workable timeframe.

- Pricing – The Task Force recommended full deregulation of prices in the downstream sector prior to completion of the privatisation process, but subject to putting in place adequate controls to improve the associated social and economic burden on the populace.

- Refineries Licensing - The Task Force examined 35 greenfield private refinery licensees and applicants and concluded that seven had reasonable potential.

The Government then established a committee to prepare a white paper on the report for consideration by the Federal Executive Council. According to the report by the Task Force, the refineries proposed to be developed with the CSCEC were still in preliminary discussions and full negotiations had yet to begin. Steps have yet to be taken to further the discussions and negotiations. In 2014, the Nigerian House of Representatives, through its House Committee on Petroleum Downstream, instituted a probe into why the Federal Government had failed to construct the U.S.$23 billion refinery project. The outcome of the probe was not published.

The Government has made progress in eliminating petroleum products subsidies and liberalising the market. Completing the rehabilitation and enhancing capacity utilisation of Nigeria's refineries, in addition to setting up co-located refineries to guarantee effective supply and distribution of products across the country and African sub-region, is a key focus area of the current administration. The Government aims to transition Nigeria from being an importer of petroleum products to being a net exporter of petroleum products and value added petrochemicals, to diversify Nigeria's export base and enhance import substitution, GDP growth and employment generation.

Natural Gas

According to data from the BP Statistical Review of World Energy 2017, Nigeria possessed natural gas reserves of 186.6 trillion cubic feet as of 31 December 2016, including developed and undeveloped volumes that are marketable at current and forecasted future prices, respectively. Estimations are prepared pursuant to the Petroleum Resources Management System sponsored by the Society of Petroleum Engineers, American Association of Petroleum Geologists, World Petroleum Council and Society of Petroleum Evaluation Engineers.

The level of gas production and distribution in the country for both domestic and industrial use remains relatively low. Historically, the lack of domestic demand and the high cost of investment encouraged gas flaring, i.e., the burning of natural gas found with crude oil deposits as a waste product. Despite increased domestic demand for natural gas, especially in the power and manufacturing sectors, Nigerian consumers remain reliant on imported natural gas.

In 1984, the Government enacted the Associated Gas Re-Injection Act 1979 to proscribe gas flaring. The Minister of Petroleum Resources was, however, authorised to permit gas flaring upon being satisfied that the utilisation or re-injection of the produced gas was not appropriate or feasible in a particular field or fields and upon compliance by the operator with stipulated terms and conditions including the payment of gas flaring fees. The Associated Gas Re-Injection Act and other initiatives have not yielded the desired results: oil companies frequently opt to pay penalties for ministerial permission for gas flaring. Various flare-out dates were set by successive governments, but deferrals were granted. The Petroleum Industry Bill, if and howsoever enacted, would not prescribe a specific flare-end date, but rather, would authorise the Minister of Petroleum Resources to prescribe a date from which flaring will be illegal.

Infrastructure to support the transport of gas from the Niger Delta to domestic consumers is lacking. Oil companies have not constructed internal pipelines to serve the domestic market, and the domestic gas pricing structure has not encouraged investments to explore and develop non-associated gas fields.

In 2015, a total of 2,929.9 billion standard cubic feet ("**bscf**") of natural gas were produced by 40 companies, compared to a total of 2,524.3 bscf in 2014, representing an increase of 16.1 per cent..

Of the quantity of natural gas produced in 2015, 2,588.5 bscf (88.4 per cent.) were utilised, while in 2014 a total of 2,233.5 bscf (88.5 per cent.) were utilised.

In 2015, 341.4 bscf (11.7 per cent.) of natural gas produced were flared while in 2014, a total of 289.6 bscf (11.5 per cent.) of natural gas produced were flared. The total natural gas liquid ("**NGL**") produced in 2015 was 1.2 million metric tons (1.2 million metric tons was lifted), and the share between the NNPC and ExxonMobil was 49 per cent. and 51 per cent., respectively. In 2014, the total NGL produced was 1.3 million metric tons (1.3 million metric tons was lifted), of which ExxonMobil had about 51 per cent. and the NNPC 49 per cent.

In 2015, liquefied petroleum gas ("**LPG**") production was approximately 0.5 million metric tons (with lifting at 0.3 million metric tons), while in 2014 a total of 0.5 million metric tons was produced (with lifting at 0.5 million metric tons) (these figures are exclusive of Nigeria LNG and refineries production).

<u>Gas Infrastructure</u>

Gas infrastructure in Nigeria has historically been project-centric, which has prevented the development of an integrated system and hindered the development of the domestic gas sector. Domestic gas pipeline infrastructure can be categorised as follows:

- The Western System – This system includes the 700-kilometre Escravos Lagos Pipeline System, which has a capacity of 800 mmscfd. Plans are in place to loop the pipeline onshore to expand capacity. This will reinforce gas availability to the western part of Nigeria where there is significant growth in demand from the power and non-power sectors. This pipeline is integrated with the West Africa Gas Pipeline. The Escravos Lagos Pipeline System is supplied mainly by the Utorogu, Escravos, Sapele, Ughelli, Odidi and Oben gas plants, which are operated by Shell Petroleum Development Company of Nigeria ("**SPDC**") and Chevron Nigerian Limited. The flow direction is from Escravos to Lagos. The system also comprises the Oben-Ajaokuta pipeline, which is the link from the western system to the planned south-north system via Ajaokuta;

- The Export System – This system consists of an onshore Gas Transmission System and an Offshore Gas Gathering System. The Gas Transmission System gathers gas from the Obiafu, Soku, Obite and Belema gas plants and transports it to the Nigeria Liquefied Natural Gas plant for export, while the Offshore Gas Gathering System gathers gas from dedicated fields offshore and also transports it to the Nigeria Liquefied Natural Gas plant;

- The Eastern System – This system supplies gas to domestic industrial and power users. The Obigbo North-Ikot Abasi is the major trunk line in the eastern system supported by the main gas plants of Obigbo, Alakiri and Okoloma, which are operated by SPDC. The pipeline system transports liquid gas from these plants to the domestic market in the east. The flow direction is east from Obigbo;

- Nigeria Liquefied Natural Gas Plant – This is an export facility at Bonny that has a 22 mmtpa capacity. It has been in operation since 1999 and has six producing trains as of December 2016. The plant is owned by the NNPC (49 per cent.), Shell (25.6 per cent.), Total (15 per cent.) and Agip (10.4 per cent.); and

- The West Africa Gas Pipeline – This is a 678-kilometre pipeline which links into the Escravos Lagos Pipeline System, the Nigeria Gas Company's Itoki Natural Gas Export Terminal in Nigeria and proceeds to a beachhead in Lagos. From there it moves offshore to Takoradi, in Ghana, with gas delivery laterals from the main line extending to Cotonou (Benin), Lome (Togo) and Tema (Ghana). The West Africa Gas Pipeline transports purified natural gas free of heavy hydrocarbons, liquids and water, which is ideal for power plants and industrial applications. The pipeline is owned by Chevron (36.7 per cent.), the NNPC (25 per cent.), Shell (18 per cent.), Takoradi Power Company (16.3 per cent.), Société Togolaise de Gaz (2 per cent.) and Société BenGaz S.A. (2 per cent.).

In addition, as of 2017, the following projects are under development:

- Brass LNG Project – A two-train, 10 mmtpa capacity Brass LNG project is planned to be developed at Brass River by the NNPC, Oando Energy Resources, Eni, Total and others. In 2009, the Government approved the divestment of 10 per cent. of the NNPC's 49 per cent. participating interest in Brass LNG in favour of Rivers State, which was awarded 5 per cent., and Bayelsa State, which was also awarded 5 per cent.;

- Olokola (OK) LNG Project – A four-train, 22 mmtpa capacity Olokola (OK) LNG project is planned to be developed in the Ogun State by the NNPC, Chevron, Shell, BG and others. In 2009, the Government approved the divestment of 10 per cent. of NNPC's participating interest in OK LNG in favour of Ogun State, which was awarded 5 per cent., and Ondo State, which was also awarded 5 per cent.;

- Trans-Saharan Gas Pipeline – A Trans-Saharan Gas Pipeline is intended to supply up to 2-3 bscf per day of gas to Algeria and onwards to European markets;

- Escravos-Lagos Offshore Pipeline – An Escravos-Lagos Offshore Pipeline System is anticipated to have a capacity of 1.3 bscf per day and would transport gas from Escravos to Lagos. Significant progress has been made and about 300 kilometres (of 600 kilometres), of this expansion is in operation, providing increased gas supply to power plants; and

- Gas development projects to bridge Gas supply shortfall by 2020:

    - 4.3TCF Asaa North/Chaji South capable of producing 500-600 millions of standard cubic feet per day ("**mmscfd**")

    - 6.5TCF EKuloma, Awoba and Alakiri capable of producing 250-500 mmscfd

    - 6.4TCF Unitised Gas Fields to produce 500-60 0mmscfd

    - 7TCF NPDC's OML 26, 30, &42 to produce 500-600 mmscfd

    - 2.2TCF SPDC JV Gas Supply to Brass Fertilizer Company. To produce 270mmscfd

    - Cluster development of 5TCF OPL 2001, 2002 and 2003 support the expansion of seven Energy Uquo Gas plant to produce 400 mmscfd

    - Cluster development of 10TCF Okpokunou/Tuomo west (OML 35/62 to produce 500-600 mmscfd

<u>Nigeria Liquefied Natural Gas Plant</u>

Nigeria's only LNG production facility is the Nigeria Liquefied Natural Gas Plant on Bonny Island, which operates six trains with a production capacity of 22 mmtpa of LNG and 5 mmtpa of NGLs (LPG and condensates) from 3.5 bscf per day of natural gas. As of December 2016, plans for building a seventh train were at an advanced stage, with the seventh train projected to be operational by 2024, at which point capacity is expected to increase to 30 mmtpa of LNG and 27 mmtpa of NGLs (LPG and condensates) from 4.6 bscf per day of natural gas. Shareholders in Nigeria Liquefied Natural Gas are the NNPC, Shell, Total and Eni, who are also the main upstream suppliers to the plant.

Nigeria Gas Master Plan

The Nigerian Gas Master Plan, which took effect in 2008, is designed to drive the monetisation of gas, substantially reduce gas flaring, provide a more efficient and cheaper fuel source for power and industrial production, and provide an alternative revenue source to government. The main objectives of the Nigerian Gas Master Plan include:

- developing and entrenching a sustainable commercial framework for the Nigerian domestic gas market;
- maximising the multiplier effect of gas in the domestic economy, through the facilitation of gas utilisation in the domestic economy and the stimulation of broad gas-based industrialisation;
- optimising Nigeria's share and competitiveness in high-value export markets, through selective participation in high-value markets and strategic positioning for growth; and
- assuring long-term gas security for Nigeria.

Following the approval of the Nigerian Gas Master Plan in 2008, the Government issued the National Gas Supply and Pricing Policy ("**NGSP Policy**") and the National Domestic Gas Supply and Pricing Regulations ("**NDGSP Regulations**"). The NGSP Policy and the NDGSP Regulations provide for the imposition of a domestic gas supply obligation on all upstream companies and requires a predetermined portion of their gas production be set aside for supply to the domestic market. The NGSP Policy groups domestic demand into three categories, with separate pricing for each category: (i) strategic gas for power generation, (ii) industrial gas as feedstock, and (iii) commercial gas as alternative fuel. The policy and regulations also provide an aggregated price to be paid to all suppliers for gas supply to the domestic market. The aggregator, as intermediary, aggregates payments from the different demand groups and pays the gas supplier a single aggregated price.

The Government established the Gas Aggregation Company of Nigeria in accordance with the terms of the NDGSP Regulations and the NGSP Policy. The Government is negotiating Gas Sale and Aggregation Agreements for the supply of gas for power generation.

The Nigerian Gas Master Plan also has the goal of creating an integrated gas gathering, processing and distribution network through a gas infrastructure blueprint. Gas reserves will be divided into three franchise areas, the Western Franchise Area, Central Franchise Area and South Eastern Franchise Area from which gas produced will be gathered at central processing facilities and distributed to power plants, industrial users, LNG plants and export schemes as required. The Gas Infrastructure Blueprint envisages the development of three major gas transmission systems in the medium term. These gas transmission systems will include a western gas transmission system comprising the existing Escravos Lagos Pipeline System and a new offshore extension to Lagos, the first south-north gas transmission line that will transport dry gas through the AkwaIbom/Calabar facility to Ajaokuta, Abuja, Kano and Kastina and also serve south-eastern states and an interconnector, which will link the eastern gas reserves centre with the other two transmission systems.

In October 2016, the Federal Government issued a consultation draft of the National Gas Policy (the "**National Gas Policy**") which seeks to review the policy positions of the Federal Government in respect of Nigeria's gas resources over the past ten years, and to drive the institutional reforms and regulatory changes necessary to attract investment into the Nigerian gas sector. The National Gas Policy will be reviewed and updated periodically to ensure consistency with FGN's policy objectives at all times. The vision of the National Gas Policy for Nigeria's gas sector is "to be an attractive gas-based industrial nation, giving primary attention to meeting local gas demand requirements, and developing a significant presence in international markets;" while the mission of the National Gas Policy is "to move Nigeria from a crude oil export-based economy to an attractive gas-based industrial economy."

To achieve the above mission and vision, the strategic objectives of the National Gas Policy include to:

- separate activities between the government and private sector;
- identify new gas resources from the Niger Delta, offshore, inland basins and gas flare reduction;

- introduce an appropriate institutional, legal, regulatory and commercial framework for the Nigerian gas sector;
- create a conducive environment for investors and for market growth;
- discourage wasteful projects while encouraging optimisation among resource owners, e.g. through joint development of gas discoveries and infrastructure; and
- implement good governance throughout the industry.

Downstream

The downstream oil sector generally consists of the import, export, sale and marketing of refined oil products. Due to the limited capacity of its oil refineries, Nigeria relies heavily on imported refined petroleum products to meet its energy and transport requirements. As of October 2016, the Federal Government has stopped payment of subsidies to oil importers, and has pegged the retail price of gasoline to ₦145 per litre. The pricing was based on the price modulation regime, while supporting importers of these products with foreign exchange at the CBN rate.

The Petroleum Industry Bill, if and howsoever enacted, eventually would eliminate subsidies and price controls on refined oil. See "*—Principal Sectors of the Economy—Oil and Gas—Oil and Gas Reforms*".

Oil and Gas Sector History, Regulation and Reform

History

The Nigerian petroleum industry dates back to 1908 when the Nigerian Bitumen Corporation, a German company, started exploration for oil in southwest Nigeria. Oil was first discovered in 1956 in Oloibiri, Bayelsa State in the Niger Delta by Shell D'Arcy, and oil production in Nigeria began in 1958.

In the 1950s and 1960s, several major international oil companies acquired licenses in Nigeria, including Mobil (now ExxonMobil) in 1955, Texaco, Inc. and Gulf Oil (now Chevron) in 1961, Safrap (now Total S.A. ("**Total**")) and Nigerian Agip Oil Company ("**Agip**") in 1962. Crude oil production rose to about 2 mbpd in the 1980s. Crude oil production peaked in 2004 at 2.5 mbpd, but declined to 2.2 mbpd in 2007 due to the unrest in the Niger Delta and OPEC quota constraints. Production declined further in 2008 to 2.1 mbpd, due mainly to militant activities and destruction of oil production facilities in the Niger Delta region.

Oil production in 2012, 2013, 2014, 2015 and 2016 was estimated at 2.3 mbpd, 2.2 mbpd, 2.2 mbpd, 2.1 mbpd and 1.8 mbpd, respectively. For the six months ended 30 June 2017, average daily production was 1.8 mbpd. The decrease in oil production is believed to be, in part, a consequence of higher levels of disruptions resulting from vandalism and oil theft, which has affected production from the Bonny, Forcados and Qua Iboe terminals. According to the NNPC, in 2015, 2,783 incidents of vandalism were reported, costing an estimated ₦51.3 billion. In 2016, 2,560 incidents of vandalism were reported, while in the 12 months between June 2016 and June 2017, 1,820 incidents of vandalism were reported. See "*Risk Factors—Risks related to Nigeria—The Nigerian economy and, in particular, government revenues, are highly dependent on oil production and sales and prices of oil in global markets*" and "*Risk Factors—Risks related to Nigeria—*"*Nigeria's political, economic and social stability has and will continue to be adversely affected by political and religious conflicts, terrorism, and social and religious tensions, any or all of which may materially and adversely impact economic conditions and growth in Nigeria".*

Unrest in the Niger Delta has resulted from inconsistent policies of past governments that allowed oil companies to degrade the local environment and to share little of their commercial gains with local communities. Lack of development in the region and perceived injustice over the sharing of oil revenues often has triggered conflicts between the host communities, the oil companies and the state and federal governments. Adverse effects of these conflicts on the economy and the need to manage the challenges in the region led to the establishment of the Ministry of the Niger Delta and an amnesty programme for Niger Delta militants in 2009. Under the amnesty programme, over 20,000 militants surrendered their arms in return for a presidential amnesty, unconditional pardon and participation in the Post-Amnesty Rehabilitation and Economic Empowerment Programme. The amnesty programme is still ongoing and currently in the reintegration phase, with efforts being put in place to ensure the programme does not end abruptly. President

Buhari's administration has chosen to re-engineer the programme by, among other things, allowing for the reintegration of 30,000 ex-militants and youths from affected communities in the Niger Delta.

Notwithstanding the efforts of the Federal Government, State Governments, the oil companies and non-governmental organisations to enhance the well-being of the people of the Niger Delta through scholarship programmes, infrastructure improvements, and other community development projects, wide disparities in development persist. In many areas, the conditions of rural communities where crude oil is produced remain poor with severe environmental degradation, lack of infrastructure, high unemployment, poor educational facilities and general lack of amenities for a good standard of living.

The Government has taken several steps to address pipeline vandalism and oil theft, including the deployment of technology and security personnel in affected areas and, more recently, the establishment of community policing, which is designed to engage communities as stakeholders in pipeline infrastructure and therefore to promote the protection and security of pipelines. The military is also being retrained and undergoing equipment upgrades and are actively arresting and prosecuting vandals.

Regulatory Framework

The Ministry of Petroleum Resources, through the Department of Petroleum Resources ("**DPR**"), controls and supervises the activities of all actors in the Nigerian petroleum industry, ranging from exploration to production and marketing of crude oil and refined petroleum products.

The NNPC is the state-owned oil corporation through which the Federal Government regulates and participates in the country's oil and gas industry. The NNPC was established by the Nigerian National Petroleum Corporation Act (the "**NNPC Act**") in 1977 to engage in all commercial activities relating to the petroleum industry and to enforce all regulatory measures governing the petroleum sector. In practice, its pseudo-regulatory functions, which were originally assigned to its Petroleum Inspectorate arm by the NNPC Act, are now exercised by the DPR.

The NNPC is currently undergoing a restructuring with a view to improving efficiencies and controls and to thereby evolve into a profit-oriented and able, commercially-focused, enterprise. The Petroleum Minister of State announced reforms to restructure the NNPC into eight business and service units. The restructuring involves division of the NNPC into a lean group headquarters and a collection of five autonomous business units ("**ABUs**"): (i) Upstream; (ii) Downstream (iii) Refinery; (iv) Gas and Power; and (v) Ventures, where non-core oil & gas activities, such as its medical, properties, research and development and shipping divisions are being warehoused. In addition, the corporate headquarters of NNPC will comprise of three group-wide autonomous service units ("**ASUs**"): (i) Finance and Accounts; (ii) Corporate Services; and (iii) Group Managing Director's Office ("**GMD's Office**"). All subsisting and proposed new operating companies/subsidiaries, divisions and other business units of NNPC will be grouped under an applicable ABU and ASU, each of which is headed by a Group Executive Director/ Chief Operating Officer (with the exception that the GMD's office shall be headed by the GMD). The new GMD was appointed in mid-2016.

Another reform set to be implemented by NNPC relates to the structure for funding its joint venture arrangements, as well as profit sharing arrangements therefrom. Until now, profits from NNPC's joint venture arrangements accrued directly to the Federal Government; Government funding of the NNPC was then made pursuant to budget appropriations in the same way as for other state-owned companies. Under that structure, NNPC and its joint venture partners (mostly international oil companies) jointly financed their joint venture operations through equity contributions, by way of cash calls. However, NNPC has often faced the problem of inadequate appropriations from the Government to meet its cash call obligations and other investment commitments. This resulted in calls for the Government to reduce NNPC's equity share in the joint ventures to alleviate the cash call problems. In November 2016, NNPC and its joint venture partners agreed to an alternative funding regime that provided for payment of outstanding amounts through incremental production increases, which terminated the cash call funding regime. The new regime is effective as from 2017. Simultaneously, the NNPC had, through negotiations with its joint venture partners, reduced the U.S.$6.8 billion past due cash call burden to U.S.$5.1 billion, which would be repaid, over an agreed period of time, based on expected improved oil production output and returns to the Government/NNPC, as a result of the new alternative funding regime.

Further, it is proposed that, in the long run, the presently existing unincorporated joint venture arrangements between NNPC and its joint venture partners will be converted into incorporated joint venture companies in which NNPC and its joint venture partners will be shareholders of incorporated independent and autonomous oil & gas exploration and production companies ("**IJVs**"). In so doing, such IJVs will be able to fund their operations, in the manner that regular incorporated companies do, without necessarily requiring the involvement of NNPC and the joint venture partners.

<u>The Nigerian Oil & Gas Industry Content Development Act (the "Nigerian Content Act")</u>

The Nigerian Content Act, enacted in April 2010, prescribes minimum thresholds of Nigerian content for various activities in the oil and gas sector to promote the use of Nigerian products and services in the Nigerian oil and gas industry. All oil and gas arrangements, contracts and operations are now required to comply with the minimum Nigerian content standards and thresholds specified in the Nigerian Content Act. Such thresholds include 100 per cent. Nigerian content for the supply and procurement of steel plates, 45 per cent. Nigerian content for the supply of flat sheets, wireline services (electric open holes, cased holes and slick line) and a 90 per cent. man-hour Nigerian content requirement for feed and detailed engineering on onshore facilities. The Nigerian Content Act also requires that when procuring goods and services, if competing bids are within 1 per cent. of each other at the commercial stage, operators must select the bid containing the highest level of Nigerian content, *provided that* the level of Nigerian content in one of the bids is at least 5 per cent. higher than the closest competing bid. Operators are also required to retain a minimum of 10 per cent. of their total revenue accruing from Nigerian operations in a bank account in Nigeria.

The Nigerian Content Act provides for preferential treatment of companies with a minimum of 51 per cent. equity participation by Nigerians in the award of licenses, permits and blocks.

The Nigerian Content Act established a board, the Nigerian Content Development & Monitoring Board, which is empowered to ensure compliance with the provisions of the Nigerian Content Act. The Nigerian Content Development Fund was established by the Nigerian Oil and Gas Industry Content Development Act 2010 for the purpose of increasing Nigerian Content in the oil and gas industry by addressing the paucity of funding faced by manufacturers, service providers and other key players. The Nigerian Content Development Fund is pooled from one per cent. of every contract awarded in the upstream sector of the industry and is managed by the board.

As a result of the Nigerian Content Act, Nigeria has seen growth in the domestic ownership of oil and gas assets in the marine sector (through the ownership of land, swamp and offshore rigs), established a scheme for the production of Nigerian-made steel pipes, built the largest dry dock facility for vessel maintenance in West Africa and developed training and employment opportunities using domestic industry projects, including training on environmental remediation and geosciences training. Reforms have also focused on developing programmes for domestic suppliers in the oil and gas industry.

Oil and Gas Reforms

The Government has sought to reform the petroleum industry with a general overhaul of the oil and gas sector. The Government's aim is to remedy key policy, regulatory, fiscal and operational challenges in the Nigerian oil and gas industry by encouraging investment and improve Nigerians' participation in the sector both directly and through participatory schemes in line with international best practice. This led to the proposal of Petroleum Industry Bill in 2008, and to the enactment of the Nigerian Content Act in 2010. In an effort to expedite the passage of the necessary reforms, Petroleum Industry Bill was divided into separate bills. The Government intends to implement the first phase of regulatory reforms through the Petroleum Industry Governance Bill 2016, which was passed by the Senate on 25 May 2017 and then transmitted to the House of Representatives. On 15 June 2017, the Petroleum Industry Governance Bill, passed a second reading before the House of Representatives and was referred to the House of Representatives Ad-hoc Committee on the Petroleum Industry. The Senate also passed the Petroleum Industry Administration Bill, the Petroleum Industry Fiscal Bill and the Petroleum Host Community Bill on 27 July 2017.

On 19 July 2017, the Federal Executive Council approved a new National Petroleum Policy ("**NPP**"). The NPP sets a long-term agenda for Nigeria to become a nation where hydrocarbons are used as a fuel for national economic growth and not simply as a source of income. It also sets strategic policy objectives for each part of the petroleum industry and the entire value chain. This long-term vision has also been articulated in the Ministry of Petroleum Resources' 7 Big Wins Initiative and the Federal Government of Nigeria's Economic Recovery & Growth Plan (ERGP 2017 – 2020). The NPP, which is expected to be implemented alongside the complementary National Gas Policy and a National Petroleum Fiscal Policy (soon to be finalised), specifically provides for the legal and regulatory, institutional, commercial, fiscal and operational framework for developing a stable and enabling oil and gas landscape in which there will be an improved transparent, efficient, cost effective and attractive investment climate, as well as a well-protected and sustainable environment.

The Petroleum Industry Bill

As originally conceived, the Petroleum Industry Bill aimed to change the approach to regulation of major aspects of the Nigerian petroleum industry. The Petroleum Industry Bill had several broad aims, including:

- enhancing exploration and exploitation of petroleum resources;
- separating policy, regulation and commercial activities;
- creating a competitive business environment;
- significantly increasing domestic gas supplies, especially for power generation and industry;
- establishing a fiscal framework that is flexible, stable and competitive;
- creating efficient regulatory institutions;
- promoting the management and allocation of petroleum resources in accordance with principles of good governance, accountability, transparency, and the promotion of sustainable development and economic value in Nigeria;
- promoting better community relations and the development of Nigerian content; and
- promoting and protecting health, safety and the environment.

The Petroleum Industry Bill sought to address the upstream, midstream and downstream sectors of the Nigerian oil and gas industry.

Institutions

The Petroleum Industry Bill sought to reorganise and restructure the institutions charged with regulating the Nigerian oil and gas industry. In addition to the Ministry of Petroleum Resources, the Petroleum Industry Bill proposed the establishment of following regulatory bodies:

- The Petroleum Technical Bureau – an advisory council with no independent, direct regulatory powers. This bureau would have the functions of the former Frontier Exploration Services in addition to other functions;
- The Upstream Petroleum Inspectorate – technical and commercial regulator for upstream activities and operations within the industry; and
- The Downstream Petroleum Regulatory Agency – technical and commercial regulator for downstream activities and operations within the industry.

The Petroleum Industry Bill also would provide for the establishment of the following agencies:

- National Asset Management Corporation – The National Asset Management Corporation would be required to operate on commercial principles and would have responsibility for acquiring and managing investments of the Government in the Nigerian upstream petroleum industry;
- Nigerian Petroleum Assets Management Company – The Nigerian Petroleum Assets Management Company would be established as a limited liability company under the Companies and Allied Matters Act, 1990. It would be charged primarily with holding the Government's interests in the joint ventures and any other assets and liabilities which may be transferred to it;

- National Oil Company – The National Oil Company would be re-incorporated as a limited liability company. The bill contemplated that the Government would sell 30 per cent. of the National Oil Company on the NSE within six years from the date of incorporation of the National Oil Company. The National Oil Company would be the holder of the assets and liabilities previously held by the Nigerian National Petroleum Corporation other than the NNPC's interests in unincorporated joint ventures and production sharing contracts; and

- National Gas Company – to be incorporated as a limited liability company and to take over the assets, liabilities and functions of the subsisting Gas Company of Nigeria.

Fiscal Framework

The Petroleum Industry Bill proposed comprehensive changes to the fiscal regime for upstream activities and operations in the Nigerian oil and gas industry, including the following:

- Abolition of the existing Petroleum Profits Tax and the introduction of the Nigerian Hydrocarbon Tax (in addition to the obligation to pay general corporate income tax). This proposal is designed to increase the Government's take from operations under production sharing contracts, even in the declining price environment and to produce the following effective tax rates for oil companies:

    - 55 per cent. for deep offshore and frontier areas (currently 50 per cent.); and

    - 80 per cent. for onshore operations (currently 85 per cent.).

The Petroleum Industry Bill also proposed the introduction of a requirement for operators to make a monthly payment of 10 per cent. of net profits to a dedicated fund for the development of economic and social infrastructure of communities in petroleum producing areas.

The Petroleum Industry Bill also sought to strengthen the existing gas flaring and the National Domestic Gas policies. The Petroleum Industry Bill provided for gas flaring measurement, as well as a specified number of days for the issuance of a permit to an applicant company to flare gas, and the requirement for a gas flaring plan to be submitted by all oil and gas operating companies. In September 2007, the Federal Government reconstituted the Oil and Gas Sector Reform Implementation Committee with a mandate to transform the broad provisions in the National Oil and Gas Policy into functional institutional structures for effective management of the oil and gas sector in Nigeria. This committee submitted its final report to the Federal Government in August 2008. The committee report formed the basis of the Petroleum Industry Bill submitted to the National Assembly in December 2008. The Petroleum Industry Bill underwent first and second readings in the House of Representatives and the Senate between December 2008 and July 2009. Public hearings on the Petroleum Industry Bill were held in both chambers in July 2009, at which the Government inter-government agency team (comprising representatives from relevant ministries and departments), international oil companies, indigenous oil companies, oil-producing communities and other stakeholders submitted their views to the National Assembly.

In December 2010, the Senate tabled the report of its Petroleum Resources Committee for consideration; the report was, however, stood down with the expectation that it would subsequently be considered. The Committee of the House of Representatives released its report on the Petroleum Industry Bill in early 2011. Ultimately, neither report was considered by the respective chambers and the Petroleum Industry Bill was not passed before the end of the tenure of the sixth National Assembly in May 2011, at which point the bill lapsed.

Prior to the end of the tenure of the sixth House of Representatives, its standing rules were amended to provide for the re-introduction of bills such as the Petroleum Industry Bill which failed to progress beyond the committee stage of the legislative process. In line with these rules, the report of the sixth House of Representatives on the Petroleum Industry Bill was reintroduced as a revised version of the Petroleum Industry Bill in July 2011.

Following civil unrest occasioned by the removal of the fuel subsidy, the Minister of Petroleum Resources established the eight-member Task Force and a Technical Committee to review all previous versions of the Petroleum Industry Bill, and to prepare an updated version for submission to the National Assembly. The Task Force, together with the Technical Committee, submitted a revised Petroleum Industry Bill to the

Federal Government in June 2012. In July 2012, the President re-submitted the Petroleum Industry Bill to the National Assembly. After its formal introduction and subsequent readings, in March 2013, the Petroleum Industry Bill passed a second reading in the Senate. Following the second reading, the Petroleum Industry Bill was referred to an Ad-hoc Committee of the House of Representatives and in the Senate it was referred to committees on Petroleum (Upstream and Downstream), Gas and Judiciary, Human Rights and Legal Matters. Thereafter, committees commenced public hearings across the country.

As a result of non-passage of the previous versions of the Petroleum Industry Bill, commentators and stakeholders in the industry called for the Petroleum Industry Bill to be enacted into law in piecemeal form, commencing with a bill dealing with the institutional and governance matters (with the intention that one or more other bills dealing with the fiscal, host community and other matters will be considered subsequently). Consequently, the Petroleum Industry Governance Bill 2016 was introduced before the Senate. Having passed a first and second reading, the Senate received the report of the Joint Committees on Petroleum Upstream, Petroleum Downstream and Gas on 6 April 2016.

The Petroleum Industry Governance Bill 2016 was passed by the Senate on 25 May 2017 and transmitted to the House of Representatives for its review and passage. On 15 June 2017, the Petroleum Industry Governance Bill passed a second reading before the House of Representatives and was referred to the House of Representatives Ad-hoc Committee on the Petroleum Industry. The Petroleum Industry Administration Bill, the Petroleum Industry Fiscal Bill and the Petroleum Host Community Bill were also passed by the Senate on 27 July 2017.

<u>The Petroleum Industry Governance Bill 2016</u>

In an effort to expedite the passage of the necessary reforms envisaged by the Petroleum Industry Bill, the Petroleum Industry Bill has been divided into separate bills, with the first phase of regulatory reforms being addressed and implemented through the Petroleum Industry Governance Bill 2016. See "*Risk Factors—Risks related to Nigeria— The regulatory environment in the Nigerian oil and gas sector is subject to significant on going change and persistent delays in policy implementation.*"

The Petroleum Industry Governance Bill 2016, represents the Government's current attempt at institutionalised reforms within the Nigerian oil and gas industry, a first phase of regulatory reforms originally envisaged by the Petroleum Industry Bill and, as such, a more cautious approach towards ultimately achieving the initial goals of the Petroleum Industry Bill.

The main objectives of the Petroleum Industry Governance Bill 2016 include:

- the creation of efficient and effective governing institutions with clear and separate roles for the petroleum industry;
- establishment of a framework for the creation (out of existing government-owned entities) of commercially oriented and profit driven entities that will ensure value-add and internationalisation of the petroleum industry;
- the promotion of transparency and accountability in the petroleum industry; and
- the creation of a conducive business environment for operators in the petroleum industry.

The Government intends to follow the enactment of the Petroleum Industry Governance Bill 2016 with further bills which, together with the Petroleum Industry Governance Bill 2016, will serve to implement the goals envisaged by the original Petroleum Industry Bill as a whole, adapted as necessary. The Petroleum Industry Governance Bill 2016 was passed by the Senate on 25 May 2017 and transmitted to the House of Representatives where it passed a second reading and currently sits with the House of Representatives Ad-hoc Committee on the Petroleum Industry. Additionally, the Petroleum Industry Administration Bill, the Petroleum Industry Fiscal Bill and the Petroleum Host Community Bill were passed by the Senate on 27 July 2017.

Subsidy Re-investment and Empowerment Programme

The Subsidy Re-investment and Empowerment Programme (the "**SURE-P Programme**") was implemented in February 2012 as a means of utilising the savings from reduced fuel subsidies. The objectives of the SURE-P Programme are:

- to mitigate the immediate impact of the partial petroleum subsidy removal on the population by laying a foundation for the successful development of a national safety net programme that targets the poor and vulnerable on a continuous basis. This applies to both the direct and indirect effects of subsidy withdrawal;
- to accelerate economic transformation through investments in critical infrastructure projects, so as to drive economic growth and achieve Vision 20:2020; and
- to promote investment in the petroleum downstream sector.

The SURE-P Programme intervened in various sectors of the economy, spending approximately ₦572 billion in its first year of operation. Several infrastructure projects across Nigeria were completed or advanced through SURE-P Programme resources, including the Lagos-Kano and Port Harcourt – Maiduguri railway lines and the Abuja-Lokoja road. The programme also directed resources to social safety net programmes, job creation initiatives, such as the graduate internship scheme, and public works and mass transit programmes. In November 2015, however, the Federal Government discontinued the programme and set up a panel to scrutinise its expenditures for previous years.

Agriculture

Agriculture is a major driver of economic growth in Nigeria and is important to diversifying the Nigerian economy from reliance on oil. Agriculture is divided into four subsectors: crop production (including food crops), forestry (including tree crops), livestock and fishing. As of 31 December 2016, the agriculture sector amounted to approximately 24.5 per cent. of real GDP, compared to 23.1 per cent. in 2015, 22.9 per cent. in 2014, 23.3 per cent. in 2013 and 23.9 per cent. in 2012. In 2016, the agriculture sector grew by 4.1 per cent., compared to 3.7 per cent. in 2015, 4.3 per cent. in 2014, 2.9 per cent. in 2013 and 6.7 per cent. in 2012.

The dominance of the oil sector, urbanisation and in effective policies to modernise the agricultural sector led to a decrease in agriculture's contribution to GDP from over 60 per cent. in the early 1960s to 24.5 per cent. in 2016. The agriculture sector accounted for approximately 43.2 per cent. and 48.9 per cent. of non-oil exports from Nigeria in 2014 and 2015, respectively. Since 2005, agriculture has been one of the largest drivers of Nigeria's GDP growth, due primarily to large increases in crop production. Crop production was the main driver of growth in the agriculture sector in 2015 and 2016, contributing 20.7 per cent. and 22.1 per cent. to total real GDP, respectively.

Crops

Palm oil and cassava are the traditional Nigerian crops. Between 2012 and 2016, Nigeria's primary crops, in terms of production, were cassava, yam, maize, guinea corn/sorghum and millet.

The following table sets forth crop production levels for the periods indicated:

Crop	2012	2013	2014	2015	2016
			(thousands of metric tons)		
Cassava	58,980.4	61,249.4	63,961.0	66,457.6	68,947.9
Yam	41,599.35	42,998.35	43,038.0	44,690.5	45,409.8
Maize	16,199.5	16,798.5	16,998.1	17,240.8	18,001.7
Guinea corn/Sorghum	15,398.6	15,904.6	16,103.9	16,756.4	17,109.0
Millet	10,899.2	11,177.2	11,297.7	11,382.0	11,455.2
Vegetables	7,817.4	8,097.4	8,102.4	8,360.8	9,503.3
Beans/Cowpeas	6,960.6	7,180.6	7,300.1	7,617.4	7,787.2
Rice	5,971.9	6,209.9	6,464.7	6,724.6	6,971.0
Groundnut/Peanut	5,263.8	5,463.8	5,592.5	5,721.3	6,054.6
Cocoyam	3,754.6	3,864.6	3,868.5	4,007.8	4,064.8
Sugarcane	3,486.1	3,586.1	3,719.6	3,853.1	3,988.6
Soya Bean	2,442.0	2,552.0	2,636.3	2,720.7	2,808.0
Potatoes	2,511.2	2,611.2	2,693.0	2,814.1	2,905.0
Plantain	1,892.2	1,932.2	1,982.2	2,069.3	2,514.3
Cotton	829.2	850.3	879.7	909.0	938.3
Palm oil	356.1	364.1	379.1	394.2	409.2

Source: Central Bank of Nigeria

Between 2012 and 2016, Nigerian crop production increased broadly, with cassava production rising by 16.9 per cent. from 58,980.4 metric tons in 2012 to 68,947.9 metric tons in 2016 and yam production rising by 9.2 per cent. from 41,599.4 metric tons in 2012 to 45,409.8 metric tons in 2016. The general increase in output in recent years is attributable to the Government's concerted efforts to diversify the economy towards agriculture. Other factors that boosted growth were the adoption of improved varieties of seedlings, as well as foreign investment.

Livestock

Livestock production grew by 2.9 per cent. in 2016, compared to 5.9 per cent. in 2015. According to the UN Food and Agriculture Organisation, the gross production index of livestock increased from 117.4 in 2010 to 124.00 in 2014, an increase of 5.7 per cent. In particular, beef production increased by approximately 26 per cent. from 345,300 metric tons in 2010 to approximately 435,200 metric tons in 2014, as a result of support provided to the livestock industry to incorporate modern production methods, which included the establishment of modern abattoirs and sanitary sales outlets across the country.

Forestry

Forestry production grew by 2.6 per cent. in 2016, compared to 3.7 per cent. in 2015. Wood production stood at approximately 174.8 million cubic metres in 2011, according to the UN Food and Agriculture Organisation, and increased to 204.5 million cubic metres in 2014, a change of 17 per cent. In order to sustain wood production over time, the Forestry Research Institute of Nigeria has intensified the supply of improved breeder seedlings to replace the harvested tree stocks.

Fishing

Fishery production contracted by 0.7 per cent. in 2016, compared to growth of 5.9 per cent. in 2015. Under the First NIP, ₦25 billion was earmarked for improving fish production between 2010 and 2013. The Government plans for the period sought to increase domestic fish production from all sources to reach a sustainable and self-sufficient level that would permit fish exports in the medium and long term. The Government targeted projects in the subsector, including: the establishment of 120 fish farms, the improvement of inland fisheries, the construction of ornamental fish development centres, the certification and standardisation of fish seed and feed, the development of shrimp farms, and the establishment of feed mills and fish resources monitoring. Following the 2011-2015 Agricultural Transformation Agenda, the fisheries subsectors garnered interests of prospective investors in the public private partnership ventures for the lease and management of the three fishing terminals at Ebughu (Cross River), Igbokoda (Ondo) and Kirikiri (Lagos) and the Borokiri Fishing Terminal (Rivers) in line with government policy. The Federal Government also established six fish markets in Jebba (Kwara), Yauri (Kebbi), Erinwe (Ogun), Atabong (Akwa-Ibom), and promoted the production of all male Tilapia technology and other culturable fishes for diversified and increased fish production in the country. The Federal Ministry of Agriculture and Rural Development under the current Agriculture

Promotion Policy regime aims to achieve an additional 37,600 tons of fish to the yearly national fish production, with 200 jobs expected to be created as well as improve fish quality and wholesomeness both for local consumption and export market. The ministry also targets to achieve 50 per cent. reduction in post-harvest losses in fish and significant increase in home stead fish farming and use of mobile tanks for fish production.

Agricultural Policy

Agriculture in Nigeria is largely subsistence-based, but the Government aims to modernise the sector, building on reforms initiated in 2011. The Federal Ministry of Agriculture and Rural Development has developed a Medium-Term Sector Strategy (the "**MTSS**") covering the period from 2017 to 2019. The MTSS comprises three pillars: economic reforms, social investment and infrastructure development.

