

FSDH MERCHANT BANK LIMITED

(RC 199528)

(INCORPORATED WITH LIMITED LIABILITY IN THE FEDERAL REPUBLIC OF NIGERIA)

N40,000,000,000 COMMERCIAL PAPER ISSUANCE PROGRAMME

FSDH Merchant Bank Limited ("FSDH", the "Issuer" or the "Company"), a private limited liability company incorporated in Nigeria, established a N40,000,000,000 Commercial Paper Programme (the "CP Programme" or the "Programme") on 11 June 2024, under which FSDH may from time to time issue Commercial Paper notes ("CP Notes" or "Notes"), denominated in Nigerian Naira or in such other currency as may be agreed between the Issuer and each relevant Arrangers (as defined in the section entitled, "Summary of the Programme", in separate series or tranches subject to the terms and conditions ("Terms and Conditions") contained in this Programme Memorandum.

Each Series or Tranche (as defined under the Terms and Conditions) will be issued in such amounts, and will have such discounts, period of maturity and other terms and conditions as set out in the Pricing Supplement applicable to such series or tranche (the "Applicable Pricing Supplement"). The maximum aggregate nominal amount of all CP Notes from time to time outstanding under the CP Programme shall not exceed *40,000,000,000 over a three-year period that this Programme Memorandum, including any amendments thereto, shall remain valid.

This Programme Memorandum is to be read and construed in conjunction with any supplement hereto and all documents which are incorporated herein by reference and, in relation to any Series or Tranche (as defined herein), together with the Applicable Pricing Supplement. This Programme Memorandum shall be read and construed on the basis that such documents are incorporated and form part of this Programme Memorandum.

The CP Notes will be issued in dematerialised form, registered, quoted and traded via the FMDQ Securities Exchange Limited ("FMDQ Exchange" or the "Exchange") Platform in accordance with the Rules, Guidelines and such other regulation with respect to the issuance, registration and quotation of Commercial Paper as may be prescribed by the Central Bank of Nigeria ("CBN") and FMDQ from time to time, or any other recognized trading platform as approved by the CBN. The securities will settle via any central securities depository registered or recognised by the Securities and Exchange Commission, acting as Registrars and Clearing Agent for the Notes.

This Programme Memorandum and the Applicable Pricing Supplement shall be the sole concern of the Issuer and the party to whom this Programme Memorandum and the Applicable Pricing Supplement is delivered (the "Recipient") and shall not be capable of distribution and should not be distributed by the Recipient to any other parties nor shall any offer made on behalf of the Issuer to the Recipient be capable of renunciation and assignment by the Recipient in favour of any other party. In the event of any occurrence of a significant factor, material mistake or inaccuracy relating to the information included in this Programme Memorandum, the Issuer will prepare a supplement to this Programme Memorandum or publish a new Programme Memorandum for use in connection with any subsequent issue of CP Notes.



LEAD ARRANGER

FSDH CAPITAL LIMITED

RC 276208



FSDH MERCHANT BANK LIMITED

RC 199528

THIS PROGRAMME MEMORANDUM IS DATED 11 June 2024

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GLOSSARY OF DEFINED TERMS

Unless the context otherwise requires, the following expressions shall have the meanings respectively assigned to them:

Terms/Abbreviations	Description	
"Agent", "Collecting and	FSDH Merchant Bank Limited (acting through its Global Markets	
Paying Agent" or "CPA"	Operations Unit) as collecting and paying agent and any successor collecting and paying agent appointed in connection with the Programme.	
"Agency Agreement"	The Issuing and Placing Agency Agreement dated on 11 June 2024 or about the date of this Programme Memorandum executed by and between the Issuer and the Issuing and Placing Agent.	
"Applicable Pricing Supplement"	The Pricing Supplement applicable to a Series or Tranche.	
"Arrangers"	FSDH Capital Limited	
"Board" or "Directors"	Board of Directors of FSDH Merchant Bank Limited	
"Business Day"	Any day except Saturdays, Sundays and public holidays declared by the Federal Government of Nigeria on which banks are open for business in Nigeria	
"Business Hours"	8.00 am to 5.00 pm Nigerian time on any Business Day.	
"CAMA"	Companies and Allied Matters Act No. 3. 2020.	
"CBN"	Central Bank of Nigeria	
"CBN Guidelines"	CBN's Guidelines on the Issuance and Treatment of Bankers Acceptances and Commercial Papers, issued on 11 September 2019 and the CBN letter to all deposit money banks and discount houses dated 12 July 2016 on Mandatory Registration and Listing of Commercial Papers, as amended or supplemented from time to time	
"CGT"	Capital Gains Tax as provided for under the Capital Gains Tax Act Cap C1, LFN 2004 (as amended by the Finance Act 2019 and the Finance Act 2020)	
"CITA"	Companies Income Tax Act Cap C21, LFN 2004 (as amended by the Companies Income Tax Act No 11 of 2007), the Finance Act 2019 and the Finance Act 2020)	
Collecting and Paying Agent Deed of Undertaking"	The Collecting and Paying Agent Deed of Undertaking dated on [] or about the date of this Programme Memorandum executed by the Collecting and Paying Agent in favour of the Noteholders.	
"Commercial Paper", "CP", "CP Notes" or "Notes"	Commercial Paper Notes to be issued by the Issuer under the CP Programme in form of short-term zero-coupon notes under the CP Programme	
"Conditions" or "Terms and Conditions"	Terms and conditions, in accordance with which the Notes will be issued, set out in the section of this Programme Memorandum headed "Terms and Conditions of the Notes"	
"CP Programme" or "Programme"	The CP Programme described in this Programme Memorandum pursuant to which the Issuer may issue several separate Series or Tranches of Notes from time to time with varying maturities and discount rates provided, however, that the aggregate Face Value of Notes in issue does not exceed ¥40,000,000,000	
"Central Securities Depository" or "CSD"	Any duly licensed central securities depository registered or recognised by the SEC and appointed by the Issuer, as may be	

	specified in the Applicable Pricing Supplement.	
"Day Count Fraction"	The method of calculating the discount in respect of a Note as specified in the Applicable Pricing Supplement	
"Dealing Member"	An FMDQ Exchange-licensed member admitted to trade on the FMDQ Exchange platform	
"Eligible Investor" or "EI"	means an investor that is not a QII as defined by the FMDQ Exchange Rules, and who has executed a declaration attesting to its eligibility in the manner prescribed in the FMDQ Exchange Rules.	
"Face Value"	The par value of the Notes	
"FGN"	Federal Government of Nigeria	
"FIRS"	Federal Inland Revenue Service	
"FMDQ Exchange" or the "Exchange"	FMDQ Securities Exchange Limited, a securities exchange and self-regulatory organisation licensed by the SEC to provide a platform for, inter alia, the listing, quotation, registration and trading of securities.	
"FMDQ Exchange Rules" or "Rules"	The FMDQ Commercial Paper Registration and Quotation Rules, October 2023 (as may be amended, from time to time) and such other regulations with respect to the issuance, registration and quotation of commercial papers as may be prescribed by FMDQ Exchange from time to time.	
"FMDQD"	FMDQ Depository Limited	
"Force Majeure"	Any event or circumstance (or combination of events or circumstances) that is beyond the control of the Issuer which materially and adversely affects its ability to perform its obligations as stated in the Conditions which could not have been reasonably foreseen, including without limitation, nationwide strikes, national emergency, riot, war, embargo, legislation, acts of God, epidemics, pandemics, lockdowns, acts of terrorism and industrial unrest.	
"FSDH", "Issuer", or the "Company"	FSDH Merchant Bank Limited	
"FRCN"	Financial Reporting Council of Nigeria.	
"Government"	Any federal, state or local government of the Federal Republic of Nigeria	
"Holder" or "Noteholder"	The holder of a Note as recorded in the Register kept by the Issuing and Placing Agent in accordance with the Terms and Conditions	
"Implied Yield"	The yield accruing on the Issue Price of a Note, as specified in the Applicable Pricing Supplement	
"Issue Date"	The date upon which the relevant Series/Tranche of the Notes is issued as specified in the Applicable Pricing Supplement	
"Issue Price"	The price at which the relevant Series/Tranche of the Notes is issued, as specified in the Applicable Pricing Supplement	
"Issuing, Placing, Paying, and Collecting Agent" or "IPCA"	FSDH Merchant Bank Limited or any successor issuing, placing, paying and collecting agent in respect of the Notes, appointed by the Issuer	
"Lead Arranger"	FSDH Capital Limited	
"LFN"	Laws of the Federation of Nigeria	
"Maturity Date"	The date as specified in each Applicable Pricing Supplement on which the Principal Amount is due. The maturity date of all outstanding CPs shall fall within the validity period of the Issuer/CP Programme rating filed with the Exchange at the commencement of the registration of the CP Programme	