The Government has also launched the following programmes to support and develop the agriculture sector:

- ***The Agricultural Transformation Agenda:*** In 2011, the Federal Government launched the Agricultural Transformation Agenda, with the aim of transforming the agricultural sector to create jobs and wealth and ensure food security. Reforms under the Agriculture Transformation Agenda helped to create more direct farm jobs, increase national food production of maize, rice and cassava and thus reduced Nigeria's food import bill. In 2016, the Federal Government introduced the Agricultural Promotion Policy (2016 – 2020), with the sole aim of consolidating the gains and building on the successes of the Agricultural Transformation Agenda and to close key gaps.

- ***Growth Enhancement Support Scheme and Electronic Wallets:*** The Growth Enhancement Scheme was set up to register small holder farmers, and provide targeted input subsidies where farmers gained improved access to fertilisers and seeds. The Growth Enhancement Support Scheme aims to increase agricultural productivity by raising fertiliser consumption and increase the use of improved seed varieties.

- ***Rice Transformation Agenda:*** The primary goal of the Rice Transformation Agenda is to make Nigeria self-sufficient in rice and rice processing. The policies under the Rice Transformation Agenda focus on raising productivity, improving the capacity and quality of rice milling and incentivising domestic rice production. In October 2016, the Federal Government raised import duties on certain food items that have local alternatives, including rice, from 10 per cent to 60 per cent. In November 2016, the CBN announced that Nigeria is on track to begin the exportation of rice by the end of 2017, as the country will be able to meet its domestic demand for rice and have surplus for export.

- ***Cassava Transformation Agenda**:* The Cassava Transformation Agenda seeks to expand cassava processing via the partial substitution of wheat flour with cassava flour in bread baking. This substitution is expected to have significant and wide-reaching effects on the economy by providing markets for cassava farmers, reviving cassava processing plants, and reducing the cost of inputs for bakers. The Government aims to expand the production of cassava, not just to achieve improved food security but also to boost its export.

Mining and Quarrying

Nigeria produces numerous solid minerals, including limestone, stone aggregates, laterite, sand, lead and gold. According to the NBS, total formal output in the mining and quarrying sector contracted in 2016 by 13.7 per cent., compared to contractions of 5.3 per cent. in 2015, 1.1 per cent. in 2014, 12.8 per cent. in 2013 and 4.8 per cent. in 2012. In 2016, the mining and quarrying sector contributed 8.6 per cent. to Nigeria's real GDP, compared to 9.8 per cent. in 2015, 10.6 per cent. in 2014, 11.4 per cent. in 2013 and 13.8 per cent. in 2012. In the six months ended 30 June 2017, mining and quarrying accounted for 8.9 per cent. of real GDP.

Nigeria is endowed with over 34 mineral commodities in commercial quantities, widely distributed across 450 locations across the country. Prior to the emergence of the oil sector, the mining and quarrying sector was one of the key sectors of the Nigerian economy. Until the 1960s, coal and tin were mined and exported on a large scale and the sector contributed significantly to the GDP at an average of 12 per cent. between 1965 — 1975. A combination of unfavourable government policy, changing country circumstances and poor management of state-owned enterprises led to a severe decline in the mining sector and minimal new foreign or domestic investment in mineral exploration and development. Progress has however been made in recent years with regard to legal and regulation reforms.

The Nigerian Minerals and Mining Act, No 20 of 2007 ("**Minerals and Mining Act**") is the principal legislation in respect of the mining industries and the sector is regulated by the Ministry of Mines and Steel Development. In 2008, the Government continued to implement relevant policies aimed at reforming the mining sector. Such policies included:

- The reformation of the Nigerian Mining Cadastre System.
- The development of a National Minerals and Metals Policy.
- The enactment of the Minerals and Mining Act, with guaranteed security of tenure and attractive fiscal incentives, such as tax holidays and import duty waivers, for prospectors.
- The privatisation of moribund public mining institutions, mineral promotion, and human resources development.
- The development of skills for indigenous mining companies, through technical support services and funding, as well as enhanced support for artisanal and small-scale miners who constitute over 90 per cent. of local operators in the mining industry.

Following the enactment of the Minerals and Mining Act, the existing Mining Cadastre Department was re–established as an autonomous body responsible for the administration and management of mineral titles and the maintenance of Cadastre registers. In 2009, the Ministry of Mines and Steel Development reviewed and updated the geological maps of the country and produced geological maps for every state and the Federal Capital Territory in digital format. In addition, it received the country's geodetic network and completed its cartographic coverage to facilitate a more accurate determination of mining titles.

In September 2011, the Ministry of Mines and Steel Development issued the Nigerian Minerals and Mining Regulations 2011, which were intended to establish a more coordinated and accountable solid minerals sector in the country and to stamp out the discretionary grant of mineral titles. Consistent with the Minerals and Mining Act, the 2011 Regulations defined various categories of licenses and leases to be issued in relation to mining activities and prescribed qualifications, procedures and processes for the regulation of exploration and mining operations generally, including acquisitions of the titles to engage in such operations.

The Ministry of Mines and Steel Development has identified seven strategic minerals that are considered critical to Nigeria's industrial development. These are gold, coal, barites, limestone, lead/zinc, iron ore and bitumen.

Manufacturing

In 2016, the manufacturing sector accounted for approximately 9.3 per cent. of Nigeria's real GDP, compared to 9.5 per cent. in 2015. In the six months ended 30 June 2017, manufacturing accounted for 9.6 per cent. of real GDP.

The largest component of manufacturing sector output is food, beverage and tobacco, which contributed 4.1 per cent. to real GDP in 2016, compared to 4.3 per cent. in 2015 and 4.6 per cent. in 2014. The contribution of the oil refining to real GDP was 0.3 per cent. 2016, compared to 0.3 per cent. in 2015 and 0.5 per cent. in 2014. The contribution of the cement sector to real GDP was 0.8 per cent. in 2016, compared to 0.9 per cent. in 2015 and 0.7 per cent. in 2014.

Nigeria manufactures a variety of goods, including cement, pharmaceutical and chemical products, beverages, food, glass, paints, paper, plastic, textile, cigarettes, sugar, wood products, soaps, beer, confectioneries and soft drinks. Trucks, motorcycles and passenger cars are assembled in Nigeria. Conglomerates such as Dangote Group, Flour Mills of Nigeria Plc, John Holts, Dana Group and AG Leventis and multinationals such as Unilever, PZ Cussons, Nestle Plc, Guinness, Nigerian Breweries (Heineken) and Lafarge are the largest participants in the manufacturing sector in Nigeria.

The Federal Government has over the years put in place a number of tax incentives to encourage the development of the manufacturing sector. The tax incentives include the grant of a pioneer status to exporting companies which establish new industries or expand existing facilities in sectors which are deemed vital to the economy such as telecommunication and gas utilisation. The pioneer status confers a tax holiday from income tax for a period of up to five years (three years in the first instance, which may be extended for a further two year period) from the date of first production. A tax credit of 20 per cent. of costs is also granted for a period of five years to engineering companies which use a minimum of 60 per cent. of locally sourced raw materials for production. Dividends received from small companies in the manufacturing sector in the first five years of their operation are also tax exempt.

Nigeria's post-independence industrialisation strategy was based on the import substitution strategy, which was supported through trade restrictions such as tariffs, the creation of industrial zones and other restrictive policies. Following Nigeria's involvement with international trade organisations as well as regional agreements such as ECOWAS and the inability of the industrial sector to meet domestic demand, Nigeria has gradually liberalised its trade policies. See "*Foreign Trade and Balance of Payments—Foreign Trade—Trade Policy*". Additionally, the development of the manufacturing sector has historically been constrained by poor infrastructure, including erratic power supply, poor transportation systems leading to high cost of transportation, increased cost of diesel used in private power generation and high interest rates. Other constraints include smuggling, counterfeiting and dumping of foreign goods in Nigerian markets, which has created unfair competition and resulted in the closure of several local manufacturing plants. The Government is working to address the critical infrastructure constraints as well as smuggling and counterfeiting. In December 2016, the Minister of State, Industry and Investment reiterated that some of the issues being faced by the textile manufacturing industry are smuggling and counterfeiting, which the Government was taking steps to address.

In April 2010, the Central Bank approved a ₦200 billion Manufacturing Intervention Fund to refinance and restructure banks' loans to the manufacturing sector and in order to increase the availability of credit to the sector. The objectives of the Manufacturing Intervention Fund are to accelerate the development of the Nigerian manufacturing sector by improving access to credit by manufacturers, improving the financial position of banks, increasing output, generating employment, diversifying the revenue base, increasing foreign exchange earnings and providing inputs for the industrial sector on a sustainable basis. The Bank of Industry is the managing agent for the Manufacturing Intervention Fund and is responsible for its day-to-day administration.

Construction

The construction sector (excluding real estate) is made up of foreign and local companies. The construction sector contributed approximately 3.7 per cent. to real GDP in 2016, compared to 3.9 per cent. in 2015, 3.8 per cent. in 2014, 3.6 per cent. in 2013 and 3.3 per cent. in 2012. In the six months ended 30 June 2017, construction accounted for 4.2 per cent. of real GDP. This sector includes road, rail, bridges, buildings, ports and waterways.

The construction sector is generally considered a driver of growth in non-oil GDP, despite contracting in 2016 by 6.0 per cent. In 2015, construction recorded real GDP growth of 4.4 per cent., compared to growth of 13.0 per cent. in 2014, 14.2 per cent. in 2013 and 9.4 per cent. in 2012.

The 2015 Buhari election manifesto called for a significant effort to improve infrastructure, starting with a review of the Public Private Partnership enabling environment and calling for a National Infrastructure Development Programme to include the construction of 3,000 kilometres of superhighways and 480 kilometres of modern railway lines, with one third to be completed by 2019. See "— *Transport*" below.

Trade

According to the NBS, the trade sector contracted by 0.2 per cent. in 2016, compared to growth of 5.1 per cent. in 2015 and 5.9 per cent. in 2014. The trade sector represented 17.2 per cent. of real GDP in 2016, compared to 17.0 per cent. in 2015 and 16.6 per cent. in 2014. In 2014, 2013 and 2012, the trade sector represented 16.6 per cent., 16.6 per cent. and 16.4 per cent. of real GDP, respectively. In the six months ended 30 June 2017, trade accounted for 17.5 per cent. of real GDP.

The wholesale trade sector consists of foreign and local operators who deal in a wide range of local and imported goods whilst the retail trade sector is dominated largely by local participants. Recently, some regional and international brands entered the supermarket/department store business (including Shop Rite and Spar). Nigeria, specifically Lagos, is known as a hub for trade in West Africa, although a significant portion of this trade is conducted through the informal sector. See "*Risk Factors—Risks related to Nigeria—A significant portion of the Nigerian economy is not recorded*".

Financial Institutions

See "*Monetary System — The Nigerian Banking System*".

Tourism

Nigeria has a rich biodiversity and ecosystem, a rich cultural diversity, historical and geographical sites such as Zuma Rock in the Federal Capital Territory and Olumo Rock in Ogun State and a number of games reserves such as Yankari game reserve in Bauchi State. There are seven national parks in Nigeria, namely, the Chad Basin National Park in Borno and Yobe states, Cross River National Park in Cross Rivers State, Gashaka-Gumti National Park in Adamawa and Taraba states, Kainji Lake National Park in Kwara and Niger states, Old Oyo National Park in Oyo State, Kamuku National Park in Kaduna State and the Okomu National Park in Edo State.

According to the NBS, the accommodation and food services subsector accounted for 0.9 per cent. real GDP in 2016, compared to 1.0 per cent. in 2015 and 1.0 per cent. in 2014. In the six months ended 30 June 2017, accommodation and food services accounted for 0.9 per cent. of real GDP.

In 2016, the total number of passengers to pass through Nigerian airports was 15,232,597, a 6.3 per cent. increase compared to 2015. Of the total passengers in 2016, 72.0 per cent. (10,971,608) were domestic passengers, travelling within Nigeria, and the remaining 28.0 per cent. (4,260,989) were international, entering or leaving Nigeria. International airlines that service Nigerian airports include British Airways, Virgin Atlantic, Delta, Lufthansa, Air France, Qatar Airways, Emirates and South African Airways.

Informal Economy

A significant portion of the Nigerian economy is not included in the formal sector, meaning that it operates outside the scope of government regulation. According to the NBS, in 2015, the informal sector accounted for approximately 41.4 per cent of Nigeria's nominal GDP. The informal economy comprises a wide range of activities, predominantly small-scale, self-employed enterprises that focus on retail trade, transport, restaurant, repair services and household or other personal services. There are also informal money lenders and saving and credit associations. The informal economy is highly dynamic and difficult to measure and it is not reflected in GDP. See "*Risk Factors—Risks related to Nigeria—A significant portion of the Nigerian economy is not recorded*".

The First NIP included a number of initiatives to bring the informal economy into the formal economy, in particular with respect to housing, land ownership, agriculture, small and medium-sized enterprises and trade laws. The Government is also seeking to introduce policy measures and regulation to protect some of the more vulnerable persons operating in the informal economy (primarily women and children). Additionally, in an effort to combat smuggling across Nigeria's borders and formalise a substantial portion of the informal trade sector, in November 2010 the Ministry of Finance announced a change in its trade policy to allow the import of previously banned goods such as some textile materials. See "*Foreign Trade and Balance of Payments — Foreign Trade — Trade Policy*".

Employment and Labour

The labour market in Nigeria can be divided into three segments: the public sector, the private formal sector and the informal sector. In the 2016-2017 World Economic Forum Global Competitiveness Index, Nigeria ranked 37th among 138 economies in labour market efficiency.

According to the NBS, at the end of 2016, 108.6 million people were engaged in some form of economic activity, representing a 3.4 per cent increase compared to 105.0 million the end of 2015.

According to the NBS, the national unemployment rate in Nigeria was estimated to be approximately 14.2 per cent. at the end of 2016, as compared to 10.4 per cent. at the end of 2015. There were a total of 28.6 million people in the Nigerian labour force at the end of 2016 that were either unemployed or underemployed, compared to 22.5 million at the end of 2015. The NBS also estimated that, at the end of 2016, the rate of unemployment was approximately 18.4 per cent. in urban areas and 12.3 per cent. in rural areas, as the preference is for formal, white-collar jobs, which are located mostly in urban centres. The Government believes that a substantial number of people of working age are employed part-time or in the informal economy and thus unrecorded.

To support its effort to create jobs, the Government launched the Youth Enterprise with Innovation in Nigeria (YouWiN) programme in October 2011, targeted at generating jobs by encouraging and supporting aspiring entrepreneurial youth in Nigeria to develop and execute business ideas that could create jobs. The programme provides equity grants, training platforms and access to business networks for aspiring entrepreneurs.

In April 2017, the National Directorate of Employment began to offer online registration of unemployed Nigerians. The website is intended to gather relevant information about unemployed workers and to connect them with employers.

In 2011, the national monthly minimum wage was increased from ₦7,500 to ₦18,000, at which level it currently remains.

The below table sets forth information regarding Nigerian employment statistics for the dates indicated:

	As at 31 December				
	2012	2013	2014	2015	2016
			(*thousands*)		
Nigeria Population	169,645.9	175,074.7	180,677.1	182,202.0	185,989.6
Labour Force	69,105.8	71,105.8	72,931.6	76,957.9	81,151.9
Unemployed	7,301.6	7,078.4	5,612.8	8,036.1	11,549.3
Unemployment rate (%)	10.6	10.0	6.4	10.4	14.2

Source: *National Bureau of Statistics; United Nations World Population Prospects*

The staff of certain privatised companies have made claims against the Government for outstanding wage and pension liabilities. According to the Bureau of Public Enterprises, the obligations due to the staff of Nigerian Telecommunications Limited for salary arrears and pensions have been settled, except for claims by employees providing ancillary services being rendered at Nigerian Telecommunications Limited offices. Further amounts were due to the staff of the Delta Steel Company, the Aluminium Smelter Company of Nigeria and the Power Holding Company of Nigeria Plc ("**PHCN**"), but most of these arrears have since been resolved. See "*Public Debt — Guarantees and Contingent Liabilities*".

As part of its efforts to reduce wage and pension arrears in September 2013, the Government established the Pension Transitional Arrangement Department to take over management of the Civil Service Pension Department, the Police Pension Office and the Customs, Immigration and Prisons Pension Office, which were managed under the old pension scheme in Nigeria. The Pension Transitional Arrangement Department carries out the functions of these pension offices and makes budgetary estimates for existing pensioners and the officers exempted from the contributory pension scheme. Consolidation into a single pension administration and management under the direct supervision of the National Pension Commission is expected to create a more transparent, accurate and streamlined approach to the administration of public sector pensions.

Environment

In 1999, the Government created the Federal Ministry of Environment. The Federal Ministry of Environment is responsible for policies, enforcement and intervention in the areas of forestry, drought and desertification, pollution and waste management, climate change, flooding, erosion and coastal managements (shoreline protection).

The country's main environmental challenges include, among others, petroleum prospecting pollution, land degradation and loss of biodiversity, deforestation, drought and desertification, flooding and erosion and climate change. The Government has made several efforts to address these challenges.

On 22 September 2016, Nigeria signed the Paris Agreement under the UN Framework Convention on Climate Change. See "*—Climate Change*".

Petroleum Prospecting Pollution

In order to address the problem of petroleum prospecting pollution, the Government has issued a number of regulations and guidelines. For example, the Mineral Oil Safety Regulations 1997 seek to ensure that oil and gas operators provide adequate safety materials for their employees as well as ensure that drilling of boreholes for petroleum and gas purposes are not carried out within 150 feet from any building. In 2006, Nigeria ratified the International Convention of Civil Liability for Oil Pollution Damage and the convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage 1976. In addition, the National Oil Spill Detection and Response Agency has put in place measures that seek to minimise the impact of oil spills on the environment. Such measures include a mandatory requirement for all the oil companies in Nigeria to have oil spill contingency plans and an oil spill response system. In 2010, the National Oil Spill Detection and Response Agency activated about 36 oil spill contingency plans of oil companies operating in Nigeria. Between January 2006 and December 2012, a total of 1,562 oil-impacted sites were remedied and rehabilitated by the relevant oil companies under the guidance and supervision of the National Oil Spill Detection and Response Agency. The National Oil Spill Detection and Response Agency uses laboratory sample testing of the affected area in order to establish the amount of oil spilled, the degree of impact, the sensitivity and nature of the terrain and other factors in order to decide which, if any, remedial measures should be taken. Nigeria recently developed an Environmental Sensitivity Index Map covering the entire coastline of Nigeria from Lagos to Calabar, and extending 50 kilometres inland.

There are collaborative ties between the National Emergency Management Agency, the National Oil Spill Detection and Response Agency, the Armed Forces, Nigerian Customs Services, Nigerian Immigrations Services and other stakeholders on rapid response to oil spills that may be considered as major or national disasters. In 2016, the Buhari administration committed U.S.$1 billion over five years to the clean-up of Ogoniland in the Niger Delta, following decades of oil pollution.

Land Degradation

Land cover is central to all environmental processes through its influence on biodiversity, energy and carbon cycling. The major causes of land degradation in Nigeria include, among others, agricultural expansion at an average of 350,000 to 400,000 hectares per annum, fuel wood exploitation and illegal logging or tree felling. The Government has made several attempts to address issues arising from the use of land including proposing amendments to the Land Use Act 1978 to address issues relating to land management.

Deforestation

Nigeria was historically rich in forest resources such as high forests, woodlands, plantations and trees on farmlands. According to the World Bank, between 1990 and 2015, the forest cover of the country decreased from approximately 18.9 per cent. to approximately 7.7 per cent. of land area. Nationwide deforestation has resulted in a shortage of wood supply leading to the importation of wood and wood products, an increase in soil erosion, flooding and a decline in agricultural productivity. National efforts at addressing the problem of deforestation include the annual tree planting campaigns at federal, state and local government levels, natural resources conservation and development management plans in critical forest and wetland ecosystems and the shelter belt development. In addition, the Forestry Research Institute of Nigeria with research stations in the various ecological zones of the country is developing improved tree species and forestry management technologies.

Drought and Desertification

Nigeria has committed itself to halting desertification by acceding to the UN Convention to Combat Desertification. It has also developed a National Action Programme to combat desertification as well as put in place a National Drought and Desertification Policy.

The Federal Government of Nigeria has recognised the need to tackle desertification so as to protect the ecosystems and sustainable livelihoods of the people in the affected areas. To this end, it has developed many national policies and action plans (e.g. National Policy on the Environment, Drought and Desertification Policy, Drought Preparedness Plan, National Agricultural Policy, National Forestry Action Plan, National

Forest Policy, National Biodiversity Strategy and Action Plan, and Nigeria's National Action Plan to Combat Desertification – NAP). The Federal Government has also received partnership in form of finance, technical assistance, loans and capacity building from partners such as World Bank, IAEA, International Fund for Agricultural Development, CIDA, UNDP, UNIDO, China Government, Japan International Agency, Agricultural Development Company Limited, Israel and the UNEP/GEF as part of its efforts to tackle the ravaging impact of desertification.

Nigeria has also committed to the Great Green Wall for the Sahara and the Sahel Initiatives (GGWSSI) action plans, a pan-African programme launched in 2007 by the African Union with a goal to address land degradation and desertification in the Sahel and the Sahara. The subsisting GGWSAP for Nigeria is a five-year Strategic Action Plan with the goal of improving the wellbeing of the affected people and reducing their vulnerability to impact of desertification amplified by climate change through improved use of land and other natural resources for sustainable development and support to climate resilient infrastructure. The development objective is to combat land degradation and desertification in Nigeria in order to protect and restore ecosystems and essential ecosystem services that are key to reducing poverty, enhancing food security, and promoting sustainable livelihoods. The eight main strategic pillars of intervention in the GGWSAP are:

1. Improvement of the management of land resources and their sustainable use;
2. Enabling policy, legal and institutional framework for sustainable land management and desertification control;
3. Improvement of critical infrastructure for enhanced and sustainable socioeconomic development and environmental sustainability;
4. Enhancement of private sector investment in sustainable land management;
5. Sustainable financing for desertification control;
6. Effective communication for improved land management;
7. Monitoring and evaluation System; and
8. Ecoregional approach for improved transboundary sustainable land management.

Flood and Erosion

Initiatives in the area of combating erosion include a land degradation mapping assessment and the adoption of a remote sensing and geographic information system. In addition the National Ecological Fund has been established to provide financial support for erosion and flood control projects and coastal zone management.

Climate Change

Nigeria has developed and is in the process of adopting a National Agricultural Resilience Framework aimed at assisting the agricultural sector in coping with and recovering from the shocks and stresses of climate change. It is also in the process of investing U.S.$85 million in the Climate Change Adaptation and Agribusiness Support Programme through the International Fund for Agriculture, focused specifically on the northern border states of the country.

The northern states are facing an increasing threat from desert encroachment and more intensive and less predictable rainfall, which is leading to longer dry spells, soil degradation, increased erosion and flooding. These climatic induced events are contributing significantly to crop failure and the deterioration of rural infrastructure, preventing farmers from accessing markets. Additional consequences include lower soil fertility and soil degradation through overgrazing, deforestation and desertification, as well as increased difficulty in planning crop calendars and transhumance for pastoralists.

Nigeria is a party to the UN Framework Convention on Climate Change and the Kyoto Protocol, and has prepared the first National Communication on Climate Change. It has also established a national focal point, which is the Department of Climate Change within the Federal Ministry of Environment. The Department collaborates with other MDAs through an Inter-Ministerial Committee on climate change. On 22 September 2016, Nigeria signed the Paris Agreement under the UN Framework Convention on Climate Change.

According to the President after signing the Paris Agreement, Nigeria is set to launch its first ever Green Bonds to fund a pipeline of projects all targeted at reducing emissions towards a greener economy.

Nigeria is a signatory to several treaties and international conventions on natural resources and biodiversity. However, implementing legislation for these international conventions has not been adopted in Nigeria. These include the Convention on Biological Diversity, the RAMSAR Convention on Wetlands, the Habitat II Agenda, the Convention Concerning the Protection of World Culture and Nature Heritage (UNESCO's World Heritage Convention), and the United Nations Framework Convention for Climate Change and the Kyoto Protocol.

Transport

The transport system in Nigeria comprises railways, roads, ports, inland waterways, and airborne modes of transportation. Road and air transport are the dominant modes of transportation in Nigeria and carry more than 98 per cent. of total traffic generated in the country.

The contribution of the transportation and storage sector to Nigeria's real GDP has remained constant, contributing 1.2 per cent. in 2016, as well as 1.2 per cent. in each of 2015, 2014, 2013 and 2012. The sector is driven by road transport, which contributed 1 per cent. to Nigeria's real GDP in each of 2016, 2015, 2014, 2013 and 2012. In the six months ended 30 June 2017, transportation and storage accounted for 1.2 per cent. of real GDP.

The transportation and storage sector grew by 0.4 per cent. in 2016, compared to 4.5 per cent. in 2015, 4.4 per cent. in 2014, 3.8 per cent. in 2013 and a 3.4 per cent. contraction in 2012.

The Government aims to create a multimodal, integrated and sustainable transport system with greater emphasis on rail and inland waterways transportation. In addition, the Federal Government has taken steps to create an enabling environment for Public Private Partnerships by designing new policies, legislation and an institutional framework to support the envisaged transformation of the transport sector.

Roads

Nigeria currently has about 0.21 kilometres of roads per square kilometre. According to the Nigerian National Planning Commission in 2012 approximately 40 per cent., 78 per cent. and 87 per cent. of federal roads, State roads and local government roads, respectively were in poor condition. The Government recognises the importance of investing in infrastructure. During the First NIP, the Government aimed to complete road network projects through a major road programme, which involved the rehabilitation of at least 21 per cent. of the 7,677 kilometres of existing federal roads by 2013. According to the 2010 National Monitoring and Evaluation Report, at the end of 2010 the stock of roads in good condition had only increased by 1 per cent., taking the proportion of roads in good condition to only 31 per cent. of the total. This fell short of the 12 per cent. target for recovery of bad roads in 2010 under the First NIP. To achieve its objectives, the Government has carried out a direct rehabilitation and reconstruction of the major trunk roads, secured private funding for major and viable routes and secured funding arrangements from the public and private sectors for the remaining 40 per cent. of the federal roads in need of repair. The Government has adopted a public private partnership ("**PPP**") approach for the development of selected federal roads and bridges which will entail design, build, operate and transfer arrangements with local and international concessionaires. According to the Ministry of Works' 2012 Annual Report, in 2012, 14 major road projects worth approximately ₦54.1 billion were completed and 33 locations on the federal road network that had deteriorated were addressed to restore normal traffic flow. The Ministry also adopted the Strategic Highway Investment for (Economic) Transformation programme which is a plan for greenfield projects. In addition, the Lagos-Ibadan express road which was originally concessioned to Bi-Courtney Consortium Limited under a Design Build Operate and Transfer Scheme was re-awarded to Julius Berger and RCC, following the termination of the Bi-Courtney concession due to concerns over implementation.

Several road rehabilitation projects began in 2012. For example, the rehabilitation of the Benin-Ore-Sagamu expressway started in October 2012 and is ongoing. The construction of a second Niger bridge is in its second phase. The contract was awarded to Julius Berger and detailed project survey and environmental impact assessment have begun, which will lead to preliminary site work. The African Development Bank has provided a U.S.$300 million loan to finance the reform of the road transport sector. Also, in 2012, the road development aspects of the SURE-P Programme commenced. The programme is in two broad categories, (a) the Niger Delta Development Programme which focuses on accelerating the completion of the long-standing East-West project, which involves 338 kilometres of roads connecting Effurun/Warri – Ughelli – Patani – Kaiama – Mbiama – Ahoada – Elele – Emouha – Choba – Port Harcourt – Onne – Ogoni – Eket – Oron and Calabar; and (b) the Roads and Bridges Programme, which focuses on the completion of core road projects across the six geo-political zones in Nigeria. Projects in this category include the Abuja-Abaji – Lokoja Dual Carriageway (200 kilometres); the Benin - Ore - Sagamu Dual Carriageway (295 kilometres); the Onitsha - Enugu - Port Harcourt Dual Carriageway (317 kilometres), the Kano – Maiduguri Dual Carriageway (510 kilometres); the Oju/Loko-Oweto Bridge and the second Niger Bridge. The Oju/Loko-Oweto Bridge and the second Niger Bridge are both expected to be completed in 2018.

Railways

Nigeria's rail network consists of 3,505 route kilometres and 4,332 track kilometres, mainly comprising narrow gauge single track. The network also includes a 19-kilometre narrow gauge single track extension from Port Harcourt to the Onne deep sea port and a 277 kilometre standard gauge rail from Ajaokuta to Warri.

In the 2016 budget, ₦0.72 billion was allocated for the rehabilitation, repair and completion of railways.

The rehabilitation programme of the railway system includes rehabilitation of tracks on the Jebba – Kano, Port Harcourt – Markurdi, Makurdi – Kuru, Kuru – Maiduguri and Zaria – Kaura-Namoda routes, supply of new engines, the upgrade of signalling and telecommunication systems, the rehabilitation of workshops, equipment and service support and the rehabilitation of stations and marshalling yards.

The implementation of the first phase of the programme commenced with the award of a contract for the construction of a 186 kilometre single track standard gauge railway line from Abuja to Kaduna at a cost of approximately U.S.$875 million, of which U.S.$500 million is being provided by the Export-Import Bank of China as a concessional loan. The Export-Import Bank of China is also providing a U.S.$500 million loan for the Abuja Light Rail project to improve transportation in the city of Abuja.

The railway sector also benefited from the SURE-P Programme intervention in 2012. The intervention encompassed three main areas: (a) the rehabilitation of the Western Line (Jebba-Kano); (b) the rehabilitation of the Eastern Line (Port Harcourt-Maiduguri); and (c) the Nigerian Railway Modernisation (Abuja – Kaduna). In relation to these projects, a total of six contracts were executed with a total value in excess of ₦33 billion. The commissioning of the entire Western Line took place on 21 December 2012. The projects are expected to positively impact the national economy by boosting trade and commerce, as well as reducing freight traffic on roads. Work on the Eastern Line is ongoing . The Buhari election manifesto called for the construction of up to 4,800 kilometres of modern railway lines, of which approximately one third was intended to be completed by 2019. In July 2016, President Buhari inaugurated the Abuja-Kaduna standard rail gauge.

Inland Waterways

Nigeria's natural inland water transport system includes over 10,000 kilometres of navigable waterways, including rivers, creeks, lagoons and lakes, and intra-coastal waters. Nigeria has 18 major inland navigable rivers, totalling approximately 3,800 kilometres in length. The main rivers are Rivers Niger and Benue. Nigeria has approximately 852 kilometres of coastline, which allows for the movement of goods and passengers from the coast to its surrounding areas.

Under the First NIP, the Government aimed to increase the navigable routes on the inland waterways to 3,000 kilometres in order to substantially increase inland waterways traffic and passengers and encourage private sector participation in the provision of inland waterway services. In 2009, the Government commenced operations to dredge approximately 572 kilometres of the River Niger, from Baro in Central Nigeria to Warri in the Niger Delta. The Nigerian Inland Waterways Authority, the body responsible for the regulation and management of Nigeria's inland waterway resources, has confirmed that the dredging project has been completed.

Sea Ports

The seaports are of great significance for the economic development of Nigeria as they handle most of the country's imports and exports and have the potential of serving the landlocked countries of Niger and Chad. All the ports in Nigeria are owned and operated by the Nigerian Ports Authority. In 2015, the total volume of cargo handled in all port locations was approximately 196.0 million metric tons.

Due to underinvestment, bureaucracy and other circumstances which made Nigerian ports uncompetitive, in 2001 the Government commenced a reform and restructuring of the ports to introduce private sector participation. This was implemented through a concession exercise managed by the Bureau of Public Enterprises, the agency responsible for privatisations, through a bid process. In 2006 the National Council on Privatisation endorsed a "landlord" port model and developed a legal and regulatory framework for private sector participation in the ports.

Since 2010, the Government has focused on ports and customs reforms to ensure efficiency in handling ports and ports-related businesses. The reforms are meant to ensure that all types of cargo are cleared within a 48-hour period. To accomplish this, the number of agencies involved in the ports was streamlined by 50 percent, from 14 to 7. The seven remaining agencies are the Nigeria Customs Service, the Immigration Agency, the Nigeria Police, the Nigerian Ports Authority, the Nigerian Maritime Administrative and Safety Agency, the National Drug Law Enforcement Agency, and the Ports Health Agency. The agencies are required to operate 24 hours a day through shift operations that ensure availability of officers to discharge their duties without delay. Paperwork and bureaucratic requirements for ports and customs clearance were drastically streamlined to promote time efficiency. The previous practice where customs harass cargo transporters on the highway was discontinued by disbanding the Nigeria Customs Task Force.

However, gaps still remain in respect of port infrastructure. Port terminal operators have complained of lack of adequate infrastructure while importers have complained of high port charges and lack of port equipment. For example, over the years, the three main areas of the Lagos Port which are accessed through a channel leading from the Atlantic Ocean have become congested and infrastructure is in poor condition. At times, cargo ships are delayed from loading or unloading cargo between two weeks to one month due to congestion. In an effort to address the issue of port congestion, the construction of a port at Lekki, a private sector initiative located inside the Lagos Free Trade Zone along the Atlantic coast has commenced in 2011. In early 2013, the legal framework for the Lekki port was finalised, including all required regulatory permits and agreements with third parties. The construction of the port is expected to be completed in 2019 and with operations starting in the same year.

Airports

There are 22 airports in Nigeria, five of which are international. The international airports are Murtala Muhammed International Airport, Lagos; Nnamdi Azikwe International Airport, Abuja; Mallam Aminu Kano International Airport, Kano; Port Harcourt International Airport, Port Harcourt; and Akanu Ibiam International Airport, Enugu. The other airports are located in major cities throughout the country. There are also several airstrips privately owned by oil extracting companies.

The Federal Airports Authority of Nigeria owns and operates 19 of the 22 airports in Nigeria. The Federal Airports Authority of Nigeria has in recent times adopted the strategy of granting concessions for various activities within its airports and is increasingly relying on concessions to provide airport infrastructure. The National Airspace Management Agency is in charge of traffic control, regulations and navigational aids for aircrafts. Safety oversight and all other civil aviation issues are the responsibility of the Nigerian Civil Aviation Authority. Passenger and cargo traffic have been growing steadily in recent years but most of the cargo traffic is concentrated in the four international airports. The Government estimates that 90 per cent. of the volume of cargo is handled in Lagos.

The Federal Airports Authority of Nigeria is statutorily charged to manage all commercial airports in Nigeria and provides services to passengers and airlines. A plan to build a new international airport in Lagos is under review. In relation to air transport, the Government's objectives are upgrading and expanding the international airports, improving air safety to International Civil Aviation Organisation standards and recommended practices, concessioning the four international airports, improving security and transferring all other local airports to State Governments.

In September 2012, the Minister of Aviation announced the launch of a comprehensive road map, aimed at transforming and modernising Nigeria's air transport industry. The road map includes the following three phases:

- Short-term phase: includes a two-stage programme for the remodelling and reconstruction of all 22 airports;
- Medium-term phase: will include the construction of five new international terminals in Lagos, Abuja, Port Harcourt, Kano and Enugu; and
- Long-term Aerotropolis project: will include the development of 'airport cities' that will provide clusters of businesses ranging from manufacturing, information and communication technology, hospitality, recreation and retail, among others.

Enugu Airport has become operational as an international airport with a new terminal under construction. Work has also commenced on the construction of three new international airport terminals in Lagos, Kano, and Abuja. Abuja's Nnamdi Azikiwe International Airport was closed from 8 March 2017 to 18 April 2017 while its sole runway was resurfaced. See "*Risk Factors—Risks related to Nigeria—Any failure to address Nigeria's significant infrastructure deficiencies could adversely affect Nigeria's economy and growth prospects*."

In the medium term, the Bureau of Public Enterprises intends to concession the Abuja, Lagos, Kano and Port Harcourt International airports. The Buhari election manifesto calls for the use of public private partnerships to provide one functioning airport in each of the 36 states.

Information and Communication

In 2016, the information and communication subsector accounted for 11.6 per cent. of real GDP, compared to 11.2 per cent. of real GDP in 2015. In 2014, 2013 and 2012, the information and communication subsector accounted for 10.8 per cent. of real GDP, 10.7 per cent. of real GDP and 10.5 per cent. of real GDP, respectively. In the six months ended 30 June 2017, information and communication accounted for 12.4 per cent. of real GDP.

In 2016, the information and communication subsector grew by 2.0 per cent., compared to growth of 6.2 per cent. in 2015. In 2014, 2013 and 2012, the information and communication subsector grew by 7.0 per cent., 8.2 per cent. and 3.1 per cent., respectively.

Telecommunications

The number of mobile telecommunications subscribers has increased dramatically in recent years, from less than one million in 1998 to approximately 154.3 million in 2016, while the number of fixed land lines subscribers has decreased from approximately 0.4 million in 2012 to 0.2 million in 2016. However, as at 30 June 2017, mobile telecommunication subscribers had decrease slightly to 139.2 million. The main mobile telephone operators are MTN, Globacom, Bharti Airtel, Etisalat and Mtel. Other operators include Starcomms, and Intercellular. To improve competition in the sector, in 2013, the Nigerian Communications Commission introduced Mobile Number Portability for GSM operators.

In 2007, the Government launched Nigeria's first communications satellite. The satellite, Nigcomsat-1 is a super hybrid geostationary satellite with a launch mass of 5,150 kilograms, a service life of at least 15 years and reliability of more than 0.70 at the end of its lifetime. The satellite is managed and operated by Nigerian Communications Satellite Limited.

The table below sets out the number of active telecommunications subscribers at the end of the periods indicated:

	As at 31 December					As at 30 June
	2012	2013	2014	2015	2016	2017
	(million subscribers)					
Fixed Wired/Wireless	0.4	0.4	0.2	0.2	0.2	0.2
Mobile (CDMA)	2.9	2.4	2.2	2.1	0.2	0.1
Mobile Telephone Subscribers	109.8	124.8	136.8	148.7	154.1	139.1
Total Telephone Subscribers	**113.2**	**127.6**	**139.1**	**151.0**	**154.5**	**143.1**

Source: Nigerian Communications Commission

Media

With the exception of the Nigerian Television Authority, Radio Nigeria and the Voice Of Nigeria, which are owned by the Government, and certain stations owned by State Governments, the bulk of the television and radio stations in Nigeria are privately owned. In 2017, Reporters Without Borders ranked Nigeria ranked 122 of 180 countries with regard to press freedom, compared to 116 of 180 countries in 2016.

The Freedom of Information Act was passed in Nigeria in 2011. The Freedom of Information Act provides every Nigerian a legal right of access to information, records, and documents held by government bodies and private bodies carrying out public functions. The Freedom of Information Act is expected to be a vital tool in the fight against corruption and to assist with holding government officials and institutions accountable.

Electricity

The electricity, gas, steam and air conditioning sector contributed 0.3 per cent. to real GDP in 2016, compared to 0.4 per cent. in 2015, 0.5 per cent. in 2014, 0.5 per cent. in 2013 and 0.5 per cent. of real GDP in 2012. In the six months ended 30 June 2017, the electricity steam and air conditioning sector accounted for 0.3 per cent. of real GDP.

The sector contracted by 15.0 per cent. in 2016, compared contractions in 2015 and 2014 of 9.3 per cent. and 8.7 per cent., respectively. In 2013 and 2012, the sector grew by 14.6 per cent. each year. The sector's contraction of 15.0 per cent. in 2016 was attributable in part to reduced electricity production as a result of gas supply shortages and vandalism.

From 2005 to 2013, the generation, transmission and distribution of electricity in Nigeria were largely managed by the PHCN, the Government-owned power sector utility company. The PHCN and state governments produced approximately 75 per cent. of the country's electricity in 2012, while approximately 25 per cent. was produced by independent power producers, including joint ventures between NNPC and international oil companies.

There are currently 27 grid-connected generating plants in operation in the Nigerian Electricity Supply Industry. As of August 2015, 20 of the grid-connected generating plants were operating at approximately 30 per cent. of the installed capacity, and two plants operating at less than 10 per cent. of installed capacity. Only about 25 per cent. of the total installed capacity is distributed to the end-users.

Demand for electricity in Nigeria substantially exceeds supply. A study by a major European engineering firm has estimated that demand will rise from around 33 terawatt hours in 2011 to between 56 and 95 terawatt hours by 2020. This will result in an increase in peak load demand from around 5,000 MW in 2011 to between 9,000 MW and 16,000 MW by 2020. According to the CBN, in 2012 residential consumption accounted for over half the electricity consumed in Nigeria, with approximately 29.9 per cent. going to commercial and street lighting and 21.3 per cent. to industry. The NBS reported that the total energy generated in Nigeria during the first six months of 2017 was an average of 3,095 megawatts generated per day, with a daily high of 5,846 megawatts and a daily low of 1,660 megawatts during the same period.

According to the 2015 Nigeria Power Baseline Report, approximately 55 per cent. of Nigeria's population lacks access to grid-connected electricity supply. Aging infrastructure, inadequate funding, insufficient power generation, and high transmission and distribution losses remain a challenge. The unavailability of gas for distribution to the power generating companies has exacerbated the problem. See "*Risk Factors—Risks related to Nigeria—Nigeria suffers from electricity shortages*".

Power Sector Reforms

The Government has identified the improvement of electricity generation, transmission and distribution infrastructure as a critical element in meeting economic growth and development objectives. To address these issues, the Government is pursuing a number of policy initiatives, including those set forth in the ERGP and the Roadmap for Power Sector Reform. The Roadmap for Power Sector Reform seeks to remove obstacles to private sector investment in the power sector, to complete the privatisation of generation and distribution companies, to facilitate the construction of new transmission networks and to reform the fuel-to-power sector with the goal of increasing electricity generation capacity. The current Government has stated that the proposed strategy to electricity generation is by an "incremental approach" from 5,000 megawatts to 7,000 megawatts, before "steady power" then to "uninterrupted power", reaching 20,000 megawatts by 2021. See "*Risk Factors—Risks related to Nigeria—Nigeria suffers from electricity shortages*".

In June 2012, the Government established a new tariff regime, the Multi Year Tariff Order (MYTO) 2, to replace the national uniform tariff. In December 2014, the baseline for tariff calculations was revised with the introduction of MYTO 2.1 for 2015 to 2018, leading prices to more closely reflect the cost of delivering energy. After a negative public reaction to the new tariffs, NERC amended MYTO 2.1 in March 2015, and again in December 2015. The amended tariff, MYTO-2015, became effective on 1 February 2016. In July 2016, the Federal High Court issued a judgment in favour of a plaintiff who had challenged MYTO 2.1. The NERC has appealed against the Federal High Court's judgment.

In August 2014, the Federal Government increased the Domestic Supply Obligation price of gas, to U.S.$2.50 per one million British Thermal Units ("**mmBtu**") for gas supply and U.S.$0.80 per mmBtu for gas transportation. The Domestic Supply Obligation is an energy policy that mandates gas producers to set aside a certain percentage of their gas reserves and production for supply to the domestic market. By increasing the Domestic Supply Obligation price of gas, the Government hopes to incentivise gas suppliers to sell gas to domestic power generation plants, which may lead to greater generation capacity, as most plants have been limited by inadequate gas supply

In June 2017, the Federal Executive Council approved the National Gas Policy, which primarily seeks to move Nigeria from a crude oil export-based economy to a gas-based industrial economy. The Gas Policy expresses the Federal Government's intention to give priority to the utilisation of natural gas for domestic needs, particularly for power generation. See "*—Oil and Gas—Midstream—Natural Gas—Nigeria Liquefied Natural Gas Plant—Nigeria Gas Master Plan".*

A key objective of the Government in developing the power sector is to enhance the security of the electric power supply by diversifying the fuel mix by exploiting the country's gas, coal, wind and hydropower potential.

Currently, power sector development is being pursued through a combination of public private partnerships and state funded projects. In this respect, the Government has embarked on the following:

- Engineering design for the 3,050 megawatts Mambilla Hydroelectric Power Project is expected to be completed in the next six years. The Buhari Administration relaunched the 3,050 megawatts Mambilla Hydroelectric Power Project which was suspended by the previous administration due to litigation.

- In September 2013, the Government entered into an agreement with Chinese state-owned companies to build a U.S.$1.3 billion 700-megawatt hydroelectric power plant in Zungeru, Niger state. The project includes construction of a dam, power components, transmission lines and associated substations for the evacuation of power. The majority of the project will be financed by a loan from the Export-Import Bank of China (75 per cent.), with the remainder of the cost to be paid by the Nigerian Government. The first phase of the project is expected to be completed by 2019. It is expected that, in the long-term, most new sources of electricity in Nigeria will come from natural gas or hydroelectric power.

- Nigerian Bulk Electricity Trading ("**NBET**") entered into 1,125 MW worth of power purchase agreements with solar generation project promoters. The projects are expected to reach commissioning in 2018 and 2019.

- The 2017 budget included ₦31 billion for rural electrification projects.

In addition to efforts by the Federal Government, certain State Governments, such as Lagos and Akwa-Ibom, have started to generate power through their own state independent power producers. In the Akwa Ibom State, the Government established a 190-megawatt independent power producer in Ikot Abasi. Several other states, including Delta and Edo, recently awarded contracts for the construction of independent power projects. The majority of state-owned independent power producers are on-grid power stations that supply power into the Transmission Company of Nigeria transmission network under power purchase agreements. However, some power stations only supply electricity to a particular installation or facility.

In order to address the current shortfall in payment across the power sector value chain, the Federal Government has devised a package of measures to improve governance, payment transparency and to finance the payment shortfalls whilst the industry reforms and improves its performance. One of the measures included a circa ₦702 billion guarantee commitment from the Federal Government of Nigeria to gas suppliers and generating companies to ensure delivery of electricity across the country. Another measure included a ₦309 billion bond proposed to be issued by NBET, against payment commitments by the distribution companies who are responsible for collecting industry revenues from electricity consumers. However, the House of Representatives opposed this move. In June 2016, the Federal Government released the draft document on Nigerian Power Sector Investment Opportunities and Guidelines to guide the implementation of Nigeria's energy policy, and to optimise its many fuel sources of hydropower, coal, solar, wind and gas for energy production and to serve as a planning tool, not only to guide investment in power production and generation but to assist the TCN plan and concentrate its evacuation resources and put an end to incidents of stranded power. In effect it was to help bring power production closer to fuel and feedstock sources in order to make power more affordable.

On 22 March 2017, the Federal Executive Council of Nigeria approved the Power Sector Recovery Program, a programme designed in consultation with the World Bank aimed at restoring financial viability of the power sector and improving transparency and service delivery. The programme indicates that, unless actions are taken immediately, the power sector will face losses estimated at U.S.$1.5 billion per year for the next five years. Implementation of the Power Sector Recovery Program would be expected to release at least U.S.$5 billion of investments from international financial institutions and the private sector and would include loss-reduction projects (metering), transmission projects and rural electrification initiatives.

The following table compares installed electricity generation capacity and the actual production of electricity in the periods indicated:

	For the year ended 31 December				
	2012	**2013**	**2014**	**2015**	**2016**
Installed Capacity (MW)	9,955.4	10,915.4	11,165.4	12,132.4	12,317.4
Actual Production (MW)	3,366.7	3,382.3	3,439.1	3,597.6	3,257.1

Source: Transmission Company of Nigeria (TCN)

In October 2017, it was announced that Nigeria and Russia, through the Nigeria Atomic Energy Commission and Russia's state-owned Rosatom, respectively, signed agreements on the construction and operation of a nuclear power plant and nuclear research centre, including a multi-purpose research reactor, in Nigeria as well as a roadmap for cooperation in the field of the peaceful usage of nuclear technologies.

Water

Nigeria has abundant water resources to support sustainable provision of water supply. The Niger River Basin including its tributaries has about 165.8 billion cubic metres of water. Surface water potential is estimated at 267.3 billion cubic metres while ground water potential is estimated at 51.9 billion cubic metres. The irrigation potential is about 3.1 million hectares, however, in 2014, only 0.02 per cent. of it was being used. The impounded water potential is 31 billion cubic metres in about 200 dams, however only 18 per cent. of it was effectively utilised. The Benue River is the major tributary to the River Niger and is approximately 1,400 kilometres long. These resources have remained largely untapped due to uncoordinated implementation of policies and programmes at the State Government level.

For example, according to the World Bank, in 2015, only about 80.8 per cent. of the urban population and 57.3 per cent. of the rural population have access to improved drinking water sources, compared to 80.6 per cent. of the urban population and 56.0 per cent. of the rural population in 2014. The Federal Government has instituted a multipronged approach to improve the water supply with support from both bilateral and multilateral donors.

In 2013, construction of 9 dams was completed, increasing the volume of the nation's water reservoir by 422 million cubic metres. Progress was also made on major projects such as the South Chad Irrigation Project, the Bakolori Irrigation Project, and the Galma Dam. Overall, total irrigable area increased by over 31,000 hectares and the production of various irrigated food crops increased by over 400,000 metric tons. Near completion is the Kashimbila Multipurpose Dam Project in Taraba State, which will provide irrigation and hydropower. This dam will also provide Nigeria with protection against floods and noxious gases from Lake Nyos in Cameroon should the lake burst its banks, as the UN Environment Programme has warned.

Housing

Nigeria's housing needs are estimated at 17 million units as of 2016 and the need is increasing by over two million units per year, while in some major urban centres, such as Lagos, Abuja, Ibadan and Kano, housing demand is growing at a faster pace. In 2016, the housing deficit was forecast to increase to 23 million by 2020 if current housing trends continue.

Delivery of housing is subject to several challenges. Housing policy is based on a complex legal and regulatory environment that deters housing development, while a poor incentive structure for housing financing limits private sector investment. The shortage of properties is due partly to the high cost of housing construction. Cost challenges are amplified by high rural to urban migration, which has increased demand for housing accommodation in urban areas.

Land availability is another major constraint to housing sector growth. Pursuant to the Land Use Act of 1978, ownership of all land is vested in the Governor of each state (except the Federal Capital Territory and some parts of Lagos), who holds the land on trust for the people. All real property transactions require the consent of the Governor and registration at the land registry of the relevant state. Delays in obtaining Governor's consent for land titles may cause uncertainty and frustrate housing developers and homeowners. According to the World Bank, the registration process for Governor's consent requires six months to two years and costs approximately 21.0 per cent. of the property value.

According to the Mortgage Banking Association of Nigeria, the mortgage market has grown from ₦284 billion in 2011 to approximately ₦519 billion in 2016. To encourage housing development, the Government promoted enactment of the Federal Mortgage Bank Act, which authorised the establishment of the Federal Mortgage Bank of Nigeria, which had existed since 1956 as the Nigerian Building Society. The Federal Mortgage Bank of Nigeria operated initially as a primary mortgage institution, managing the National Housing Fund. The National Housing Fund, which was established by the National Housing Fund Act, facilitated the mobilisation of long-term housing funds for affordable housing. The National Housing Fund is funded by a tax of 2.5 per cent. that is assessed on the income of Nigerian workers whose basic monthly salary is ₦3,000 or greater.

The Federal Housing Authority is responsible for preparing and executing proposals for national housing programmes and recommending to the Government urban and regional planning policies relevant to the successful execution of housing programmes.

Pursuant to 2012 revisions to the National Housing Policy, a two-tier formal housing finance system was established whereby the Federal Mortgage Bank of Nigeria performs mainly secondary mortgage and capital markets operations. Under this two-tier system, the Federal Mortgage Bank of Nigeria provides loans from the National Housing Fund to qualifying primary mortgage institutions licensed by the Central Bank; the qualifying primary mortgage institutions then use the proceeds of National Housing Fund loans for lending to third parties to build, purchase or renovate houses.

The Federal Government is committed to harmonising and standardising land administration processes across all states through a national technical development forum, with the purpose of encouraging public and private investment in the housing sector.

In March 2013, as part of a new Nigeria Housing Finance Programme to address key issues constraining growth, the Central Bank published a Draft Regulatory and Supervisory Framework for the Operations of a Mortgage Refinance Company and invited input from stakeholders. This framework provides for the licensing and establishment of a Mortgage Refinance Company as a specialised second-tier institution to provide short-term liquidity, long-term funding and/or guarantees to mortgage originators and housing finance lenders.

In August 2014, the Government launched the 10,000 Mortgages for Affordable Homes scheme, which invited potential first-time home buyers to apply to be pre-qualified for a mortgage. The scheme generated 66,402 initial applications, of which approximately 25,000 were pre-qualified. Approximately 9,000 have been issued offer letters.

Industrialising the Nigerian Economy

From the 1980s, as the contribution of the service sector to real GDP has increased ,the industrial contribution to real GDP (comprised of the mining and quarrying, manufacturing, electricity, gas, steam and air conditioning supply, water supply, sewerage, waste management and remediation and construction sectors) has steadily declined from approximately 44.0 per cent. in the 1980s to approximately 24.9 per cent. in 2014, 23.7 per cent. in 2015 and 21.9 per cent. in 2016.

To support the industrial sector, the Federal Ministry of Industry, Trade and Investments launched an Industrial Revolution Plan. The main objectives of the Industrial Revolution Plan are to increase the contribution of the industrial sector to GDP growth and to create a competitive advantage for Nigeria by focusing on the development and distribution of appropriate skills that are sector-specific and industry-driven. The Industrial Revolution Plan is expected to create jobs, attract Foreign Direct Investment and diversify the economy.

The Nigeria Industrial Revolution Plan (NIRP) is designed as a five year plan to accelerate the build-up of industrial capacity within Nigeria. The plan aims to increase manufacturing's contribution to GDP to above 10 per cent. by 2017. The Nigeria Industrial Revolution Plan is based on the desire to drive a process of intense industrialisation, based on sectors where Nigeria has comparative advantage - such as the agro allied sectors; metals & solid minerals related sectors; oil & gas related industries; as well as construction, light manufacturing and services.

The NIRP is intended to drive the following outcomes: (i) job creation (ii) economic and revenue diversification (iii) import substitution (iv) export diversification (v) broadened government tax base.

Streamlining Investments in Nigeria

Nigeria is taking steps to streamline the regulatory environment for business. Government regulation of business is organised using the 10 World Bank "Doing Business" indicators, namely: Starting a Business; Registering Property; Dealing with Construction Permits; Getting Electricity; Getting Credits; Trading Across Borders; Paying Taxes; Enforcing Contracts; Protecting Investors; and Resolving Insolvency. In addition to these, the Government is intervening in other areas, such as Investment Facilitation, Communication Management, and others, as necessary.

These deregulation initiatives include: reducing incorporation fees, implementing a consolidated payment system for Corporate Affairs Commission and Nigerian Federal Inland Revenue Service payments, taking certain measures to hasten electricity access and connectivity, simplifying and clarifying tax payment requirements, expansion of visa-on-arrival scheme for foreign investors, creating corporate governance codes, and implementing an online, automated port approvals and clearances system.

Additionally, the Small and Medium Scale Enterprises Development Agency under the supervision of the Federal Ministry of Industry, Trade and Investment was created to create more access to funds for small and medium businesses. The agency launched the National Enterprise Development Policy in February 2014. Support for micro, small and medium-sized enterprises has been boosted by the recent international accreditation of laboratories of the Standards Organisation of Nigeria. This will help micro, small and medium-sized enterprises to produce World Health Organization pre-qualified products.

Free Zones

In 1992, the Government established the Nigeria Export Processing Zones Authority which is responsible for investments in free zones ("**Free Zones**") in Nigeria. Certain advantages, benefits and incentives are automatically conferred on investors who are located in the Free Zones in Nigeria. Such incentives include:

- Complete tax holiday for all Federal Government, State Government and local government taxes, rates, customs duties and levies;
- One-stop approvals for all permits, operating licenses and incorporation papers;
- Duty-free, tax-free import of raw materials and components for goods destined for re-export;
- Duty-free introduction of capital goods, consumer goods, machinery, equipment, and furniture;
- Permission to sell 100 per cent. of manufactured, assembled or imported goods into the domestic Nigerian market;
- For sales to the domestic market, the amount of import duty on goods manufactured in the Free Zone is calculated only on the basis of the value of the raw materials or components used in assembly not on the finished products;
- 100 per cent. foreign ownership of investments;
- 100 per cent. repatriation of capital, profits and dividends;
- Waiver of all import and export licenses;
- Waiver on all expatriate quotas for companies operating in the zones;
- Prohibition of strikes and lockouts; and
- Rent-free land during the first six months of construction.

Over the years, the Free Zones scheme has evolved to satisfy the needs of investors and provide more opportunities for businesses. The scheme now covers not only manufacturing activities but also trade, agriculture, tourism and more.

The Nigeria Export Processing Zones Authority operates different types of free zones; these include:

- Export Processing Zones: they are intended to promote the production of goods and services that are export-oriented;
- Border Free Zones: they are located at the border to boost international trade and formalise informal trade;
- Logistics Free Zones: they provide logistics services; and
- Oil & Gas Free Zones: they are for oil and gas activities.

As of the date of this Prospectus, there were 32 Free Zones in Nigeria designated by the Federal Government, State Governments and private sector organisations: 14 are operational and the others are at various stages of development. The principal sectors of the Free Zones are: multi-sectoral, manufacturing, oil and gas, logistics and science and technology.

Small and Medium-Sized Enterprises

The Central Bank has implemented a Small and Medium-Sized Enterprises Equity Investment Scheme to improve access to financing for small and medium-sized enterprises with a view to enhancing economic development and generating employment opportunities in the country. A review of the Small and Medium-Sized Enterprises Equity Investment Scheme led to the introduction of a number of additional programmes to support the small and medium-sized enterprises, including:

- The ₦200 billion Small and Medium-Sized Enterprise Refinancing and Restructuring Facility (administered by the Bank of Industry);
- The ₦200 billion Small and Medium-Sized Enterprise Credit Guarantee Scheme to encourage banks to lend to small and medium-sized enterprises (where the risk exposure of banks under this scheme is guaranteed up to 80 per cent., with lending banks granting credit at their prime rate of interest under a five year tenor);
- The Agricultural Credit Guarantee Scheme Fund (which guarantees credit facilities extended by banks to farmers up to 75 per cent. of the amount in default net of any security realised); and
- The Commercial Agriculture Credit Scheme to promote commercial agricultural enterprises in Nigeria financed from the proceeds of a ₦200 billion bond issued by the Debt Management Office.

According to the Central Bank, in November 2015 the Small and Medium-Sized Enterprise Refinancing and Restructuring Facility was discontinued and replaced with the Real Sector Support Fund. A total sum of ₦381.9 billion was disbursed to 604 projects under the Small and Medium-Sized Enterprise Refinancing as of end-December 2015.

Privatisation and Commercialisation Programmes

Nigeria's privatisation programme commenced in 1988 with the Privatisation and Commercialisation Decree No. 25 of 1988 (the "**Privatisation Decree**"). The now-defunct Technical Committee on Privatization and Commercialisation was the implementation agency for the privatisation and commercialisation programme. In 1999, the Public Enterprises (Privatisation and Commercialisation) Act 1999 (the "**Privatisation Act**") replaced the Privatization Decree.

The Privatisation Act lists the State Owned Enterprises to be privatised and commercialised, the methods of privatisation, limitation of legal proceedings against the Bureau of Public Enterprises and the establishment of a Public Enterprises Arbitration Panel.

The Bureau of Public Enterprises has used core investor sales, initial public offerings, willing buyer/willing seller, asset sales and liquidations, as approved by the National Council on Privatisation, as methods of privatisation. Sales of Government equity in State Owned Enterprises are conducted through competitive bid process, where practicable. In certain exceptional cases, negotiated sales or sales on a "willing buyer/willing seller" basis, as approved by the National Council on Privatisation, are used.

The Bureau of Private Enterprises privatised and concessioned 143 federal State Owned Enterprises between 2000 and April 2015 with total estimated proceeds of ₦1.3 trillion. Of these, 66 per cent. are performing well. The poor performance of the remainder is due to policy changes, costs of power and the economic downturn.

In recent years the privatisation and commercialisation programme in Nigeria has slowed down, primarily because some of the remaining federal State Owned Enterprises require the passage of legislation or have complex structures. The proposed laws allowing the privatisation of some of the State Owned Enterprises were approved by the National Council on Privatisation in 2014 and submitted to the 7th National Assembly for consideration and enactment. The laws are at various stages of enactment by the current National Assembly.

Some other future privatisation initiatives of the Government include the privatisation of the Bank of Industry, Abuja Securities and Commodities Exchange, Nigeria Agricultural and Rural Development Bank, railways, national parks, national stadia, roads and airports. In addition, the Government intends to sell minority stakes by way of a public offer in certain companies including NICON Insurance, Nigeria Reinsurance and the Transcorp Hilton.

FOREIGN TRADE AND BALANCE OF PAYMENTS

Introduction

Balance of Payments

The balance of payments is used to record the value of the transactions carried out between a country's residents and the rest of the world. The balance of payments is composed of:

- the current account, which comprises:
- net exports of goods and services (the difference in value of exports minus imports);
- net financial and investment income; and
- net transfers; and
- the capital and financial accounts, which comprise the difference between financial capital inflows (liabilities) and financial capital outflows (assets).

Since 2015, balance of payments statistics for Nigeria are prepared in accordance with the fifth and sixth editions of the IMF Balance of Payments Manual ("**BPM5**" and "**BPM6**"). This is done in order to sensitise users before full migration to BPM6, which is the current methodological standard for the compilation of BOP statistics by IMF member countries. Historical balance of payments statistics are restated pursuant to BMP6.

Current Account

One of the most important components of the current account is the trade balance. The four primary factors that drive the trade balance are:

- the relative rate of economic growth of a country as compared to that of its trading partners – generally, if a country's economy grows faster than that of its trading partners, its relative level of consumption of goods and services will tend to rise, and its level of imports will tend to increase more rapidly than its level of exports;
- the relative level of domestic prices against foreign prices, as reflected by the real exchange rate – generally, if a country's domestic prices rise relative to those of its trading partners, there is a tendency for the country's level of exports to decline, and for its level of imports to increase;
- changes in production costs, technology, and worker skills – more efficient production will tend to lower production cost, which in turn will tend to lower prices. As prices fall, there will be a tendency for the country's level of exports to increase; and
- changes in consumer tastes, which may affect the demand for a country's goods and services abroad, and the demand for foreign products in the domestic market.

Capital and Financial Accounts

The capital and financial accounts quantify Foreign Direct Investment and other capital flows into and out of a nation's financial markets.

Foreign Trade

In 2016, Nigeria had a trade surplus of ₦0.1 trillion, compared to a trade deficit of ₦1.3 trillion in 2015. Nigeria had trade surpluses of ₦3.3 trillion in 2014, ₦6.6 trillion in 2013 and ₦6.2 trillion in 2012. The return to a trade surplus in 2016 was due primarily to lower non-oil sector imports. The reduction in the trade surplus from 2013 to 2014 and the turn to a trade deficit in 2015 were attributable primarily to lower exports of crude oil, as global oil prices declined.

In 2016, total exports were ₦8.8 trillion, a 2.7 per cent decrease from ₦9.0 trillion in 2015. Total exports in 2014, 2013 and 2012 were ₦12.0 trillion, ₦14.1 trillion and ₦14.3 trillion, respectively. In 2016, oil sector exports accounted for 92.3 per cent of total exports, compared to 92.5 per cent in 2015. Oil sector exports accounted for 92.6 per cent., 92.6 per cent and 94.2 per cent of total exports in 2014, 2013 and 2012, respectively.

Trade Policy

Nigeria's trade policy is intended to encourage the production and distribution of goods and services to satisfy domestic and international markets for the purpose of achieving and accelerating economic growth and development.

Nigeria's tariff policy is primarily governed by the Common External Tariff regime of the Economic Community of West African States. The CET requires members to harmonise *ad valorem* tariff rates into five bands: (i) zero duty on basic social goods such as medicine and publications; (ii) 5 per cent. duty on basic goods, raw goods and capital goods; (iii) 10 per cent. duty on inputs and semi-finished intermediate goods; (iv) 20 per cent. on finished goods; and (v) 35 per cent. for specific goods for economic development and finished goods that are manufactured locally and which therefore require some protection in the interest of promoting local industries. Other duties and charges apply to imports, for example imported goods are subject to a value added tax of 5 per cent. The CET came into effect in 2015 with a transitional period of implementation to 2020. As of late 2016, ten countries, including Nigeria, have implemented the CET.

Historically, Nigeria has had a long list of prohibited imports, primarily to encourage local production and to conserve foreign exchange. This import ban has resulted in significant revenue loss to the Government through trade diversion to neighbouring countries and the routine smuggling of banned goods into the country. In November 2010, the Ministry of Finance announced the replacement of the ban with tariffs. The ban was removed on toothpicks, furniture, some textile materials, water and beverages and vehicles over ten years of age. In 2013, the Ministry of Finance announced a tariff change for the importation of certain brands of cars and tires. The affected vehicles included the fully built unit, which would carry a 35 per cent. duty rate and no value added tax. Also affected were local assembly plants, whose owners could import completely knocked down parts at 0 per cent. duty, while semi-knocked down ones, which previously attracted 10 per cent. duty and 5 per cent. value added tax, would attract a 5 per cent. duty only.

The Federal Government in January 2017 approved the 2016 Fiscal Policy Measures (the "**2016 FPM**"), made up of the Supplementary Protection Measures for implementation, together with the ECOWAS CET 2015 – 2019. The 2016 FPM came into force on 17 October 2016 and will not apply retrospectively for goods that were already cleared from the Nigeria ports before the 2016 FPM was approved. The overarching objective of the 2016 FPM is to stimulate local production across all industries and cushion the effect of the recession on consumers. In total, the 2016 FPM reduced the tariff on 123 items and increased the tariff on only four items, relative to the position just before it was approved.

Exports and Imports

Through 2014, Nigeria had historically maintained a large trade surplus. After registering trade surpluses exceeding ₦5.0 trillion in 2012 and 2013, the trade surplus decreased to ₦3.3 trillion in 2014, and then turned to a trade deficit of ₦1.3 trillion in 2015, due primarily to lower exports. In 2016, Nigeria registered a trade deficit of ₦0.1 trillion, due primarily to lower exports.

Nigeria exports primarily oil products, which represented between 92.6 per cent. and 94.2 per cent. of total exports each year from 2012 to 2016. Nigeria's exports accordingly declined in tandem with the declining price of oil in global markets. While in December 2012 and December 2013, the average price per barrel of Nigerian crude oil stood at U.S.$112.5 and U.S.$112.4, respectively, it decreased significantly to U.S.$63.2 in December 2014, U.S.$38.2 in December 2015 and U.S.$54.1 in December 2016. In May 2017, the average price per barrel of Nigerian crude oil was U.S.$50.6. According to the Budget Office of the Federation, the average price of Nigerian crude oil stood at U.S.$48.5 per barrel in June 2017.

In 2016, crude oil exports accounted for approximately 79.2 per cent. of the total value of exports, compared to approximately 78.3 per cent. in 2015 and 80.0 per cent. in 2014. Crude oil exports accounted for approximately 83.0 per cent. of the total value of exports in each of 2013 and 2012.

From 2012 to 2016, total imports fluctuated, totalling ₦9.0 trillion in 2012, ₦8.6 trillion in 2013, ₦9.7 trillion in 2014, ₦10.3 trillion in 2015 and ₦8.9 trillion in 2016. Oil sector imports represented 33.1 per cent., 27.5 per cent., 22.4 per cent., 16.2 per cent. and 25.4 per cent. of total imports in 2012, 2013, 2014, 2015 and 2016, respectively.

Some calculations of Nigerian imports and exports include estimates for informal imports and exports. Such estimates reflect imports and exports that do not require formal declarations or other standard procedures, primarily due to exemptions that are based on the quantum of a transaction. Estimates of informal imports and exports are calculated based on an Informal Cross Border Trade Survey that the CBN conducted between June 2013 and May 2014. The accuracy of these estimates may be limited due to certain challenges and limitations applicable to the CBN survey, such as limited coverage of borders and adjoining routes, duration of data collection (one week of each month during the survey period), exclusion of major borders in the North East region due to insecurity, and exclusion of international airports, where substantial informal trade was observed but classified as personal effects and diplomatic baggage.

Export and import data may be subject to significant discrepancies depending on the source of the data. For instance, export and import data from the CBN are based upon reporting by banks, whereas export and import data from the NBS are based upon reporting by the Nigeria Customs Service. Data collected by the NBS may reflect informal exports and imports that are recorded by the Nigeria Customs Service, but that do not pass through the banking sector, including potentially large volumes of trading between affiliated enterprises and family members.

The following table shows a breakdown of imports and exports as between the oil sector and the non-oil sector:

	For the year ended 31 December					For the six months ended 30 June
	2012(R)	2013(R)	2014(R)	2015	2016(P)	2017
	(₦ billions)					
Imports	**(8,967.0)**	**(8,628.7)**	**(9,686.8)**	**(10,283.1)**	**(8,904.8)**	**(5,000.8)**
Oil sector	(2,971.8)	(2,371.0)	(2,171.3)	(1,669.1)	(2,261.7)	(1,375.4)
% of imports	33.1	27.5	22.4	16.2	25.4	27.5
Non-Oil sector	(5,995.1)	(6,257.7)	(7,515.6)	(8,613.9)	(6,643.1)	(3,625.4)
% of imports	66.9	72.5	77.6	83.8	74.6	72.5
Exports	**15,139.5**	**15,262.8**	**12,989.8**	**9,016.3**	**8,769.3**	**6,339.6**
Oil sector	14,259.8	14,132.6	12,033.5	8,339.6	8,093.4	5,746.0
% of exports	94.2	92.6	92.6	92.5	92.3	90.6
Non-Oil sector	879.7	1,130.2	956.3	676.8	675.9	593.6
% of exports	5.8	7.4	7.4	7.5	7.7	9.4
Balance of Trade	**6,172.5**	**6,634.1**	**3,303.0**	**(1,266.8)**	**(135.5)**	**(1,338.7)**
Oil Sector	11,288.0	11,761.6	9,862.2	6,670.5	5,831.7	4,370.6
Non-Oil Sector	(5,115.4)	(5,127.5)	(6,559.3)	(7,937.1)	(5,967.2)	(5,967.2)

(R) Revised from originally published data.
(P) Provisional data derived from the Central Bank's 2016 Statistical Bulletin, published on 28 July 2017 and subject to revision.
The figures included in the table include estimates made for informal imports and exports.
Source: Central Bank of Nigeria

The tables below show a breakdown of exports by type, within the oil sector and the non-oil sector for the periods indicated:

	For the year ended 31 December					For the six months ended 30 June
	2012(R)	2013(R)	2014(R)	2015(P)	2016(P)	2017
Oil Sector Exports			(₦ *billions*)			
Crude Oil	12,562.8	12,660.9	10,399.8	7,056.1	6,912.7	4,800.5
Gas	1,697.0	1,471.7	1,633.7	1,283.5	1,180.7	945.5
Total	**14,259.8**	**14,132.6**	**12,033.5**	**8,339.6**	**8,093.4**	**5,745.9**

(R) Revised from originally published data.
(P) Provisional data derived from the Central Bank's 2016 Statistical Bulletin, published on 28 July 2017 and subject to revision
The figures included in the table include estimates made for informal exports.
Source: Central Bank of Nigeria

	For the year ended 31 December				
	2012	2013	2014(R)	2015(P)	2016(P)
Non-Oil Sector Exports			(₦ *billions*)		
Agricultural Produce	46.3	39.7	43.2	48.9	40.0
Semi-Manufactured Goods	32.7	29.0	35.0	23.0	21.3
Manufactured Goods	14.6	12.8	17.1	19.9	22.1
Solid Minerals	0.6	0.3	0.6	0.7	0.80
Other	5.9	18.2	4.2	7.5	15.8
Total	**879.7**	**1,130.2**	**956.3**	**676.8**	**675.9**

(R) Revised from originally published data.
(P) Provisional data derived from the Central Bank's 2016 Statistical Bulletin, published on 28 July 2017 and subject to revision.
The figures included in the table include estimates made for informal exports.
Source: Central Bank of Nigeria

Compared to 2012 and 2013, total imports increased in 2014 primarily as a result of increased non-oil imports in response to stronger domestic demand. The increase in total imports in 2015 was due largely to depreciation of the Naira. In real terms, imports decreased in 2015 as a result of a decline in both oil and non-oil imports due to, respectively, a decline in fuel importation as a result of a revival of domestic refineries, suppressed trade activities and foreign exchange controls. Non-oil imports were 66.9 per cent. of total imports in 2012 and increased to 72.5 per cent. of total imports in 2013. In 2014 and 2015, non-oil imports increased, accounting for 77.6 per cent. and 83.8 per cent. of total imports, respectively, followed by a reduction in 2016 to 74.6 per cent. of total imports.

Since 2008, capital goods and raw materials have constituted the largest portion of Nigeria's imports, followed by consumer goods. The import of consumer goods has steadily increased during the periods under review. In 2015, the proportion of imports was highest in the machinery and appliances category, followed by vehicles and aircraft, base metals, chemical products and plastics. The following table provides additional detail on imports for the non-oil sector for the periods indicated:

	For the year ended 31 December				
	2012	2013	2014(R)	2015(P)	2016(P)
			(₦ millions)		
Live animals; animal products	298,763.9	260,312.5	338,330.0	326,330.0	269,707.4
Vegetable products	577,193.1	308,373.1	455,173.5	417,906.7	413,609.5
Animal or vegetable fats and oils and their cleavage products; prepared edible	35,198.0	41,603.2	90,293.92	74,171.8	67,272.6
Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured	391,181.6	662,184.6	404,896.36	346,930.7	461,409.2
Mineral products	178,310.3	1,449,264.4	1,243,577.8	1,273,444.2	2,570,830.0
Products of the chemical or allied	450,194.4	502,008.9	583,535.0	578,946.9	736,186.6
Plastics and articles thereof; rubber and articles thereof	317,731.9	631,139.2	444,833.1	378,747.4	463,288.8
Raw hides and skins, leather, fur skins and articles thereof; saddlery and	5,923.3	9,898.5	5,747.4	7,556.0	9,359.82
Wood and articles of wood; wood charcoal; cork and articles of cork;	14,193.9	22,710.1	14,942.2	15,890.2	13,841.9
Pulp of wood or of other fibrous cellulosic material; waste and scrap of paper or	132,843.3	131,375.2	161,869.2	151,587.0	162,423.1
Textiles and textiles articles	94,351.2	96,333.7	106,108.8	92,170.9	114,741.8
Footwear, headgear, umbrellas, sun umbrellas, walking sticks, seat sticks, whips	12,944.4	26,409.5	26,038.7	30,843.0	43,455.4
Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic	105,785.9	106,093.4	112,027.7	98,322.3	78,065.7
Natural or cultured pearls, precious or semi-precious stones, precious metals,	837.7	1,226.8	966.3	889.1	899.7
Base metals and articles of base metal	5,202,298.2	554,685.4	677,530.1	574,112.0	482,316.1
Machinery and mechanical appliances; electrical equipment; parts thereof; sound	1,283,340.7	1,329,288.1	1,708,474.3	1,579,988.2	2,068,380.3
Vehicles, aircraft, vessels and associated transport equipment	1,111,418.8	765,566.7	876,516.4	608,488.2	683,669.5
Optical, photographic, cinematographic, measuring, checking, precision, medical	56,328.8	59,521.0	68,792.0	90,493.8	115,167.3
Arms and ammunition; parts and accessories thereof	5.9	176.04	58.0	786.0	142.1
Miscellaneous manufactured articles	38,001.5	57,144.1	54,509.8	50,080.5	62,686.7
Works of art, collectors pieces and antiques	23.6	508.8	68.1	96.3	104.5
TOTAL	**4,141,681.3**	**2,423,610.0**	**3,164,544.0**	**4,378,102.4**	**662,809.1**

(R) Revised from originally published data.
(P) Provisional data derived from the Central Bank's 2016 Statistical Bulletin, published on 28 July 2017 and subject to revision.
The figures included in table include estimates made for informal imports.
Source: Central Bank of Nigeria

Customers and Suppliers

The table below sets forth information regarding the destination of Nigeria's exports for the periods indicated:

	For the year ended 31 December					For the six months ended 30 June
	2012	2013	2014	2015	2016	2017
			(₦ *billions*)			
Exports by continent						
Africa	2,118.7	1,792.9	1,925.9	1,390.3	1,241.2	879.4
ECOWAS	869.6	756.9	824.7	599.8	576.6	409.5
Americas	7,196.1	2,917.3	2,238.1	1,294.8	1,655.9	1,016.0
Europe	8,227.1	6,079.2	6,881.2	3,812.6	3,068.0	2,260.2
Asia	4,347.4	2,894.5	4,469.2	2,908.8	2,534.5	1,929.5
Main countries for Nigeria's exports						
India(1)	n.a	n.a.	n.a.	1,779.7	1,538.8	1,188.3
U.S	3,969.5	1,203.8	616.4	334.6	1,030.3	733.6
Spain	1,299.1	994.8	1,518.0	908.9	785.7	699.3
France	934.3	835.3	934.7	512.1	535.4	420.5
Canada	388.3	258.3	30.4	105.7	232.1	132.1
Brazil	1,692.1	1,348.9	1,317.9	632.2	207.3	85.13
Italy	1,379.4	993.4	713.8	216.6	180.5	120.6
Germany	372.0	308.9	275.5	188.2	150.9	83.7
China	933.3	170.7	264.6	157.5	122.1	113.1
Japan	109.7	72.2	516.4	335.2	115.0	93.5

(1) Stand-alone data for India unavailable before 2015.
The figures included in the table include estimates made for informal exports.
Source: Central Bank of Nigeria and National Bureau of Statistics.

The primary destination of exports from Nigeria in 2016 was India, which accounted for ₦1,538.8 billion of exports in 2016, followed by the United States and Spain, which in 2016 accounted for ₦1,030.3 billion and ₦785.7 billion of exports, respectively. The decline in exports to the United States from 2012 to 2015 is due in part to a rise in the production of shale oil in the United States, which is an alternative to Nigerian crude oil, coupled with the decline in the price of crude oil over the period. However, exports to the United States increased in 2016, accounting for ₦1,030.3 billion.

The table below sets forth information regarding the origin of Nigeria's imports for the periods indicated:

	For the year ended 31 December					For the six months ended 30 June
	2012	2013	2014	2015	2016	2017
			(₦ *billions*)			
Imports by continent						
Africa	245.6	673.3	522.0	420.4	363.8	150.6
ECOWAS	33.8	121.8	46.1	213.8	101.9	24.7
Americas	1,421.9	913.5	1,049.4	871.3	1,076.6	390.6
Europe	1,490.4	2,376.2	2,694.0	2,501.7	4,116.7	2,654.5
Asia	2,319.9	2,618.0	3,022.7	2,833.5	3,157.3	1,420.4
Main countries for Nigeria's imports						
China	1,209.8	1,475.9	1,616.8	1,567.7	1,734.5	798.7
U.S.	766.3	612.7	750.9	582.0	706.2	378.3
India(1)	n.a.	n.a.	n.a.	408.6	450.8	211.0
France	115.6	184.9	184.9	157.2	339.8	209.2
Brazil	449.6	199.9	187.7	171.5	255.9	31.8
Japan	153.8	92.2	126.6	89.7	134.4	52.8

(1) Stand-alone data for India unavailable before 2015.
The figures included in the table include estimates made for informal imports.
Source: Central Bank of Nigeria and National Bureau of Statistics.

The primary source of imports to Nigeria in 2016 was China, which accounted for ₦1,734.5 billion of imports in 2016, followed by the United States and India, which in 2016 accounted for ₦706.2 billion and ₦450.8 billion of imports, respectively.

Balance of Payments

The table below sets forth certain information regarding Nigeria's balance of payments for the periods indicated:

	For the year ended 31 December					For the six months ended 30 June
	2012	2013(R)	2014(R)	2015(R)	2016(P)	2017
	(*₦ billions*)					
Current Account	**2,736.4**	**2,996.6**	**142.6**	**(3,033.5)**	**687.8**	**1,265.8**
Trade Balance	6,172.58	6,634.1	3,303.0	(1,266.8)	(135.5)	1,338.7
Exports fob	15,139.5	15,262.8	12,989.8	9,016.3	8,769.3	6,339.6
Imports fob	(8,967.0)	(8,628.7)	(9,686.8)	(10,283.1)	(8,904.8)	(5,000.9)
Services (net)	(3,392.7)	(3,052.9)	(3,595.6)	(3,232.7)	(2,025.2)	(1,639.2)
Income (net)	(3,478.4)	(4,014.7)	(3,013.6)	(2,496.9)	(2,177.3)	(1,544.8)
Current transfers (net)	3,435.1	3,430.1	3,448.8	3,962.9	5,025.8	3,101.1
Capital and Financial Account	**(1,949.2)**	**1,209.1**	**1,932.3**	**(202.0)**	**417.2**	**1,739.7**
Financial account (net)	**(1,949.2)**	**1,209.1**	**1,932.3**	**(202.0)**	**417.2**	**1,739.7**
Assets	**(5,877.2)**	**(2,161.7)**	**(951.0)**	**(1,506.1)**	**(904.4)**	**(1,453.8)**
Direct investment(Abroad)	(241.0)	(193.1)	(253.9)	(282.0)	(329.8)	(196.1)
Portfolio investment	(325.9)	(506.6)	(542.4)	(329.4)	(44.8)	(0.5)
Other investment	(3,562.4)	(1,616.2)	(1,484.0)	(2,044.8)	(777.6)	(257.9)
Reserve assets	**(1,747.9)**	**154.2**	**1,329.3**	**1,150.1**	**247.8**	**(999.3)**
Liabilities	**3,928.0**	**3,370.8**	**2,883.2**	**1,304.1**	**1,321.6**	**3,193.5**
Direct investment in reporting economy	1,113.5	875.1	738.2	602.1	1,124.1	532.63
Portfolio investment	2,687.2	2,130.2	832.4	498.1	477.0	892.1
Other investment liabilities	127.3	365.5	1,312.7	203.9	(279.6)	1,768.8
Net errors and omissions	**(787.3)**	**(4,205.7)**	**(2,074.8)**	**3,235.5**	**(1,105.0)**	**(3,005.4)**
Memorandum Items:						
Current Account Balance as % of GDP	3.8	3.7	0.2	(3.2)	0.7	2.4
Capital and Financial Account Balance as % of GDP	(2.7)	1.5	2.1	(0.2)	0.4	3.3
Overall Balance as % of GDP	2.4	(0.2)	(1.5)	(1.2)	(0.2)	1.9
External Reserves - Stock (U.S.$ millions)	43.8	42.8	34.2	28.3	27.0	30.3
Number of Months of Imports Equivalent	9.2	9.3	6.7	6.5	9.2	11.1
Effective Central Exchange Rate (₦/U.S.$)(1)	156.2	156.0	157.3	196.5	252.7	305.7

(R) Revised from originally published data.
(P) Provisional data derived from the Central Bank's 2016 Statistical Bulletin, published on 28 July 2017 and subject to revision.
(1) The conversion for balance of payments purposes was based on the mid-point of the effective central exchange rate.
The figures included in the table include estimates made for informal imports and exports
Source: Central Bank of Nigeria.