"Material Adverse Change"	Means a material adverse effect on the ability of the Issuer to perform and comply with its payment obligations under the CP Programme
"Naira", "NGN" or " N "	The Nigerian Naira
"The NGX"	Nigerian Exchange Limited
"NIBOR"	the Nigerian Inter-Bank Offered Rate
"Noteholders"	Mean the several persons for the time being, whose names are shown in the records of the CSD and/or entered in the Register of Noteholders as holders of the Notes and shall include the legal and personal representatives or successors of the Noteholders and those entered as joint Noteholders
"Notes"	The commercial paper issued by the Issuer from time to time pursuant to the Programme Memorandum and any Applicable Pricing Supplement as promissory notes and held in a dematerialised form by the Noteholders through the CSD
"Outstanding"	means, in relation to the Notes, all the Notes issued, other than: (i) those Notes which have been redeemed pursuant to these Conditions (ii) those Notes in respect of which the date (including, where applicable, any deferred date) for its redemption in accordance with the relevant conditions has occurred and the redemption moneys have been duly paid in accordance with the provisions of this Deed and (iii) those Notes which have become void under the provisions of this Deed
"PITA"	Personal Income Tax Act Cap P8, LFN 2004 (as amended by the Personal Income Tax (Amendment) Act No 20 of 2011, the Finance Act 2019 and the Finance Act 2020)
"Pricing Supplement" or "Applicable Pricing Supplement"	The document(s) to be issued pursuant to the Programme Memorandum, which shall provide the final terms and conditions of a specific issue of a Series or Tranche of the Notes under the Programme.
"Principal Amount"	The nominal amount of each Note, as specified in the Applicable Pricing Supplement
"Programme"	The N40,000,000,000 (Forty Billion Naira) commercial paper issuance programme established by the Issuer which allows for the multiple issuance of Notes from time to time
"Programme Memorandum"	This information memorandum dated 11 June 2024 which sets out the aggregate size and broad terms and conditions of the CP Programme
"Qualified Institutional Investor" or "QII"	include banks, fund/asset managers, pension fund administrators, insurance companies, investment/unit trusts, multilateral and bilateral institutions, registered private equity funds, registered hedge funds, market makers, staff schemes, trustees/custodians, stockbroking firms, Issuing Houses, and any other category of investors as may be determined by the Exchange from time to time.
"Redemption Amount"	The amount specified in the Applicable Pricing Supplement as the amount payable in respect of each Note on the Redemption Date
"Redemption Date"	Means in relation to any Tranche, the date on which redemption monies are due and payable in respect of the Notes as specified in these Conditions and the Applicable Pricing Supplement
"Register"	A register or such registers as shall be maintained by the Registrar in which are recorded details of Note holders
"Registrar"	The CSD or such other registrar as may be appointed by the Issuer in respect of the Notes issued under the Programme
"Relevant Currency"	The currency in which payments in respect of the Notes of the relevant Tranche or Series are to be made as indicated in the Applicable Pricing Supplement

"Relevant Date"	The payment date of any obligation due on the Notes	
"Relevant Last Date"	The date stipulated by the CSD and specified in the Applicable Pricing Supplement, after which transfer of the Notes will not be registered	
"SEC"	The Securities and Exchange Commission	
"Series"	A Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) are identical in all respects except for their respective Issue Dates, and/or Issue Prices	
"Special Resolution"	A resolution passed by at least three-fourths (3/4) majority of the total number of Noteholders at any point in time	
"Specified Office"	The office of the Issuing, Calculation and Paying Agent as specified under the Agency Agreement and shall include such other office or offices as may be specified from time to time thereunder	
"Tranche"	Notes which are identical in all respects	
"VAT"	Value Added Tax as provided for in the VAT Act.	
"VAT Act"	Value Added Tax Act (Chapter V1) LFN, 2004 (as amended by the Value Added Tax (Amendment) Act No. 12 of 2007, the Finance Act 2019, the Finance Act 2020, the Finance Act 2021 and the Finance Act 2023).	
"WHT"	Withholding Tax as provided for in section 78(2) of CITA, section 70 of PITA and the Finance Act 2019.	
"Zero Coupon Note"	A Note which will be offered and sold at a discount to its Face Value and which will not bear interest, other than in the case of late payment	

IMPORTANT NOTICES

This Programme Memorandum contains information provided by the Issuer in connection with the CP Programme under which the Issuer may issue and have outstanding at any time Notes up to a maximum aggregate amount of N40,000,000,000.00. The Notes shall be issued subject to the Terms and Conditions contained in this Programme Memorandum.

The Issuer shall not require the consent of the Note holders for the issue of Notes under the Programme.

The Issuer accepts responsibility for the information contained in this Programme Memorandum. To the best of the knowledge and belief of the Issuer (who has taken all reasonable care to ensure that such is the case) the information contained or incorporated in this Programme Memorandum is correct and does not omit any material fact that is likely to affect the import of such information.

The Issuer, having made all reasonable enquiries, confirms that this Programme Memorandum contains or incorporates all information which is reasonably material in the context of the CP Programme and the offering of the Notes, that the information contained in this Programme Memorandum and the Applicable Pricing Supplement is true and accurate in all material respects and is not misleading and that there are no other facts the omission of which would make this document or any of such information misleading in any material respect.

No person has been authorised by the Issuer to give any information or to make any representation not contained or not consistent with this Programme Memorandum or any information supplied in connection with the CP Programme and if given or made, such information or representation must not be relied upon as having been authorised by the Issuer.

Neither this Programme Memorandum nor any other information supplied in connection with the CP Programme is intended to provide a basis for any credit or other evaluation, or should be considered as a recommendation or the rendering of investment advice by the Issuer, the Arrangers that any recipient of this Programme Memorandum should purchase any Notes.

No representation, warranty or undertaking, express or implied is made and no responsibility is accepted by the Arrangers, or other professional advisers as to the accuracy or completeness of the information contained in this Programme Memorandum or any other information provided by the Issuer. The Arrangers, and other professional advisers do not accept any liability in relation to the information contained in this Programme Memorandum or any other information provided by the Issuer in connection with the Programme.