The table below sets forth certain information regarding Nigeria's balance of payments in 2017 for the periods indicated:

	For the three months ended	
	31 March 2017	30 June 2017
	(₦ *billions*)	
Current Account	834.1	431.7
Trade Balance	694.6	644.1
Exports fob	3,040.8	3298.82
Imports fob	(2,346.2)	(2,654.7)
Services (net)	(623.8)	(1,015.4)
Income (net)	(692.2)	(852.0)
Current transfers (net)	1,456.1	1,655.0
Capital and Financial Account	414.3	1,325.3
Financial account (net)	414.3	1,325.3
Assets	(1,224.5)	(229.3)
Direct investment(Abroad)	(100.3)	(95.8)
Portfolio investment	(0.1)	(0.4)
Other investment	(215.9)	(42.0)
Reserve assets	(908.2)	(91.2)
Liabilities	1,638.8	1,554.7
Direct investment in reporting economy	260.6	272.1
Portfolio investment	438.9	453.1
Other investment liabilities	939.3	829.5
Net errors and omissions	(1,248.4)	(1,757.0)

The figures included in the table include estimates made for informal imports and exports
Source: Central Bank of Nigeria.

In 2016, the current account registered a surplus of 0.7 per cent. of GDP, compared with a current account deficit in 2015 of 3.2 per cent. The current account surplus in 2016 was due largely to lower non-oil sector imports, while the current account deficit in 2015 was due largely to a combination of weak global demand and a decline in oil prices, which led to lower export earnings. In prior years, monetary policy actions and exchange rate management resulted in current account surpluses, representing 0.2 per cent. of GDP in 2014, 3.7 per cent. of GDP in 2013 and 3.8 per cent. in 2012. In 2016, the deficits in the services (net) account and income (net) account decreased by 37.4 per cent. and 12.8 per cent., respectively, as compared to 2015. The surplus in the current transfers (net) account increased by 26.8 per cent. in 2016, primarily as result of increased inflow from Nigerians living abroad.

The monthly adjusted gross external reserves position fluctuated over the period from U.S.$43.8 billion in 2012, U.S.$42.8 billion in 2013, U.S.$34.2 billion in 2014, U.S.$28.3 billion in 2015 to U.S.$27.0 billion as of 31 December 2016. The general decline in gross external reserves since 2013 is primarily attributable to an increase in imports and decrease in exports. The overall balance equalled (2.4) per cent of GDP in 2012, (0.2) per cent of GDP in 2013, (1.5) per cent of GDP in 2014, (1.2) per cent of GDP in 2015 and (0.2) per cent of GDP in 2016. The gross external reserves position has increased slightly in 2017. As of June 2017, the monthly adjusted gross external reserves position had increased to U.S.$30.3 billion, while as of 10 November 2017, gross external reserves (30-day moving average) stood at U.S.$34.2 billion.

The table below sets forth the gross external reserves position for the periods indicated:

For the period ended	Gross External Reserves (*U.S.$ millions*)
January 2017(1)	28,592.98
February 2017(1)	29,975.38
March 2017(1)	29,996.38
April 2017(1)	30,749.28
May 2017(1)	29,811.85
June 2017(1)	30,340.96
July 2017(1)	30,898.96
August 2017(2)	31,825.70
September 2017(2)	32,490.90
October 2017(2)	33,825.00

Source: Central Bank of Nigeria
(1) monthly adjusted position
(2) 30-day moving average

In 2016, net errors and omissions were ₦(1,105.0) billion, compared to ₦3,235.5 billion in 2015, ₦(2,074.8) billion in 2014, ₦(4,205.7) billion in 2013 and ₦(787.3) billion in 2012. The principal explanation for the historically large errors and omissions is the lack of available data in current account and capital and financial account transactions. However, there are still large errors and omissions in the balance of payments, which, according to the IMF, continue to complicate the assessment of external sustainability. The IMF noted in its 2017 Article IV consultation that, while data are broadly adequate for surveillance, data shortcomings include large errors and omissions in the balance of payments. Further efforts will need to be taken in order to strengthen the measurement of the balance of payments and the international investment position. See "*Risk Factors—Risks related to Nigeria—The statistical information published by Nigeria may differ from that produced by other sources, may be incomplete, delayed or inconsistent and is subject to revision, amendment and adjustment*".

Foreign Private Capital

Foreign private capital flows into Nigeria have increased significantly since the deregulation of the economy in the 1980s. The major components of foreign private capital in Nigeria are foreign direct investments, portfolio investment and other investment liabilities. Although traditionally foreign private capital has been channelled into the oil and gas sector, in recent years more investment has been channelled into the services sector, primarily financial services, outsourcing, communications and transportation. Nigeria is one of the main destinations for foreign private capital in sub-Saharan Africa.

Save for businesses that are prohibited as described below, there are generally no restrictions under Nigerian law with regard to foreign investment. There are however, certain industry-specific laws which preclude some categories of Nigerian companies from being "wholly-owned" by foreigners, or give preference to companies with a Nigerian majority shareholding. For example, any vessel seeking to operate in the domestic coastal carriage of cargo and passengers within the coastal territorial inland waters, or at any point within the waters of the exclusive economic zone of Nigeria, must be wholly-owned and manned by Nigerians, unless this requirement is waived by the Minister having responsibility for matters relating to shipping. Further, the Nigerian Content Act, which seeks to grant preferential treatment to Nigerian companies in the award of contracts and other activities in the Nigerian oil and gas sector, defines a "Nigerian Company" as a "company formed and registered in Nigeria in accordance with the provisions of the Companies and Allied Matters Act with not less than 51 per cent. equity shares held by Nigerians".

With regard to the repatriation of foreign capital or any income thereon, the Foreign Exchange (Monitoring and Miscellaneous Provisions) Act Cap F34 Laws of the Federation of Nigeria 2004 (the "**Forex Act**") provides that any person may invest in a Nigerian enterprise or any security with foreign currency imported into Nigeria through an authorised dealer (i.e. a Nigerian bank licensed by the CBN to deal in foreign exchange) by telegraphic transfer, checks or other negotiable instruments converted into Naira. Upon such importation of foreign investment capital, the authorised dealer is required to issue a Certificate of Capital Importation, evidencing receipt of the foreign investment capital within 24 hours of receipt of the imported funds and conversion into Naira. This certificate assures the foreign investor of unhindered remittance of investment capital and income thereon, in any convertible currency.

The table below sets out certain information regarding Nigeria's foreign private capital for the periods indicated:

	For the year ended 31 December				
	2012(R)	2013(R)	2014(R)	2015(R)	2016(P)
			(U.S.$ millions)		
Foreign Direct Investment – Equity	1,979.3	1,646.1	2,292.5	1,469.0	1,043.1
Foreign Direct Investment – Other Capital	67.9	30.1	13.0	4.2	0.9
Sub-total Foreign Direct Investment(1)	**2,047.2**	**1,676.2**	**2,305.5**	**1,473.2**	**1,044.0**
Other Investments – Trade Credits	44.5	—	22.0	—	0.2
Other Investments – Loans	1,134.1	2,237.43	1,428.6	1,686.0	2,240.1
Other Investments – Currency & Deposits	30.0	4.2		8.1	0.0
Other Investments – Other Claims	20.8	530.8	2,120.1	527.6	26.9
Sub-total Other Investments	**1,229.4**	**2,772.4**	**3,570.7**	**2,221.7**	**2,267.2**
Portfolio Investment – Equity	11,655.8	16,875.7	11,448.2	4,691.5	859.1
Portfolio Investment – Notes	585.2	1,209.4	2,451.6	827.1	395.9
Portfolio Investment – Money Market Instruments	1,172.8	1,065.0	1,025.0	572.0	557.9
Sub-total Foreign Portfolio Investment	**13,413.8**	**19,140.2**	**14,924.8**	**6,090.6**	**1,312.9**
Total Foreign Private Capital(1)	**16,690.7**	**23,588.8**	**20,800.9**	**9,785.6**	**5,124.1**

(R) Revised from originally published data.
(P) Provisional data derived from the Central Bank's 2016 Statistical Bulletin, published on 28 July 2017 and subject to revision
(1) Excludes reinvested earnings
Source: Central Bank of Nigeria, National Bureau of Statistics

Foreign direct investment comprises equity capital and other capital inflows. In 2015, foreign direct investment in Nigeria totalled U.S.$1.47 billion, a decrease of 36.1 per cent from U.S.$2.31 billion in 2014. In 2013, 2012 and 2011, foreign direct investment in Nigeria was U.S.$1.68 billion, U.S.$2.05 billion and U.S.$1.75 billion, respectively. The decrease in foreign direct investment in Nigeria between 2011 and 2015 was due primarily to the impact of declining oil prices and accompanying poor macroeconomic conditions. In 2016, FDI to Nigeria was recorded at U.S.$1.04 billion.

Total estimated foreign private capital investment into Nigeria comprises total foreign direct investment, foreign portfolio investment and other investments. In 2015, total foreign private capital investment in Nigeria totalled U.S.$9.79 billion, a decrease of 52.9 per cent from U.S.$20.88 billion in 2014. In 2013 and 2012, foreign direct investment in Nigeria was U.S.$19.69 billion and U.S.$23.59 billion, respectively. This decline between 2011 and 2015 was attributable mainly to the value of capital importation from shares, and more recently to reduced investment in the oil industry. See "*Risk Factors—Risks related to Nigeria—Nigeria may face a reduction in foreign investment*".

In 2015, foreign direct investment was primarily invested in the form of equity capital in banking, capital markets, telecommunications and other subsectors of the economy. In addition, there has been foreign investment in debt capital in Nigeria, which was U.S.$3.57 million in 2014, but decreased to U.S.$2.22 million in 2015.

The Federal Government has been taking significant measures to attract foreign direct investment. These initiatives include the establishment of strategic inter-ministerial committees advising the Government on the areas of competitiveness and investors' challenges doing business in Nigeria, reducing the cost of doing business in Nigeria and organising national investment conferences in order to provide a platform for discussion regarding the various issues affecting the business and investment climate in Nigeria. The Nigerian Investment Promotion Commission also established a National Investment Sector Specific Policy in May 2012, with the main objectives of creating a stable policy environment with equal standards for all investors, simplifying procedures and bringing down transaction costs, removing unnecessary controls, identifying focus areas which would generate additional employment opportunities, facilitating necessary technological and infrastructure upgrades and avoiding inverted duty structures. In November 2017, the Nigerian Investment Promotion Commission and the FIRS launched the Compendium of Investment Incentives in Nigeria (the "**Compendium**"). The Compendium, which covers five sectors, is a compilation of fiscal incentives, including tax, tariff, export and sector based incentives. Such incentives aim to encourage investment in Nigeria by raising awareness of investment incentives in Nigeria, the relevant administering agencies, and serving as a useful guide in making informed investment decisions. This Compendium will be updated periodically, as more incentives are duly gazetted, in an effort to demonstrate the commitment of the Federal Government to encouraging investments in Nigeria.

In 2015, the United Kingdom was the largest source of foreign private capital, accounting for 40.0 per cent. of total imported capital. The United States, The Netherlands, Mauritius and South Africa were the other largest sources of capital in 2015. In 2014, the United Kingdom was the largest source of foreign capital, accounting for 52.7 per cent. of total imported capital. The United States, the Netherlands, Mauritius, and the United Arab Emirates were the next largest sources of capital in 2014.

PUBLIC FINANCE

General

The Nigerian budget sets out the Government's development plans, policies and spending priorities for the fiscal year and gives details of estimated revenue and expenditure. Nigeria's budget process is currently governed by the Constitution, the Finance (Control & Management) Act of 1958 and the Fiscal Responsibility Act of 2007 (the "**Fiscal Responsibility Act**"). The annual budget's estimates of revenue and expenditure are proposed by the President and laid before both Chambers of the National Assembly through the Appropriation Bill. The Appropriation Bill becomes an Act after it has been passed by both Chambers of the National Assembly and assented to by the President or, in case the President withholds his assent, by a two-third majority vote of both Chambers of the National Assembly. The fiscal year for Nigeria runs from 1 January to 31 December, every year. In the course of a fiscal year, the President may also present a supplementary budget to the National Assembly, and the approval process for such supplementary budget is the same as for the annual budget. The President may also request from the National Assembly that funds be transferred from one sub-heading of the budget to another sub-heading in the course of the fiscal year, or for a new project to be included in the budget. With the approval of the National Assembly, the implementation of the budget can be extended beyond the fiscal year.

The Federal Government manages a Federation Account which is a central distributable pool of funds (comprising revenues from oil and gas, value added tax, companies' income tax, customs and excise duties as well as royalties and other income) established pursuant to Section 162 of the Constitution and into which are paid all revenues collected by the Federation, except limited categories of revenues excluded pursuant to the Constitution. Funds in the Federation Account are shared among the three tiers of Government on such terms and in such manner as may be prescribed by the Constitution and by an Act of the National Assembly. The President, on the advice of the Revenue Mobilisation Allocation and Fiscal Commission, is required to present the proposal for allocation of funds in the Federation Account before the National Assembly. In determining the formula for allocation, the National Assembly is required by the Constitution to take into account factors such as population, equality of states, internal revenue generation, land mass, terrain and population density; *provided that* the principle of derivation shall be constantly reflected in any approved formula as being not less than 13 per cent. of the revenue accruing to the Federation Account directly from any natural resources derived from that state of the Federation.

There are several deductions from Nigeria's revenues from the sale of crude oil before the revenue is credited to the Federation Account. The NNPC usually deducts its capital and operating costs before remitting the net amount to the Federation Account. The legality of these deductions by the NNPC has been debated in public hearings by the Senate. Although the Attorney General of the Federation has stated that the NNPC is entitled to make the deductions and remit net receipts to the Federation Account, it is not clear yet what the position of the Senate will be. Of the remaining net amount, 13 per cent. is paid to the Niger Delta states. The balance is then credited to the Federation Account (up to the budgeted amount) and the remainder, if any, is credited to the Excess Crude Account.

The Federal Government's share of funds in the Federation Account is paid into the consolidated revenue fund. Pursuant to Section 80 of the Constitution, no moneys shall be withdrawn from the Consolidated Revenue Fund of the Federation except to meet expenditure that is charged upon the fund by the Constitution or authorised by an Appropriation Act or a Supplementary Appropriation Act. The Federal Government also has independent revenues (not derived from the Federation Account) comprising operating surpluses of federal agencies and corporations and other sundry revenue such as internal revenue generated by the MDAs.

The Federal Government Budget Process

Preparation of the federal budget is a shared responsibility of the Executive and Legislative arms of the Federal Government. Each year, the Executive arm of the Federal Government proposes a federal budget for the following year to the House of Representatives and the Senate at a joint sitting. The Executive arm's proposed budget, officially referred to as the Appropriation Bill, is reviewed and approved by the two chambers of the National Assembly and signed into law by the President, at which point it becomes the Appropriation Act.

A summary of the budget process is set forth below.

Budget Planning

The Federal Ministry of Budget and National Planning and the Budget Office of the Federation develops a budget in accordance with the Federal Government's Medium-Term Revenue and Expenditure frameworks. The Federal Ministry of Budget and National Planning and the Budget Office meet early in the fiscal year with key revenue-generating agencies (including the Federal Inland Revenue Service, Nigerian Customs Service and the NNPC) and key economic agencies (including the National Planning Commission, NBS and Central Bank) to assess and determine trends in revenue performance and macroeconomic indicators and the implication of such trends for the next three fiscal years. These discussions lead to the preparation of a Medium-Term Revenue Framework pursuant to which projected revenue from various oil and non-oil sources is determined over the medium-term. Following preparation of this revenue framework, the Medium-Term Expenditure Framework is developed to outline key areas of expenditure (statutory transfers; debt service; and MDAs' expenditure) as well as the projected fiscal balance. If the projected fiscal balance indicates a projected deficit, sources of financing of this deficit are also considered. The Medium-Term Expenditure Framework is further developed into a formal Medium-Term Expenditure Framework and Fiscal Strategy Paper. Under the Fiscal Responsibility Act, the Minister of Finance is required to present this formal Medium-Term Expenditure Framework and Fiscal Strategy Paper first for the consideration and approval of the Federal Executive Council, and then for the consideration and approval of the National Assembly.

Budget Call Circular and Preparation of the Executive Budget Proposal

Once the Federal Executive Council has approved the Medium-Term Expenditure Framework and Fiscal Strategy Paper and the MDAs' expenditure ceilings, the Budget Office, under the supervision of the Minister of Budget and National Planning, issues a "**Call Circular**". This Call Circular instructs the MDAs to allocate their allotted capital expenditure ceilings across their existing and new projects, programmes and other initiatives. MDAs are also required to submit estimates of their recurrent expenditure requirements for personnel costs and overhead. The Budget Office evaluates and consolidates the submissions of the various MDAs. Subsequently, the Budget Office in collaboration with the National Planning Commission, the Bureau of Public Procurement and the Federal Ministry of Budget and National Planning and the Federal Ministry of Finance, hold bilateral discussions with the MDAs to appraise their submissions' compliance with the Call Circular and the Government's development priorities. Complying submissions are thereafter consolidated into the proposed annual budget.

Budget Review and Approval by the President and National Assembly

Following a series of reviews, the draft budget is presented by the Minister of Budget and National Planning to the President for approval. In accordance with the provisions of the Constitution, the President then presents the approved budget and supporting documents to the National Assembly for its consideration and approval, typically at a joint session of the Senate and the House of Representatives.

In reviewing the proposed budget, the Committee on Appropriation of each chamber typically invites the MDAs to defend their respective budget allocations. Thereafter, each Committee on Appropriation presents a proposed budget to its respective full chamber for consideration and approval. If differences exist between the budgets passed by the House of Representatives and by the Senate, the appropriation committees meet to harmonise the differences. After the harmonised budget is approved by each chamber, the resulting Appropriation Bill is presented to the President to be signed into law, at which point it becomes the Appropriation Act.

In the event that a budget is not enacted into law before the commencement of a fiscal year, the Government may, pursuant to Section 82 of the Constitution, make expenditures up to six months into the new fiscal year (up to 30 June). Expenditures during this period may not exceed the amounts provisioned for the same period of the preceding fiscal year.

Public Accounts

The Fiscal Responsibility Act was enacted to regulate, and provide for, greater accountability and transparency in fiscal operations. The Fiscal Responsibility Act provides for prudent management of resources under the control of the Federal Government, State Governments and local governments. It is believed that public financial management reforms at the state level are essential for the continued economic reform of Nigeria. However, for the fiscal reform provided for by the Fiscal Responsibility Act to be implemented at the state level, each state must pass its own equivalent fiscal responsibility legislation. Only some of the states have passed equivalent fiscal responsibility legislation.

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

The Fiscal Responsibility Act provides that the Federal budget deficit should not exceed 3 per cent. of estimated GDP or any sustainable percentage as may be determined by the National Assembly for each financial year. In 2016, Nigeria's overall budget deficit was ₦1,976.2 billion, representing 1.92 per cent. of GDP, an increase of 30 basis points compared to the ₦1,527.1 billion deficit recorded in 2015, which represented 1.62 per cent. of GDP. In 2014, 2013 and 2012, the budget deficit was ₦881.1 billion, ₦1,060.3 billion and ₦1,000.1 billion, respectively, representing 0.99 per cent. of GDP, 1.32 per cent. of GDP and 1.39 per cent. of GDP, respectively. Nigeria's deficits historically have been funded primarily by the issuance of securities in the domestic debt markets and by other funds, such as withdrawals from the Excess Crude Account.

The Fiscal Responsibility Act requires that a medium term expenditure framework and fiscal strategy paper be put in place and laid before the National Assembly for approval before the submission of the budget. The current medium term expenditure framework and fiscal strategy paper is for 2017-2019.

Under the 2017 - 2019 Medium-Term Expenditure Framework and Fiscal Strategy Paper, the fiscal strategies for 2017 - 2019 include macroeconomic stability, national social development, infrastructure for increased productivity and development, attracting private capital for infrastructure, improving governance, and guiding the fiscal year 2017 budget with the following principles: allocative efficiency, strategic priority spending, a fiscal deficit target within the 3 per cent. threshold set out in the Fiscal Responsibility Act, transparency and accountability, and safety nets.

The Office of the Auditor-General of the Federation

The Office of the Auditor-General of the Federation is an independent entity whose existence, powers and duties are set out under Sections 85, 86 and 87 of the Constitution. The Office of the Auditor-General of the Federation is responsible for auditing the Federation Accounts and the accounts of all federal MDAs. The Federation Account is audited on a quarterly basis. The Departments of the Office of the Auditor-General of the Federation include the Treasury audit, the Revenue audit, the Ministries and the Extra-Ministerial Office & Agency.

The key goals of the Office of the Auditor-General of the Federation include:

- enforcing accountability and responsibility in Ministries and Extra-Ministerial departments, and any other person or authority entrusted with public funds;
- ensuring prudent disbursement and utilisation of public funds, manpower resources and other public property;
- ensuring the regular and prompt auditing of all Ministries and Extra-Ministerial departments; and

  maintaining government auditing standards for public sector audits.

The Integrated Payroll and Personnel Information System

The Integrated Payroll and Personnel Information System is a central payment process for all civil servants on the payroll of the Federal Government. It was launched by the Federal Government in collaboration with the World Bank in October 2006 and became operational by April 2007 with seven pilot MDAs. The Integrated Payroll and Personnel Information System is aimed at improving public service productivity and increasing government revenues. The purpose of the Integrated Payroll and Personnel Information System reform is to:

- improve the effectiveness and efficiency of Federal payroll services;

- improve public confidence in payroll costs and budgeting;
- improve management reporting and information availability;
- facilitate easy storage, updating and retrieval of personnel records for administrative and pension processing;
- aid personnel planning and budgeting; and
- ascertain actual personnel emoluments of Federal Government employees.

The use of the Integrated Personnel and Payroll Information System has allowed ₦82 billion to be cut in personnel costs in the 2016 budget compared to the budget in 2015. As of October 2017, a total of 470 MDAs had been enrolled into the Integrated Personnel and Payroll Information System.

Treasury Single Account

As part of the Government's efforts to improve efficiency and transparency in the management of public funds and the Government's expenditures, the Ministry of Finance, in collaboration with the Office of the Accountant-General of the Federation and the Central Bank, launched in early 2012 the Treasury Single Account. In September 2015, the Treasury Single Account became mandatory to all Federal Government of Nigeria ministries, departments and agencies including NNPC. The only exemption granted is for bank accounts involving NNPC joint ventures with third parties. See "*Risk Factors—Risks relating to Nigeria—Inability to collect certain revenues from ministries, departments and agencies may adversely impact the Government's revenues*".

The scheme has been designed to consolidate the accounts of the Federal Government with the Central Bank and the various MDAs into a single or connected system of accounts. The Treasury Single Account is maintained at the Central Bank with each MDA responsible for the management of its allocations but effecting payment through the Treasury Single Account. Any unspent balances of cash allocated to MDAs after commitments entered into the Treasury Single Account for both recurrent and capital expenditure will automatically lapse and the balances will be returned to the Consolidated Revenue Fund for appropriation by the National Assembly. Investment of any Government funds will be centrally coordinated by the Office of the Accountant-General of the Federation and the Central Bank.

Federal Government Revenues and Expenditures

The table below contains a summary of Nigeria's public revenues and expenditures for the periods indicated:

	For the year ended 31 December					For the six months ended 30 June
	2012	2013	2014	2015	2016	2017
	(₦ billions)					
Total Gross Federally Collectible Revenue	**10,059.5**	**9,009.4**	**9,291.6**	**6,107.3**	**5,290.9**	**3,336.3**
Oil Revenue	**8,025.9**	**6,795.6**	**6,733.9**	**3,753.6**	**2,695.4**	**1,587.7**
Sales of Crude oil	3,305.1	2,814.1	2,973.3	1,859.4	1,453.2	880.3
Sales of Gas	350.0	255.1	309.0	89.9	42.2	56.2
Taxes and fees	3,278.7	2,736.0	2,432.3	1,245.9	857.5	428.3
Royalties	1,086.7	983.0	1,006.7	536.5	334.8	221.7
Other	5.5	7.4	12.4	21.9	7.7	1.3
Non-Oil Revenue	**2,033.6**	**2,213.8**	**2,557.7**	**2,353.8**	**2,595.5**	**1,740.6**
Total Federal Government Retained Revenue	**3,131.1**	**3,500.5**	**3,242.30**	**3,240.3**	**2,947.5**	**1,726.6**
Statutory Transfers	307.2	387.9	377.4	338.6	344.0	209.0
Debt Service	679.3	828.1	941.7	1,060.4	1,384.9	927.7
Recurrent Expenditure	2,400.3	2,386.8	2,216.8	2,550.1	2,410.5	1,323.1
Capital Expenditure	744.4	958.0	587.6	601.3	784.3	0.0(1)
Total Federal Government Expenditure	**4,131.2**	**4,560.8**	**4,123.4**	**4,767.4**	**4,923.7**	**2,573.1**
Overall Deficit	**(1,000.1)**	**(1,060.3)**	**(881.1)**	**(1,527.1)**	**(1,976.2)**	**(846.5)**
Overall Deficit (as % of GDP)	1.39	1.32	0.99	1.62	1.92	1.57

Source: The Office of the Accountant General of the Federation, Budget Office of the Federation

(1) No capital expenditures were recorded for the first six months of 2017 given the delay in passage of the 2017 Appropriation Act, which was signed into law on 12 June 2017. See "—*2017 Budget*".

Federal Government Revenues

The Federal Government budget is funded primarily from three sources:

- the Federal Government's share of the Federation Account, which amounts to a share of 48.5 per cent. of oil and gas revenues, customs and excise revenue, and corporate income tax;
- the Federal Government's share of the Value Added Tax Pool (as described below), which amounts to 14 per cent.; and
- independent revenue, consisting of operating surpluses of federal agencies and corporations and other revenue, such as the internally generated revenue of the MDAs, the proceeds from the sale of certain Government assets, proceeds from the Excess Crude Account distributed for budget augmentation, exchange rate gains from the Excess Crude Account.

Total gross federally collectible revenue and the Federation Account

Total gross federally collectible revenue for 2016 was ₦5,290.9 billion, a decrease of 13.4 per cent. from ₦6,107.3 billion in 2015, due to a decrease in receipts from oil revenues. The total gross federally collectible revenue of ₦6,107.3 billion in 2015 represented a decrease of 34.3 per cent. compared to ₦9,291.6 billion in 2014, largely attributable to lower oil revenue, due to lower international prices for crude oil. Total gross federally collectible revenue in 2013 and 2012 was ₦9,009.4 billion and ₦10,059.5 billion, respectively. For the six months ended 30 June 2017, total gross federally collectible revenue was ₦3,336.3 billion. The Federal Government manages the Federation Account on behalf of the three tiers of Government, namely, Federal, State and Local.

The Federation Account is funded from oil revenues and non-oil revenues (primarily taxes). In 2016, oil revenues were ₦2,695.4 billion, representing 50.9 per cent. of combined oil and non-oil revenues, a decrease of approximately 28.2 per cent. from ₦3,753.6 billion in 2015. Oil revenues in 2014, 2013, and 2012 were ₦6,733.9 billion, ₦6,795.6 billion and ₦8,025.9 billion, respectively.

Non-oil revenues in 2016 were ₦2,595.5 billion, a 10.3 per cent. increase from ₦2,353.8 billion in 2015. The non-oil revenues of ₦2,353.8 billion in 2015 represented a 8.0 per cent. decrease from ₦2,557.7 in 2014, reflecting a general slowdown in economic activity. Non-oil revenues in 2013 and 2012 were ₦2,213.8 billion and ₦2,033.6 billion, respectively.

For the six months ended 30 June 2017, oil revenue was ₦1,587.7 billion and non-oil revenue was ₦1,740.6 billion.

<u>Oil Revenues</u>

Of total receipts, oil revenue accounts for the predominant portion of federally-collected revenue. Oil revenue includes revenue from sales of crude oil, oil taxes and royalties. The Government earns money directly from the sale of crude oil that it receives through its joint ventures with international oil companies. International oil companies and the NNPC jointly contribute funds towards the cost of the joint venture, and the NNPC's share of the crude oil is sold by the NNPC and the proceeds are deposited in the Federation Account. The Government expects that in addition to revenue from the sale of crude oil, in the future, proceeds from the sale of natural gas will become an important source of revenue.

Oil taxes are imposed on private oil companies and include the petroleum profits tax, rent fees and other taxes. The Petroleum Profits Tax applies to profits of oil exploration and production ("**E&P**") companies. The applicable tax rate ranges from 65.75 per cent. to 85 per cent. for E&P companies within their first 5 years of production. For companies operating under a Production Sharing Contract, the applicable tax rate is 50 per cent. The Petroleum Profits Tax is the second most important source of revenue to the Federation Account. The Government also levies a rent fee for the use of the land from which oil is extracted. In addition, the Government charges penalties and fees for other activities associated with the oil and gas business, primarily penalties for gas flaring and fees for the right to lay oil pipelines.

The third source of oil revenue is royalties. Royalties are paid irrespective of whether the Government shares in the crude oil produced. As of June 2017, the rate of royalties averages about 25.2 per cent. of the value of crude produced.

<u>Non-Oil Revenue</u>

Revenue from non-oil sources includes revenue from various taxes. Business and personal income taxes are collected by both the Federal Government and by State Governments. Corporate income tax is collected by the Federal Inland Revenue Service, while State Governments collect income tax from unincorporated businesses that operate within their respective jurisdictions. The Federal Government collects personal income tax only from residents of the FCT and from Armed Services personnel, while State Governments collect personal income tax from their respective residents. The Federal Inland Revenue Service ("**FIRS**") is the primary revenue generating agency of the Federal Government, with a mandate to administer federal tax laws as provided in the FIRS Establishment Act, 2007. In addition to the Petroleum Profits Tax, the Federal Government applies the following taxes at the tax rates stated below:

- **Companies Income Tax Act**: The Companies Income Tax Act applies to profits of corporate entities other than E&P companies; the applicable tax rate is 30 per cent.

- **Value Added Tax ("VAT")**: The VAT applies to the supply of goods and services, subject to certain exemptions, such medicines, books, and basic food items. The applicable tax rate is 5 per cent.

- **Education Tax**: The Education Tax applies to profits of all corporate entities (including E&P companies); the applicable tax rate is per cent.

- **National Information Technology Development Levy**: The National Information Technology Development Levy applies to profits of telecommunications and internet companies, financial institutions, insurance companies, and pensions companies, in each case with an annual turnover of ₦100 million or greater. The applicable tax rate is per cent.

- **Personal Income Tax**: The Personal Income Tax applies to income of individuals (including employment and non-employment income). The applicable tax rate is subject to a graduated scale that ranges from 7 per cent. to 24 per cent. Specifically, the current tax rates applicable to personal income are 7 per cent. (applicable to the first ₦300,000 of personal income); 11 per cent. (applicable to personal income from ₦300,000 to ₦600,000); 15 per cent. (applicable to personal income from ₦600,000 to ₦1,100,000); 19 per cent. (applicable to personal income from ₦1,100,000 to ₦1,600,000); 21 per cent. (applicable to personal income from ₦1,600,000 to ₦3,200,000) and 24 per cent. (applicable to personal income in excess of ₦3,200,000).

- **Capital Gains Tax**: Capital Gains Tax applies to gains from the disposal of assets; the applicable tax rate is 10 per cent. of net gains.

Increased non-oil revenue from 2012 to 2016 was due partly to the introduction of lower tariff bands intended to reduce the incidence of smuggling, as well as improvements in revenue collection by the FIRS and the Nigeria Customs Service.

In April 2012, the Government initiated a new national tax policy aimed at ensuring that all Nigerian citizens of working age pay taxes. The National Tax Policy provides fundamental guidelines for the orderly development of the Nigerian tax system. As part of the Government's efforts to increase tax enforcement, a Tax Identification Number programme was initiated by the Nigerian Joint Tax Board in collaboration with the Federal Inland Revenue Service and the 36 State Boards of Internal Revenue. The Tax Identification Number is a nationwide electronic database system for the registration and storage of data relating to taxpayers in Nigeria. The programme is aimed at expanding the nationwide tax base, with a consequent increase in revenue collection accruable to all tiers of government, as well as modernisation of the Nigerian tax system in line with global best practices. The Tax Identification Number (TIN) initiative, which was piloted in 2012, went live at the beginning of 2013 in approximately 20 states and has since been rolled-out to all 36 states. The initiative requires that applicants wishing to an open account at a Nigerian bank hold a TIN before an account may be opened.

In August 2016, the Minister of Finance inaugurated a national tax policy review committee to review and update the National Tax Policy. The new tax policy is designed to achieve the following objectives, among others:

- guide the operation and review of the tax system;
- provide the basis for future tax legislation and administration;
- serve as a point of reference for all stakeholders on taxation;
- provide benchmarks on which stakeholders shall be held accountable; and
- provide clarity on the roles and responsibilities of stakeholders in the tax system.

Specifically, the policy contains measures designed to:

- address the multiplicity of taxes and revenue agencies;
- reduce income tax rates and compliance burden for micro, small and medium enterprises;
- improve Nigeria's ranking on the global ease of paying taxes index from 181 out of 189 economies to top 50 by 2020; and
- encourage diversification, expand the country's tax base and improve tax to GDP ratio.

The committee completed its assignment in September 2016 and the Federal Executive Council approved the new policy in February 2017. It is expected that the new policy will be approved by the National Economic Council before its implementation can begin.

The Government continues to undertake initiatives to improve revenue collection. In June 2017, the FIRS launched the Voluntary Assets and Income Declaration Scheme ("**VAIDS**") in an effort to increase Nigeria's non-oil sector tax revenue. VAIDS is a domestic revenue mobilisation initiative targeted at individuals, residents and companies operating in Nigeria. The scheme encourages voluntary disclosure of income and assets that previously remained undisclosed and for which taxes due remain unpaid and provides taxpayers with the opportunity to disclose undisclosed taxes due, with the benefit of forgiving overdue interest and penalties and the assurance that taxpayers will not face criminal prosecution or tax investigations. The Government has also recently initiated the online "Health Pay" platform, a pilot cashless revenue project designed to improve revenue collection in the health sector. The Government has also announced its intention to increase excise duty rates on alcohol and tobacco in the 2018 fiscal year.

Value Added Tax Pool

Value added tax is levied at 5 per cent. on the value of actual purchases and supplies of goods and services that are subject to the tax in Nigeria; revenues from this tax are collected in a separate account called the Value Added Tax Pool ("**VAT Pool**"). The Federal Government receives 15 per cent. of the VAT pool, State Governments receive 50 per cent. and local governments receive 35 per cent.

In February 2008, Lagos State filed a lawsuit in the Supreme Court against the Federal Government and joining the other 35 states, challenging the constitutional validity of the Value Added Tax Act 1993, as amended (the "**VAT Act**"). Lagos State sought to invalidate the VAT Act and challenged the powers of the Federal Government to collect VAT on its behalf. The contention of Lagos State was that the Government lacks the constitutional power to pass a law for the collection of VAT in the states, except the Federal Capital Territory. The Federal Government filed objections to the lawsuit. Following preliminary hearings, on 4 February 2010, the Supreme Court advised Lagos State and the Government to try to settle the VAT dispute, failing which the court would resume the hearing of the lawsuit. Settlement attempts failed and, on 11 April 2014, the Supreme Court dismissed the suit with a unanimous decision that it lacked original jurisdiction due to the dispute being between an agency of the Federal Government (i.e. Federal Inland Revenue Service, which collects VAT) and the Lagos State Government. Lagos State has indicated that it will explore other avenues to resolve the dispute.

Independent Revenue

Independent revenue is the third major source of revenue which accrues to the Federal Government. Included in independent revenue are operating surpluses of federal agencies and corporations and other revenue, such as the internally generated revenue of the MDAs (revenue generated from the operating activities of the MDAs) and the proceeds from the sale of certain Federal Government assets. The Federal Government retains all independent revenue. Historically, the Federal Government has faced significant challenges to realise the transfer of independent revenue from the MDAs. See "*Risk Factors—Risks related to Nigeria—Inability to collect certain revenues from ministries, departments and agencies may adversely impact the Government's revenues*".

Federal Government Retained Revenue

The Federal Government's total retained revenue was ₦2,947.5 billion in 2016, a decrease of 9.0 per cent. compared to ₦3,240.3 billion in 2015. Federal Government total retained revenue was ₦3,242.3 billion, ₦3,500.5 billion and ₦3,131.1 billion in 2014, 2013 and 2012, respectively. For the six months ended 30 June 2017, Federal Government total retained revenue was ₦1,726.6 billion.

Retained revenue includes the Federal Government's share of the Federation Account, the Federal Government's share of the VAT Pool, Federal Government Independent Revenue, proceeds from the Excess Crude Account distributed for budget augmentation, exchange rate gains from the Excess Crude Account and other items.

Federal Government Expenditures

In 2016, aggregate Federal Government expenditure was ₦4,923.7 billion, a 3.3 per cent. increase compared to ₦4,767.4 billion in 2015. Aggregate Federal Government expenditure in 2014, 2013 and 2012 was ₦4,123.4 billion, ₦4,560.8 billion and ₦4,131.2 billion, respectively.

In 2016, non-debt expenditure (total expenditure less capital expenditure and debt service payments) was ₦2,754.5 billion, a 11.3 per cent. decrease compared to ₦3,105.7 billion in 2015. Non-debt expenditure in 2014, 2013 and 2012 was ₦2,594.1 billion, ₦2,774.7 billion and ₦2,707.5 billion, respectively.

In the six months ended 30 June 2017, aggregate Federal Government expenditure was ₦2,573.1 billion. Non-debt expenditure in the six months ended 30 June 2017 was ₦1,645.4 billion.

Spending in the Government budget can be classified into three broad categories, namely:

- statutory transfers;
- debt service; and
- expenditures by the Government's MDAs.

In December 2016, the Government announced that it had identified an estimated ₦2 to ₦3 trillion in Government arrears toward third parties, including construction contractors, suppliers of goods and services and state governments, that had accumulated as budgeted expenditure liabilities under previous administrations (for services already rendered to the Government). Such claims are expected to be verified and negotiated as appropriate. In order to settle the arrears, the administration of President Buhari has indicated that it intends to reclassify them as public debt through the issuance of promissory notes in 2018. Such promissory notes are expected to be liquidated pursuant to sinking fund provisions to be made in the federal budget from 2018. Going forward, the promissory notes will be recorded as public domestic debt by the Federal Government, thereby increasing Nigeria's total debt stock significantly. The Federal Executive Council approved the settlement of discounted obligations with a total value of ₦2.7 trillion in August 2017. The obligations will be settled through the issuance of promissory notes, which will have liquid asset status, to the creditors over a 3-year period. The Notes are to be redeemed over 10 years from budgetary provisions. A request will be forwarded to the National Assembly to approve the settlement of the arrears and the issuance of the securities for their settlement.

Statutory Transfers

By law, the Government is required to make certain remittances to the National Judicial Council, the Niger Delta Development Commission, the Universal Basic Education Commission, the National Assembly, the National Human Rights Commission and the Independent National Electoral Commission. The National Judicial Council is the body responsible for administering the Nigerian judiciary, and the Constitution mandates that the Government transfer funds necessary for its operations in order to protect the independence of the judiciary. The Niger Delta Development Commission is responsible for accelerating the development of the Niger Delta region. The Government is required to contribute an amount equivalent to 15 per cent. of the amount received by oil producing states from the Federation Account to fund the activities of this commission. The Universal Basic Education Commission was established to coordinate the implementation of the Universal Basic Education Programme of the Government, which consists of the provision of free, compulsory and universal early childhood care and education and nine years of formal schooling for every Nigerian child of primary and junior secondary school age. Approximately 2 per cent. of Government revenues are set aside to fund the operations of the Universal Basic Education Commission.

Debt Service

Debt service was ₦1,384.9 in 2016, an increase of 30.6 per cent. compared to ₦1,060.4 billion in 2015. Debt service in 2014, 2013 and 2012 was ₦941.7 billion, ₦828.1 billion and ₦679.3 billion, respectively. Debt service payments increased each year primarily due to increases in the domestic debt stock.

For the six months ended 30 June 2017, debt service was ₦927.7 billion.

Expenditures by the Government's ministries, departments and agencies

MDAs' expenditures comprise both capital and recurrent expenditures. Since 2005, the Government has used Medium-Term Sector Strategies to prioritise and align the capital expenditure of large-spending MDAs with the development objectives of the Government. Historically, this has been focused on the National Economic

Empowerment and Development Strategy, the Seven-Point Agenda and the Transformation Agenda and, more recently, Vision 20:2020 and the First NIP.

Recurrent Expenditure

Recurrent expenditure primarily consists of salaries for government employees, pensions and administrative costs. In 2016, recurrent expenditures were ₦2,410.5 billion, a 5.5 per cent. decrease compared to ₦2,550.1 billion in 2015. Recurrent expenditures in 2014, 2013 and 2012 were ₦2,216.8 billion, ₦2,386.8 billion and ₦2,400.3 billion, respectively.

For the six months ended 30 June 2017, recurrent expenditure was ₦1,323.1 billion.

Capital Expenditure

Capital expenditure payments are used to fund critical infrastructure and other capital needs of the MDAs. In 2016, capital expenditures were ₦784.3 billion, a 30.4 per cent. increase compared to ₦601.3 billion in 2015. Capital expenditures in 2014, 2013 and 2012 were ₦587.6 billion, ₦958.0 billion and ₦744.4 billion, respectively.

For the six months ended 30 June 2017, no capital expenditures were recorded given the delay in passage of the 2017 Appropriation Act, which was signed into law on 12 June 2017. See "*—2017 Budget*".

In 2016, the largest allocations of capital expenditures were to Works, Capital Supplementation, Transport, Defence/MOD/Army/Air Force/Navy and Interior. In recent years, however, the Government has not been able to utilise all of its budgeted capital expenditure in any given year due to the limited implementation capacity within the MDAs and readily available investment projects. See "*Risk Factors—Risks related to Nigeria—Inability to continue to implement economic and fiscal reforms may have a negative effect on the performance of the Nigerian economy*".

Budget Performance (2012 – 2016)

The table below sets out certain historical information regarding Nigeria's government budget for the years indicated versus revenues and expenditures actualised during those time periods:

	For the year ended 31 December									
	2012 Budget	**2012 Actual**	**2013 Budget**	**2013 Actual**	**2014 Budget**	**2014 Actual**	**2015 Budget**	**2015 Actual**	**2016 Budget**	**2016 Actual**
					(₦ billions)					
Total gross federally collectible revenue	8,984.20	10,059.5	10,585.8	9,009.4	10,000.4	9,291.6	9,005.3	6,107.3	9,271.5	5,290.9
Oil Revenue	**6,636.5**	**8,025.9**	**7,734.1**	**6,795.6**	**7,164.8**	**6,733.9**	**5,431.2**	**3,753.6**	**3,389.6**	**2,695.4**
Sales of Crude oil	3,693.0	3,305.1	4,243.9	2,814.1	3,840.8	2,973.3	2,583.2	1,859.4	1,778.3	1,453.2
Sales of Gas	340.5	350.0	359.6	255.1	550.2	309.0	612.1	89.9	644.3	42.2
Taxes and fees	1,865.4	3,278.7	2,363.2	2,736.0	2,023.9	2,432.3	1,580.9	1,245.9	484.7	857.5
Royalties	731.1	1,086.7	761.1	983.0	743.5	1,006.7	647.5	536.5	474.4	334.8
Other	6.5	5.5	6.4	7.4	6.4	12.4	7.7	21.9	7.9	7.7
Non-Oil Revenue	**2,347.7**	**2,033.6**	**2,851.7**	**2,213.8**	**2,835.6**	**2,557.7**	**3,574.1**	**2,353.8**	**5,736.7**	**2,595.5**
VAT Pool	770.8	681.7	907.5	763.8	811.6	752.5	1,232.4	747.6	1,475.0	811.0
Independent Revenue	-	206.8	455.8	274.4	452.0	295.3	489.3	323.4	1,505.9	237.7
Other	1,576.9	1,145.1	1,488.4	1,175.6	1,572.0	1,509.9	1,852.4	1,282.8	2,755.8	1,546.8
Federation Account	**5,477.2**	**4,894.8**	**6,656.4**	**5,464.3**	**6,234.4**	**5,469.4**	**5,556.7**	**3,995.4**	**4,303.6**	**2,901.7**
Federal Government Retained Revenue	**3,561.0**	**3,131.1**	**4,100.4**	**3,500.5**	**3,731.0**	**3,242.3**	**3,452.4**	**3,240.3**	**3,885.7**	**2,947.5**
Total Expenditure	**4,697.2**	**4,131.2**	**4,986.3**	**4,560.8**	**4,695.2**	**4,123.4**	**5,067.9**	**4,767.4**	**6,059.0**	**4,923.7**
Statutory Transfers	372.6	307.2	388.1	387.9	408.7	377.4	386.2	338.6	351.4	344.0
Debt Service	559.6	679.3	591.8	828.1	712.0	941.7	953.6	1,060.4	1,475.3	1,384.9
MDA Expenditure:										
Recurrent Expenditure	2,425.1	2,400.3	2,415.8	2,386.8	2,454.9	2,216.8	3,171.1	2,550.1	2,645.4	2,410.5
Capital Expenditure	1,340.0	744.4	1,590.7	958.0	1,119.6	587.6	557.0	601.3	1,587.6	784.3
Overall Deficit	**(1,136.2)**	**(1,000.1)**	**(885.9)**	**(1,060.3)**	**(964.2)**	**(881.1)**	**(1,615.5)**	**(1,527.1)**	**(2,203.9)**	**(1,976.2)**
% of GDP	**2.85**	**1.39**	**1.85**	**1.32**	**1.20**	**0.99**	**1.09**	**1.62**	**2.14**	**1.92**
Financing										
Foreign (net)	-	-	-	-	-	-	380.0	-	635.9	-
Domestic (net)	744.4	744.4	577.1	706.7	624.2	624.2	802.1	330.0	1,183.0	1,113.4
Proceeds of sales of Government Properties[1]	-	-	-	-	-	-	10.0	-	25.0	-
Share of Excess Crude	-	-	-	-	-	-	-	-	-	(40.0)
Borrowing from Special Account[2]									-	376.5
Share of Signature Bonus[3]	75.0	-	75.0	6.0	-	-	58.9	-	0.7	0.0
Borrowing of 2015 Balance[4]	-	-	-	-	-	-	-	-	-	224.6
Deficit of 2015 Suppl. Approp. Act[5]	-	-	-	-	-	-	-	-	-	300.0

	For the year ended 31 December									
	2012 Budget	2012 Actual	2013 Budget	2013 Actual	2014 Budget	2014 Actual	2015 Budget	2015 Actual	2016 Budget	2016 Actual
					(₦ billions)					
Privatisation Proceeds	10.0	7.5	10.0	-	15.0	-	10.0	-	10.0	5.9
Other FGN Recoveries	-	-	-	-	-	-	-	-	350.3	-

Source: Budget Office of the Federation

(1) Proceeds of sale of Government Properties refer to income from sales of government properties.

(2) Intra-Governmental borrowing from various Government accounts (for the avoidance of doubt, these accounts are not the Treasury Single Account) for temporary management of excess cash and liquidity (not recorded as Government debt).

(3) Share of Signature Bonus refers to income to the Government when new oil blocs are licensed.

(4) Borrowing as of year-end from the CBN (recorded as domestic debt of the Government). A corresponding amount of Government deposits held in the Treasury Single Account serves as collateral in respect of amounts borrowed from the CBN. The balance of CBN borrowings can vary significantly over the course of the year and, as such, the balance stated at year-end is not necessarily indicative of the outstanding balance as of any particular time during the course of the year.

(5) Borrowing based on the supplementary budget of 2015 (recorded as domestic debt of the Government).

(6) Privatization Proceeds refer to income from sales of government shares in privatised companies.

2017 Budget

On 14 December 2016, the President presented to the National Assembly the 2017 Appropriation Bill, which proposed aggregate expenditure of ₦7.3 trillion, including ₦3 trillion in recurring (non-debt) expenditure, ₦1.7 trillion in debt service and ₦2.1 trillion in capital expenditure. The 2017 budget proposed by the Executive arm was based on the following assumptions: oil production of 2.2 mbpd, benchmark oil price of U.S.$42.5 per barrel, exchange rate of ₦305.0/U.S.$1, consumer price inflation of 15.7 per cent., nominal consumption of ₦88 trillion and nominal GDP of ₦108 trillion.

On 11 May 2017, the National Assembly passed the 2017 Appropriation Bill for referral to the President for his assent and signature. On 12 June 2017, Acting President Yemi Osinbajo SAN signed the 2017 Appropriation Bill into law. The 2017 Appropriation Act assumes a benchmark oil price of U.S.$44.5 per barrel and provides for aggregate expenditure of ₦7.4 trillion, consisting of ₦3.0 trillion in recurring (non-debt service) expenditure, ₦1.8 trillion in debt service, ₦2.2 trillion in capital expenditure and ₦0.4 trillion in statutory transfers. Under the 2017 budget, approximately ₦1.067 trillion is earmarked and allocated for domestic borrowings.

In presenting the proposed budget for 2017, the Minister of Budget and National Planning stated that it is intended to transition the Nigerian economy and society in its development focus, financing sources, spending priorities and wealth distribution. In response to declining revenues from crude oil exports, the Government plans to increase tax revenue in the short term by strengthening tax administration based on the results of a diagnostic study of the Nigerian tax system conducted by McKinsey & Co. The Government aims to plug leakages, increase the tax base and improve tax collection efficiency. The Government also intends to increase certain excise taxes.

The Executive arm's proposed budget for 2017 contemplates short and medium term measures to allocate resources to priority sectors of the economy. These measures include reducing non-essential and non-developmental expenditures and allocating resources in the short term toward deployment of information technology systems with the goal of reducing recurrent expenditure. The proposed budget also provides for implementation of the Oronsaye Committee Report on the Restructuring and Rationalisation of Federal Government Parastatals, Commissions and Agencies, which identified opportunities to restructure, merge or eliminate redundant functions.

The table below sets forth certain information regarding the 2017 budget:

	2017 Budget (₦ *billions*)
Total Gross Federally Collectible Revenue	**10,737.1**
Oil & Gas Revenue	5,334.5
Sales of Crude oil	1,683.3
Sales of Gas	544.5
Petroleum Profits Tax	1,105.6
Oil Royalties	853.2
Field Licenses, Early License Renewal & Step-In Rights	945.8
Other (Gas Income (30% CITA); Gas Royalties; Concession Rentals; Flare Penalties; Misc.)	202.1
Distributable Pool: Non-Oil Revenue	5,130.28
Corporate Tax	1,742.0
Value-Added Tax	1,800.0
Customs Duty, Excise & Fees	717.1
Federal Government Independent Revenue	807.6
Dividend Payment	61.0
Solid Minerals	2.5
Non-Federation Account for Targeted Expenditure	272.4
Non-Federation Account Levies for Targeted Expenditure	53.4
Education Tax	194.8
National Information Technology Development Fund	24.1
Net Federation Account Distributable	**6,785.1**
Total Federal Government Retained Revenue	**5,084.4**
Total Federal Government Expenditure	**7,441.2**
Statutory Transfers	434.4
Debt Service	1,663.9
Sinking Fund	177.5
MDA Expenditure:	
Recurrent Non-Debt Expenditure	2,990.92
Capital Expenditure	2,174.5
Overall Deficit	(2,356.8)
% of GDP	(2.18)
Financing	2,356.8
Foreign Borrowing (net)	1,067.5
Domestic Borrowing (net)	1,254.3
Proceeds of sales of Government Properties	25.0
Privatisation Proceeds	10.0

Source: Budget Office of the Federation

The table below sets out a breakdown of the Federal Government's revenue and expenditure in the 2017 budget:

	2017 Budget (₦ *billions*)
Federal Government Retained Revenue	
Share of Federation Accounts Allocation Committee	3,290.8
Share of VAT	241.9
Independent Revenue	807.6
FGN's Balances in Special Levies Acct	14.8
FGN's Unspent Balance of previous fiscal Year	50.0
FGN's Share of Signature Bonus	114.3
Recoveries and Fines	565.1
Total Federal Government Retained Revenue	**5,084.4**
Federal Government Expenditure	
Statutory Transfers	**434.4**
Debt Service	**1,841.4**
Service on Domestic Debt	1,488.0
Service on Foreign Debt	175.9
Sinking Fund	177.5
Recurrent Non-Debt (including Special Interventions (Recurrent))	**2,990.9**
Personnel Cost (MDAs)	1,884.1
Service Wide Vote (including Pensions)[1]	90.0

Overheads	219.8
Pensions and Gratuities	191.6
Other Service Wide Vote(1)	138.7
Special Interventions (Recurrent)	350.0
Refunds to Special Accounts(2)	40.0
Presidential Amnesty Program	76.7
Capital Expenditure	**2,174.5**
FGN's (MDAs & Statutory Bodies) Capital	1,714.5
Capital Supplementation	310.0
Special Intervention Program Capital	150.0
Total Federal Government Expenditure	**7,441.2**

Source: Budget Office of the Federation

(1) Service Wide Votes include expenditures or line items that are contingent or whose value could not be ascertained, initiatives that could not be ascribed to a single ministry, department or agency and capital supplementation to address cost variation in capital projects during the year.

(2) Intra-Governmental borrowing for temporary cash management (not recorded as Government debt).

The table below sets forth certain information regarding recurrent (non-debt) expenditure in the 2017 budget:

	2017 Budget
	(₦ *billions*)
Total Recurrent (Non-Debt) Expenditures	2,987.6
Ministries, Departments and Agencies (MDAs)	2,086.2
Presidency	22.9
Office of the Secretary to the Government of the Federation	52.0
Youth & Sports Development	89.3
Police Formation and Commands	-
Women Affairs	1.5
Agriculture and Rural Development	31.8
Water Resources	7.3
Auditor-General for the Federation	2.7
Independent Corrupt Practices and Other Related Offences Commission	5.2
Defence/MOD/Army/Air Force/Navy	330.5
Education	398.0
Federal Capital Territory Administration	-
Foreign Affairs	56.4
Finance	9.5
Health	252.9
Trade and Investment	10.8
Information and Culture	40.8
Communication Technology	11.2
Interior	472.6
Office of the Head of Service of the Federation	6.7
Justice	21.0
Labour and Productivity	8.6
Power, Works & Housing	32.8
Science and Technology	27.8
Transport	14.8
Petroleum Resources	63.2
Mines & Steel Development	10.4
National Salaries, Incomes & Wages Commission	0.6
Environment	16.1
Budget & National Planning	8.8
Office of the National Security Adviser	76.3
Niger-Delta	1.8
Fiscal Responsibility Commission	0.3
Infrastructural Concession Regulatory Commission	0.9
Federal Executive Bodies	14.3
Pensions and Gratuities	191.6
Service Wide Votes(1)	236.5
Refund to Special Accounts(2)	40.0
Special Intervention Programme	350.0
Presidential Amnesty Programme	76.7

Source: Budget Office of the Federation

(1) Service Wide Votes include expenditures or line items that are contingent or whose value could not be ascertained, initiatives that could not be ascribed to a single ministry, department or agency and capital supplementation to address cost variation in capital projects during the year.

(2) Intra-Governmental borrowing for temporary cash management (not recorded as Government debt).

The table below sets forth certain information regarding capital expenditure in the 2017 budget:

	2017 Budget
	(₦ *billions*)
Total Capital Expenditures	**2,177.9**
Ministries, Departments and Agencies (MDAs)	1,710.6
Presidency	20.1
Office of the Secretary to the Government of the Federation	32.8
Youth & Sports Development	5.4
Women Affairs	4.3
Agriculture and Rural Development	103.8
Water Resources	104.2
Auditor-General for the Federation	0.1
Independent Corrupt Practices and Other Related Offences Commission	0.8
Defence/MOD/Army/Air Force/Navy	139.3
Education	56.7
Federal Capital Territory Administration	30.4
Foreign Affairs	10.3
Finance	5.2
Health	55.6
Industry, Trade and Investment	81.7
Information & Culture	9.5
Communication Technology	8.4
Interior	63.7
Office of the Head of Service of the Federation	2.0
Justice	12.7
Labour and Productivity	8.8
Power, Works & Housing	553.7
Science and Technology	41.7
Transport	241.7
Petroleum Resources	6.8
Mines & Steel Development	12.5
National Salaries, Incomes & Wages Commission	0.2
Environment	12.5
Budget & National Planning	4.1
Office of the National Security Adviser	47.2
Niger-Delta	34.2
Fiscal Responsibility Commission	0.1
Infrastructural Concession Regulatory Commission	0.0
Federal Executive Bodies	7.2
Capital Supplementation	310.0
Capital in Special Intervention Programme	150.0

Source: Budget Office of the Federation

2017 Budget Initiatives

In connection with the 2017 budget, the Government has targeted the following key initiatives:

- *Social housing:* ₦100 billion is provisioned for a new Social Housing Programme towards a ₦1 trillion fund;

- *Bank of Industry and the Bank of Agriculture*: ₦15 billion is provisioned to development finance institutions to support Micro, Small and Medium, Scale Enterprises;

- *Healthcare*: ₦4.1 billion is intended to be invested in the procurement of routine vaccines and devices in addition to ₦4.8 billion towards a Global Fund and GAVI counterpart funding and ₦4.8 billion towards the Polio Eradication Initiative;

- *Transportation*: in relation to the transportation sector, ₦2.03 billion is budgeted for the construction of a terminal building at Enugu airport, ₦2.08 billion for airside rehabilitation of Abuja airport and ₦2.47 billion for the construction of an island river port and supply of cargo handling equipment at Baro, Niger state;

- *Power sector*: it is intended that ₦9.5 billion will be invested in the Rural Electrification projects in federal universities, ₦10 billion for construction of the 3,050mw Mambilla hydropower project and

₦10.02 billion for the completion of power evacuation facility for the 400mw Kashimbila hydropower plant;

- *Agricultural and rural development*: ₦6.5 billion has been budgeted for the Rural Roads and Water Sanitation programme, in addition to over ₦20 billion for the promotion and development of value chain across different commodities and ₦4.13 billion towards guaranteed minimum price payment; and
- *Railways*: ₦148 billion is provisioned mostly for counterpart funds on projects to be financed by the People's Republic of China for various railway projects including Lagos-Kano, Calabar-Lagos, Kano-Kaduna, Ajaokuta-Itakpe-Warri, Kaduna-Idu rail projects.

2018-2020 Medium-Term Expenditure Framework and Proposed 2018 Budget

In October 2017, President Buhari sent the 2018-2020 Medium-Term Expenditure Framework and Fiscal Strategy Paper (the "**2018 MTEF**") to the Senate for approval. The 2018 MTEF's objectives are in line with the ERGP; namely, (a) accelerating growth, intensifying economic diversification and promoting inclusiveness (b) achieving macroeconomic stability, (c) enhancing oil revenues and accelerating non-oil revenues, (d) addressing recurrent and capital spending imbalance, (e) improving efficiency and quality of public spending and (f) maintaining deficit/debts within sustainable limits. While Oil GDP is expected to grow, it is anticipated that the main driver of total GDP growth will be the non-oil sector. Non-oil revenue is expected to be enhanced through improved tax and customs administration and expanding the non-oil revenue base, while the Government intends to strengthen the tax system by improving the efficiency of tax collection, compliance, whistle-blowing policies and a reorganisation of the relevant tax and customs agencies. The Government has further proposed an increase in luxury tax from 5 per cent. to 15 per cent. to capture a portion of the informal economy, while introducing a two-to-three year strategic plan to modernise the Nigerian Custom Service.

On 7 November 2017, President Buhari presented the 2018 Budget to the National Assembly, which proposed total federally collectible revenues of ₦11.983 trillion, representing an approximately 12 per cent. increase as compared to the 2017 budget, of which ₦6.387 trillion comprises oil and gas revenue and ₦5.597 trillion comprises non-oil revenue. Broadly in line with the key parameters of the 2018 MTEF, the 2018 budget assumes an oil price benchmark of U.S.$45 per barrel with a production target of 2.3 million barrels per day at an exchange rate of ₦305/U.S.$1, real GDP growth of 3.5 per cent. and an inflation rate of 12.4 per cent.

The proposed 2018 budget contemplates total retained revenue of ₦6.607 trillion in 2018 of which ₦2.442 trillion is estimated to be oil revenue. Non-oil and other revenue sources would amount to approximately ₦4.165 trillion, including approximately ₦710 billion from the restructuring of the Government's equity in joint ventures. According to the proposed 2018 budget, total expenditure would amount to ₦8.612 trillion, representing an approximately 16 per cent. increase as compared to the 2017 budget, with an overall deficit of ₦2.005 trillion or 1.77 per cent. of GDP (as compared to an overall deficit of 2.18 per cent. of GDP in the 2017 budget). The Government plans to fund the deficit partly through estimated new borrowings of ₦1.699 trillion with 50 per cent. expected to be sourced externally and the remainder is expected to be sourced from the domestic financial markets. The balance of the deficit of ₦306 billion is to be financed from the proceeds of the privatisation of non-oil assets by the Bureau of Public Enterprises. According to the proposed 2018 budget, the Government has allocated 30.8 per cent. of aggregate expenditure to the capital expenditure. Allocations are expected to be made across several sectors, including power, works and housing (₦555.88 billion), transportation (₦263.10 billion), Special Intervention Programmes (₦150.00 billion) and defence (₦145.00 billion).

The proposed 2018 budget will now be subjected to the Government's budget approval and enactment process. See "—*The Federal Government Budget Process*". The final 2018 budget, once ultimately approved and enacted, may differ materially from the proposed budget outlined in this section.

Excess Crude Account

The Excess Crude Account is an account established in 2003 to assist in stabilising the Federation's accounts against volatility in crude oil prices and production. The Excess Crude Account is a savings account of the Federation funded with the positive difference, if any, between the oil revenue generated by the price of oil per barrel included in the budget for the year and the actual oil revenue received in that year. However, such account has been subject to policy debate and has declined in recent years as oil prices have fallen.

Typically, a request for disbursements from the Excess Crude Account can come from the states or the Federal Government. Disbursements from the Excess Crude Account, which are made by the Federal Accounts Allocation Committee, must be recommended by the National Economic Council, a body which is chaired by the Vice President and includes all 36 State Governors, and be authorised by the President. Disbursements from the Excess Crude Account are shared between the Federal Government, State Governments and local governments according to a specified formula, which is 52.7 per cent., 26.7 per cent. and 20.6 per cent., respectively.

The Excess Crude Account has historically been used to fund government subsidies of refined petroleum products and to offset budget deficits. In the past, the account was used to fund development projects, to supplement Government revenues that had declined due to lower oil production, to account for shortfalls in monthly revenue collection and to settle wage and pension arrears.

In 2009 and 2010, such funding increased in response to the global economic crisis and the resulting higher deficits. After reaching U.S.$19.1 billion as of 31 December 2008, the balance of the Excess Crude Account was reduced to U.S.$2.6 billion as of 31 December 2010. It increased to U.S.$5.2 billion as of 31 December 2011 and U.S.$11.5 billion as of 31 December 2012, and decreased to U.S.$3.3 billion as of 31 December 2013. As of 31 December 2014 and 31 December 2015, the balance of the Excess Crude Account was U.S.$3.3 billion and U.S.$2.5 billion, respectively. As of 30 December 2016 and 30 June 2017, the balance in the Excess Crude Account was U.S.$2.4 billion and U.S.$2.3 billion, respectively. "*Risk Factors—Risks related to Nigeria— The Nigerian economy and, in particular, government revenues, are highly dependent on oil production and sales and prices of oil in global markets*".

The legality of the Excess Crude Account has been the subject of debate and litigation in recent years. The Constitution requires that all revenues collected by the Federation go into the Federation Account, from which they are then allocated to the three tiers of Government in accordance with a formula established by the Allocation of Revenue Act. Therefore, the Federal Government's use of the Excess Crude Account as a centralised savings account within the Federation Account has been challenged by a number of states as unconstitutional. The Fiscal Responsibility Act permits the Central Bank to act as a collection agent and to hold and invest the funds on behalf of the three tiers of Government, though it must consult with each tier of government with respect to such investments. The Fiscal Responsibility Act also provides that funds in the Excess Crude Account can only be accessed if the oil price falls below the budgeted benchmark for three consecutive months or for capital spending in the following year's budget.

However, despite the provisions of the Fiscal Responsibility Act, certain State Governments filed a lawsuit against the Federal Government claiming the right to manage their own savings. In 2007, the Federal Government signed a Memorandum of Understanding with 31 of the 36 State Governments in an attempt to resolve the dispute. The dispute was ultimately not resolved and subsequently, in September 2012, the 36 State Governments filed an action in the Supreme Court challenging the constitutionality of the Excess Crude Account, the classification of certain revenues as independent, the non-payment of those revenues into the Federation Account, and the cession of funds to agencies such as Nigerian Federal Inland Revenue Service and Customs Service. The hearing in the Supreme Court was adjourned to enable the parties to reach an out-of-court settlement, however, the settlement attempts were not successful. In January 2013, following an earlier request (in December 2012) for U.S.$1 billion from the Excess Crude Account to fund ongoing projects, the 36 State Governors announced their intention to return to the Supreme Court for a final resolution of the matter. The parties filed all required briefs with the Supreme Court and an initial hearing took place in December 2013. On 8 December 2015, the Supreme Court ordered the parties to settle the dispute out of court. Efforts for a political solution are ongoing. The Supreme Court has adjourned the matter until 23 October 2017, when a hearing has been scheduled.

Nigeria Sovereign Investment Authority (the Sovereign Wealth Funds)

In May 2011, the President signed the Nigeria Sovereign Investment Authority (Establishment etc.) Bill into law, creating the Nigeria Sovereign Investment Authority and authorising the establishment of the Sovereign Wealth Funds which are jointly owned and supervised by the Federal, State and Local Governments as well as the Federal Capital Territory and Area Councils. The Sovereign Wealth Funds are:

- the Future Generations Fund – an intergenerational savings fund for the benefit of future generations of Nigerian citizens. The Future Generations Fund has a long-term investment horizon of more than twenty years. This allows management to gain access to less liquid asset classes, enabling greater risk-adjusted returns;

- the Infrastructure Fund – a fund that is focused on investing in critical infrastructure that would attract and support Foreign Direct Investment, economic diversification and growth. Since 2013, the main focus of investment has been on the healthcare, motorway, agriculture, real estate and power sectors. The investments of the Infrastructure Fund include a U.S.$10 million investment in the Nigerian Mortgage Refinance Company, a U.S.$10 million investment in the Fund for Agricultural Finance in Nigeria, and an investment in a concession agreement for the development and operation of the second River Niger Bridge; and

- the Stabilisation Fund – a fund that serves as a secondary source of funding to support the national economy in periods of budget revenue shortfalls. The Stabilisation Fund has a short-term horizon and a low return target. Accordingly, the Stabilisation Fund's assets are invested conservatively, with the goal of striking a balance between generating a modest positive return and preserving capital in nominal terms. The Asset allocation is split between Hedge Assets and Growth Assets.

A key feature of the Nigeria Sovereign Investment Authority that distinguishes the three Sovereign Wealth Funds from the Excess Crude Account are the stricter procedures for withdrawals and transparent investment processes adopted to execute the mandate of each Sovereign Wealth Fund, helping to ensure that the Sovereign Wealth Funds are able to operate independently of political pressures. The initial funding of the Nigeria Sovereign Investment Authority came in the form of a U.S.$1 billion transfer from the Excess Crude Account in 2012, while the only additional funding of the Nigeria Sovereign Investment Authority to date came in the form of a U.S.$250 million dividend payment received from Nigeria Liquefied Natural Gas Company Limited in 2016; future funding for the Sovereign Wealth Funds will be derived from residual funds received into the Federation Account from excess oil revenues, if any, being those over and above the amount needed to fund Nigeria's national budget, from contributions by the Federal or States governments and from income generated by the funds that is reinvested. The initial funding was fully allocated between the three funds in 2012, with 20 per cent. allocated to the Stabilisation Fund and the remaining 80 per cent. allocated to the Future Generations Fund and the Infrastructure Fund in equal parts. The U.S.$250 million was allocated in a similar ratio bringing the total allocation to the Stabilisation Fund, the Future Generations Fund and the Infrastructure Fund to U.S.$150 million, U.S.$50 million and U.S.$50 million respectively. J.P. Morgan has been appointed global custodian of the Sovereign Wealth Funds and Stanbic IBTC Bank is acting as local custodian. Goldman Sachs, Credit Suisse and UBS have been appointed asset managers of the Stabilisation Fund, while the Infrastructure Fund is managed by an in-house team of asset managers and the Future Generations Fund is managed by 24 managers in the United States, Europe, Asia and Africa.

In 2013, all three funds started investing their initial funding. The Stabilisation Fund completed the investment of its initial funding by October 2013, with funds mainly invested in U.S. sovereign treasury bills and U.S. corporate Notes. The Future Generations Fund focused its investments on long-term assets such as long equities, absolute return investments, private equity funds and commodities. The Infrastructure Fund, which is restricted to investing only within Nigeria, has also started initial stages of investments, mainly focused on the healthcare, motorways, agriculture, real-estate and power sectors. Some of the investments of the Infrastructure Fund include a U.S.$10 million investment in the Nigeria Mortgage Refinance Company, investments into agriculture projects mainly targeted at small and medium-sized enterprises and an investment into a 25-year concession agreement for the development and operation of the second River Niger Bridge. As of 31 December 2016, the total balance of the Sovereign Wealth Funds was U.S.$1.3 billion.

The Nigeria Sovereign Investment Authority Act 2011 states that the board of directors of the Nigeria Sovereign Investment Authority, with a unanimous vote, may declare a dividend limited to 60 per cent. of profits earned from the funds at the time of distribution out of uninvested and uncommitted available funds; *provided that* (1) such distribution is paid out of realised profits at such time as the Nigeria Sovereign Investment Authority shall have realised a net profit in each of the funds for at least five years in the years following enactment of the Nigeria Sovereign Investment Authority Act and (2) the Nigerian Investment Authority made a net profit in each of the funds in the year in which such dividend is paid. Additionally, the Nigeria Sovereign Investment Authority must have set aside sufficient funds for any anticipated operational needs.

Transparency and Anti-Corruption

According to Transparency International's Corruption Perception Index 2016, Nigeria was ranked 136 in corruption level out of 176 countries surveyed. In the World Bank's Doing Business 2018 report, Nigeria moved up 24 places from 169 out 190 in 2017 to 145 out 190 of in 2018 in terms of ease of doing business, making Nigeria among the ten most improved countries in the latest World Bank report.

Several platforms and mechanisms have been established to improve transparency and reduce corruption in the public and private sectors of Nigeria. In 2006, Nigeria was removed from the Non-Cooperative Countries and Territories List maintained by the Financial Action Task Force, an inter-governmental body whose purpose is the development and promotion of policies, both at national and international levels, to combat money laundering and terrorist financing. A framework for adequate checks and balances, ranging from constitutional, regulatory, administrative to judicial, has been put in place by the Government. The Constitution contains several provisions which define the limits on the exercise of powers conferred on the three organs of government (executive, legislature and judiciary), each acting as a check on the others. Also, the fifth schedule to the Constitution contains a Code of Conduct for public officers (the "**Code of Conduct**"), which seeks to prevent potential conflicts of official interests with public officers' personal interests, the giving and receiving of bribes, the operation of foreign accounts, and abuse of power, among others. Also, every public office holder is required to declare his/her assets within a period of three months following the public officer's assumption of office, thereafter at the end of every four years and finally at the end of his/her tenure of office. The Constitution also provides that as a political objective of the Government, all corrupt practices and abuse of power should be abolished.

The Constitution establishes the Code of Conduct Bureau with powers to receive and examine declarations of assets made by public office holders and to retain custody of such declarations and make them available for inspection by any Nigerian citizen (the "**Bureau**"). The Bureau is also empowered to receive complaints about non-compliance with, or breaches of, the provisions of the Code of Conduct and to investigate and, where appropriate, prosecute such complaints before the Code of Conduct Tribunal which is also established under the Constitution to hear complaints referred to it by the Bureau and, where appropriate, impose punishments on public officers for breaches of the Code of Conduct.

Nigeria seeks to take a strong anti-corruption stance through anti-corruption legislation such as the Corrupt Practices and Other Related Offences Act No. 5 of 2000, the Economic and Financial Crimes Commission (Establishment) Act of 2004 and the Money Laundering (Prohibition) Act (as amended), among others. These laws prohibit and prescribe penalties for corrupt practices and have been applied to prosecute and convict high ranking public and private officials and to trace, seize, confiscate and repatriate proceeds from corrupt activities. Recently, the Central Bank has used the Economic and Financial Crimes Commission to enforce the provisions of the laws against certain banks that breached banking laws and regulations. Additionally, the Economic and Financial Crimes Commission has an internal unit, the Special Control Unit against Money Laundering, which monitors designated non-financial institutions. Other initiatives of the Economic and Financial Crimes Commission include corruption prevention through in-house institutional monitoring, the establishment of a national anti-corruption volunteer corps programme, forming a national anti-corruption coalition bringing together NGOs, community based organisations, professional bodies and other stakeholders with a vested interested in ending corruption and integrity education and outreach programmes. Further, the Economic and Financial Crimes Commission, Ghana's Financial Intelligence Centre, the Dutch National Police and the International Criminal Police Organisation ("**INTERPOL**") are working on a project against the suppression of cross border bulk cash smuggling between West African and Europe.

In December 2013, the Central Bank issued a circular to all Nigerian financial institutions, specifying that, effective 31 January 2014, all deposit money banks, merchant banks, discount houses and other financial institutions are required to render Anti-Money Laundering/Combating the Financing of Terrorism

(“**AML/CFT**”) reports to the newly designated Banking Supervision Departments of the Central Bank, which will be directly responsible for all anti money laundering and combating the financing of terrorism activities of the Central Bank.

Under former President Obasanjo’s Administration, the Budget Monitoring and Price Intelligence Unit (the “**Due Process Office**”) was established in order to counter public perception that Nigeria is a corrupt nation and to implement due process and monitoring in development projects. The primary goal of the Due Process Office was to ensure full compliance with guidelines and procedures for the procurement of capital projects and to monitor capital projects as well as the acquisition of associated goods and services. The Guidelines for Implementation of Due Process Certification of Contract were released in July 2002.

In 2007, the Public Procurement Act was enacted and established the Bureau of Public Procurement. The Bureau of Public Procurement’s functions include the formulation of policies and guidelines for procurement within the public sector in Nigeria, the monitoring of the prices of tendered items and the certification of procurement by the Federal Government prior to the awarding of contracts. Thus, subject to stated thresholds set by the National Council on Public Procurement, the Bureau of Public Procurement must issue a Certificate of “No Objection” in respect of all contracts which fall within the purview of the Public Procurement Act, prior to the award of such contracts. The Bureau of Public Procurement is also empowered to de-bar from further dealings contractors and service providers who contravene the provisions of the Public Procurement Act.

As a further step to reduce corruption, Nigeria acceded to the UN Convention against Corruption, the African Union Convention on Prevention and Combating Corruption, and the UN Convention against Transnational Organised Crime, in December 2004, September 2006, and March 2001, respectively.

In the First NIP, the Government identified making Nigeria corruption-free as a key strategic objective with a view to restoring and improving public confidence in the system, and aimed to improve Nigeria’s ranking on the Corruption Perception Index. In order to achieve this, the First NIP outlined several strategies, including (among others) the establishment of an institutional framework for fighting corruption, promoting transparency in government finance by enacting and implementing laws on financial reporting and disclosure requirements, ensuring the timely publication of funds released by the Federation Accounts Allocation Committee and instituting whistle-blowing protections. In June 2012, the Independent Corrupt Practices and Other Related Offences Commission launched its five-year strategic framework (2013 to 2017) aimed at more effective reporting, investigation and prosecution of corruption cases, reduction of system-induced corrupt practices and increased managerial effectiveness of the Independent Corrupt Practices Commission.

Most recently, the national focus on economic crimes has largely shifted to prevention and disruption. Each federal agency has established an ethics, anti-corruption and freedom-of-information unit to heighten staff awareness and provide information to the public. In 2014, the Economic and Financial Crimes Commission’s public interface unit was established. The unit’s primary objectives include aiding the enlightenment and reorientation unit in educating victims and perpetrators of financial crimes, and engaging with the general public on the implications and possible solutions.

President Buhari’s election manifesto listed strict enforcement of anti-corruption laws and the fight against corruption as one of the three pillars of his administration’s change agenda. The Buhari administration has taken a more proactive stance in tackling corrupt practices in the public service sector. There are ongoing investigation into the activities of the previous government and some of the officers that served under the previous administration, which revealed misappropriation of huge sums of money and ultimately led to the arrest of top politicians and statesmen. Recently, some high court judges and Supreme Court justices were also arrested by the Department of State Security on allegations of corruption. Despite the progress and various reform efforts, corruption continues to be a serious problem impacting Nigeria. See “*Risk Factors—Risks related to Nigeria—Any failure to adequately address actual and perceived risks of corruption may adversely affect Nigeria’s economy and its political stability*”.

National Drug Law Enforcement Agency

Nigeria is a transit country for heroin and cocaine destined for Europe, and to a lesser degree, the United States. The National Drug Law Enforcement Agency continues to set new regional standards in narcotics interdiction.

The Government and the National Drug Law Enforcement Agency have taken several measures to combat the drug trade in Nigeria including: locating and shutting down certain illegal plants used for the production of synthetic drugs; formulating a national drug control master plan; and developing robust international cooperation plans with several jurisdictions, to be implemented with multilateral and bilateral agreements to track and seize drugs, as well as arrest narcotics barons and confiscate their assets. Further, the National Drug Law Enforcement Agency regularly engages with regional and other international partners to stop the usage of Nigeria as a transhipment point for illicit drugs.

MONETARY SYSTEM

Monetary Policy and the Central Bank of Nigeria

The Central Bank was established pursuant to the Central Bank Act of 1958. As a result of various amendments to the original act, the Central Bank was placed under the authority of the Ministry of Finance. Today, the Central Bank operates pursuant to the Central Bank of Nigeria Act No 7 of 2007 (the "**Central Bank of Nigeria Act**"), which repealed the earlier act and all of its amendments. Pursuant to the Central Bank of Nigeria Act, the Central Bank is a fully autonomous body in the discharge of its functions under the Central Bank of Nigeria Act and the Banks and Other Financial Institutions Act, as amended, with the objective of ensuring monetary and price stability, the issuance of legal tender currency in Nigeria, the maintenance of external reserves and the promotion of a sound financial system, as well as giving economic advice to the Government. Pursuant to the Banks and Other Financial Institutions Act, the Central Bank also has the power to withdraw licenses of distressed banks and appoint liquidators of these banks. The Central Bank also acts as a collection agent with respect to the Excess Crude Account and holds and invests funds on behalf of the three tiers of Government.

The governing body of the Central Bank is the Board of Directors, which consists of the Governor of the Central Bank as Chairman, four Deputy Governors of the Central Bank, the Permanent Secretary of the Ministry of Finance, the Accountant General of the Federation and five directors who are appointed by the President and confirmed by the Senate.

The Monetary Policy Committee is responsible for formulating monetary and credit policy. Its formulation was mandated by the Central Bank of Nigeria Act, which also provides that the Committee shall be comprised of the CBN Governor, four Deputy Governors, two members of the board of directors of the CBN, three members appointed by the President and an additional two members appointed by the CBN Governor.

Recent Macroeconomic Environment and Policy

The Nigerian economy in 2015 and 2016 was influenced by developments in both the domestic and international economies.

The major objective for monetary policy following the 2009 global economic crisis was to strengthen the financial industry, maintain liquidity, protect depositors and creditors and restore public confidence. The Central Bank implemented various programmes, strategic plans and initiatives to reform the Nigerian financial system and, in particular, the banking sector. See "— *Banking Reforms*" below. These initiatives are based on promotion of the performance of the real economy as the key factor in the sustainability of the banking sector. The key ten-year reform was named "The Alpha Project Initiatives of the Central Bank of Nigeria" and was based on four pillars: enhancing the quality of banks, establishing financial stability, allowing for healthy evolution of the financial sector and ensuring that the financial sector contributes to the real economy. The reform has identified priority sectors and developed tailored interventions of direct lending to support and promote growth in these sectors. For example, power, agriculture and transportation infrastructure were identified as priority sectors and some of the key interventions in these sectors include ₦200 billion Refinancing/Restructuring of a SME/Manufacturing Fund, ₦300 billion for long term funding of Power and Aviation, a Commercial Agricultural Credit Scheme (CACS), the Small and Medium Enterprises Credit Guarantee Scheme (SMECGS), as well as establishing the Nigerian Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL).

Monetary policy is focused on maintaining monetary and price stability as a means of ensuring sustainable economic growth and development. The Central Bank has stated that, in the short-to-medium term, monetary policy will focus on providing adequate liquidity that is consistent with Nigeria's overall economic activity on a non-inflationary growth path. In addition, the Central Bank has stated that it will continue to ensure banking soundness and financial sector stability as well as enhance the efficiency of the payment system. As in previous years, the broad measure of money supply ("**M2**") shall continue to be monitored along with other money market indices. As at 31 December 2016, M2 was ₦23,725.1 billion, an 18.4 per cent. increase from ₦20,029.8 billion as at 31 December 2015. At year-end 2014, 2013 and 2012, M2 was ₦18,913.0 billion, ₦15,669.0 billion and ₦15,483.9 billion, respectively.

In addition to the above, the decline in fiscal revenue and shortage of foreign currency in the economy has resulted in a major fiscal contraction and declining economic growth.

In response, the Central Bank had deployed a range of policy interventions with a view to reducing foreign currency demand and avoiding Naira devaluation. Some of these policies include the harmonisation of the Cash Reserve Ratio ("**CRR**") on public and private deposits, ban on banks from accepting foreign currency cash deposits from customers and restriction on accessing foreign currency from the official market for 41 specific items.

In 2016, the Central Bank tightened monetary policy as the economy faced the double challenge of contraction and sharply rising prices. Thus, while there was an increase in money supply, this increase was accompanied by sharply rising prices.

	As at 31 December				
	2012	**2013**	**2014**	**2015**	**2016**
			(₦ *billions*)		
M1	7,421.0	7,032.8	6,904.8	8,571.7	11,404.9
M2	15,483.9	15,669.0	18,913.0	20,029.8	23,725.1

Source: Central Bank of Nigeria

The Central Bank intends to ensure that the conduct of monetary policy will continue to be proactive. The benchmark short-term interest rate, also called the "**Monetary Policy Rate**", shall remain the Central Bank's primary instrument of monetary policy, to be adjusted from time to time in response to prevailing liquidity concerns. The framework for implementation of monetary policy decisions is Open Market Operations, which involves the discretionary power of the CBN to purchase or sell securities in the financial market in order to influence the volume of liquidity in the market, supported by reserve requirements and discount window operations.

The Nigerian economy is highly dependent on Nigerian oil production and the global prices of oil. The significant decline in oil prices in 2014 and 2015 continues to impact the Nigerian economy, and oil production in Nigeria has also fluctuated significantly in recent years in part due to high levels of disruptions resulting from militant activities, pipeline vandalism and oil theft in the Niger Delta area. As a result, the Government is continuing to implement critical reforms aimed at increasing revenue from non-oil sectors, in particular revenue from agriculture, solid minerals and from Nigeria's taxation system.

Since February 2015, the CBN has taken various administrative measures aimed at stabilising the foreign exchange market, including the closure of its weekly foreign exchange auctions, the restrictions of access to the official foreign exchange market for the purpose of funding certain specified imports, and the prohibition of the use of foreign currencies in domestic transactions. In June 2016, the CBN ended its U.S. dollar link on the Naira, allowing it to float freely on the interbank market and thus essentially allowing market forces to determine the exchange rate of the Naira to other currencies. See "— *Exchange Rate*" below.