Specifically, FMDQ Securities Exchange Limited takes no responsibility for the contents of this Programme Memorandum, nor any other information supplied in connection with this CP Programme, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Programme Memorandum.

Each person contemplating purchasing any Commercial Paper should make its own independent investigation of the financial condition and affairs, and its own appraisal of the credit worthiness, of the Issuer. Neither this Programme Memorandum nor any other information supplied in connection with the CP Programme constitutes an offer or invitation by or on behalf of the Issuer to any person to subscribe for or to purchase any Notes.

The delivery of this Programme Memorandum does not at any time imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof. Investors should review, among other things, the most recent audited annual financial statements of the Issuer prior to taking any investment decision.

INCORPORATION OF DOCUMENTS BY REFERENCE

This Programme Memorandum should be read and construed in conjunction with:

- 1. Each Applicable Pricing Supplement relating to any Series or Tranche of Notes issued under the Programme; and
- 2. The audited annual financial statements of the Issuer for the financial years prior to each issue of Notes under this Programme.

which shall be deemed to be incorporated into, and to form part of, this Programme Memorandum and which shall be deemed to modify and supersede the contents of this Programme Memorandum as appropriate.

The audited financial statements and documents incorporated by reference shall be available on the website of the Issuer, www.fsdhgroup.com, unless such documents have been modified or superseded (and which documents may at the Issuer's option be provided electronically). Requests for such documents shall be directed to the Issuer or Arrangers at their specified offices as set out in this Programme Memorandum.

SUMMARY OF THE PROGRAMME

This summary information should be read in conjunction with the full text of this Programme Memorandum, from where it is derived. The information below is a brief summary of the key features and summarized terms and conditions of the proposed CP Programme:

TERMS	DESCRIPTION
Issuer:	FSDH Merchant Bank Limited
Lead Arranger:	FSDH Capital Limited
Joint Arrangers:	FSDH Capital Limited and any other additional Arranger appointed under the Programme from time to time, which appointment may be for a specific Issue or on an ongoing basis, subject to the Issuer's right to terminate the appointment of any Arranger
Issuing, Placing, Paying and Collecting Agent:	FSDH Merchant Bank Limited
Auditors:	KPMG
Registrars/Custodian:	Central Securities Clearing System Plc ("CSCS"), FMDQ Depository Limited, or any other CSD as may be specified in the Applicable Pricing Supplement.
Solicitors:	Udo Udoma and Belo-Osagie
Programme:	The commercial paper issuance programme established by the Issuer which allows for the multiple issuance of Notes from time to time under a standardized documentation framework
Programme Size:	N 40,000,000,000 (Forty Billion Naira)
Issuance in Series:	The Notes will be issued in Series or Tranches, and each Series may comprise one or more Tranches issued on different dates. The Notes in each Series, each a Tranche, will have the same maturity date and identical terms (except that the Issue Dates and Issue Price may be different). Details applicable to each Series or Tranche will be specified in the Applicable Pricing Supplement
Issue Price:	The price at which the relevant Series/Tranche of the Notes is issued, as specified in the Applicable Pricing Supplement
Issue Size:	As specified in the Applicable Pricing Supplement
Use of Proceeds:	Unless otherwise stated in the applicable Pricing Supplement, the net proceeds from each issue of the CPs will be utilised to support FSDH's short term financing requirements
Interest Payments:	Notes shall be issued at a discount and in the form of zero-coupon notes. Thus, the Notes will not bear interest, other than in the case of late payment
Source of Repayment:	The repayment of all obligations under the Programme will be funded from the cash flow of FSDH
Default Rate:	Interest rate equivalent to the daily overnight NIBOR + 5% per annum or issue rate + 5% per annum (whichever is higher)
Currency of Issue:	Nigerian Naira
Redemption:	As stated in the Applicable Pricing Supplement, subject to the CBN Guidelines
Issuer Rating:	The Issuer has been assigned an 'A' rating from Agusto & Co. {A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency}

Tenor:	As specified in the Applicable Pricing Supplement, subject to a minimum tenor of 30 days and a maximum of 270 days, including roll-over from the date of issue
Status of Notes:	Each Note constitutes a senior unsecured obligation of the Issuer and save for certain debts mandatorily preferred by law, the Notes rank pari passu among themselves, and save for certain debts mandatorily preferred by law, with other present and future senior unsecured obligations of the Issuer outstanding from time to time
Quotation:	The Issuer may elect at its discretion to have any Series or Tranche of Notes quoted on the FMDQ Exchange Platform or any other recognized trading platform. All secondary market trading of the Notes shall be done in accordance with the rules in relation to the quotation or listing of any Series or Tranche of Notes quoted or listed on the relevant trading platform
Taxation:	The Notes issued under the Programme will be zero-coupon notes and as such, will be offered and sold at a discount to Face Value. The Notes will thus not bear interest, and the Issuer will not be required to withhold or deduct tax from payments in respect of the Notes to the Note holders. However, the discount on the Notes may be taxed in accordance with applicable Nigerian tax laws.
Governing Law:	The Notes issued under the Programme and all related contractual documentation will be governed by, and construed in accordance with Nigerian law
Settlement Procedures:	Purchases will be settled via direct debit, electronic funds transfers, NIBBS Instant Payment (NIP), NIBBS Electronic Funds Transfer ("NEFT") or Real Time Gross Settlement ("RTGS")

FSDH MERCHANT BANK LIMITED

HISTORY

FSDH Merchant Bank Limited ("FSDH", the "Issuer" or the "Bank") (Registered Number 199528), formerly First Securities Discount House Limited, was one of the first merchant banks to be awarded a merchant banking license in Nigeria following the repeal of Universal Banking in 2010. First Securities Discount House Limited was incorporated in 1992 as the first discount house in Nigeria and it commenced operations in 1993 having as its core competence, the issuance and trading of Financial Securities.

In November 2012, FSDH obtained approval by the CBN to operate as a merchant bank and officially changed its name from First Securities Discount House Limited to FSDH Merchant Bank Limited in December 2012. FSDH commenced its merchant banking operations in January 2013.

In July 2019, FSDH underwent a corporate restructure to adopt a holding company structure. FSDH Holding Company (a non-operating company) was established to directly hold FSDH Merchant Bank and its subsidiaries.

BUSINESSES

FSDH is a one-stop shop for financial services in Nigeria as it offers services offered by commercial banks and services that can only be offered by merchant banks in line with the CBN's regulations on commercial banks and merchant banks. Below is a summary of the activities the Issuer (being a merchant bank) can undertake in comparison with a commercial bank.

	Commercial Banks	Merchant Banks
Provide Finance and Credit Facilities	✓	✓
Provision of Foreign Exchange Services	✓	✓
Treasury Management Services	✓	✓
Fixed Income Trading	✓	✓
Invest in non-convertible debt instruments & enter into derivatives transaction	✓	✓
Fund/Portfolio Management		✓
Underwriting		✓
Financial Advisory/ Issuing House Services		✓
Proprietary Trading		✓

In line with its Merchant Banking License, FSDH offers the following services to its clients:

- 1. Fixed Income Trading;
- 2. Treasury & International Banking Services;
- Wealth Management;
- Financial Services; and
- 5. Corporate Banking Services.

Fixed Income Trading

The Bank is a leading player in the fixed income market and a licensed primary dealer and market maker in both the FGN bonds and Nigerian treasury bills markets. The Issuer has a vibrant and dynamic trading desk, with experienced dealers who have in-depth understanding of the market.

The Bank is able to leverage on this expertise to maintain a leading position in fixed income origination, distribution and trading. The Issuer's fixed income products and services include:

- Outright sale/purchase of FGN bonds, Nigerian treasury bills/certificates, sub national/corporate bonds.
- Rediscounting of treasury bills/certificates and other zero-coupon instruments.
- Offering two-way-quotes on OTC traded Fixed Income instruments

Treasury and International Banking

The treasury and international banking function at FSDH comprises of a team of experienced and specialised traders, analysts and sales managers, who have the responsibility of delivering innovative and value-adding treasury products and services, with emphasis on sales, trading, portfolio management and financial solutions. The Issuer's robust research and outstanding IT infrastructure gives support to its business and helps in the execution of trades with respect to local and foreign instruments targeted at both off-shore and on-shore clients. Services performed under this function include:

- Foreign Currency Trading This involves the provision of a range of international banking services which
 include spot and forward trades in various currencies as well as investments in foreign currency
 denominated instruments;
- Treasury Sales The Issuer's sales unit is actively involved in the sale and distribution of fixed income products as well as FX related transactions with non-bank clients; and
- Interest Rate Trading This involves the creation of short-term assets and liabilities to enhance clients' yields.

Wealth Management

FSDH offers wealth management services tailored towards investment management and financial advisory services to High Networth Individuals ("HNIs"). FSDH's mission under this function is to be the foremost manager of wealth in Nigeria by providing innovative and bespoke services to HNIs.

Financial Institutions

FSDH manages relationships with Banking and Non-Banking Institutions ("NBIs"), in Nigeria. The unit generates large volume liabilities (funding) from its target clients such as: Banks, PFAs, trustees, registrars, insurance companies, stockbrokers, micro-finance banks, schools, churches, law firms, engineering firms, estate agencies and other non-bank corporate bodies. FSDH further offers to its clients a wide range of products and services such as: local currency ("LCY") and foreign currency ("FCY") call deposits, LCY and FCY fixed deposits, Eurobonds, FGN bonds and treasury bills.

Corporate Banking

The Bank's Corporate Banking unit offers bespoke corporate banking solutions to middle and large tiered corporates and structured businesses. Through dedicated relationship teams, industry specialists and product experts, the Corporate Banking department serves a wide range of clients including some of the Nigeria's largest businesses across different industries.

The Bank's relationship managers, through years of industry and banking experience, have a comprehensive understanding of a wide range of complex financial challenges facing client's businesses. Combined with a strong knowledge of the broad set of services offered by the Issuer, this understanding allows the department to effectively deliver custom-made, value-adding and innovative solutions to the Bank's discerning clientele. FSDH's corporate banking unit provides corporate banking solutions which include:

- Short, medium and long-term debt facilities;
- Quasi-equity and equity solutions; and
- Trade Finance and foreign exchange services.

FSDH HOLDING COMPANY

FSDH Holding Company ("FSDH HoldCo") is a non-operational holding company responsible for overseeing the FSDH Group and the provision of financial services in Nigeria through the subsidiaries in the Group (i.e. FSDH Merchant Bank Limited, FSDH Asset Management Limited, FSDH Capital Limited, and Pensions Alliance Limited). The FSDH Group through its subsidiaries offers services, which include investment banking, corporate banking, wealth management, asset management, fixed income and foreign currency trading, equities trading, and pension management services amongst others. A summary of the subsidiaries in the FSDH Group and their

service offerings can be seen below:

FSDH Asset Management Limited

FSDH Asset Management Limited ("FSDH AM") is the manager for three-unit trust schemes – the Treasury Bills Fund, the Coral Growth Fund and the Coral Income Fund, with memorandum listings on the Nigerian Stock Exchange. FSDH AM also manages private portfolios for a number of corporate clients as well as a number of specialized pooled investment schemes. FSDH AM's total AUM stood at ¥110 Billion as end of December 2023).

FSDH Capital Limited

FSDH Capital Limited ("FSDH Capital"), previously known as FSDH Securities Limited up until January 2020, is a wholly owned subsidiary of FSDH Holding Company). FSDH Capital commenced operations in 1995 as Counters Trust Securities Limited ("CTSL") before a name change to FSDH Securities Limited in 2006. FSDH Capital is the investment banking and stockbroking arm of FSDH Holding Company, providing issuing house, financial advisory, capital raising and stockbroking services.

FSDH Capital deals on behalf of clients on the floor of the NGX for a commission. Issuing House and Stockbroking services in Nigeria are regulated by the SEC through its rules and regulations (2013); Investment and Securities Act (2007); Money Laundering (Prohibition) Act (2011) and the NGX rules and regulations for dealing members.

Pension Alliance Limited

Pensions Alliance Limited ("PAL Pensions") is a licensed Pension Fund Administrator (PFA) regulated by the National Pension Commission ("PenCom") to provide pension fund management and administration services under the Pensions Act 2014.

PAL Pensions was incorporated in 2005 and is co-owned by FSDH Merchant Bank and African Alliance Insurance PLC with 51% and 49% shareholdings respectively. The primary responsibilities of PAL Pensions include the enrolment of clients, management of pension assets, benefit payments to clients, contribution upload from employers, managing client enquiries and complaints and sensitizing clients on the changes in the pensions industry amongst others.

PAL's Retirement Savings Account ("RSA") fund, which is one of the nine funds used for managing the assets of clients who are yet to retire. PAL Pensions operates from 35 branches in Nigeria including the Federal Capital Territory.

Figure 1: FSDH Holding Company Group Structure



ACHIEVEMENTS

Some of the achievements of FSDH to date are listed below;

- Started trading in bonds as far back as 1997 with investments in Federal Government Development Stocks under the book entry arrangement that existed at that time;
- Consummated the first secondary market Federal Government of Nigeria "FGN" bond trading recorded on the floor of the Stock Exchange through the CSCS in August 2004;
- Pioneered the Open Buy-Back product in the Nigerian Financial Markets in 1993;
- Broker/Dealer for the first Open Market Operation of the Central Bank of Nigeria in 1993;
- Arranged the first secondary market transaction recorded for the 2nd FGN bond series between Guaranty Trust Bank PLC and Access Bank PLC in April 2005;
- Consummated the first repo and outright sale transactions amongst the primary dealer and market makers with UBA in July 2006;
- Consistently ranked by the DMO in the top five in secondary market FGN bond trading;
- Received the final approval from the CBN to exchange its discount house licence for a merchant banking licence in December 2012;
- Commenced transition from a discount house to a merchant bank in January 2013; and
- Established a N100 billion debt issuance programme and successfully launched N5.53 billion Series 1 bonds (through the FSDH SPV) to fund the Bank's operations.
- Established a N30Bn Commercial Paper (CP) Programme and raised ¥15Bn Series 1 and 2 CP Notes in 2016
- Raised US\$50Mn AfDB Trade Finance Line of Credit
- Advised the Federal Government of Nigeria on the triple-tranche USD 2.87 Billion Eurobond in 2018
- Restructuring of FSDH Merchant Bank resulting in it becoming a subsidiary of FSDH Holding Company Limited in 2019
- Raised N40.38Bn in Series 1-2 CP Notes in 2020
- Raised N23.60Bn in Series 3-5 CP Notes in 2021
- Established a N30 billion debt issuance programme and successfully launched N12 billion Series 1 bonds (through the FSDH SPV) in 2021 to fund the Bank's operations.
- Raised N44.86Bn in Series 6-10 CP Notes in 2022
- Raised \$20m from AFDB for Trade Finance Line of Credit
- Raised ₩46.08Bn in Series 11-19 CP Notes in 2023

VISION AND STRATEGY

The Bank's vision is to position itself as one of the top 3 banks in Nigeria in 2024 by becoming the preferred partner of its customers and delivering timely solutions. FSDH also aims to partner with its clients to provide innovative financial solutions and create value for its shareholders.