Monetary Policy Rate

In support of bank soundness and effective liquidity management, the Central Bank introduced in 2006 a new framework for monetary policy implementation in the marketplace using the short-term interest rate as its benchmark rate. The Monetary Policy Rate serves as an indicative or policy signalling rate for transactions in the interbank money market as well as money market rates. The Monetary Policy Rate is set periodically by the Monetary Policy Committee based on observed trends in current and expected inflation as well as output gap, and potential deviations between the desired and actual exchange rate. The ultimate goal of the framework is to achieve a stable value of the Naira through stability in short-term interest rates around the Monetary Policy Rate determined by the Central Bank.

The table below sets out information regarding the Monetary Policy Rate as of the dates indicated.

Period	As of period end
2012	12.0%
2013	12.0%
2014	13.0%
2015	11.0%
2016	14.0%
January 2017	14.0%
February 207	14.0%
March 2017	14.0%
April 2017	14.0%
May 2017	14.0%
June 2017	14.0%
July 2017	14.0%
August 2017	14.0%
September 2017	14.0%

Source: CBN Monetary Policy Communiques, CBN Money Market Indicators

A key priority of the Central Bank is to reduce interest rates over time and sustain the lower rates such that they provide access to lower cost of funds for development of the real sector.

On 27 March 2013, the Central Bank published its plans to gradually phase-out the commission on turnover charged on current accounts by 2016. The Central Bank directed all banks to reduce commission on turnover from its 2013 rate of ₦3 per ₦1,000 to ₦2 per ₦1000 by 2014 and ₦1 per ₦1,000 by 2015 and to completely eliminate commission on turnover on current account transactions by 2016. This formed part of the banking sector's "Revised Guide to Bank Charges" published by the Central Bank, that took effect on 1 April 2013. Commission on turnover applies to customer-induced debit transactions on current accounts; however, for loan repayments from current or savings accounts, commission on turnover is free. In 2017, the CBN implemented the Guide to Charges by Banks and other Financial Institutions which took effect on 1 May 2017 (the "**Revised Guide to Bank Charges**"), providing a standard for the application of charges in the banking industry. Under the Revised Guide to Bank Charges, Nigerian savings accounts must earn interest at a minimum rate of 30 per cent. of the Monetary Policy Rate per annum. At the current Monetary Policy Rate of 14 per cent., this translates to a minimum interest rate of 4.2 per cent. per annum. The Revised Guide to Bank Charges phased out the commission on turnover hitherto charged by banks.

In August 2013, the Central Bank raised the banks' CRR on public sector deposits from 12.0 per cent. to 50.0 per cent., and then to 75.0 per cent. in January 2014. The increase in the cash reserves requirement is a contractionary policy tool aimed at managing inflation. The increased cash reserves requirement for the public sector has helped to reduce liquidity in the banking system, which in turn helped the Central Bank achieve its price stability mandate. The Central Bank, however, maintained the liquidity ratio and CRR on private sector deposits at 30.0 per cent. and 12.0 per cent., respectively. In March 2014, the CRR for private sector deposits was increased from 12.0 per cent. to 15.0 per cent. and rose to 31.0 per cent. in May 2015. The CRR for private sector deposits was thereafter decreased to 22.5 per cent. in March 2016. In June 2017, the Central Bank's Monetary Policy Committee voted to retain the CRR at 22.5 per cent.

The CRR is used by the Central Bank as a monetary policy tool to set the minimum deposits commercial banks must hold as reserves rather than lend out. The key stated reasons for the policy change were to address the issue of excess liquidity in the banking system, to encourage the banks to mobilise savings from traditional sources other than the public sector, and to focus on increased lending to the private sector.

Exchange Rate

The official currency of Nigeria is the Naira, which was introduced in January 1973. Currently, two exchange rates operate in Nigeria:

- the interbank exchange rate is a rate determined by a two-way quote system of banks trading among themselves and with corporates, individuals and the Central Bank of Nigeria (the CBN); and
- the bureaux de change rate, introduced in 2009, is the rate at which private money changers sell foreign exchange sourced from both the CBN and the interbank market to small users for personal

travel, overseas school fees, overseas medical fees or business travel allowances. In furtherance of the foreign exchange policy, introduced in June 2016, authorised foreign exchange dealers may sell a maximum of U.S.$30,000.00 per week to a bureau de change at the prevailing interbank exchange rate. The bureaux de change are expected to sell foreign exchange to the public at a price not exceeding 2 per cent. above the Authorised Dealers selling rate, which applies to all funds sold by a bureaux de change irrespective of the source. As of 17 January 2017, the CBN had confirmed 2,477 bureaux de change as in compliance with requirements.

In addition, prior to 18 February 2015, Nigeria operated the Dutch Auction System rate (the "**Official Rate**"). The Dutch Auction System rate was managed by the CBN and consisted of the Wholesale Dutch Auction System rate or the Retail Dutch Auction System rate; these were alternative regimes which did not operate at the same time. Pursuant to the Retail Dutch Auction System, banks purchased foreign exchange from the CBN on a customer's account. Under the Wholesale Dutch Auction System, banks bought foreign exchange from the CBN on their own account which they then sold to customers. The Wholesale Dutch Auction System was suspended in October 2013 and the Retail Dutch Auction System was re-introduced. The Retail Dutch Auction System was the preferred system in periods of high demand pressure and assisted in destabilising speculative activities by authorised dealers and was the Dutch Auction System rate in operation until February 2015, when the Dutch Auction System was closed following a decline in Nigeria's foreign exchange earnings due to a sharp decline in oil prices.

From November 2011 to November 2014, the midpoint Naira Official Rate was ₦155 to U.S.$1. In November 2014, the midpoint was revised to ₦168 to U.S.$1. As of 31 December 2014, the Official Rate was ₦167.5 to U.S.$1. The Central Bank's official foreign exchange auction window was subsequently closed on 18 February 2015, at which point the interbank exchange rate replaced the Official Rate and became the operative exchange rate for Nigeria.

In June 2016, the CBN commenced operation of a liberalised single market structure with the introduction of an autonomous inter-bank foreign exchange market, thereby terminating the CBN pegging of the Naira to the U.S. dollar. Under the new policy, the CBN may intervene in the single market (for the primary purposes of improving liquidity and volatility management) by purchasing or selling foreign exchange at no predetermined or maximum spread through the two-way quote system. As part of the new exchange rate policy, the CBN introduced Foreign Exchange Primary Dealers, which are registered authorised dealers designated to transact large trades with the CBN on a two-way quote basis. Although bureaux de change also participate in the single market, they are permitted only to disburse funds for certain eligible transactions such as personal travel, overseas school fees, overseas medical fees or business travel allowances.

In February 2017, the CBN authorised the sale of foreign currency for personal travel allowances in the amount of U.S.$4,000 per quarter per qualified applicant and for qualified school fees in the amount of $15,000 per term or semester. In March 2017, the CBN directed all banks to adopt certain measures aimed at facilitating and expediting authorised retail sales of foreign currency. Additionally, in April 2017, the CBN, via a circular dated 21 April 2017 (the "**Circular**"), introduced the Nigerian Autonomous Foreign Exchange Fixing Mechanism (commonly known as the "Investors' and Exporters'" foreign exchange window), a special foreign currency exchange window for investors, exporters and end-users. The new exchange window aims to increase liquidity in the foreign exchange market in Nigeria and ensure timely execution of settlement of eligible transactions. Eligible transactions provided for by the Circular include invisible transactions, trade-related payment obligations (at the instance of the customer) and bills for collection. The Circular defines "Invisible Transactions" to include loan repayments, loan interest payments, consultancy fees, personal home remittances and technology transfer agreements amongst others. The foreign exchange made available to the end-users stipulated under the Circular shall be supplied through portfolio investors, exporters, authorised dealers and other parties with foreign currency to exchange to Naira.

On 24 April 2017, the Central Bank mandated deposit money banks ("**DMBs**") to commence the sale of foreign exchange to their respective customers at a rate of not more than ₦360 to U.S.$1. By this directive, customers requesting foreign exchange for personal use such as transport allowance, tuition and medical fees would henceforth obtain same from bureaux de change at a maximum rate of ₦360 per U.S. dollar while the Central Bank will sell to such DMBs at ₦357 per dollar.

The following table sets forth information on the exchange rate between the Naira and the U.S. dollar as reported by the Central Bank for each of the periods specified.

Naira-U.S. Dollar Exchange Rate

	Average	High	Low	Period End
		(₦:$1.00)		
2012	155.89	156.55	154.25	159.70
2013	158.84	155.57	155.20	157.25
2014	159.25	167.50	155.20	159.90
2015(1)	164.88	198.50	167.50	180.00
January 2016	197.00	197.50	196.50	197.00
February 2016	197.00	196.50	196.50	197.00
March 2016	197.00	196.50	196.50	197.00
April 2016	197.00	196.50	196.50	197.00
May 2016	197.00	196.50	196.50	197.00
June 2016	231.76	283.50	196.50	197.00
July 2016	294.57	315.50	281.50	283.00
August 2016	309.73	324.50	304.50	313.00
September 2016	305.23	305.05	304.50	306.00
October 2016	305.21	305.00	304.50	305.25
November 2016	305.18	305.00	304.50	305.00
December 2016	305.22	305.00	304.50	305.00
January 2017	305.20	305.00	304.50	305.25
February 2017	305.31	305.00	304.50	305.50
March 2017	306.40	307.50	304.75	306.35
April 2017	306.05	305.80	305.35	305.85
May 2017	305.54	305.30	304.90	305.40
June 2017	305.72	305.90	305.45	305.90
July 2017	305.86	306.00	305.65	305.70
August 2017	305.67	305.85	305.55	305.85
September 2017	305.89	306.00	305.75	305.75
October 2017	305.62	305.80	305.00	305.80
November 2017 (through 17 November 2017)	305.93	306.00	305.85	305.95

(2) On 18 February 2015, the Central Bank closed its official foreign exchange window, at which point the interbank exchange rate replaced the Official Rate as the operational exchange rate for Nigeria.
Source: *Central Bank of Nigeria*

Exchange rate policy is largely dictated by economic fundamentals and is market-driven. For most of 2014, the Central Bank operated a managed floating regime within a band of ₦155 + or – 5 per cent., which was raised in November 2014 to ₦168 + or – 5 per cent. Following the closure of the Central Bank's official foreign exchange auction window in February 2015, the interbank rate replaced the Official Rate and became the operative rate in Nigeria. Nevertheless, excess liquidity remains a challenge, constraining the efficacy of monetary policy actions.

For most of 2014, the managed float exchange rate regime achieved relative exchange rate stability. The sharp decline in international oil prices, the ensuing fall in foreign exchange earnings and the widening margin between the interbank exchange rate and the Official Rate, prompted speculative activity by economic agents. These put pressure on foreign exchange reserves which caused the Central Bank to close the official foreign exchange auction window to avert the emergence of a multiple exchange rate regime and preserve the country's foreign exchange reserves. However, the Central Bank continues to intervene in the interbank market as required to meet genuine and legitimate demands. For example in October 2016, the Central Bank approved a Special Secondary Market Intervention Retail Sales for airlines operating in the country to enable them to access foreign exchange. On 23 December 2016, the Central Bank sold foreign exchange worth ₦1 billion on the forward market to clear a backlog of dollar obligations in selected sectors.

In the first half of 2017, the CBN undertook to enhance its interventions in the foreign exchange market, with the aim of promoting supply and liquidity while seeking also to achieve exchange rate stability.

Inflation

Achieving stable and sustainable non-inflationary growth remains one of the primary objectives of the Central Bank's monetary policy. The monetary policy process is market-driven, using standard monetary policy instruments like open market operations involving sale and purchase of securities, discount window operations, cash reserve requirements, appropriate interest rate policy and foreign exchange intervention. See "*—Monetary Policy and the Central Bank of Nigeria*".

The observed inflationary trend has both cost-push and demand-pull elements. Factors include commodity prices, the global food crisis, energy and infrastructure constraints and the global financial and economic crisis.

The table below sets out information regarding headline inflation (consumer price index) for the periods indicated.

For the period ended	12-Month Average Change	Year-On Change
December 2011	10.8%	10.3%
December 2012	12.2%	12.0%
December 2013	8.5%	8.0%
December 2014	8.1%	8.0%
December 2015	9.0%	9.6%
December 2016	15.7%	18.6%
January 2017	16.4%	18.7%
February 2017	17.0%	17.8%
March 2017	17.3%	17.3%
April 2017	17.6%	17.2%
May 2017	17.6%	16.3%
June 2017	17.6%	16.1%
July 2017	17.5%	16.1%
August 2017	17.3%	16.0%
September 2017	17.2%	16.0%
October 2017	17.0%	15.9%

Source: Central Bank of Nigeria

As at 31 December 2016, year-on change for annual consumer price inflation had accelerated to 18.6 per cent. as compared to 9.6 per cent and 8.0 per cent. as at 31 December 2015 and 31 December 2014, respectively. As at 31 December 2013 and 2012, year-on change for annual consumer price inflation was 8.0 per cent. and 12.0 per cent., respectively. As at 31 October 2017, year-on change for annual consumer price inflation was 15.9 per cent.

The year-on change for food (non-core) inflation was 17.4 per cent. as at 31 December 2016, as compared to 10.6 per cent. as at 31 December 2015 and 9.2 per cent. as at 31 December 2014. As at 31 December 2013 and 2012 the year-on change for food (non-core) inflation was 9.3 per cent. and 10.2 per cent., respectively. In October 2017, the year-on change in inflation in the food sector was 20.3 per cent.

External Reserves

Nigeria's external reserves are in the custody and under the management of the Central Bank. The Central Bank of Nigeria Act provides that the Central Bank shall at all times maintain a reserve of external assets consisting of all or any of gold coin or bullion; balance at any bank outside Nigeria where the currency is freely convertible and in such currency, notes, coins, money at call and any bill of exchange bearing at least two valid and authorised signatures and having a maturity not exceeding 90 days exclusive of grace; treasury bills having a maturity not exceeding one year issued by the government of any country outside Nigeria whose currency is convertible; securities of or guarantees by a government of any country outside Nigeria whose currency is freely convertible and the securities shall mature in a period not exceeding ten years from the date of acquisition; securities of or guarantees by international financial institutions of which Nigeria is a member, if such securities are expressed in currency freely convertible and maturity of the securities shall not exceed five years; Nigeria's gold tranche at the IMF or allocation of Special Drawing Rights made to Nigeria by the IMF. In recent years, the Central Bank undertook certain significant initiatives to assist in the management of external reserves, including attempts to diversify the portfolio and to arrange for partnerships between local and foreign banks to manage external reserves.

Nigeria's external reserves derive mainly from the proceeds of crude oil production and sales. See "*The Economy — Principal Sectors of the Economy — Oil and Gas*".

The Nigerian gross external reserves experienced notable growth from 1998 to 2008, rising from U.S.$5.4 billion in 1999 to U.S.$53.0 billion in 2008. Since then, the gross external reserves position fluctuated from U.S.$43.8 billion in 2012, U.S.$42.8 billion in 2013, U.S.$34.2 billion in December 2014, U.S.$28.3 billion in December 2015 to U.S.$27.0 billion as of December 2016. The general decline in gross external reserves since 2013 is primarily attributable to an increase in imports and decrease in exports. The level of foreign exchange reserves in the near term and over the next few years will depend on the price of crude oil in the international market, the cost of continued funding of imports and foreign capital flows. The gross external reserves position has increased slightly in 2017. As of June 2017, the monthly adjusted gross external reserves position had increased to U.S.$30.3 billion, while as of 10 November 2017, gross external reserves (30-day moving average) stood at U.S.$34.2 billion.

Nigeria's gross external reserves declined during 2016, largely owing to lower oil prices and production outage caused by pipeline vandalism by militants in the Niger Delta region. Gross external reserves increased during 2017, as a result of increased crude oil related receipts, proceeds from the sale of Eurobonds and other Federal Government loans.

The following table sets forth the foreign exchange turnover in secondary market trading of Nigeria's bonds and other securities as reported by the FMDQ:

For the period ended	**Foreign Exchange** (*U.S.$ millions*)
January 2017	1,365
February 2017	2,458
March 2017	3,184
April 2017	3,189
May 201	4,715
June 2017	5,262
July 2017	4,767
August 2017	7,775
September 2017	9,106
October 2017	7,797

Note: Figures may be subject to change due to potential adjustments from Dealing Member (Banks).
Source: FMDQ OTC Securities Exchange; figures reported by Dealing Member (Banks) on a week-ending basis

The Nigerian Finance Sector

In 2004, the Central Bank introduced a number of reforms, including a requirement that all banks raise their minimum capital base. Following the implementation of the reforms, 25 banks emerged out of the 89 that existed in July 2004. According to the Central Bank, as of January 2017, there were 27 licensed banks in Nigeria, comprising 22 commercial banks, four merchant banks and one specialised bank. Nigeria's retail banking market is considered to be underdeveloped and many financial institutions focus on expanding their offer of retail banking products.

The Government aims to improve funding to the real sector by lending directly, and has under the Alpha Project Initiatives of the Central Bank established a ₦300 billion power and aviation intervention fund for lending to the power and aviation sectors, a ₦200 billion Small and Medium-Sized Enterprises Credit Guarantee Scheme for promoting access to credit by small and medium-sized enterprises in Nigeria, a ₦200 billion intervention fund for re-financing and restructuring of banks' loans to the manufacturing sector and a ₦200 billion Commercial Agriculture Credit Scheme to provide finance for the country's agricultural value chain (including production, processing, storage and marketing). The Central Bank in 2014 also established the ₦220 billion Micro, Small and Medium Enterprise Intervention Fund and the ₦300 billion Real Sector Support Fund. The Central Bank has also been taking steps to integrate global best practices in financial reporting and disclosure into the banking system, through the adoption of the International Financial Reporting Standards, as well as through collaboration with foreign governments.

According to the Central Bank, between 2012 and 2016, total assets of deposit money banks increased by 50.8 per cent. from ₦21.3 trillion in 2012 to ₦32.1 trillion in 2016. The increase in total assets was attributed to the increases in reserves, aggregated credit and loans and advances. As of 31 December 2016, total loans and advances of deposit money banks stood at ₦14.98 trillion, representing a 94.5 per cent increase as compared to ₦7.71 trillion recorded at the end of December 2012. Between 2012 and 2016, total deposit liabilities of deposit money banks increased by 41.0 per cent. from ₦13.1 trillion in 2012 to ₦18.5 trillion in 2016, primarily as a result of a significant increase in time, savings and foreign currencies deposits over the period.

The table below sets forth information the regarding deposit money banks' activities for the periods indicated:

	As of 31 December				
	2012	2013	2014	2015(P)	2016
			(₦ billions)		
Reserves	1,849.8	3,252.4	4,474.7	4,473.6	4,263.2
Aggregate Credit (Net)	11,564.3	12,224.9	16,555.6	18,203.9	21,450.3
Loans and Advances	7,705.3	9,543.0	12,190.7	12,258.9	14,983.1
Total Assets	**21,304.0**	**24,468.4**	**27,690.1**	**28,369.0**	**32,130.4**
Total Deposit Liabilities	**13,135.9**	**13,825.2**	**17,258.6**	**17,344.0**	**18,521.9**
Demand deposits	5,073.0	5,169.1	5,250.3	5,885.9	6,201.7
Time, Savings & Foreign Currencies Deposits	8,062.9	8,656.1	12,008.2	11,458.1	12,320.2
Foreign Assets (Net)	1,650.1	1,614.7	969.5	108.0	359.0
Credit from Central Bank	228.0	262.2	257.0	732.2	992.3
Capital Accounts	3,640.7	3,915.4	4,516.3	5,051.4	5,685.0
Capital & Reserves	2,408.1	2,649.2	3,059.8	3,471.0	3,745.1
Other Provisions	1,232.5	1,266.2	1,456.4	1,580.5	1,939.9
Average Liquidity Ratio (%)	**49.7**	**46.2**	**38.3**	**42.3**	**45.9**
Average Loan/Deposit Ratio (%)	**42.3**	**37.6**	**63.6**	**69.6**	**80.0**

(R) Revised from originally published data.
(P) Provisional data derived from the Central Bank's draft 2016 Statistical Bulletin and subject to revision.
Source: Central Bank of Nigeria

The level of non-performing loans in the Nigerian banking sector was 3.5 per cent. at the end of 2012, 3.2 per cent. in December 2013, 2.9 per cent. in December 2014, 4.9 per cent. in December 2015 and 12.8 per cent. in December 2016. The increase in the level of non-performing loans is due to the continued fall in oil prices during the period and the corresponding deterioration in creditworthiness of many borrowers.

Supervision and Regulation of Banks and Other Financial Institutions in Nigeria

The Central Bank is the primary regulator of the Nigerian banking sector. The Financial System Stability Directorate of the Central Bank of Nigeria supervises banks, which includes off-site review and on-site examination of banks, especially in relation to their financial condition, internal control systems, the reliability of information provided in the statutory returns, risk management and compliance with corporate governance codes. The Central Bank monitors trends in the banking sector and generates industry reports at a macro level on a monthly and quarterly basis, in addition to evaluating the development of the finance sector and monitoring other financial institutions. Activities such as the change of auditor, the publication of audited financial statements, the opening and closing of branches, change in control and the appointment of directors and top management by banks are subject to the prior approval of the Central Bank.

The Central Bank has adopted Risk Based Supervision methodology as part of its banking reforms. Risk Based Supervision methodology is a robust, proactive and sophisticated supervisory methodology as compared to the previous compliance methodology which was largely reactive.

The Central Bank is also the agency of the Government which maintains general surveillance over the Nigerian foreign exchange system. It licenses authorised dealers, who are licensed banks, to deal in foreign exchange. By virtue of Section 1(2) of the Forex Act, the Central Bank may also make regulations from time to time pertaining to foreign exchange. In 2006, the Central Bank issued the Foreign Exchange Manual as a guide to authorised dealers, authorised buyers and the general public in processing foreign exchange applications and in June 2016, the Central Bank issued revised guidelines for the operation of the Nigerian interbank foreign exchange market.

On 20 February 2014, former President Goodluck Jonathan announced the suspension of Central Bank Governor Sanusi Lamido Sanusi. In the interim, the Deputy Governor of Economic Policy of the Central Bank, Dr. Sarah Alade, was appointed as Acting Governor. The President subsequently nominated Mr. Godwin Emefiele, the Chief Executive Officer of Zenith Bank Plc, as the new Central Bank Governor. Mr. Emefiele's appointment as Central Bank Governor was confirmed by the Senate on 26 March 2014. The tenure of suspended Governor Sanusi officially ended on 2 June 2014, and Mr. Emefiele assumed office as the Central Bank Governor on 3 June 2014.

On 5 June 2014, Mr. Emefiele released an official statement specifying his suggested agenda and targeted initiatives for macroeconomic stability and development in Nigeria. The Governor described the vision of the Central Bank to be the model central bank delivering price and financial system stability and promoting sustainable economic development. In order to achieve this vision, the Central Bank Governor summarised the Central Bank's key goals as (i) pursuing a gradual reduction in key interest rates, and including the unemployment rate as one of the key variables in monetary policy decisions; (ii) maintaining exchange rate stability and aggressively building and maintaining a healthy foreign exchange reserves position; (iii) strengthening the risk-based supervision mechanism of Nigerian banks to ensure overall health and banking system stability; (iv) building sector-specific expertise in banking supervision to reflect the loan concentration of the banking industry; (v) considering measures to address inadequate trigger thresholds from a macro-prudential perspective; (vi) abolishing fees associated with limits on deposits and reconsidering the ongoing practice of fees associated with limits on withdrawals accruing to banks alone; (vii) introducing a broad spectrum of financial instruments to boost specific enterprise areas in agriculture, manufacturing, health, and oil and gas; (viii) establishing Secured Transaction and National Collateral Registry as well as a National Credit Scoring System that will improve access to information on borrowers and assist lenders in assessing credit; (ix) building resilient financial infrastructure that serves the needs of the lower end of the market, especially those without collateral; and (x) renewing vigorous advocacy for the creation of commercial courts for quick adjudications on loan and related offences.

Recent changes to banking regulations include:

- a revised guideline for deposit money banks on BASEL II implementation covering Pillar 1 (minimum capital requirement), Pillar 2 (ICAAP) and Pillar 3 (disclosure requirements) with an accompanying reporting template, which was introduced on 24 June 2015;

- the signing by the CBN of multilateral agreements with cross border regulators, in order to enhance the regulation of Nigerian banks that have an international presence;

- a mandatory requirement for all deposit-taking banks to perform annual appraisals of their board members to ensure that the Board is informed of the latest trends and information in the banking industry so as to make effective decisions on behalf of the shareholders;

- the "cashless policy" was introduced by the CBN in 2012 and became effective nationwide on 1 July 2014. Pursuant to the cashless policy, daily cash withdrawals and deposit of individual and corporate customers are pegged at ₦500,000 and ₦3 million respectively, with penalties for carrying out cash transactions beyond the set limits. Cash in transit lodgement services rendered by Nigerian banks to merchant customers were also discontinued. However, on 1 July 2015, the CBN directed that the application of the policy in the remaining states of Nigeria be put on hold until further directives are received from the CBN, and directed banks in the remaining states which had applied the policy to their customers' accounts to reverse the charges immediately;

- the reduction by the CBN of the foreign exchange net open position ("**NOP**") limit from 3 per cent. to 1 per cent. in July 2012 in a bid to stabilise the Naira, which had been pressured by the fall in crude oil prices;

- the further reduction by the CBN of the NOP limit to zero, and a subsequent increase to 0.5 per cent.;

- the additional "know your customer" requirements by the CBN that banks ensure their customers who are "designated non-financial institutions" (which include dealers in jewellery, cars and luxury goods, supermarkets, hotels and casinos) are registered with the Special Control Unit on Money Laundering of the Federal Ministry of Trade and Investments prior to establishing a business relationship with them; and

- the introduction of a bank verification number scheme into the banking system. The scheme aims to revolutionise the country's banking and payment systems and to address issues including: ensuring the safety of depositors' funds, avoiding losses through the compromise of personal identification numbers, preventing identity theft, checking fraud, and including illiterate persons in the banking system.

The CBN has also released a Consumer Protection Framework aimed at enhancing consumer confidence in the financial services industry and promoting financial stability, growth and innovation among operators. The CBN is currently implementing Basel II and some measures of Basel III, looking at implementation of the Basel III policy on recovery and resolution of banks in 2017/18, under which all banks have submitted a recovery and resolution plan currently under review by the CBN.

As the regulator of the Nigerian banking sector, the Central Bank intends to continue to evolve the Risk Based Supervision methodology in line with global best practice, including greater collaboration among the financial sector regulators and supervisory agencies. The aim is to facilitate the evaluation of the banking industry as a whole through stress-testing and other methods and to bring to the attention of regulators the risks which the operations of each entity within the industry could bring to the sector as a whole to allow regulators to take proactive remedial actions.

The Nigeria Deposit Insurance Corporation

The Nigeria Deposit Insurance Corporation ("**NDIC**"), established by statute in 1988, insures all deposit liabilities of licensed banks and other financial institutions operating in Nigeria. The NDIC guarantees payments to depositors in case of imminent or actual suspension of payments by insured banks or other financial institutions up to the maximum amount of ₦200,000 per depositor, and for other licensed deposit taking financial institutions, ₦100,000 per depositor or to such higher amount as may be determined by the NDIC from time to time. The NDIC is also mandated to assist monetary authorities in the formulation and implementation of banking policy so as to ensure sound banking practice and promote fair competition among banks in Nigeria. The powers and functions of the NDIC are stated in the Nigeria Deposit Insurance Corporation Act No. 16 of 2006 which repealed the Nigeria Deposit Insurance Corporation Decree of 1988. The NDIC has undertaken a number of reforms in recent years.

The main objective of the reforms is to strengthen the NDIC's capabilities to deal with the existing risks and challenges in its operating environment. The key initiatives undertaken by the NDIC include:

- the development of an early warning system;
- the introduction of risk-based auditing; and
- the development of a disaster recovery and business continuity programme.

Some of the NDIC's key reforms in recent years include:

- collaboration with the Central Bank in monitoring Nigerian banks and implementing a risk-based supervision system;
- commencement of the Information Technology Disaster Recovery and Business Continuity project; and
- design and implementation of a new performance management system.

Banking Reforms

In June 2009, the Central Bank embarked on a systemic reform of the banking sector to assist and support the banking sector in overcoming the 2008-2009 global financial crisis and its impact. The reform was founded on four key pillars: enhance the quality of the banks, establish financial stability, enable healthy financial sector evolution and ensure the financial sector contributes to the real economy. Following a special examination and investigation of the 24 banks that comprised the Nigerian banking system, the Central Bank found significant irregularities and capital adequacy deficiencies at ten of the 24 banks (the "**Intervened Banks**"). The governor of the Central Bank adopted several measures to address this issue, including replacing the chief executives and executive directors of most of the Intervened Banks, and injecting ₦620 billion into the Intervened Banks so as to prevent a systemic banking crisis.

Furthermore, in October 2010 the Central Bank repealed the Universal Banking Guidelines which had been in operation since 2000 and issued new rules and guidelines for the banking licenses regime titled “Regulation on the Scope of Banking Activities & Ancillary Matters”, No. 3, 2010 (the “**New Banking Model Regulations**”).

According to the CBN, the New Banking Model Regulations are aimed at streamlining banking operations in Nigeria as well as reducing the exposure of the banks to higher operational risks. Only commercial banks, merchant banks, and specialised banks, which include non-interest banks, microfinance banks, development banks and mortgage banks, will be permitted to carry on banking business in Nigeria. The New Banking Model Regulations effectively requires banks to divest all non-banking business or to adopt a non-operating holding company structure in compliance with the new framework. While four banks resolved to operate through holding company structures, which allow them to keep non-core banking subsidiaries, a number of banks divested their non-core banking activities. Under the New Banking Model Regulations banks are also required to maintain a minimum paid up share capital of ₦10 billion for institutions granted a regional banking license, ₦25 billion for institutions granted a national banking license and ₦50 billion for institutions granted an international banking licence.

In order to sustain the stability of the foreign exchange market, the CBN in June 2015 excluded importers of some goods and services from accessing foreign exchange at the Nigerian foreign exchange markets, in order to encourage local production of these items. These items were thus classified as 'not valid for FX', with the implication that they can only be purchased with “own funds” obtained outside all segments of the Nigerian official foreign exchange markets.

The CBN further implemented the reduction in the NOP limit from 1 per cent. to zero, before increasing this to 0.5 per cent. Other policies instituted by the CBN in a bid to stabilise the foreign exchange market include:

- Restrictions on foreign currency loans granted to firms earning local currency revenue;
- Closure of the Retail Dutch Auction Systems and WDAS foreign exchange windows; and
- Restrictions on FX Forward Transactions.

The Asset Management Corporation of Nigeria (AMCON)

In 2010, AMCON was established to buy the bad debts of Nigerian banks, thereby providing the required liquidity and restoring confidence in the banking sector. AMCON objectives were to help rejuvenate the domestic economy and stimulate the recovery of the financial system by providing liquidity to the banks through the purchase of their non-performing loans, increasing access to refinancing opportunities for borrowers, increasing confidence in banks’ balance sheets and encouraging a return of confidence to the capital markets.

On 5 August 2011, three of the Intervened Banks, (Afribank Plc, Bank PHB Plc and Spring Bank Plc) were determined by the NDIC not to have shown the necessary capacity and ability to recapitalise. The Central Bank subsequently revoked their banking licenses and issued new banking licenses to three bridge banks established by the NDIC (Mainstreet Bank Limited, Enterprise Bank Limited and Keystone Bank Limited) to assume their assets and business (“**Bridge Banks**”). On 6 August 2011, AMCON purchased the Bridge Banks from the NDIC. AMCON has since divested its holdings in Mainstreet Bank Limited and Enterprise Bank Limited and announced in 2016 that it was seeking prospective investors to buy Keystone Bank Limited.

Following AMCON’s establishment, the level of non-performing loans in the Nigerian banking sector was reduced from a high of 32.8 per cent. as of 31 December 2009, to below the 5 per cent. regulatory threshold for most banks. Liquidity levels increased by approximately 60 per cent., capital adequacy ratios improved, and major sectors of the economy (such as transportation, manufacturing, agriculture, construction and downstream oil and gas) reduced the levels of bad debt.

The capital adequacy ratio stood at 17.7 per cent. as of December 2015, compared to 15.9 per cent. as of December 2014, after adoption of the Basel II Capital Adequacy framework. The Central Bank requires Nigerian banks with international banking operations to maintain a total capital adequacy ratio of 15 per cent. and domestic banks to maintain a total capital adequacy ratio of 10 per cent.

In November 2013, the Central Bank issued a draft paper designating eight Nigerian banks as Systemically Important Financial Institutions, which, according to the Central Bank, account for approximately 70 per cent. of the banking sector's total assets, so their potential failure could pose a systemic risk to the banking industry and the larger economy. The CBN issued a framework for domestic systemically important banks in September 2014, which took effect in March 2015. However the implementation of a higher capital adequacy requirement and the liquidity ratio has been deferred indefinitely.

In December 2016, as a measure to address the increase in non-performing loans, the Central Bank and the NDIC set up a joint committee to consider the potential need to establish a second AMCON to acquire non-performing loans from the banks and which would be funded by the private sector and pave the way for the gradual transition or folding up of the current AMCON.

The Central Bank has also issued a Supervisory Intervention Framework, and it is expected that the intervention that will be adopted will be dependent on the financial condition of the affected banks. In 2016, the CBN intervened to support Skye Bank. The management of Skye Bank has been changed and the Central Bank has provided a line of guarantee to creditors and depositors of Skye Bank, although it has not yet been called on.

The Sinking Fund and the Asset Management Corporation of Nigeria refinancing

In July 2010, the Central Bank agreed with Nigeria's then 24 banks to establish a sinking fund, the Banking Sector Resolution Cost Trust Fund, to cover any net deficits incurred by AMCON. Each Nigerian bank agreed to annually contribute an amount equal to 30 basis points of its total assets as of the date of its audited financial statements for the immediately preceding financial year to the sinking fund and the Central Bank agreed to contribute ₦50 billion per year. Contributions began in 2011. In early 2013, the banks' contribution to the sinking fund was increased to 50 basis points.

In May 2013, AMCON announced a plan for repaying or refinancing its ₦5.7 trillion zero coupon Notes maturing in 2013 and 2014. Due to successful recoveries from non-performing loans and restructuring by AMCON, and the cooperation of the Nigerian banks in fulfilling their commitments to the sinking fund, AMCON was successful in refinancing its outstanding zero coupon notes. As part of the two-step process, on 27 December 2013, AMCON issued ₦3.8 trillion (U.S.$24.5 billion) redeemable notes due 2023 subscribed by the Central Bank. On 30 December 2013, AMCON completed the scheduled redemption of its notes due in December 2013 (Series I) and the early redemption of its notes due in August, November and October 2014 (Series II, III and IV, respectively). AMCON redeemed notes with a face value of ₦4.6 trillion (U.S.$30.3 billion) at a discounted value of ₦4.4 trillion (U.S.$28.5 billion). The early redemption resulted in savings of ₦271.2 billion (U.S.$1.8 billion). The redemption was financed utilising AMCON's liquid assets, the sinking fund and part of the proceeds of the notes issuance to the Central Bank. On 31 October 2014, AMCON successfully redeemed Series V of its notes (₦867 billion) held by the public, with a combination of cash and Nigerian Treasury Bills. Following the completion of the redemption and new issuance, the Central Bank became the sole holder of AMCON Notes.

Cashless Policy

The Central Bank introduced a cashless policy and piloted the programme in Lagos in 2012. The policy was initially rolled out in five additional states (Abia, Anambra, Kano, Ogun, and Rivers) and Abuja in October 2013 and later implemented throughout Nigeria in 2014. The cashless policy imposes a 'cash handling charge' on daily cash withdrawals or cash deposits that exceed ₦500,000 for individuals and ₦3,000,000 for corporate entities. The objectives of the policy include the following:

- to reduce the amount of physical cash and encourage electronic-based transactions;
- to modernise Nigeria's payment system; and
- to improve the effectiveness of monetary policies.

With the full implementation of the cashless policy nationwide in July 2014, the reform improved connectivity, and resulted in greater deployment of point of sale technology by merchants and retail outlets in the country. Settlement improved with the T+1 settlement, while the electronic funds transfer platform revolutionised funds transfer in the banking industry with quicker value for interbank transfers. In addition, withdrawals, cash deposits, and bill payments are available and were actively spread nationwide.

The cashless policy had an impact on the economy. For consumers, the policy increased convenience and access to payments, more service options, reduction in cash-related crimes, cheaper access to (out-of-branch) banking services and access to credit. For corporations, it created faster access to capital, reduced revenue leakage and reduced cash handling costs. For the Government, it increased tax collections, engendered greater financial inclusion, and increased economic development and objectives. The cashless policy helped to increase awareness of available financial services and products. For instance, the volume and value of electronic payments increased by 14.0 per cent. and 12.8 per cent to 519,223,279 and ₦84,952.7 billion, respectively, in 2015, as compared to 2014. As of 31 December 2015, there were 16,406 ATMs, compared to 15,935 ATMs as of 31 December 2014. The number of ATMs was recorded at 17,398 and 17,712 as at 31 December 2016 and 30 June 2017, respectively.

In order to mitigate potential challenges implementing the cashless policy, various steps were taken by the Central Bank in collaboration with other relevant agencies and stakeholders. These include card fraud prevention strategies such as second level authentication; real-time online monitoring tools; automatic blocking of cards after three unsuccessful PIN attempts; limits for card to card transfers, point of sale and web payments; and the establishment of the Nigerian Electronic Fraud Forum, which encourages adoption of e-payment channels.

In July 2015, the Central Bank suspended the implementation of the cashless policy in the remaining states of Nigeria until further directives are received from the Central Bank. However, on 8 February 2017, the Bankers' Committee decided to extend the policy to the 30 remaining states of Nigeria.

Financial Inclusion Strategy

In December 2013, the Central Bank published guidelines intended to implement a National Financial Inclusion Strategy (the "**Strategy**") that has set as a target the reduction of the percentage of adult Nigerians that are excluded from financial services from 46.3 per cent. in 2010 to 20 per cent. by 2020. The number of Nigerians included in the formal sector is targeted to increase from 36.3 per cent. in 2010 to 70 per cent. by 2020.

Key initiatives in the Strategy include a tiered approach to simplify Know Your Customer ("**KYC**") regulations, development of agent banking to enable financial institutions to bring banking services to the unbanked in all parts of the country, mobile payments, cash-less policy, financial literacy framework to increase awareness and understanding of financial products and services, consumer protection frameworks to sustain confidence in the financial sector and implementation of credit enhancement schemes and programmes. The Strategy also sets specific targets for payments, savings, credit, insurance, pension, branches of deposit banks and microfinance banks, ATMs, Point of Sale devices and banking agents.

Real Time Gross Settlement System

In 2006, as part of its re-engineering and restructuring processes, the Central Bank introduced a Real Time Gross Settlement System. The Real Time Gross Settlement System provides an online payment system in which processing and settlement takes place continuously in real time (i.e. without deferral) and gross (i.e. transaction by transaction). The system handles large-value, time-critical payments.

The settlement of credit transfer instructions is done when there is sufficient balance in the settlement account of the participants with the Central Bank and is guaranteed for its finality and irrevocability.

The central objective of the Real Time Gross Settlement System is to reduce systemic risk, by preventing the failure of a payment or of a participant having knock-on effects on other participants and thereby endangering the stability of the financial system.

In addition, the Real Time Gross Settlement System significantly reduces the risk associated with the previous net-settlement systems in operations and also accelerates the payment process while guaranteeing finality and irrevocability of transfers and settlement.

Nigerian Capital Market

The Nigerian Capital Market (the "**Market**") consists of equity and debt markets. The equity market comprises shares and stocks of Nigerian publicly-listed companies and some non-Nigerian companies. The debt market consists of government and corporate bonds, supranational bonds, notes, debentures and their derivatives, Nigerian treasury bills, Treasury Certificates and other debt instruments. The Market is principally regulated by the Nigerian Securities and Exchange Commission (the "**Nigerian SEC**") while the NSE is a self-regulating organisation.

The Securities and Exchange Commission

The Nigerian SEC is the agency responsible for the regulation of the Market. It was formally created by the Securities and Exchange Commission Decree No. 71 of 1979 to replace the Capital Market Commission. The functions of the Nigerian SEC are set out in Section 13 of the Investments and Securities Act No. 29 of 2007 (the "**Investments and Securities Act**") which repealed the Investments and Securities Act No. 45 of 1999. The Nigerian SEC is also subject to prescribed rules and regulations to effectively and efficiently carry out the objectives of securities regulation as embedded in the Investments and Securities Act.

The Nigerian SEC undertakes supervisory oversight of the Market to ensure the protection of investors, maintain a fair, efficient and transparent market and reduce systemic risk. The Nigerian SEC is also the supervisory body of the NSE. The Nigerian SEC regulates and registers stock and commodity exchanges, capital market operators and venture capital funds and collective investment schemes, and is also responsible for reviewing, approving and regulating mergers, acquisitions, takeovers and all forms of business combinations.

The Investments and Securities Tribunal was established pursuant to Sections 274 and 284 of the Investments and Securities Act to, *inter alia*, exercise jurisdiction to hear and determine any dispute relating to the capital market.

As part of its capital market development initiatives, the Nigerian SEC launched a 10-year Master Plan (2015-2025) in December 2014 to guide the growth and development of the Market and has commenced its implementation through the Capital Market Master Plan Implementation Council comprised of key capital market stakeholders. The major initiatives under the plan have included (a) launching the Corporate Governance Scorecard and establishing the National Investor Protection Fund, both in 2015; (b) the recapitalisation of capital market operators; (c) the full dematerialisation of share certificates and e-dividend payments to all categories of investors; and (d) improving the savings culture and deepening of the Non-Interest Capital Market. The Master Plan aims to create significant growth in the capital markets which is expected to translate into and drive the development of the real sector. A key strategic theme of the Master Plan is to drive and facilitate capital raising across industries and the public sector. The Nigerian SEC aims to reform the Market to considerably expand its capacity for domestic fund raising.

The Nigerian Stock Exchange

The Nigerian Stock Exchange (the "**NSE**") was established in 1960 but started operations in 1961, with the name Lagos Stock Exchange. In December 1977, the Lagos Stock Exchange was renamed the NSE and currently has 13 branches (apart from the NSE's head office). Each branch has an electronic trading floor, and the NSE takes measures to afford participants access to its market on equal terms.

The listing of securities for trading on the NSE is carried out pursuant to applicable laws and regulations, including the Companies and Allied Matters Act Cap C20 Laws of the Federation of Nigeria 2004, the Investments and Securities Act, the Rules and Regulations of the Nigerian Securities and Exchange Commission (the "**SEC Rules**"), as well as NSE rules, such as the NSE Listing Rules, as amended. This regulatory framework supplies the conditions for companies seeking admission to the NSE Exchange boards. Among other conditions, the applicant must be a public company and its securities must be registered with the Nigerian SEC.

The NSE lists companies on three boards: the Premium Board, the Main Board and the Alternative Securities Market ("**ASeM**"). The Premium Board is for issuers that meet stringent corporate governance, capitalisation and liquidity criteria and provides them with greater visibility to the global investor community. The Main Board consists of large cap companies and admittance is based on profitability or market capitalisation criteria. The ASeM provides smaller companies the opportunity to access the capital markets through more flexible listing rules and requirements. The securities listed on the NSE are traded by qualified Nigerian broker firms registered by the Nigerian Securities and Exchange Commission, the NSE and the Chartered Institute of Stockbrokers and admitted as "**Dealing Members**" of the NSE.

As of 30 September 2017, there were 171 equities, 79 debt securities and nine exchange-traded products listed on the NSE.

The table below sets forth information regarding the market capitalisation of the NSE as of the periods indicated.

	Equities	Debt	Exchange Traded Product	Total
As of 31 December		*(₦ billions)*		
2012	8,908.1	7,015.9	0.4	15,924.4
2013	13,230.3	5,846.9	0.3	19,077.4
2014	11,486.2	5,384.3	4.5	16,875.1
2015	9,859.2	7,140.1	4.0	17,003.3
2016	9,255.9	6,925.1	4.8	16,185.7
As of 30 June 2017	11,452.1	6,959.9	5.9	18,569.2

Source: NSE

The Central Securities and Clearing System Plc (the "**Central Securities and Clearing System**") was incorporated in 1992, as a subsidiary of the NSE to provide central clearing services for securities quoted on the NSE. It began operations in 1997. All securities listed on the NSE must have their Certificates deposited in the Central Securities and Clearing System before transactions can take place on the floors of the NSE. The Central Securities and Clearing System provides computerised registration, clearing, settlement and delivery of securities in a centralised form thereby reducing the cost and time involved in processing trades on the NSE. The Central Securities and Clearing System settles transactions within "T+3" or "T+2" days (depending on the securities) and serves as a central clearing point for book entry trading of share certificates of quoted companies.

Subject to the approval of the Nigerian SEC and the NSE, the prices of newly-issued securities of public quoted companies are determined by issuing houses and/or the prospective investors (where the pricing of the securities on offer is to be determined by way of a book-building process). Prices of already-quoted securities are determined by the interplay of market forces during trading on weekdays. These prices are published at the close of each day and presented in the national newspaper on the day following such trade. Companies listed on the NSE are required to disclose proposed dividends to the NSE and are able to declare interim and final dividends.

The NSE publishes a Daily Official List which provides information on daily transactions, available to subscribers at the end of each trading day and also transmitted globally via the Reuters International Network. The NSE also publishes weekly, monthly and quarterly reports and trading statistics. The NSE has also introduced the NSE-30 Index, that tracks the top 30 companies in terms of market capitalisation and liquidity. Similarly, five sectoral indices have been introduced to complement existing indices. These are NSE-Food/Beverages Index (later renamed NSE – Consumer Goods Index), NSE Banking Index, NSE Insurance Index, NSE Industrial Index and NSE Oil/Gas Index.

The NSE is a member of the African Securities Exchanges Association (ASEA) member exchanges. The FTSE ASEA Pan Africa Index Series represents the performance of eligible securities listed on ASEA. As a member of ASEA, The NSE's listed equities that meet specific criteria set by FTSE are constituents of this index.

In 2014, the NSE National Council, which serves as the NSE governing body, approved a revised 2019 NSE Corporate Strategic Plan detailing the NSE's new growth strategy to 2019. This revised growth strategy seeks to position the NSE as the market for entrepreneurial growth, focusing on three strategic objectives: increasing the number of new listings across five asset classes; increasing order flow in the five asset classes; and operating a fair and orderly market, based on just and equitable principles.

The NSE Alternative Securities Market

In April 2013, the NSE launched the Alternative Securities Markets for emerging businesses. The Alternative Securities Markets has been structured particularly for emerging companies with high growth potential. According to the NSE, the Alternative Securities Markets operates as a specialised board on the NSE where small to mid-sized companies can access the capital markets under less stringent rules and requirements to raise long term, low cost capital. There is no limit to the amount of capital a company can raise on the Alternative Securities Markets, as long as it is in line with other regulatory requirements, such as those of the Corporate Affairs Commission and the Nigerian Securities and Exchange Commission. As of 31 December 2016, 9 companies are listed on the Alternative Securities Markets with a market capitalisation of ₦9.1 billion.

*The NASD OTC Securities Exchange (the "**NASD**")*

The National Association of Securities Dealers, otherwise known as the NASD is a public liability company and self-regulatory organisation of broker/dealers operating in the NASDAQ market in Nigeria, regulated by the SEC. The NASD promotes a trading network that eases secondary market trading of all securities of unquoted public companies primarily in Nigeria but with a focus on the West African region. Operators on the NASD include issuers of equity and fixed income instruments, institutional and individual investors, a growing pool of accredited authorised traders and their participating institutions, Settlement banks, clearing systems, private equity and venture capital firms with a view to increasing liquidity in the unquoted segment of the long term funding market.

The NASD OTC market facilitates transactions through two independent trading platforms:

1. Leased trading platform: This platform allows for multilateral trading and continuous transaction reporting. The NASD leased the trading platform from the NSE and participating institutions are given access to trade on this segment of the market. Clearing is provided by the CSCS while settlement is done by six appointed Settlement banks for NASD OTC transactions; and

2. BITS: This is a bi-lateral inter-dealer trading system proprietary to the NASD which allows trades to be conducted and consummated between select participating institutions. This is a web based platform that allows brokers to interact from all corners of the world. Originally BITS was used to trade equities in all unquoted public companies, but increasingly it has become a platform for other asset classes.

Similar to the NSE, transactions on the NASD market settle on T+3 basis. Under the SEC Rules, securities of public unlisted entities must be traded on the NASD.

AFEX Commodity Exchange Ltd

AFEX Community Exchange Ltd was registered in March 2015 and commenced spot trading in paddy rice, white maize and soya beans. As at the end 2015, the total volume of transactions recorded was 15,000 metric tons valued at ₦837 million.

The Bond Market

The Nigerian Bond Market (the "**Bond Market**") is principally regulated by the Investments and Securities Act and the SEC Rules made pursuant to the Investments and Securities Act. Private companies seeking to raise capital through issuance of bonds are not regulated by the Investments and Securities Act. Private companies may, however, issue bonds through special purpose vehicles that are Public Limited Liability Companies.

The Bond Market comprises bonds issued by the Federal Government, State Governments and by public companies. Nigerian Sovereign Bonds were already in existence before Nigeria's independence in 1960. However, the Bond Market became active in 2003 when the Debt Management Office launched four Federal Government bonds of maturities ranging from three years to ten years. As at 31 December 2016, the NSE had listed 22 subnational bonds with market capitalisation of ₦516,579,469,400, two supranational bonds with market capitalisation of ₦24,950,000,000 and 17 FGN Bonds with market capitalisation of ₦6,101,548,318,713. In July 2014, the Federal Government issued ₦3,337,383,000 bonds due April 2017 and

₦5,310,000,000 due January 2022. As of the end of 2016, the market capitalisation of bonds listed on the NSE reached ₦6.9 trillion, a decrease of 3.1 per cent. as compared to 31 December 2015.

The corporate bond market is also developing, and this may be attributable to the need for inexpensive long-term debt capital by companies coupled with investors' apathy to equity investments following the impact of the global economic recession on the values of stocks. As of September 2016, the NSE had listed 21 corporate bonds with market capitalisation of ₦222,758,116,960 whilst 10 corporate bonds with market capitalisation of ₦153.4 billion were listed on the FMDQ as of January 2017.

*The FMDQ OTC Securities Exchange (the "**FMDQ**")*

The FMDQ was launched in November 2013, bringing together Nigeria's fixed income and currency operations under a single market governance structure by promoting market development in the Nigerian OTC financial markets, with a primary focus on the OTC markets – fixed income (money, repos, commercial papers, treasury bills, and bonds), currencies and derivatives. The FMDQ presently provides the platform on which all secondary market trading activities for debt securities are executed. A total of nine commercial papers with a face value of ₦100 billion have been quoted on the FMDQ. In June 2016, the FMDQ OTC Securities Exchange inaugurated Naira-settled OTC FX Futures contracts.

As a self-regulatory organisation, the FMDQ is responsible for enforcing Members' compliance with its Rules, Guidelines, Agreements and all other regulations, as well as monitoring and enforcing compliance by issuers of listed or quoted securities.

Derivatives

Presently, there are no specific regulations regulating derivatives in Nigeria, although the Investments and Securities Act empowers the Nigerian SEC to regulate the derivatives market. Pursuant to Section 13(b) of the Investments and Securities Act, the Nigerian SEC has the authority to register and regulate futures, options and derivatives exchanges. In April 2014, the Nigerian SEC released its Rules on Securitisation, which will govern securitisation transactions in Nigeria.

In June 2014, the NSE completed a study assessing market readiness, infrastructure requirements and sequencing for the launch of risk management products in the Nigerian capital market. The NSE has moved the proposed launch of derivatives trading to 2017 after the establishment of a central counter-party clearing house. The NSE intends to first launch the trading of equity futures.

In June 2016, the FMDQ launched a derivatives exchange with the OTC Foreign Exchange Futures. Banks and other counterparties also carry out derivative transactions in an over-the-counter market.

PUBLIC DEBT

Overview

Public debt consists of external and domestic debt owed by the Federal Government and external debt on-lent by the Federal Government to States and the Federal Capital Territory. Public debt management is considered by the Government to be of strategic importance to Nigeria, in light of the fact that Nigeria's debt became unsustainable and a constraint on economic growth in the 1990s and early 2000s. In recognition of this, the Government established the Debt Management Office to serve as a central body for managing public debt. According to the Debt Management Office, as of 31 December 2016, Nigeria's external debt consisted of U.S.$11.4 billion owed by the Federal Government, which includes the sum of U.S.$3.6 billion on-lent by the Federal Government to State Governments and the Federal Capital Territory. Further, the Government had ₦11.06 trillion (approximately U.S.$36.3 billion using the 31 December 2016 exchange rate of ₦305 to U.S.$1) in domestic debt outstanding as of 31 December 2016.

After Nigeria reduced its external debt from U.S.$20.5 billion as of 31 December 2005 to U.S.$4.6 billion as of 31 December 2010, external debt increased to U.S.$11.4 billion as of 31 December 2016. External debt also decreased as a portion of total public debt from 63.4 per cent. as of 31 December 2005 to 23.9 per cent. as of 31 December 2016. During the same period, with the intention of developing and deepening the domestic debt market, Nigeria increased its domestic debt from U.S.$11.8 billion as of 31 December 2005 to U.S.$47.7 billion as of 31 December 2016.

As of 30 June 2017, Nigeria's total public debt (i.e., external and domestic debt owed directly by the Federal Government and external debt on-lent by the Federal Government to the States and Federal Capital Territory) was U.S.$54.4 billion. External debt and domestic debt stood at U.S.$15.0 billion and U.S.$39.3 billion, respectively.

In recent years, the Government has focused on developing a robust domestic debt market, with domestic debt accounting for over 80 per cent. of total debt over the past four years. Going forward, however, in order to achieve its objective of ensuring that 40 per cent. of its debt is external and reduce service costs, the Government is now seeking to expand its external borrowing to approximately 40 per cent. of the Government's debt portfolio, while reducing domestic borrowing. The Government also intends to continue to increase foreign exchange reserves and support the private sector by reducing the "crowding out" effect of Government domestic borrowing on the private sector. In line with this objective, the Government has announced its intention to refinance approximately U.S.$3 billion of treasury bills through external borrowing in the near term.

Debt Management Office

The Debt Management Office was established in October 2000 to, *inter alia*, prepare and implement a plan for the efficient management of Nigeria's external and domestic debt obligations at sustainable levels in line with the country's desire for economic growth and development. Prior to the establishment of the Debt Management Office, public debt management functions were diffused across a myriad of MDAs and were conducted in an uncoordinated manner. After the implementation of the 2008-2012 National Debt Management Framework, the Debt Management Office set out another five-year medium-term debt strategy in the form of the National Debt Management Frameworks, 2013-2017. The 2013-2017 National Debt Management Frameworks, like the 2008-2012 National Debt Management Framework, addressed three principal areas, namely external debt, domestic debt and sub-national debt.

Following the implementation and review of the National Debt Management Framework, 2008-2012, the Debt Management Office, together with the Federal Ministry of Finance, the Central Bank, Budget Office of the Federation, the NBS and the National Planning Commission, developed the Medium-Term Debt Management Strategy 2012-2015. Policy objectives of the Medium-Term Debt Management Strategy included reducing the rate of growth of public debt (and in particular, domestic debt), reducing the amount spent on debt service, achieving a 60:40 ratio of domestic and external debt, stabilising the domestic debt market to attract foreign investment inflows, achieving a 75:25 domestic debt ratio of long-term (including medium-term) and short-term domestic debt and making direct budgetary provisions through a sinking fund for the repayment of part of maturing Federal Government of Nigeria Note obligations, instead of refinancing them.

In line with international best practices the Debt Management Office, together with the Central Bank, Ministry of Budget and National Planning, Federal Ministry of Finance, the NBS and the Office of the Accountant-General of the Federation, also developed the Medium-Term Debt Management Strategy 2016-2019, which focus on rebalancing the public debt portfolio by concentrating on substituting expensive domestic borrowing with relatively cheaper external borrowing in order to achieve the optimal 60:40 ratio of domestic and external debt. The strategy was approved by the Federal Executive Council in June 2016 and it is aimed at reducing the cost of public debt service, as well as creating space for private sectors borrowing in the domestic debt market in the medium term. In addition, following the implementation of the Debt Management Office's First Strategic Plan, 2002-2006, and Second Strategic Plan, 2008-2012, the Debt Management Office launched the Third Strategic Plan, 2013-2017. The broad objective of the Third Strategic Plan is to ensure efficient public debt management in terms of a comprehensive, well diversified and sustainable portfolio, supportive of the Government and private sector needs. Some of the practical strategic objectives of the plan include developing capacity and strengthening sound debt management at the sub-national level, developing innovative approaches for accessing domestic and external finance, deepening and broadening the Federal Government of Nigeria securities market in order to sustain the development of other segments of the bond market and supporting the Government's financing needs, developing and implementing an effective system for contracting, recording and monitoring contingent liabilities, as well as, a process for managing the associated risks and continuously enhancing the skills and maintaining a well-motivated professional workforce, as well as, deploying state-of-the-art technology.

The operations of the Debt Management Office are governed by the Debt Management Office (Establishment etc.) Act No. 18 of 2003, which provides for a Supervisory Board chaired by the Vice-President of Nigeria and the Minister of Finance as the Vice Chairman.

Since its establishment in 2000, the Debt Management Office has initiated and adopted a number of measures to promote prudent debt management at the federal and state levels while at the same time promoting the development of the domestic debt securities market. Some of these measures include:

- the restoration of the domestic bond market through its Bond Issuance Programme and Monthly Bond Auction. Tenors of domestic bonds are three, five, seven, ten and 20 years;
- the introduction of a primary dealer market maker system to promote an active secondary market for Federal Government of Nigeria Notes, thereby creating a sovereign yield curve to serve as a benchmark for other domestic borrowers. The sovereign yield curve, which was initially limited to short tenors, was extended to 20 years through the issuance of the first 20-year Federal Government of Nigeria bonds in November 2008;
- the extension of debt management practices to the sub-national level through capacity building (training and secondments for State Government officials) and actively encouraging the enactment of relevant legislation on fiscal and debt management such as the Fiscal Responsibility Act;
- the publication of various guidelines, notably the Sub-National Borrowing Guidelines and the External Borrowing Guidelines; and
- the conduct of an annual debt sustainability analysis using the World Bank-IMF Debt Sustainability Analysis (DSA) Template, to ascertain the sustainability of debt portfolio in the medium to long-term, while mobilising critical financing for developmental purposes.

All public borrowing for the Federal Government is conducted by the Debt Management Office under the supervision of the Federal Minister of Finance. While State Governments can borrow domestic debt independently in the domestic capital markets (after the review of the Debt Management Office to ascertain sustainability), only the Federal Government is allowed to borrow externally, either for itself or to on-lend the money borrowed to the relevant State or the Federal Capital Territory. The on-lent loans to the 36 States and Federal Capital Territory consist of approximately 31.4 per cent. (U.S.$3,369.9 million of the U.S.$10,718.4 million) and 31.3 per cent. (U.S.$3,567.6 million of the U.S.$11,406.3 million) of the External debt outstanding as at 31 December 2015 and 31 December 2016, respectively. It is mandatory for beneficiary States to enter into a Subsidiary Agreement with the Federal Government in the execution of an on-lent loan and the beneficiary States are responsible for the servicing of such loans through deductions from their monthly allocations from the Federation Account. Any money borrowed by the Federal Government for itself from domestic and external sources and for on-lending to a State Government must be approved by the National Assembly. The Debt Management Office maintains a database of all loans taken or guaranteed by the Federal or State Governments.

The Federal Government domestic debt stood at U.S.$36,256.4 million (₦11.1 trillion) as at 31 December 2016, excluding the ₦680.4 billion Federal Government Bonds issued to restructure States' domestic commercial debts. The Federal Government domestic debt consists of Federal Government Bonds (68.4 per cent.), Nigerian Treasury Bills (29.6 per cent.) and Treasury Bonds (2.0 per cent). As at 30 June 2017, Federal Government domestic debt stood at U.S.$54,384.9 million (₦16.6 trillion), consisting of Federal Government Bonds (67.6%), Nigerian Treasury Bills (30.8 per cent.), Nigerian Treasury Bonds (1.6 per cent) and Federal Government Savings Bonds (0.04 per cent.)

Public Debt

Nigeria's total public debt (i.e., external and domestic debt owed directly by the Federal Government and external debt on-lent by the Federal Government to the States and Federal Capital Territory) outstanding was U.S.$47.7 billion as of 31 December 2016, compared to U.S.$55.6 billion as of 31 December 2015, U.S.$56.8 billion as of 31 December 2014, U.S.$54.5 billion as of 31 December 2013 and U.S.$48.5 billion as of 31 December 2012. On 16 February and 5 April 2017, the Federal Government issued in aggregate U.S.$1,500,000,000 7.875 per cent. notes due 2032, while on 20 June 2017, the Federal Government issued U.S.$300,000,000 5.625 per cent. "diaspora bonds" due 2022. Total public debt outstanding as of 30 June 2017 was U.S.$54.4 billion. In September 2017, the Federal Government issued a ₦100,000,000,000 16.47% Ijarah Sukuk due 2024 for the funding of 25 key economic roads in the six geopolitical zones of the country.

Nigeria's public debt profile since 2005 has been marked by a shift from predominantly external debt to predominantly domestic debt. This shift resulted from the discharge of London Club and Paris Club debts and also reflects a significant increase in the issuance of Federal Government of Nigeria Notes in the domestic bond market. See-"*Debt Record*". Nearly all of the outstanding public debt is at a fixed interest rate.

The table below sets forth certain information regarding Nigeria's total public debt (i.e., external and domestic debt owed directly by the Federal Government and external debt on-lent by the Federal Government to the States and Federal Capital Territory) as of the dates indicated:

	As of 31 December					As of 30 June
	2012	**2013**	**2014**	**2015**	**2016**	**2017**
			(U.S.$ millions)[1]			
Type						
External Debt	6,527.1	8,821.9	9,711.5	10,718.4	11,406.3	15,047.0
Domestic Debt	41,969.2	45,722.4	47,047.8	44,857.9	36,256.4	39,337.9
Total	**48,496.2**	**54,544.3**	**56,759.2**	**55,576.3**	**47,662.7**	**54,384.9**

(1) Conversion from Naira to U.S. dollar made using Official Rate/CBN official interbank exchange rate (as applicable) as of period end.

Source: Debt Management Office

The table below sets forth certain information regarding the original maturity at the time of issuance of Nigeria's public debt as of the dates indicated:

		As of 31 December					As of 30 June
		2012	**2013**	**2014**	**2015**	**2016**	**2017**
				(U.S.$ millions) [1]			
Type							
External Debt	Long-term	6,527.1	8,821.9	9,711.5	10,718.4	11,406.3	15,047.0
	Sub-Total	**6,527.1**	**8,821.9**	**9,711.5**	**10,718.4**	**11,406.3**	**15,047.0**
Domestic Debt	Short-term	13,268.6	16,580.3	20,092.4	14,075.5	10,745.2	12,104.7
	Long-term	28,340.6	29,142.1	26,955.4	30,782.38	25,511.2	27,233.1
	Sub-Total	**41,969.2**	**45,722.4**	**47,047.8**	**44,857.9**	**36,256.4**	**39,337.9**
Total		**48,496.2**	**54,544.3**	**56,759.2**	**55,576.3**	**47,662.7**	**54,384.9**

(1) Conversion from Naira to U.S. dollar made using Official Rate/CBN official interbank exchange rate (as applicable) as of period end.

Source: Debt Management Office

The table below sets forth certain information regarding Nigeria's total public debt service payments for the periods indicated:

	As of 31 December					As of 30 June
	2012	2013	2014	2015	2016	2017
			(*U.S.$ millions*) [(1)]			
Type						
External Debt	293.0	297.3	346.7	331.1	353.1	186.2
Domestic Debt	4,625.7	5,223.4	5,153.6	5,168.2	4,028.7	2,319.2
Total	**4,918.7**	**5,520.7**	**5,500.4**	**5,499.3**	**4,381.8**	**2,505.4**

(1) Conversion from Naira to U.S. dollar made using Official Rate/CBN official interbank exchange rate (as applicable) as of period end.

Source: Debt Management Office

External Public Debt

The external debt management strategy includes substitution of domestic debt with less expensive, long-term, external funding. This strategy was adopted in 2012 and has resulted in an increase in external debt in recent years because, prior to 2012, the external debt management strategy was to borrow only from concessional sources. According to OECD, concessional loans are extended on terms substantially more generous than market loans, achieved either through interest rates below those available on the market or by grace periods, or a combination of these. Concessional loans typically have long grace periods. The objective of this strategy is to achieve a 40:60 external to domestic debt ratio. As of 31 December 2016, the composition of the public debt portfolio stood at 80:20, compared 81:19 as at 31 December 2015 and 83:17 as at 31 December 2014 for domestic and external debt, respectively. As of 30 June 2017, the composition of the public debt portfolio stood at 72:28 for domestic and external debt, respectively. Given the low share of external debt, the lower cost of external borrowing and the continued interest in diversifying the Government's sources of funding, the Government intends to continue to pursue a strategy of substituting domestic debt with less expensive long-term external funding, notwithstanding the recent drop in external reserves.

The Federal Government has borrowed from the Export-Import Bank of China and from the French Development Agency to fund certain infrastructure projects. As of 30 June 2017, the amount outstanding to the Export-Import Bank of China was U.S.$1,769.0 million and to the French Development Agency, U.S.$218.3 million, totalling approximately 13.2 per cent. of Nigeria's total external debt. See "*The Federal Republic of Nigeria — Foreign Relations — China Relations*".

According to the African Development Bank, as of January 2017, the African Development Bank had 11 ongoing projects in Nigeria, 11 approved projects and eight pipeline projects in Nigeria.

External Borrowing 2016 - 2017

Nigeria secured approval for the disbursement of the first tranche of U.S.$600 million of the U.S.$1.0 billion loan negotiated with the African Development Bank to fund part of the deficit in the 2016 budget (the remaining U.S.$400 million is expected to be disbursed in 2017). On 16 February and 5 April 2017, the Federal Government issued in aggregate U.S.$1,500,000,000 7.875 per cent. notes due 2032, while on 20 June 2017, the Federal Government issued U.S.$300,000,000 5.625 per cent. "diaspora bonds" due 2022.

The Federal Government plans to borrow U.S.$700 million from the World Bank to fund part of the estimated ₦1.1 trillion of external borrowing proposed in the 2017 budget, which calls for ₦2.3 trillion in total new borrowings (domestic and external). The balance of the proposed new borrowing (₦1.3 trillion) is expected to be from domestic sources. The Government may also seek financing from the international capital markets in 2017.

The table below sets forth certain information regarding Nigeria's outstanding external debt by source, as of the dates indicated:

	As of 31 December					As of 30 June
	2012	**2013**	**2014**	**2015**	**2016**	**2017**
			(*U.S.$ millions*)[1]			
Official:						
Bilateral[2]	703.0	1,025.7	1,412.1	1,658.0	1,918.1	2,073.0
Multilateral[3]	5,267.4	6,275.0	6,799.4	7,560.4	7,988.2	9,674.0
Sub-Total	**5,970.5**	**7,300.9**	**8,211.4**	**9,218.4**	**9,906.3**	**11,747.0**
Commercial:						
Eurobond	500.0	1,500.0	1,500.0	1,500.0	1,500.0	3,000.0
Diaspora Bond	-	-	-	-	-	300.0
Other Commercial[4]	56.6	21.0	-	-	-	-
Sub-Total	**556.6**	**1,521.0**	**1,500.0**	**1,500.0**	**1,500.0**	**3,300.0**
Grand Total	**6,527.1**	**8,821.9**	**9,711.5**	**10,718.4**	**11,406.3**	**15,047.0**

(1) Conversion from Naira to U.S. dollar made using Official Rate/CBN official interbank exchange rate (as applicable) as of period end.
(2) Bilateral Debt comprises debt from the non-Paris Club group of creditors, which are provided on semi-concessional terms.
(3) Multilateral loans comprise both concessional and semi-concessional loans. Concessional lenders include the International Development Association, International Fund for Agricultural Development, African Development Fund, the European Development Fund and the Islamic Development Bank. Semi-concessional lenders include the World Bank and the African Development Bank.
(4) Comprises loans from private sector lenders.

Source: Debt Management Office

As of both 31 December 2016 and 30 June 2017, debts originating from multilateral institutions constituted the bulk of total outstanding external debt. The table below sets forth information regarding Nigeria's external debt outstanding as of 31 December 2016 and 30 June 2017 pursuant to the funding arrangements in place as of such date:

	Amount Outstanding			
	as of 31 December 2016		as of 30 June 2017	
Funding Sources	*(U.S.$ millions)*[(1)]	**as a % of Total Debt**	*(U.S.$ millions)*[(1)]	**as a % of Total Debt**
Multilateral				
International Development Association	6,669.6	58.5	7,596.1	50.5
International Fund for Agricultural Development	107.4	0.9	121.2	0.8
European Development Fund	65.7	0.6	68.6	0.5
African Development Fund	715.3	6.3	738.4	4.9
IBRD	3.9	0.0	124.2	0.8
Islamic Development Bank	17.3	0.2	17.3	0.1
Arab Bank for Economic Development in Africa	5.7	0.1	5.8	0.0
African Development Bank	403.3	3.5	1,002.3	6.7
Sub-Total	**7,988.2**	**70.0**	**9,674.0**	**64.3**
Bilateral				
Export-Import Bank of China	1,638.1	14.4	1,769.0	11.8
JICA[(3)]	70.7	0.6	73.8	0.5
KfW[(4)]	11.1	0.1	12.0	0.1
AFD[(5)]	198.3	1.7	218.3	1.5
Sub-total	**1,918.1**	**16.8**	**2,073.0**	**13.8**
Commercial				
Eurobonds	1,500.0	13.2	3,000.0	19.9
Diaspora Bond	-	-	300.0	2.0
Sub-total	**1,500.0**	**13.2**	**3,300.0**	21.9
Grand Total	**11,406.3**	**100.0**	**15,047.0**	**100.0**

Source: Debt Management Office

(1) Conversion from Naira to U.S. dollar made using CBN official interbank exchange rate as of 31 December 2016.
(2) Conversion from Naira to U.S. dollar made using CBN official interbank exchange rate as of 30 June 2017.
(3) JICA is the abbreviation for Japan International Cooperation Agency, which is the Japan international development agency.
(4) KfW is the abbreviation for the German international development agency.
(5) AFD is the abbreviation for the French international development agency

The table below sets forth information regarding the currency composition of Nigeria's external debt as of 31 December 2016:

Currency	**Debt in Original Currency**	**Naira Exchange Rate**	**Debt in Naira**	**Debt in U.S.$**	**% of Total**
Swiss Franc	5,862,594.5	299.64	1,756,667,801.0	5,759,566.6	0.1
Euro ("**EUR**" or "€")	536,992,598.0	322.11	172,970,685,741.8	567,117,002.4	5.0
British Pound ("**GPB**")	21,552,365.3	375.18	7,973,462,411.4	26,142,499.7	0.2
Islamic Development Bank[(2)]	12,888,892.0	408.70	5,267,690,160.4	17,271,115.3	0.2
Japanese Yen ("**JPY**") (000)	8,265,322.0	2,607.50	21,551,826,786.0	70,661,727.2	0.6
U.S.$	3,871,393,402.9	305.00	1,180,774,987,878.4	3,871,393,402.9	34.0
SDR[(1)]	5,110,107,026.0	408.70	2,088,500,741,526.2	6,847,543,414.8	60.0
Naira	118,303,552.0	1.00	118,303,552.0	387,880.50	0.0
Total			**3,478,914,361,998.7**	**11,406,276,596.7**	**100.0**

(1) SDR is a virtual currency created by the IMF, disbursements and repayments can be made in GBP, EUR, JPY and U.S.$.
(2) Amounts shown in Islamic Dinar.
Source: Debt Management Office

The table below sets forth information regarding the maturity profile of Nigeria's external debt as of 31 December 2016, including amounts (i) outstanding and (ii) to which Nigeria was contractually entitled, but that had yet to be drawn down, in each case pursuant to funding arrangements in place as of such date:

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026–2064
					(*U.S.$ millions*)[1]					
Source										
Multilateral										
International Development Association	89.3	95.1	144.1	195.7	227.1	253.3	286.7	293.9	300.5	7,565.9
International Fund for Agricultural Development	3.5	3.3	3.3	4.4	5.8	5.8	5.8	6.9	7.9	176.7
European Development Fund	4.9	4.6	4.7	4.7	4.8	4.8	4.8	4.9	5.0	22.9
African Development Fund	14.5	15.2	17.0	19.9	25.2	31.0	33.9	34.2	33.5	869.9
IBRD	0.0	0.0	0.0	10.4	21.6	22.7	23.8	25.0	26.3	370.2
Islamic Development Bank	1.2	1.2	1.2	1.9	2.6	2.6	2.6	2.6	2.6	25.0
Arab Bank for Economic Development in Africa	0.4	0.4	0.4	0.4	0.4	0.8	0.4	0.4	0.4	4.2
African Development Bank	0.0	13.3	23.3	66.7	86.7	106.7	106.7	106.7	106.7	1,033.3
Sub-total	113.8	133.1	193.9	304.0	374.2	427.6	464.7	474.5	482.8	10,068.2
Bilateral	30.6	83.0	96.4	173.7	262.6	311.3	325.6	340.3	340.3	2,480.2
Sub-total	30.6	83.0	96.4	173.7	262.6	311.3	325.6	340.3	340.3	2,480.2
Commercial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Eurobond	0.0	500.0	0.0	0.0	500.0	0.0	500.0	0.0	0.0	0.0
Sub-Total	0.0	500.0	0.0	0.0	500.0	0.0	500.0	0.0	0.0	0.0
Grand Total	144.4	716.1	290.3	477.7	1,136.8	739.0	1,290.3	814.8	823.1	12,178.2

(1) Conversion from Naira to U.S. dollar made using CBN official interbank exchange rate as of 31 December 2016.
Source: Debt Management Office

In line with Nigeria's external debt management strategy as stated above, the table below sets out information regarding the use of external debt proceeds by economic sector as of 30 June 2017:

Economic Sector	**Amount Outstanding (*U.S.$ millions*)**	**% of Total**
Agriculture	1,357.2	9.0
Air Transport	347.6	2.3
Budget and Support	872.0	5.8
Computer Technology	479.5	3.2
Education and Training	671.2	4.5
Energy Electricity	816.3	5.4
Environment	326.1	2.2
Finance, Insurance, etc.	174.8	1.2
Ground Transport	445.6	2.9
Health and Social Welfare	1,557.0	10.4
Housing and Urban Development	236.5	1.6
Investment	77.7	0.5
Irrigation & Related Act	34.0	0.2
Multi-sector/Others[1]	4,857.5	32.3
Policy Support (Monetary)	111.5	0.7
Rail Transport	846.2	5.6
Road Transport	703.7	4.7
Rural Development	309.0	2.1
Scientific and Tech Equipment	35.1	0.2
Solid Mineral Development	2.6	0.02
Water Supply	785.9	5.2
Total	**15,047.00**	**100.0**

Source: Debt Management Office
(1) The Multi-Sector/Others category represents debt that is used or implemented on projects and programs that involve more than one area of the economy

External debt service payments totalled U.S.$353.1 million for the year ended 31 December 2016, compared to U.S.$331.1 million for 2015 and U.S.$346.7 million for 2014. External debt service payments totalled U.S.$186.2 for the six months ended 30 June 2017.

As of 31 December 2016, total external debt service payments constituted 0.10 per cent. of GDP and 3.1 per cent. of total external debt outstanding. Outstanding Nigerian Oil Warrants were issued with the "Par Bonds" (as described below) in 1992 to mature in 2020, with semi-annual interest payments subject to reference oil prices exceeding U.S.$28 per barrel for six consecutive months, but capped at U.S.$15. Total debt service obligations in respect of outstanding Nigerian Oil Warrants amount to U.S.$41.72 million per annum. Par Bonds were mainly arrears of commercial bank term loans, plus some arrears of letters of credit, bill for collection, etc. accumulated during the 1980s, which was redeemed during the London club debt exit in 2006.

The table below sets forth information regarding external debt service payments for the periods indicated:

	For the year ended 31 December					For the six months ended
Source	**2012**	**2013**	**2014**	**2015**	**2016**	**30 June**
			(U.S.$ millions)			
Official:						
Bilateral	45.3	41.1	48.9	59.4	63.4	34.0
Multilateral	126.9	142.9	152.7	138.7	165.3	85.6
Sub-Total	**172.2**	**184.0**	**201.6**	**198.1**	**228.7**	**119.7**
Private:						
London Club (oil warrants)(1)	41.7	41.7	41.7	41.7	20.9	20.9
Other Commercial(2)	45.3	37.9	12.1	0.0	91.3	0.0
Eurobond	33.8	33.8	91.3	91.3	12.3	45.6
Sub-Total	**120.8**	**113.3**	**145.1**	**133.0**	**124.4**	**66.5**
Total	**293.0**	**297.3**	**346.7**	**331.1**	**353.1**	**186.2**

(1) Payments to London Club creditors were in respect of oil warrants only, as Nigeria has had no other London Club debt since 2007. Outstanding oil warrants issued to London Club creditors are scheduled to mature in 2020.
(2) Comprises loans from private sector lenders.
Source: Debt Management Office

In 2016, debt service payments on multilateral debt were U.S.$165.3 million, compared to U.S.$138.7 million in 2015. In 2016, multilateral loans were U.S.$7.6 billion, compared to U.S.$7.6 billion in 2015, with International Development Association loans representing 88.0 per cent. of total multilateral loans in 2016.

For the six months ended 30 June 2017, debt services payments on multilateral debt were U.S.$85.6 million.

Debt Record

As of 31 December 2004, Nigeria's external debt totalled approximately U.S.$35.9 billion, of which nearly U.S.$30.4 billion was due to government creditors whose representatives convene in the Paris Club. Original loans from the Paris Club totalled approximately U.S.$8 billion in 1985, increasing to U.S.$16.7 billion in 1990. The high debt servicing costs on the Paris Club debt placed a significant strain on Government resources, resulting in approximately U.S.$6.4 billion in arrears by 2005. In October 2005, Nigeria negotiated an exit from its Paris Club debt through the cancellation of U.S.$18 billion in debt by the Paris Club governments and the repayment of U.S.$12.4 billion by Nigeria in three tranches. In April 2006, the outstanding balance of Paris Club debt under this relief arrangement was repaid.

The London Club is an informal group of private creditors, similar to the Paris Club of public lenders. Approximately U.S.$1.5 billion was paid to buyback London Club debts (U.S.$1.4 billion in 1992 and U.S.$139.1 million in 2002), while a further U.S.$1.5 billion was paid to redeem par bonds between November and December 2006. An additional 1 per cent. commission (U.S.$14.9 million) was paid to the Central Bank. Of the U.S.$1.5 billion of par bonds that were repaid, the London Club refunded U.S.$747.8 million, being proceeds on collateral, bringing the total net exit payment for the par bonds to U.S.$845.9 million.

Relationship with External Creditors

Following the exit from the Paris Club debt in April 2006, Nigeria has made it a priority to manage its debt in a sustainable manner and, since that time, Nigeria has consistently and promptly met its debt service obligations as and when due. Nigeria believes that it has a strong relationship with all of its external creditors. In addition to its membership with the World Bank and the IMF, Nigeria is a shareholder of the African

Development Bank. Nigeria hosts routine visits by most of its external creditors and some creditors, such as the World Bank, the IMF and the IFC, provide support in the form of technical assistance.

Domestic Debt

Nigeria's strategy with respect to its domestic debt portfolio is to lengthen its maturity structure, to broaden and deepen the domestic bond market through the introduction of a variety of government securities, to use technology to aid the effective and efficient issuance and trading of domestic bonds and to improve the regulatory framework for effective operation of the bond market. In March 2017, the Government commenced the monthly issuance of Federal Government Savings Bonds, while in September 2017, the Federal Government issued a ₦100,000,000,000 16.47% Ijarah Sukuk due 2024 for the funding of 25 key economic roads in the six geopolitical zones of the country.

Composition

Domestic debt consists primarily of:

- Short-term: treasury bills, typically with a tenor of one year or less: 91, 182 and 364 day treasury bills; and
- Federal Government of Nigeria Notes, which are currently issued in tenors of three, five, seven, ten and 20 years, and treasury bonds, which are legacy debt instruments with tenor range of between 13 years and 23 years (new securities under this category are no longer issued).

Medium-term debt is defined as debt having a remaining maturity greater than one year and less than or equal to three years. Long-term debt is defined as debt having a remaining maturity greater than three years.

The table below sets out information regarding the composition of Nigeria's domestic debt by instrument, as of the dates indicated:

	As at 31 December					As at 30 June
Instruments	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
			(₦ billions)			
Federal Government of Nigeria	4,080.1	4,222.0	4,792.3	5,808.1	7,564.9	8,139.6
Nigeria Treasury Bills	2,122.9	2,581.6	2,815.5	2,772.9	3,277.3	3,702.8
Treasury Notes	334.6	315.4	296.2	256.0	215.9	191.0
Total	**6,537.5**	**7,119.0**	**7,904.0**	**8,837.0**	**11,058.1**	**12,033.5**

Source: Debt Management Office

The table below sets forth information regarding the domestic debt outstanding by residual maturity:

	For the year ended 31 December					For the six months ended 30 June
Year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
			(₦ billions)			
Short Term	3,044.8	3,100.7	3,350.5	3,379.3	3,902.4	4,348.4
Medium- and Long-Term	3,492.8	4,018.3	4,553.5	5,457.8	7,155.8	7,685.1
Total	**6,537.5**	**7,119.0**	**7,904.0**	**8,837.0**	**11,058.2**	**12,033.5**

Source: Debt Management Office

The table below sets forth information regarding the composition of Nigeria's Federal Government of Nigeria Notes investors for the periods indicated:

	For the year ended 31 December					For the six months ended 30 June
	2012	2013	2014	2015	2016	2017
			(₦ billions)			
Description						
Total Allotment	**994.9**	**1,044.6**	**1,070.2**	**998.7**	**1,096.1**	**849.5**
Deposit Money Banks	32.1%	33.0%	24.3%	27.5%	22.6%	32.0%
Discount Houses	2.2%	1.5%	3.8%	0.6%	-	-
Pension Funds	23.9%	25.4%	33.5%	21.9%	22.4%	18.0%
Foreign Investors	10.5%	15.4%	4.4%	3.0%	1.6%	7.4%
Government Agencies	-	-	-	22.2%	21.1%	0.0%
Non-Bank Financial Institutions	16.4%	9.6%	20.9%	22.3%	30.0%	39.7%
Individuals	0.1%	0.1%	0.1%	0.3%	0.3%	0.7%
Insurance	-	-	-	1.9%	1.5%	2.1%
Other Institutional Investors	14.9%	15.0%	13.1%	0.3%	0.5%	0.03%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Debt Management Office

The Federal Government of Nigeria Note market has continued to grow substantially in recent years, from ₦3,541.2 billion in 2011 to ₦7,564.9 billion in 2016. Federal Government of Nigeria Notes are generally long dated, and the large increase in Federal Government of Nigeria Notes compared to other types of government securities relates to the Government's strategy to extend the maturity profile of its domestic debt to a 75:25 ratio of long-term (including medium-term) to short-term instruments. The ratio of long-term to short-term domestic debt using original maturity stood at 70:30 ratio as at 31 December 2016.