Towards achieving this vision, the Bank has set strategic objectives that would be the driving force behind the Bank's strategy during the next three years:

- Generate and consistently grow diversified earnings;
- Provide customers with accessible, timely, reliable and secured digital and non-digital services;
- Enhance brand and position the Issuer to be top of mind for target customers.

With these goals as the driving force behind the Bank's activities, the Board of Directors and Management team of the Bank are convinced the Bank can achieve these goals and effectively create value for all the Bank's stakeholders.

PROFILES OF THE BOARD OF DIRECTORS AS AT JANUARY 2024

The Bank's strategic direction is determined by a board of nine (9) directors who are highly experienced professional, with Olufemi Agbaje, who leads the board as Chairman

• Mr. Olufemi Agbaje - Chairman

Mr. Femi Agbaje holds the position of Chairman of FSDH Merchant Bank. He is also on the board of Notore

Chemical Industries PLC and Member of The Institute of Chartered Accountants of Nigeria. He was the former Chief Financial Officer of Notore Chemical Industries PLC. He served in this capacity from 2007 until his retirement in 2018.

Mr Agbaje is a Chartered Accountant with over 30 years of experience in Audit and Banking. He is a 1990 Fellow of the Chartered Association of Certified Accountants, United Kingdom. He obtained a degree in B.A History & Political Science from the University of Ife in 1979.

He started his working career as a consultant with Peat Marwick Casselton Elliot & Co., Lagos in 1979 as an Audit Trainee and began his career in the Financial Services Industry with the Nigeria – American Merchant Bank in 1986 as an Assistant Manager, Corporate Banking. He was the Managing Director of Industrial & Capital Markets Development and Midas Merchant Bank between 1993 to 1996 and 2002 to 2006 respectively.

• Mrs. Bukola Smith - Managing Director

Bukola began her banking career in 1993 with FSB International Bank Plc where she worked in the Funds Transfer, International Trade, Treasury and Private Banking departments.

She joined Fidelity Bank in 2000, becoming the Divisional Head of Treasury and Institutional Banking in 2004. In 2006, she joined First City Monument Bank Limited ("FCMB") where she worked in various capacities as Divisional Head, Group Internal Audit; Divisional Head, Investment Banking & Financial Markets; Group Head, Treasury & Financial Institution and Regional Head, Lagos. Bukola also served as an Executive Director of Business Development at FCMB. In April 2021, Bukola was appointed as Managing Director of FSDH Merchant Bank Limited.

Bukola holds an MBA from Alliance Manchester Business School, University of Manchester, and a Bachelor's degree in Economics from the University of Lagos. She is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN), an Honorary Member of the Chartered Institute of Bankers, and an Associate Member, Certified Institute of Pensions (Nigeria).

• Mr. Taiwo Otiti - Executive Director

Mr. Otiti is the Executive Director in charge of Operations and Information Technology (IT) Division. He is responsible for formulating and implementing strategies that will promote efficiencies, and to enhance customers' experience with the FSDH Group, leveraging on modern IT tools.

Taiwo is an accomplished Technology & Banking Executive with 25 years of experience in change management & transformation. Prior to joining FSDH Merchant Bank, he was the General Manager and Divisional Head, Operations and Information Technology of Central Securities Clearing Systems PLC (CSCS) where he oversaw Operations Department and the Information Technology Department. He had worked in the following institutions before he joined CSCS: IBM West Africa, Mainstreet Bank (formerly Afribank of Nigeria), First Bank of Nigeria, Citibank Nigeria Limited Lagos Nigeria amongst others.

He has a wealth of experience and record of accomplishment in the local financial services sector spanning Capital Market, Banking and Payments. Taiwo has been instrumental to enhancing and deepening the technology and operational capabilities of the Nigerian Banking industry with the implementation of several core banking and payment solutions. He has also supported product development and service automation.

Taiwo holds a Master's Degree in Computer Science from the Loughborough University of Technology England and a bachelor's degree in Physics from Carleton University Canada. He is also an Associate Member, Computer Association of Nigeria, Chartered Institute of Bankers, Institute of Directors and Institute of Credit Administration.

• Ms. Stella- Marie Omogbai - Executive Director

Ms. Omogbai heads the Corporate Banking Unit of FSDH Merchant Bank. Prior to this, she was the Head Energy Group and deputized for the Head, Corporate Bank at Keystone Bank Limited (previously Bank PHB). She had oversight functions over key corporate relationships in Energy, Power, Aviation and Transportation sectors. She holds a Bachelor of Laws from the University of Benin (1989), a Bachelor of Laws from the Nigerian Law School (1990), a Diploma in German Language from Goethe Instutit - German Cultural Centre, Lagos (1993), and a Masters in Business Administration from the University of Wales (Holborn College), United Kingdom (2005). Prior to joining FSDH, Ms Omogbai worked in several financial institutions including Magnum Trust Bank Limited (Sterling Bank), Access Bank, Lead Merchant Bank, UBA, Ecobank, Bank PHB / Keystone Bank with the latter 5 in Senior Management positions. Ms. Omogbai has over 21 years banking experience.

• Mr. Kelechi Okoro - Non-Executive Director

Kelechi Okoro holds an MBA from Lagos Business School, and a B.Sc. in Human Physiology from the University of Ibadan. He is a Partner at AFIG Funds and is responsible for sourcing, executing and managing investments for the funds under management. Prior to joining AFIG in 2013, he worked at Argentil Capital Partners where he originated and executed infrastructure transactions. He also has also worked in the Infrastructure and Natural Resources Group of the International Finance Corporation ("IFC") and at ARM Investment Managers.

• Prof. Isabella Elizabeth Okagbue - Non-Executive Director

Professor Isabella Okagbue, is an accomplished lawyer and academic with several published books and articles to her credit. She is a member of the Nigerian Bar and had a distinguished academic career for many years with the Nigerian Institute of Advanced Legal Studies where she became a professor of law and the Director of Research. She joined the United Bank for Africa Plc and over the course of her employment held various positions including General Counsel, Company Secretary and Chief Compliance Officer. She has served on several boards and councils both in her legal advisory and business capacities. She is currently a non-executive director with FSDH Capital Ltd and FSDH Merchant Bank Ltd.

• Mr. Patrice Backer - Non-Executive Director

Patrice Backer is the Chief Investment Officer of AFIG Funds and has been with the Fund since its inception in 2006. He leads all aspects of the investment process and is a member of the Fund's Investment Committee. Prior to AFIG Funds, Patrice was the Managing Director of PromoCapital, and prior to that was with JPMorgan's Emerging Markets Sales and Trading and Latin America M&A groups. Patrice graduated from Harvard College with a bachelor's degree in Engineering in 1988. He holds an MBA from the Wharton School of Business, and an MA in International Studies from the University of Pennsylvania's Lauder Institute, both earned in 1993.

• Mr. Godwin Ize-Iyamu - Non-Executive Director

Godwin Ize-Iyamu has over thirty years of professional experience spanning the Audit, Oil and Gas, and Banking Industries after qualification as a Certified Public Accountant. He started his banking career in Citibank Nigeria where he worked in Operations and Corporate Banking Sectors. He later joined United Bank for Africa PLC where he worked in Commercial Banking, Corporate Banking and Institutional Banking Sectors over fourteen years and served on the board as an Executive Director for five years. He is currently an Independent Director on the Board of FSDH Merchant Bank.