The table below sets forth information regarding the holding of Nigeria's domestic debt in the secondary market by type of investor, as of the dates indicated:

	2012	2013	2014	2015	2016
			(₦ billions)		
Holder Category					
Central Bank	398.3	468.9	180.2	877.3	1,688.2
Banks and Discount Houses	3,580.4	3,293.8	3,982.7	3,284.0	3,736.0
Non-Bank Public	2,398.5	3,197.7	3,564.3	4,513.5	5,493.5
Sinking Fund	160.3	158.6	176.8	162.2	140.5
Total	**6,537.5**	**7,119.0**	**7,904.0**	**8,837.0**	**11,058.2**

Source: Debt Management Office

The investment in the domestic debt market by the non-bank public investor category has grown by 229 per cent. from ₦2,398.5 million in 2012 to ₦5,493.5 million in 2016. This is due to investments from Pension Funds in Federal Government securities.

Maturity Profile

The table below sets forth information regarding the maturity profile of Nigeria's domestic debt as of the dates indicated.

Year ended 31 December	Short Term	Long Term	Total
		(₦ billions)	
2012	3,044.8	3,492.8	6,537.5
% in 2012	46.6	53.4	100.0
2013	3,100.7	4,018.3	7,119.0
% in 2013	43.6	56.4	100.0
2014	3,350.5	4,553.5	7,904.0
% in 2014	42.4	57.6	100.0
2015	3,379.3	5,457.8	8,837.0
% in 2015	38.2	61.8	100.0
2016	3,902.4	7,155.8	11,058.2
% in 2016	35.3	64.7	100.0

Source: Debt Management Office

Debt Service

The table below sets out information regarding Nigeria's domestic debt service payments for the periods indicated:

Year ended 31 December	Debt Service Payments
	(₦ billions)
2012	720.6
2013	794.1
2014	865.8
2015	1,018.1
2016	1,228.8
Six months ended 30 June 2017	709.5

Source: Debt Management Office

The increase in debt service payments year on year reflects the increase in issuance of domestic debt, as well as increased domestic cost of borrowing as a result of unfavourable macroeconomic conditions. For instance, the Central Bank Monetary Policy rate has been raised from 6.5 per cent. in 2011 to 14 per cent. in 2016.

Guarantees and Contingent Liabilities

As of 31 December 2016, the total value of the Federal Government's contingent liabilities, excluding the AMCON, was ₦1,445.5 billion. See "*Risk Factors—Risks related to Nigeria—Significant increases in levels of government debt could have a material adverse effect on Nigeria's economy and its ability to service its debt, including the Notes*".

Contingent Liabilities of the Government consist of explicit guarantees issued by the Government in favour of MDAs and verified pension arrears.

The table below sets out information regarding the composition of Nigeria's contingent liabilities by instrument, as of the dates indicated:

	As of 31 December				
	2012	2013	2014	2015	2016
			(₦ billions)		
Outstanding Contingent Liabilities					
Pension Liabilities*	1,322.4	1,271.1	1,231.0	1,156.5	1,132.2
Local Contractor's Debts**	233.9	233.9	233.9	233.9	159,3
Federal Mortgage Bank of Nigeria***	32	32	32	6.9	5.2
Guarantee of Agriculture Loans	174.7	-	-	-	-
FGN AMCON Guaranteed Notes ****	1,742.0	1,742.0	-	-	-
Nigerian Export-Import (NEXIM) Bank*****	-	-	39.4	39.4	61.0
FCDA-Katampe Infrastructure Project******	-	-	-	-	7.4
Nigeria Mortgage Refinance Company Plc				8.0	8.0
World Bank Partial-Risk Guarantee in support of Azura-Edo IPP*******	-	-	-	-	72.3
Lekki Port LFTZ Enterprise-Lekki Deep Sea Port			157.6	157.6	-
Total	**3,585.1**	**3,279.0**	**1,694.0**	**1,656.5**	**1,445.4**

* Data provided by National Pension Commission of Nigeria.
** The figure represents the face value of the bonds issued to Local Contractors.
*** FGN Guarantee of Federal Mortgage Bank of Nigeria Note to enable the Bank to raise funding from the capital market to refinance the sale of Federal Government non-essential houses under the monetisation programme of the Government.
**** The FGN Guarantee to AMCON in respect of the ₦1.7 trillion 3-year Zero-coupon AMCON Notes and Tradable. Note expired on 31 December 2013, following the redemption of AMCON Notes.

***** FGN Guarantee to NEXIM for the U.S.$200 million Master Line of Credit from African Development Bank (AfDB). Exchange rate: ₦168/U.S.$. U.S.$1.

******The Guarantee was issued on behalf of the Federal Capital Development Authority ("FCDA"), in favour of FBN Capital Limited and FBN Trustee Ltd, in respect of a bank facility granted to Deanshanger Projects Ltd for the provision of integrated civil infrastructure to Katampe District, Abuja. The outstanding amount confirmed by FCDA is ₦7.4 billion, excluding accrued interest.

*******World Bank Partial Risk Guarantees in the sum of U.S.$237 million (₦72,285,000,000.00 converted at N305/U.S$1), comprising a debt mobilization guarantee of U.S.$117 million and a liquidity guarantee of U.S.$120 million, in support of the 450-megawatt Azura-Edo Independent Power Project ("IPP"). The FGN entered into an indemnity agreement with the IBRD in 2015 to reimburse to the World Bank amounts paid by the World Bank in relation to or arising from the IBRD guarantee and to undertake other obligations to the World Bank set forth in the indemnity agreement

Source: Debt Management Office

The Government is currently in the process of finalising a framework designed to provide Government support to private sector self-funding infrastructure projects through the provision of back-stopped collateral guarantees or other structures.

In December 2016, the Government announced that it had identified an estimated ₦2 to ₦3 trillion in Government arrears toward third parties, including construction contractors, suppliers of goods and services and state governments, that had accumulated as budgeted expenditure liabilities under previous administrations (for services already rendered to the Government). Such claims are expected to be verified and negotiated as appropriate. In order to settle the arrears, the administration of President Buhari has indicated that it intends to reclassify them as public debt through the issuance of promissory notes in 2018. Such promissory notes are expected to be liquidated pursuant to sinking fund provisions to be made in the federal budget from 2018. Going forward, the promissory notes will be recorded as public domestic debt by the Federal Government, thereby increasing Nigeria's total debt stock significantly. The Federal Executive Council approved the settlement of discounted obligations with a total value of ₦2.7 trillion in August 2017. The obligations will be settled through the issuance of promissory notes, which will have liquid asset status, to the creditors over a 3-year period. The Notes are to be redeemed over 10 years from budgetary provisions. A request will be forwarded to the National Assembly to approve the settlement of the arrears and the issuance of the securities for their settlement.

BOOK-ENTRY CLEARANCE SYSTEMS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the "**Clearing Systems**") currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. Information in this section has been derived from the Clearing Systems.*

BOOK-ENTRY SYSTEMS

DTC

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a member of the Federal Reserve System, a "**banking organisation**" within the meaning of the New York Banking Law, a "**clearing corporation**" within the meaning of the New York Uniform Commercial Code and a "**clearing agency**" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is a wholly-owned subsidiary of The Depository Trust and Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**" and, together with Direct Participants, "**Participants**"). More information about DTC can be found at www.dtcc.com and www.dtc.org but such information is not incorporated by reference in and does not form part of this Base Prospectus.

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "**DTC Rules**"), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book-entry settlement system ("**DTC Notes**") as described below and receives and transmits distributions of principal and interest on DTC Notes. The DTC Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes ("**Owners**") have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the DTC Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note ("**Beneficial Owner**") is in turn to be recorded on the Direct Participant's and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorised representative of DTC. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to DTC Notes unless authorised by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to Cede & Co., or such other nominee as may be requested by an authorised representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the relevant agent (or such other nominee as may be requested by an authorised representative of DTC), on the relevant payment date in accordance with their respective holdings shown in DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct Participants and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which will be legended as set forth under "*Subscription and Sale and Transfer and Selling Restrictions*".

A Beneficial Owner shall give notice to elect to have its DTC Notes purchased or tendered, through its Participant, to the relevant agent, and shall effect delivery of such DTC Notes by causing the Direct Participant to transfer the Participant's interest in the DTC Notes, on DTC's records, to the relevant agent. The requirement for physical delivery of DTC Notes in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the DTC Notes are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered DTC Notes to the relevant agent's DTC account.

DTC may discontinue providing its services as depositary with respect to the DTC Notes at any time by giving reasonable notice to the Issuer or the relevant agent. Under such circumstances, in the event that a successor depositary is not obtained, DTC Note certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depositary). In that event, DTC Note certificates will be printed and delivered to DTC.

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective accountholders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an accountholder of either system.

BOOK-ENTRY OWNERSHIP OF AND PAYMENTS IN RESPECT OF DTC NOTES

The Issuer may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Note, the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the Issuer.

TRANSFERS OF NOTES REPRESENTED BY REGISTERED GLOBAL NOTES

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a Direct Participant or Indirect Participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "*Subscription and Sale and Transfer and Selling Restrictions*", cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant Clearing System in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian ("**Custodian**") with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their direct or indirect participants or accountholders of their obligations under the rules and procedures governing their operations nor will the Issuer, any Agent or any Dealer have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

Federal Republic of Nigeria

The following is a general description of certain Nigeria tax considerations relating to holders of the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in Nigeria or elsewhere nor is it intended to reflect the individual tax position of any beneficial owner of the Notes. Prospective investors should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of Nigeria. ***This summary is based upon the law as in effect on the date of this Base Prospectus****. The information contained within this section is limited to taxation issues, and prospective investors should not apply any information set out below to other areas, including (but not limited to) the legality of transactions involving the Notes.*

Tax on interest

By virtue of section 9 of the Companies Income Tax Act Cap C21 Laws of the Federation of Nigeria ("**LFN**") 2004 (as amended by the Companies Income Tax (Amendment Act), No. 11 2007 ("**CITA**"), the profits of companies (from whatever source) accruing in, derived from, brought into or received in, Nigeria in respect of, among other things, any business, trade, rents, dividends, interests, royalties or any amounts deemed to be income, are chargeable to tax. However, by virtue of the Companies Income Tax (Exemption of Bonds and Short Term Government of Nigeria Securities) Order 2011, interests on notes issued by the Federal Government are exempt from tax imposed under the CITA for an unlimited period from the commencement date of the Order, being 2 January 2012.

By virtue of section 3 of the Personal Income Tax Act Cap P8 LFN 2004 (as amended by the Personal Income Tax Amendment Act 2011) ("**PITA**") (which applies to individuals and unincorporated entities), tax is generally payable on the income of every taxable person in respect of dividends, interest or discount. However, by virtue of paragraph 31A of the Third Schedule to the PITA, income earned from notes issued by the Federal Government of Nigeria is exempt from taxes imposed under the PITA for an unlimited period.

Accordingly, interest payments by the Issuer to the Noteholders will not be subject to the withholding of tax under Nigerian law.

Furthermore, by virtue of the Value Added Tax (Exemption of Proceeds of the Disposal of Government and Corporate Securities) Order 2011, proceeds from the disposal of Short Term Federal Government of Nigeria securities and bonds such as the Notes are exempt from value added tax (VAT) ordinarily imposed by virtue of the Value Added Tax Act V1 LFN 2004 (as amended by the Value Added Tax Amendment Act 2007) for an unlimited period.

By virtue of the provisions of the Capital Gains Tax Act Cap C1 LFN 2004 ("**CGTA**"), capital gains tax at the rate of 10 per cent. is chargeable on any capital gains accruing to any legal person on the disposal of a chargeable asset. Section 30 of the CGTA however exempts capital gains realised from a disposal of Nigerian Government securities (including Federal, state and local government bonds) and stock from the imposition of capital gains tax. Accordingly, holders of the Notes will not be subject to capital gains tax or other similar taxes in Nigeria in connection with their disposal of the Notes.

In view of the foregoing, the holders of Notes issued under this Programme would be exempt from Companies Income Tax, Personal Income Tax, VAT and capital gains tax in Nigeria.

U.S. Federal Income Taxation

The following is a summary of certain material U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a U.S. Holder or non-U.S. Holder (each as defined below). This summary deals only with purchasers of Registered Notes that are U.S. Holders or non-U.S. Holders, acquire such Registered Notes at initial issuance at their issue price (as defined below), and will hold the Registered Notes as capital assets (generally, property held for investment).

The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors. In particular, this summary does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (including, without limitation: (i) financial institutions; (ii) insurance companies; (iii) dealers or traders in stocks, securities, or currencies or notional principal contracts; (iv) regulated investment companies; (v) real estate investment trusts; (vi) tax-exempt organisations; (vii) partnerships, pass-through entities, or persons that hold Notes through pass-through entities; (viii) investors that hold Notes as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for U.S. federal income tax purposes; (ix) U.S. Holders that have a functional currency other than the U.S. Dollar and (x) U.S. expatriates and former long-term residents of the United States) all of whom may be subject to tax rules that differ significantly from those summarised below. This summary does not address U.S. federal estate, gift or alternative minimum tax considerations, Medicare contribution tax on net investment income considerations, or non-U.S., state or local tax considerations.

As used herein, the term "**U.S. Holder**" means a beneficial owner of Registered Notes that is for U.S. federal income tax purposes, (i) a citizen or individual resident of the United States, (ii) a corporation, or other entity treated as a corporation, created or organised in or under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source, or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust, or that is otherwise treated as a United States person. A "**Non-U.S. Holder**" is a beneficial owner of Notes that is neither a U.S. Holder nor a partnership.

If a partnership (or any other entity treated as fiscally transparent for U.S. federal income tax purposes) holds Notes, the tax treatment of a partner in such partnership generally will depend upon the status of the partner and the activities of the partnership. Any such partner or partnership should consult their tax advisers as to the U.S. federal income tax consequences to them of the acquisition, ownership and disposition of Notes.

This summary is based on the tax laws of the United States including the Internal Revenue Code of 1986, as amended, (the "**IRC**"), its legislative history, existing and proposed regulations promulgated thereunder, published rulings and court decisions, all as currently in effect and all of which are subject to change at any time, possibly with retroactive effect.

INVESTORS SHOULD CONSULT THEIR TAX ADVISERS TO DETERMINE THE TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING AND DISPOSING OF REGISTERED NOTES, INCLUDING THE APPLICATION TO THEIR PARTICULAR SITUATION OF THE U.S. FEDERAL INCOME TAX CONSIDERATIONS DISCUSSED BELOW.

The Issuer generally intends to treat Notes issued under the Programme as debt, unless otherwise indicated in the applicable Final Terms.

Bearer Notes are not being offered to U.S. Holders. A U.S. Holder who owns a Bearer Note may be subject to limitations under United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the IRC.

This summary should be read in conjunction with any discussion of U.S. federal income tax consequences in the applicable Final Terms. To the extent there is any inconsistency in the discussion of U.S. tax consequences to holders between this Base Prospectus and the applicable Final Terms, holders should rely on the tax consequences described in the applicable Final Terms instead of this Base Prospectus.

U.S. Holders

Payment of Interest

General

Interest on a Note held by a U.S. Holder, including the payment of any additional amounts whether payable in U.S. dollars or a currency other than U.S. dollars ("**foreign currency**" interest on a "**Foreign Currency Note**"), other than interest on a "Discount Note" that is not "qualified stated interest" (each as defined below under "*Original Issue Discount — General*"), will be taxable to such U.S. Holder as ordinary income at the time it is received or accrued, in accordance with the U.S. Holder's method of accounting for tax purposes. Interest paid by the Issuer on the Notes and original issue discount ("**OID**"), if any, accrued with respect to the Notes (as described below under "*Original Issue Discount — General*") and payments of any additional amounts generally will constitute income from sources outside the United States subject to the rules regarding the foreign tax credit allowable to a U.S. Holder (and the limitations imposed thereon). Prospective purchasers should consult their tax advisers concerning the foreign tax credit implications of the payment of any foreign taxes with respect to the Notes (if applicable).

Original Issue Discount

General

The following is a summary of the principal U.S. federal income tax consequences to a U.S. Holder of the ownership of Notes issued with OID. The following summary does not discuss Notes that are characterised as contingent payment debt instruments for U.S. federal income tax purposes. In the event that the Issuer issues contingent debt instruments, the applicable Final Terms will describe the material U.S. federal income tax consequences thereof.

A Note, other than a Note with a term of one year or less (a "**Short-Term Note**"), will be treated as issued with OID (a "**Discount Note**") if the excess of the Note's "stated redemption price at maturity" (as defined below) over its issue price is at least a *de minimis* amount (0.25 per cent. of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity). An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an "**instalment obligation**") generally will be treated as a Discount Note if the excess of the Note's stated redemption price at maturity over its issue price is equal to or greater than 0.25 per cent. of the Note's stated redemption price at maturity multiplied by the weighted average maturity of the Note. A Note's weighted average maturity is the sum of the following amounts determined for each payment on a Note (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Note's stated redemption price at maturity. Generally, the "**issue price**" of a Note under the applicable Final Terms will be the first price at which a substantial amount of such Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers, or similar persons or organisations acting in the capacity of underwriters, placement agents, or wholesalers. The "**stated redemption price**" at maturity of a Note is the total of all payments provided by the Note that are not payments of "qualified stated interest". A "**qualified stated interest**" payment generally is any one of a series of stated interest payments on a Note that are unconditionally payable in cash or in property (other than in debt instruments of the Issuer) at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or a variable rate (in the circumstances described below under "— *Variable Interest Rate Notes*"), applied to the outstanding principal amount of the Note. Solely for the purposes of determining whether a Note has OID, the Issuer will be deemed to exercise any call option that has the effect of decreasing the yield on the Note, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Note. If a Note has *de minimis* OID, a U.S. Holder must include the *de minimis* amount in income as stated principal payments are made on the Note, unless the U.S. Holder makes the election described below under " — *Election to Treat All Interest as Original Issue Discount*". A U.S. Holder can determine the includible amount with respect to each such payment by multiplying the total amount of the Note's *de minimis* OID by a fraction equal to the amount of the principal payment made divided by the stated principal amount of the Note.

U.S. Holders of Discount Notes must include OID in income calculated on a constant yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Discount Notes. The amount of OID includible in income by a U.S. Holder of a Discount Note is the sum of the daily portions of OID with respect to the Discount Note for each day during the taxable year or the portion of the taxable year in which the U.S. Holder holds the Discount Note ("**accrued OID**"). The daily portion is determined by allocating to each day in any accrual period a *pro rata* portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Notes as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Note's adjusted issue price at the beginning of the accrual period and the Discount Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Note allocable to the accrual period. The "**adjusted issue**" price of a Discount Note at the beginning of any accrual period is the issue price of the Note increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Note that were not qualified stated interest payments.

Acquisition Premium

A U.S. Holder that purchases a Discount Note for an amount less than or equal to the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, but in excess of its adjusted issue price (any such excess being "**acquisition premium**") and that does not make the election described below under "*— Election to Treat All Interest as Original Issue Discount*", is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder's adjusted basis in the Note immediately after its purchase over the Note's adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, over the Note's adjusted issue price.

Election to Treat All Interest as Original Issue Discount

A U.S. Holder may elect to include in gross income all interest that accrues on a Note using the constant yield method described above under "*— General*", with certain modifications. For purposes of this election, interest includes stated interest, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium (described below under "*Original Issue Discount — Notes Purchased at a Premium*") or acquisition premium. If a U.S. Holder makes this election for the Note, then, when the constant yield method is applied, the issue price of the Note will equal the U.S. Holder's adjusted basis immediately after its acquisition of the Note, the issue date of the Note will be the date of acquisition, and no payments on the Note will be treated as payments of qualified stated interest. This election generally will apply only to the Note with respect to which it is made and may not be revoked without the consent of the Internal Revenue Service (the "**IRS**"). However, if the Note has amortisable bond premium, the U.S. Holder will be deemed to have made an election to apply amortisable bond premium against interest for all debt instruments with amortisable bond premium, other than debt instruments the interest on which is excludible from gross income, held as of the beginning of the taxable year to which the election applies or any taxable year thereafter. If the election to apply the constant yield method to all interest on a Note is made with respect to a Market Discount Note, the electing U.S. Holder will be treated as having made the election discussed below under "*— Market Discount*" to include market discount in income currently over the life of all debt instruments with market discount held or thereafter acquired by the U.S. Holder. U.S. Holders should consult their tax advisers concerning the propriety and consequences of this election.

Variable Interest Rate Notes

Notes that provide for interest at variable rates ("**Variable Interest Rate Notes**") generally will bear interest at a "qualified floating rate" and thus will be treated as "variable rate debt instruments" under U.S. Treasury regulations governing accrual of OID. A Variable Interest Rate Note will qualify as a "variable rate debt instrument" if (a) its issue price does not exceed the total non-contingent principal payments due under the Variable Interest Rate Note by more than a specified *de minimis* amount, (b) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate, and (c) it does not provide for any principal payments that are contingent (other than as described in (a) above).

A "**qualified floating rate**" is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Note is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Interest Rate Note (e.g., two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Interest Rate Note's issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (i.e., a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate unless the cap or floor is fixed throughout the term of the Note.

An "**objective rate**" is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (e.g., one or more qualified floating rates or the yield of actively traded personal property). A rate will not qualify as an objective rate if it is based on information that is within the control of the Issuer (or a related party) or that is unique to the circumstances of the Issuer (or a related party), such as dividends, profits or the value of the Issuer's stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the Issuer). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on a Variable Interest Rate Note will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Note's term. A "**qualified inverse floating rate**" is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Variable Interest Rate Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Note's issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a "current value" of that rate. A "**current value**" of a rate is the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

If a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a "variable rate debt instrument", then any stated interest on the Note which is unconditionally payable in cash or property (other than debt instruments of the Issuer) at least annually will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a "variable rate debt instrument" generally will not be treated as having been issued with OID unless the Variable Interest Rate Note is issued at a "true" discount (i.e., at a price below the Note's stated principal amount) in excess of a specified *de minimis* amount. OID on a Variable Interest Rate Note arising from a true discount is allocated to an accrual period using the constant yield method described above by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note.

In general, any other Variable Interest Rate Note that qualifies as a "variable rate debt instrument" will be converted into an "equivalent" fixed rate debt instrument for purposes of determining the amount and accrual of OID and the qualified stated interest on the Variable Interest Rate Note. Such a Variable Interest Rate Note must be converted into an "equivalent" fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Interest Rate Note with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Interest Rate Note's issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Interest Rate Note is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note. In the case of a Variable Interest Rate Note that qualifies as a "variable rate debt instrument" and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Interest Rate Note provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Interest Rate Note as of the Variable Interest Rate Note's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument in the manner described above.

Once the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the "equivalent" fixed rate debt instrument by applying the general OID rules to the "equivalent" fixed rate debt instrument and a U.S. Holder of the Variable Interest Rate Note will account for the OID and qualified stated interest as if the U.S. Holder held the "equivalent" fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the "equivalent" fixed rate debt instrument in the event that these amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Note during the accrual period.

If a Variable Interest Rate Note, such as a Note the payments on which are determined by reference to an index, does not qualify as a "variable rate debt instrument", then the Variable Interest Rate Note will be treated as a contingent payment debt instrument. The proper U.S. federal income tax treatment of Variable Interest Rate Notes that are treated as contingent payment debt may be more fully described in the applicable Final Terms.

Short-Term Notes

In general, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to accrue OID (calculated as set forth below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but should be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Notes on a straight line basis or, if the U.S. Holder so elects, under the constant yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realised on the sale or other disposition of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight line basis (or a constant yield basis if an election is made to accrue the OID under the constant yield method) through the date of sale or other disposition. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realised.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note's stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. Holder at the U.S. Holder's purchase price for the Short-Term Note. This election shall apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

Market Discount

A Note, other than a Short-Term Note, that is not acquired at its original issue generally will be treated as purchased at a market discount (a "**Market Discount Note**") if the Note's stated redemption price at maturity or, in the case of a Discount Note, the Note's revised issue price, exceeds the amount for which the U.S. Holder purchased the Note by at least 0.25 per cent. of the Note's stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Note's maturity (or, in the case of a Note that is an instalment obligation, the Note's weighted average maturity). If this excess is not sufficient to cause the Note to be a Market Discount Note, then the excess constitutes *de minimis* market discount. For this purpose, the revised issue price of a Note generally equals its issue price, increased by the amount of any OID that has accrued on the Note and decreased by the amount of any payments previously made on the Note that were not qualified stated interest payments.

Any gain recognised on the maturity or disposition of a Market Discount Note (including any payment on a Note that is not qualified stated interest) will be treated as ordinary income to the extent that the gain does not exceed the accrued market discount on the Note. Alternatively, a U.S. Holder of a Market Discount Note may elect to include market discount in income currently over the life of the Note. This election shall apply to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the IRS. A U.S. Holder of a Market Discount Note that does not elect to include market discount in income currently generally will be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Note that is in excess of the interest and OID on the Note includible in the U.S. Holder's income, to the extent that this excess interest expense does not exceed the portion of the market discount allocable to the days on which the Market Discount Note was held by the U.S. Holder.

Market discount will accrue on a straight line basis unless the U.S. Holder elects to accrue the market discount on a constant yield method. This election applies only to the Market Discount Note with respect to which it is made and is irrevocable.

Notes Purchased at a Premium

A U.S. Holder that purchases a Note for an amount in excess of its principal amount, or for a Discount Note, its stated redemption price at maturity, may elect to treat the excess as "amortisable bond premium", in which case the amount required to be included in the U.S. Holder's income each year with respect to interest on the Note will be reduced by the amount of amortisable bond premium allocable (based on the Note's yield to maturity) to that year. Any election to amortise bond premium shall apply to all bonds (other than bonds the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. See also "*Original Issue Discount — Election to Treat All Interest as Original Issue Discount*" above. A U.S. Holder that does not elect to take bond premium (other than acquisition premium) into account currently will recognise a capital loss when the Note matures.

Sale or Other Disposition of Notes

A U.S. Holder's tax basis in a Note generally will be its cost, increased by the amount of any OID or market discount included in the U.S. Holder's income with respect to the Note and the amount, if any, of income attributable to *de minimis* OID and *de minimis* market discount included in the U.S. Holder's income with respect to the Note, and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortisable bond premium applied to reduce interest on the Note.

A U.S. Holder generally will recognise gain or loss on the sale or other disposition of a Note equal to the difference between the amount realised on the sale or other disposition and the tax basis of the Note. Except to the extent described above under "*Original Issue Discount — Market Discount*" or "*Original*

Issue Discount — Short-Term Notes" or attributable to accrued but unpaid interest or changes in exchange rates (as discussed below), gain or loss recognised on the sale or other disposition of a Note will be capital gain or loss and generally will be treated as from U.S. sources for purposes of the U.S. foreign tax credit limitation. In the case of a U.S. Holder that is an individual, estate or trust, the maximum marginal federal income tax rate applicable to capital gains is currently lower than the maximum marginal rate applicable to ordinary income if the Notes are held for more than one year. The deductibility of capital losses is subject to significant limitations.

Foreign Currency Notes

Interest

If an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognised by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. An accrual basis U.S. Holder may determine the amount of income recognised with respect to a Foreign Currency Note in accordance with either of two methods.

Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year). Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale or other disposition of a Note) denominated in, or determined by reference to, a foreign currency, the U.S. Holder will recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference, if any, between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

OID

OID for each accrual period on a Discount Note that is denominated in, or determined by reference to, a foreign currency, will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above under "*Foreign Currency Notes — Interest*". Upon receipt of an amount attributable to OID (whether in connection with a payment of interest or the sale or other disposition of the Note), a U.S. Holder may recognise exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Market Discount

Market discount on a Note that is denominated in, or determined by reference to, a foreign currency, will be accrued in the foreign currency. If the U.S. Holder elects to include market discount in income currently, the accrued market discount will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. Holder's taxable year). Upon the receipt of an amount attributable to accrued market discount, the U.S. Holder may recognise U.S. source exchange gain or loss (which will be taxable as ordinary income or loss) determined in the same manner as for accrued interest or OID. A U.S. Holder that does not elect to include market discount in income currently will recognise, upon the disposition or maturity of the Note, the U.S. dollar value of the amount accrued, calculated at the spot rate on that date, and no part of this accrued market discount will be treated as exchange gain or loss.

Bond Premium

Bond premium (including acquisition premium) on a Note that is denominated in, or determined by reference to, a foreign currency, will be computed in units of the foreign currency, and any such bond premium that is taken into account currently will reduce interest income in units of the foreign currency.

On the date bond premium offsets interest income, a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the amount of offset multiplied by the difference between the spot rate in effect on that date, and the spot rate in effect on the date the Notes were acquired by the U.S. Holder. A U.S. Holder that does not elect to take bond premium (other than acquisition premium) into account will recognise a capital loss when the Note matures.

Sale or Other Disposition of Notes

A U.S. Holder's tax basis in a Foreign Currency Note will be determined by reference to the U.S. dollar cost of the Note. The U.S. dollar cost of a Note purchased with foreign currency generally will be the U.S. dollar value of the purchase price on the date of purchase or, in the case of Notes traded on an established securities market, as defined in the applicable U.S. Treasury regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase.

A U.S. Holder generally will recognise gain or loss on the sale or other disposition of a Note equal to the difference between the amount realised on the sale or other disposition and its tax basis in the Note. The amount realised on a sale or other disposition for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or other disposition or, in the case of Notes traded on an established securities market, as defined in the applicable Treasury regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

A U.S. Holder will recognise U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the sale or other disposition of a Note equal to the difference, if any, between the U.S. dollar values of the U.S. Holder's purchase price for the Note (or, if less, the principal amount of the Note) (i) on the date of sale or other disposition, or, in the case of Notes traded on an established securities market, as defined in the applicable U.S. Treasury regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale and (ii) the date on which the U.S. Holder acquired the Note. Any such exchange rate gain or loss (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest) will be realised only to the extent of total gain or loss realised on the sale or retirement.

Disposition of Foreign Currency

Foreign currency received as interest on a Note or on the sale or other disposition of a Note will have a tax basis equal to its U.S. dollar value at the time the interest is received or at the time of the sale or other disposition. Foreign currency that is purchased generally will have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

Disclosure Requirements

U.S. Treasury regulations meant to require the reporting of certain tax shelter transactions ("**Reportable Transactions**") could be interpreted to cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the U.S. Treasury regulations, certain transactions with respect to the Notes may be characterised as Reportable Transactions including, in certain circumstances, a sale, exchange, retirement or other taxable disposition of a foreign currency Note. Persons considering the purchase of such Notes should consult with their tax advisers to determine the tax return obligations, if any, with respect to an investment in such Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Foreign Financial Asset Reporting

Certain U.S. Holders that own "specified foreign financial assets" that meet certain U.S. Dollar value thresholds generally are required to file an information report with respect to such assets with their tax returns. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements unless the Notes are held in an account at certain financial institutions. U.S. Holders are urged to consult their tax advisers regarding the application of these disclosure requirements to their ownership of the Notes.

Non-U.S. Holders

A Non-U.S. Holder generally should not be subject to U.S. federal income or withholding tax on any payments on the Notes and gain from the sale, redemption or other disposition of the Notes unless: (i) that payment and/or gain is effectively connected with the conduct by that Non-U.S. Holder of a trade or business in the U.S. (and, if a treaty applies, such payment is attributable to the conduct of a trade or business through a permanent establishment or fixed base in the United States); (ii) in the case of any gain realised on the sale or other disposition of a Note by an individual Non-U.S. Holder, that Holder is present in the U.S. for 183 days or more in the taxable year of the sale or other disposition and certain other conditions are met; or (iii) the Non-U.S. Holder is subject to tax pursuant to provisions of the IRC applicable to certain expatriates.

Backup Withholding and Information Reporting

In general, payments of principal, interest and accrued OID on, and the proceeds of a sale, redemption or other disposition of, Notes, payable to a U.S. Holder by a U.S. or certain U.S.-related paying agents or intermediaries will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding will apply to these payments (including payments of OID) if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or otherwise comply with the applicable backup withholding requirements. Certain U.S. Holders are not subject to backup withholding.

Payments by a U.S. or certain U.S.-related paying agents or intermediaries to a Non-U.S. Holder will not be subject to backup withholding tax and information reporting requirements if appropriate certification (Form W-8BEN, W-8BEN-E or some other appropriate form) is provided by the Non-U.S. Holder to the payor and the payor does not have actual knowledge that the certificate is false.

Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a holder will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle the holder to a refund, *provided that* the required information is timely furnished to the IRS in the manner required. Certain holders (including, among others, corporations) are not subject to information reporting or backup withholding. holders should consult their tax advisers as to their qualification for exemption from information reporting and/or backup withholding.

The proposed financial transactions tax (FTT)

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating

Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in a Programme Agreement (such Programme Agreement as modified and/or supplemented and/or restated from time to time, the "**Programme Agreement**") dated 6 February 2017, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

TRANSFER RESTRICTIONS

As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.

Each purchaser of Registered Notes (other than a person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note) or person wishing to transfer an interest from one Registered Global Note to another or from global to definitive form or *vice versa*, will be required to acknowledge, represent and agree, and each person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note will be deemed to have acknowledged, represented and agreed, as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

(a) that either: it, and any account on whose behalf it is acting, is (a) a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A or (b) outside the United States;

(b) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and, accordingly, the Notes may not be offered, sold, pledged or otherwise transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;

(c) that, unless it holds an interest in a Regulation S Global Note and is a person located outside the United States, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, prior to the expiration of the applicable required holding period determined pursuant to Rule 144 of the Securities Act from the later of the last Issue Date for the Series and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Notes, only (i) to the Issuer or any affiliate thereof, (ii) inside the United States to a person whom the seller and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (iii) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (iv) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (v) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. state securities laws;

(d) it will, and will require each subsequent holder to, notify any purchaser or transferee, as applicable, of the Notes from it of the restrictions referred to in paragraph (c) above, if then applicable;

(e) it understands that before any interest in Notes represented by a Rule 144A Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note, it will be required to provide to each of the Issuer and Principal Paying Agent and the Registrar a written confirmation substantially in the form set out in the Agency Agreement, amended as appropriate to the effect that such offer, sale, pledge or other transfer is being made in accordance with Regulation S;

(f) that Notes initially offered and sold in the United States to QIBs in reliance on Rule 144A will be represented by one or more Rule 144A Global Notes and that Notes offered and sold outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;

(g) that the Notes in registered form, other than the Regulation S Global Notes, will bear a legend to the following effect unless otherwise agreed to by the Issuer, subject as provided in Condition 2.5:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, ACCORDINGLY, THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) ("**QIB**"), PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBs; (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO EXPIRATION OF THE APPLICABLE REQUIRED HOLDING PERIOD DETERMINED PURSUANT TO RULE 144 OF THE SECURITIES ACT FROM THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QIB WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALES OF THE SECURITY.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).";

(h) that the Notes in registered form which are registered in the name of a nominee of DTC will bear an additional legend to the following effect unless otherwise agreed to by the Issuer:

"UNLESS THIS GLOBAL NOTE IS PRESENTED BY AN AUTHORISED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION, (DTC), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY

REGISTERED NOTE ISSUED IN EXCHANGE FOR THIS GLOBAL NOTE OR ANY PORTION HEREOF IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUIRED BY AN AUTHORISED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON OTHER THAN DTC OR A NOMINEE THEREOF IS WRONGFUL IN AS MUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS GLOBAL SECURITY MAY NOT BE EXCHANGED, IN WHOLE OR IN PART, FOR A SECURITY REGISTERED IN THE NAME OF ANY PERSON OTHER THAN THE DEPOSITORY TRUST COMPANY OR A NOMINEE THEREOF EXCEPT IN THE LIMITED CIRCUMSTANCES SET FORTH IN THIS GLOBAL SECURITY, AND MAY NOT BE TRANSFERRED, IN WHOLE OR IN PART, EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THIS LEGEND. BENEFICIAL INTERESTS IN THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT IN ACCORDANCE WITH THIS LEGEND.";

(i) if it is outside the United States, that if it should resell or otherwise transfer the Notes it will do so only in accordance with all applicable U.S. State securities laws; and it acknowledges that the Regulation S Global Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT."; and

(j) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer and the Manager or, as the case may be, the relevant Dealer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

SELLING RESTRICTIONS

United States

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States except pursuant to an exemption from, or transaction not subject to, the registration requirements of the Securities Act.

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

In respect of Bearer Notes where TEFRA D is specified in the applicable Final Terms each Dealer will be required to represent, undertake and agree (and each additional Dealer appointed under the Programme will be required to represent, undertake and agree) that:

(a) except to the extent permitted under U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D) (or any successor U.S. Treasury Regulation section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the "**D Rules**"), (i) that it has not offered or sold, and during the restricted period it will not offer or sell, Bearer Notes to a person who is within the United States or its possessions or to a United States person, and (ii) that it has not delivered and it will not deliver within the United States or its possessions Definitive Bearer Notes that are sold during the restricted period;

(b) it has and throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Bearer Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;

(c) if it is a United States person, it is acquiring Bearer Notes for purposes of resale in connection with their original issuance and if it retains Bearer Notes for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. Section l.163-5(c)(2)(i)(D)(6) (or any successor U.S. Treasury Regulation section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010); and

(d) with respect to each affiliate that acquires Bearer Notes from a Dealer for the purpose of offering or selling such Notes during the restricted period, such Dealer either (i) repeats and confirms the representations and agreements contained in subparagraphs (a), (b) and (c) on such affiliate's behalf or (ii) agrees that it will obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in subparagraphs (a), (b) and (c).

Terms used in this paragraph have the meanings given to them by the Code and Treasury regulations thereunder, including the D Rules.

In respect of Bearer Notes where TEFRA C is specified in the applicable Final Terms, such Bearer Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, such Bearer Notes within the United States or its possessions in connection with their original issuance. Further, each Dealer represents and agrees in connection with the original issuance of such Bearer Notes that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if such purchaser is within the United States or its possessions and will not otherwise involve its U.S. office in the offer or sale of such Bearer Notes. Terms used in this paragraph have the meanings given to them by the Code and Treasury regulations thereunder, including U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(C) (or any successor U.S. Treasury Regulation section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010).

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Dealers may arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision:

- the expression "**an offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; and

- the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Federal Republic of Nigeria

This Base Prospectus has not been and will not be registered with the Nigerian Securities and Exchange Commission. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that no offers or sales of any Notes will be made in Nigeria except in compliance with applicable rules and regulations.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Notes to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

(a) an "Exempt Offer" in accordance with the Market Rules (MKT) Module of the Dubai Financial Services Authority (the "**DFSA**") rulebook; and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module of the DFSA rulebook.

Singapore

This Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act (Chapter 289) of Singapore (the "**Securities and Futures Act**"). Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes will not be offered or sold or made the subject of an invitation for subscription or purchase nor will the Base Prospectus or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Notes be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act) pursuant to Section 274 of the Securities and Futures Act, (b) to a relevant person (as defined in Section 275(1) of the Securities and Futures Act), or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where the Notes are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor;

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the Securities and Futures Act) that corporation or the beneficiaries' rights and interest (howsoever defined) in that trust shall not be transferable for six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the Securities and Futures Act except:

(a) to an institutional investor or to a relevant person as defined in Section 275(2) of the Securities and Futures Act, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act;

(b) where no consideration is or will be given for the transfer; or

(c) where the transfer is by operation of law; or

(d) pursuant to Section 276(7) of the Securities and Futures Act or Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "**FIEA**") and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

GENERAL INFORMATION

Authorisation

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme and the issue of Notes thereunder prior to the date of this Base Prospectus. The update of the Programme and the issue of Notes have been authorised and cleared by the National Assembly, the Federal Executive Council, the Federal Ministry of Finance and the Federal Ministry of Justice.

Listing of Notes

It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the London Stock Exchange's regulated market will be admitted separately as and when issued, subject only to the issue of one or more Global Notes initially representing the Notes of such Tranche. Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market. The listing of the Programme in respect of Notes is expected to be granted on or about 23 November 2017.

Documents Available

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection from the specified office of the Paying Agents for the time being in London:

(a) the budget for the current fiscal year;

(b) the Programme Agreement, the Agency Agreement, the Deed of Covenant and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;

(c) a copy of this Base Prospectus;

(d) any future offering circulars, prospectuses, information memoranda, supplements and Final Terms to this Base Prospectus and any documents incorporated therein by reference.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. In addition, the Issuer may make an application for any Notes in registered form to be accepted for trading in book-entry form by DTC. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant Change

Other than as disclosed in the following sections:

(i) "*Risk Factors—Risks Related to Nigeria—Inability to continue to implement economic and fiscal reforms may have a negative effect on the performance of the Nigerian economy*";

(ii) "*Risk Factors—Risks Related to Nigeria—Further depreciation of the Naira against other currencies and the lack of widespread availability of foreign currency could adversely impact the Nigerian economy*";

(iii) "*Risk Factors—Risks Related to Nigeria—Sustained periods of high inflation could have a material adverse effect on Nigeria's economy*";

(iv) "*The Economy—Overview*";

(v) "*The Economy—Gross Domestic Product*"; and

(vi) "*Monetary System — Inflation*",

there has been no significant change in relation to the Issuer's (i) tax and budgetary systems, (ii) gross public debt, (iii) foreign trade and balance of payment figures, (iv) foreign exchange reserves, (v) financial position and resources and (vi) income and expenditure figures of the Issuer since the fiscal year ended 31 December 2016.

Litigation

The Issuer is not, nor has it been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this Base Prospectus which may have, or have had in such period, a significant effect on the financial position of the Issuer

Dealers transacting with the Issuer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for the Issuer and its affiliates in the ordinary course of business.

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Lagos
Federal Republic of Nigeria

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United Kingdom

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