• Mr. Musa Ali Baba - Non-Executive Director

Mr Musa Ali Baba is a technology and finance strategist with over 25 years of varied experiences. He is a Member of the Chartered Institute of Bankers, Nigeria and a Fellow of the Institute of Management Consulting. Mr Ali-Baba started his career at First Securities Discount House (now FSDH Merchant Bank) and is the Managing Director of Teasy International (TeasyPay). He also co-founded Newe Partners, an advisory firm and has worked at Pfizer, Microsoft and Oracle Corporations, as well as in government. He

engages himself in activities aimed at growing Nigeria's innovation-driven enterprise ecosystem. He serves on the board of FSDH Merchant Bank as an Independent Director.

PROFILES OF KEY MANAGEMENT STAFF

• Mr. Hakeem Muhammed - Head, Global Markets and Prestige Banking

Mr. Muhammed heads the Global Markets and Prestige Banking Departments of FSDH Merchant Bank. He has extensive experience spanning over 15 years in banking operations, relationship management, foreign exchange trading, fixed income sales, commodities and derivatives structuring/marketing. Prior to joining FSDH, he worked as the Vice President, Corporate Sales and Structuring at Citibank Nigeria Limited. Mr. Muhammed is a Chartered Financial Analyst (CFA) Charterholder. He is also a Fellow of the Association of Charted Certified Accountants and has an Executive MBA from the Lagos Business School (Pan Atlantic University). He graduated from Ahmadu Bello University with a Bachelor's degree in Accounting.

• Mr. Richard C. Osuagwu - Chief Risk and Compliance Officer

Mr. Osuagwu heads the Risk Management Department of FSDH. He is a Chartered Accountant and a graduate of IESE (Spain) Executive MBA programme of the Lagos Business School. He holds a Masters in Business Administration from the IESE Business School (1998), University of Barcelona and a Masters of Finance from the University of London (2013). He joined FSDH in 1994 and has worked in both Operations and Financial Control Departments of the company. Before his appointment as Head, Risk Management, he was the Head Internal Audit Department and Financial Controller at different times. Before joining FSDH he worked as a Senior Accountant at SCOA Nigeria PLC (Equip Division).

• Mr. Babatunde Obidare - Group Head, Operations

Mr. Obidare heads the Operations department. He holds a Bachelor of Science in Business Administration from the University of Benin (1989) as well as being a Chartered Accountant; he is also a Certified Documentary Credit Specialist. Prior to joining FSDH Merchant Bank Ltd, Mr. Obidare had extensive experience in banking operations, process improvements and Internal Controls with Citibank Nigeria, Stanbic IBTC Bank Nigeria and Standard Bank of South Africa.

• Mr. Jamiu Kuku - Treasurer

Jamiu Kuku serves as the Head of Treasury at FSDH Merchant Bank. With a distinguished career spanning over 15 years, he leads treasury operations, proprietary trading and supervises all trading activities across all product lines for the bank. A graduate of Accounting from Olabisi Onabanjo University, he has ascended the ranks, showcasing expertise in treasury management. At FSDH, Jamiu navigates the complexities of liquidity management, risk assessment, and investment strategies with precision. Jamiu has served in various capacities across several organizations including Fidelity Bank, ARM Investment Group, Ecobank Nigeria where he rose to the Chief Dealer position, before joining FSDH Merchant Bank. He is also a thought leader in the financial ecosystem, often contributing his insights to industry forums and the media.

EMPLOYEES

As at 31 December 2022, the Bank employed an average of 56 persons comprising 0 Directors, 0 management staff and 56 non-management staff.

PREMISES

The Bank currently operates from its main office at 5th – 8th Floors, UAC House, 1/5 Odunlami Street, Lagos Island, Lagos. (Telephone number: +234-1-2702880, email address: fsdh@fsdhgroup.com and website address: www.fsdhgroup.com). It also has liaison offices in Abuja and Port-Harcourt. Details of the company's premises are provided below:

S/N	Office	Address	State
1.	Lagos (Head Office)	UAC House (5th – 8th Floors, 1/5 Odunlami Street, Lagos Island	Lagos
2.	Abuja (Liaison Office)	Leadway House, Plot 1061, Herbert Macaulay Way, Central Business District	Federal Capital Territory
3.	Port-Harcourt (Liaison Office)	2nd Floor, Mainstreet Bank Building, 5 Trans Amadi Road, Port-Harcourt	Rivers

CORPORATE GOVERNANCE IN FSDH

Corporate governance in FSDH is based on the philosophy of building a structured organisation, anchored on core values, with well-defined systems and processes that are adaptive to changes in the environment and resilient enough to cope with succession at all levels. This philosophy has been the guidepost in navigating the organisation through its various phases of growth. It has ensured stability for the Issuer, even as the economy as a whole and the financial services industry, in particular, went through various cycles of boom and burst.

FSDH believes that corporate governance is not just about adopting national and international codes of best practices - it should be rooted in shared values and a culture that aims to bring out the best in the Issuer's staff members. This culture is well articulated in a "Culture Wheel" and well known to all members of staff. The culture wheel defines who the FSDH person is in terms of personal attributes and relationship with stakeholders, especially the customer. It is anchored on five pillars which are High Performance, Customer Orientation, Learning, Collaboration, and Image Building. The interplay of these five pillars defines the Issuer and its way of doing business. It is reinforced by the Issuer's Code of Conduct, the policies and procedures in place in the Issuer, the examples set at the top by the Board and senior management, and the reward system.

The FSDH Culture serves as a powerful tool in shaping the Issuer's control and risk management environment and has continued to play an important role in improving the governance system in the organisation. It is the glue that binds all the stakeholders together and has resulted in the alignment of the external and the internal environments towards a common objective which is meeting and exceeding the needs of its customers. The Issuer's unique ownership structure has combined with a responsive board and has produced a highly empowered management and staff, resulting in a governance structure that promotes accountability and transparency throughout the whole organisation.

Figure 2: FSDH Culture Wheel



Source: FSDH Management

Composition of the Board

FSDH's Board is composed of experienced and knowledgeable professionals who have made their mark in key sectors of the economy. The position of the Chairman of the Board is separate from the position of the Chief Executive Officer. The board is composed of the Chairman, the Managing Director, 1 Executive Director, 1 independent non-executive director (who do not represent the interest of any shareholder), and 4 non-executive directors representing the interests of various shareholders. Every year, an evaluation of the effectiveness of the board is performed by an External Consultant, in line with the CBN's Code of Corporate Governance. PricewaterhouseCoopers was appointed as FSDH's external consultant for the performance appraisals of the Board of Directors from 2008 to 2010. In 2010, following the appointment of KPMG Professional Services ("KPMG") as the Bank's external Auditors, KPMG replaced PricewaterhouseCoopers as the external consultant for FSDH's Board of Directors' performance appraisals. The board has continued to receive good ratings on its effectiveness in the performance of its duties.

The Board has three standing committees – the Board Audit Committee, the Board Risk Committee, and the Governance and Nominations Committee. Together with the three committees, the Board provides effective oversight over the operations of the Issuer. The duties of the Board are spelt out in the Board Charter. They include:

- Determination of the Issuer's strategic direction and business objectives necessary to ensure long term growth and sustained creation of value for customers;
- Ensuring the existence of plans and policies for the achievement of the Issuer's strategic business objectives;
- The establishment of an effective risk management framework to identify, measure, and manage risks in the Bank;
- The establishment of a good system of internal controls to ensure the integrity of financial reporting and compliance with laws and regulations;
- Fostering a culture of responsibility, transparency, and accountability through good corporate governance and adherence to high ethical values;
- Selection, compensation and monitoring of senior management staff and ensuring the existence of a good system of succession planning; and
- Approval of major capital expenditure, changes to the Issuer's capital structure, annual budgets, changes to accounting policies and dividend policy.

The Board Committees

The CBN's Code of Corporate Governance (2014) requires every bank to have at least three Standing Committees namely the Audit Committee, the Risk Management Committee, and the Credit Committee. Accordingly, FSDH

MB has constituted the three Committees. Each Board Committee has a charter approved by the CBN. The duties and responsibilities of the Board Committees are summarized below.

The Board Audit Committee

This is a statutory Committee and its duties are contained in section 359(6) of CAMA namely:

- Ensuring the establishment of effective systems and processes for the preparation of the Issuer's financial statements;
- Ensuring the existence of good system of internal controls in the Bank;
- Ensuring the existence of a good internal audit function to monitor the activities of the Bank to ensure that the Issuer's governance process is working properly, that risks are properly managed and that applicable laws are being complied with;
- Reviewing and monitoring the performance of external auditors and recommending to the Board on the appointment and discharge of external auditors; and
- Ensuring that there is an effective system of monitoring compliance with laws and regulations and all
 licensing requirements and the results of management's investigation and follow-up (including
 disciplinary action) of any instance of non-compliance Reviewing the scope and planning of the external
 audit.

The Audit Committee is expected to have a minimum of 3 members and meets at least once every quarter. The Internal Audit Department, which is independent of management, reports directly to the Audit Committee.

The Board Risk Committee

The Committee comprises a minimum of 6 members and its duties are:

- To approve and review the Enterprise Wide Risk Management Framework;
- The management of market risk in the Bank covering price risk, interest rate risk in the banking book and foreign exchange risk;
- The management of credit risk covering:
 - Credit risk strategy and policy formulation;
 - Credit approval;
 - Loan review and credit performance monitoring;
 - Credit risk compliance;
- · Management of operational risk;
- Management of the Internal Capital Adequacy Process;
- Management of other risks which includes:
 - Liquidity risk;
 - Reputational risk;
 - Regulatory compliance risk;
 - Concentration risk;
 - Downgrade risk;
 - Business risk.

The Risk Management Department, which is independent of the operating departments, presents regular reports to the Risk Management Committee.

The Governance and Nominations Committee

The Governance and Nominations Committee is made of 3 members. The Committee's duties include:

- Regularly review the structure, size and composition (including the skills, knowledge and experience)
 required of the Board compared with its present position and make recommendations to the Board on
 any changes the Committee may deem necessary;
- Give full consideration to succession planning for directors and top management in the course of its work,

- taking into account the challenges and opportunities facing the Issuer, and what skills and expertise are needed on the Board in the future;
- Be responsible, subject to the Issuer's Memorandum and Articles of Association, for identifying and nominating for approval of the Board, candidates to fill Board vacancies as and when they arise;
- Make recommendations to the Board on matters relating to the continuation in office of any director at
 any time including the suspension or termination of service of an executive director as an employee of
 the Bank subject to the provisions of the law and their service contract;.
- Make recommendations to the Chairman on the membership of other Board Committees, taking into consideration the skills, knowledge and experience required to function effectively in those Committees;
- Make recommendations to the Board for appointments and promotions of staff from the position of Assistant General Manager and above;
- Determine and agree with the Board, the framework or broad policy for the remuneration of the Issuer's Executive Directors and Chairman. (To avoid conflict of interest, the remuneration for non-executive Directors shall be determined by the Chairman and the Executive Directors);
- Determine and agree with the Board the policy for the terms of employment of the Executive Directors;
- Review and approve the remuneration structure for the Bank;
- Review the ongoing appropriateness and relevance of the Issuer's Remuneration policies;
- Review annually the remuneration trends across the Bank and the industry in which the Bank operates with a view to ensuring that the Bank remains competitive in order to retain and attract the right talents;
- Determine and agree on the policy for the reimbursement of the expenses of the Chairman and the Executive Directors;
- Ensure that the disclosures in the audited accounts regarding directors' remuneration are adequate and consistent with the requirements of the law; and
- Review and approve the design and structure of all retirement benefit schemes.

The Board Finance and Strategy Committee

The Committee comprises a minimum of 3 members and its duties include:

- Understand, identify and discuss with management the key issues, assumptions, risks and opportunities relating to the development and implementation of the Bank's strategy.
- Ensure that a proper strategic planning process is implemented. This can be done by setting the parameters within which management develops the strategy ensure that the strategy is aligned to the business objectives and prevailing operating environment, ensure that an annual strategy retreat is organized for the Board and management to provide input into management's assumptions and planning, etc.
- Review the information made available by management, including business plans and financial, operational and personnel requirements to implement the agreed strategy.
- Critically evaluate and make recommendations to the Board for the approval of the Bank's business strategy.
- Oversee the Bank's Investment planning, execution and monitoring process.
- Oversee the long-term financing strategy and options for the Bank's projects.
- Review annually, the Bank's financial projections, as well as capital and operating budgets.
- Review on a quarterly basis with management, the progress of key initiatives, including actual financial results against targets and projections.
- Review and recommend for Board approval, the Bank's capital structure, including, but not limited to mergers, acquisitions, business expansions, allotment of new capital, debt limits and any changes to the existing capital structure.
- Oversee the process of capital raising and any listing of the Bank's shares.
- Review the Bank's strategy and financial objectives and monitor implementation of those strategies and objectives.
- Review and approve all operating expenses not in the approved budget that are above \$\frac{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\ti}\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text
- Review and approve capital expenditure above N10 million but not exceeding N50 million not included in approved budget.
- Review and make appropriate recommendations to the Board on any capital expenditure not included in the approved budget that is above \$\frac{1}{2}\$50 million.
- The Committee shall report all expenditure approvals by the Committee to the subsequent meeting of the Board.

Management

The management is charged with the day-to-day running of the Bank. The Bank's management team is headed by the Managing Director, who also acts as the CEO. She is supported by one Executive Director and heads of department. In addition, the Bank makes use of standing committees in the performance of certain key functions whose processes cut across different departments. The standing committees are as follows:

The Executive Committee

The committee is made up of the Managing Director, the Executive Director and the heads of department. This is the principal decision-making organ of Management and the committee meets on a monthly basis.

The Asset and Liability Management Committee (ALCO)

The ALCO meets monthly and is composed of heads of departments and key officers of the Business Units, Fincon and Risk Management. The Committee makes decision on the structure and composition of the Bank's assets and liabilities and also sets the guidelines on interest rates.

The Management Risk Committee

The Management Risk Committee is responsible for identifying, quantifying and managing the risks inherent in the Bank's operations. The membership of the Committee is constituted by heads of departments and key officers in the business units. The Committee is also responsible for approving new credits and reviewing existing credits for performance and classification.

The IT Steering Committee

The IT Steering Committee is responsible for making recommendations to Executive Management on the formulation of IT strategies and the identification of systems needed to support the Bank's business. It is also in charge of implementing these systems. The Committee is constituted by the CEO and Heads of Departments.

The Sustainable Banking Committee

The Committee is charged with the responsibility of ensuring that the Bank conducts its operations in a way that will ensure protection for the environment, enhance social harmony and ensure sustainable development. The Committee ensures that social and environmental risks in all areas of the Bank's operations are identified and dimensioned; and develops policies and controls to ensure that the risks are properly managed.

USE OF PROCEEDS

Unless otherwise stated in the applicable Pricing Supplement, the net proceeds from each issue of the CPs will be applied by the Issuer for its general corporate purposes including refinancing of its existing indebtedness.

The applicable Pricing Supplement for each Series under the Programme will specify details of the use of proceeds of the particular Series.

BACKGROUND

In an attempt to facilitate the effective and efficient functioning of the Nigerian money market and provide a regulatory framework for the issuance of CPs and Bankers Acceptances ("Bas") in Nigeria, the CBN on 18 November 2009, issued the CBN Guidelines which were subsequently updated and circulated on 11 September 2019.

REGULATORY FRAMEWORK

Issuance of and investment in CPs by Banks and Discount Houses in Nigeria is subject to the provisions of the CBN Guidelines and the FMDQ Exchange Rules. The provisions applicable to CPs are as highlighted below:

QUALIFICATION

A CP qualifies as a financing vehicle if:

- i. the issuer has three (3) years audited financial statements, the most current not exceeding eighteen (18) months from the last financial year end; and
- ii. the issuer has an approved credit line with a Nigerian bank acting as an issuing and paying agent, where the bank guarantees the issue.

SIZE AND TENOR

CPs shall be issued at the primary market for a minimum value of \$100,000,000 and multiples of \$50,000,000 or as otherwise determined.

Furthermore, they shall be issued for maturities of between 15 days and 270 days, from the date of issue. The interest or discount element on maturing CPs may not be capitalised and rolled over.

RATING

Either the issuer of a CP or the specific issue shall have an investment grade credit rating (minimum of BBB- or similar rating) by a rating agency registered in Nigeria or any international rating agency acceptable by the CBN.

An indicative rating should have been obtained prior to the submission of declarations and information to the CSD.

INVESTORS IN BANKERS ACCEPTANCES AND COMMERCIAL PAPERS

CPs may be issued to and held by individuals who meet the eligibility criteria set out by the FMDQ Exchange, deposit money banks, other corporate bodies registered or incorporated in Nigeria and unincorporated bodies, non-resident Nigerians and foreign institutional investors.

FORMS OF MAINTAINING CPS

Issuers and investors in CPs may do so in dematerialized or physical form. Issuers and investors are encouraged to issue and hold CPs in a dematerialized form. This provision notwithstanding, the CP Notes shall be issued and held in dematerialised form with the CSD in accordance with the terms of this Programme Memorandum.

ISSUING AND PAYING AGENT

Only a non-bank financial institution may act as an issuing and placing agent ("IPA") for issuances of CP and only deposit money bank may act as collecting and paying agent ("CPA").

GENERAL REQUIREMENTS

- i. CPs are only redeemable at maturity and as such cannot be pre-liquidated.
- ii. The investors may rediscount the paper with the Issuer before maturity at new market terms if the Issuer is willing to purchase the risk.
- iii. Any proposed issue of CPs shall be completed within the period of ten (10) business days from the date of opening of the issue for subscription.
- iv. All CPs issued in Nigeria shall be registered with the CSD, which shall serve as the custodian of all issues

and central depositary for all dematerialised instruments.

COMPLIANCE WITH CBN GUIDELINES

The Issuer has complied with all applicable provisions as stated in the CBN Guidelines. A legal opinion confirming adherence to the CBN Guidelines is incorporated on page 47 of this Programme Memorandum.

COMPLIANCE WITH SECURITIES REGULATIONS

There is no obligation for the Issuer to register the Notes with the SEC. This is in line with Rule 8 of the SEC Rules, which exempts short-term securities (including notes) with maturity dates not exceeding nine months from the date of issuance, from registration with SEC.

MANDATORY REGISTRATION AND QUOTATION OF CPS

The CBN Circular of 12 July 2016 on Mandatory Registration and Listing of Commercial Papers requires CPs to be registered and quoted on authorised securities exchanges. Accordingly, banks are prohibited from transacting in CPs (that are not quoted or intended for quotation on an authorised securities exchange), in any capacity whatsoever, including to act as issuer, guarantor, issuing, placing, paying and collecting agent, collecting and paying agent etc.

The CBN having approved the quotation rules of FMDQ Exchange has cleared it for the quotation of CPs in Nigeria.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes to be issued by the Issuer under the Programme. The provisions of the Applicable Pricing Supplement to be issued in respect of any Note are incorporated by reference herein and will supplement these Terms and Conditions for the purposes of that Note. The Applicable Pricing Supplement in relation to any Series of Notes may specify other terms and conditions, which shall, to the extent so specified, to the extent inconsistent with the Terms and Conditions contained herein, replace, or modify the following Terms and Conditions for the purpose of such Series of Notes.

1. ISSUANCE OF NOTES

The Issuer may from time to time, subject to these Terms and Conditions, issue Notes in Series on a continuous basis under the Programme in an aggregate principal amount not exceeding N40,000,000,000 (forty billion Naira). Any Series of Notes issued under the Programme shall be constituted by, be subject to, and benefit from, the Deed of Covenant.

2. FORM, DENOMINATION AND TITLE

2.1 Form and Denomination

- 2.1.1 Unless otherwise specified in any Applicable Pricing Supplement, the Notes shall be registered electronically, serially numbered and denominated in a minimum amount of ₹1,000 (one thousand Naira).
- 2.1.2 The Notes issued under this Programme will be denominated in Naira or in the relevant currency stated in the applicable Pricing Supplement.
- 2.1.3 The Notes will be issued in the form of discounted notes.
- 2.1.4 The Notes will be issued through book-entry deposit by crediting the CSD account of applicants and a Register shall be maintained by the CSD.

2.2 Title

- 2.2.1 Title to the Notes will pass upon credit to the CSD account of each of the Noteholders.
- 2.2.2 Transfer of title to Notes shall be effected in accordance with the rules of the CSD and the rules governing transfer of title in securities traded on FMDQ Exchange.
- 2.2.3 The Issuer may deem and treat the registered holder of any Note as the person indicated in the records of the Registrar/CSD as the absolute owner thereof for all purposes, including but not limited to the payment of outstanding obligations in respect of the Notes.

3. STATUS OF THE NOTES

Each Note constitutes a senior, unsecured and unsubordinated obligation of the Issuer and the Notes rank *pari passu* among themselves and, save for certain debts preferred by law, *pari passu* with all other present and future unsecured and senior obligations of the Issuer outstanding from time to time.

4. REDEMPTION

The Notes are only redeemable at maturity and will be redeemed at the face value specified in the Applicable Pricing Supplement.

5. PAYMENTS

The face value of the Notes will be paid to the Noteholders shown on the Register at 3pm on the Maturity Date. The registered Noteholder shall be the only person entitled to receive payments in respect of the Notes and the Issuer will be discharged by payment to, or to the order of, the registered Noteholder in respect of each amount so paid.

5.1 Method of Payments

- 5.1.1 Only Noteholders named in the Register as at the close of business on the date specified in the applicable Pricing Supplement after which transfer of the Notes will not be registered, shall be entitled to payment of amounts due and payable in respect of the Notes
- 5.1.2 Payment of outstanding obligations in respect of the Notes will be made by electronic funds transfer.
- 5.1.3 All monies payable in respect of the Notes shall be paid to or to the order of the Noteholders by the Issuing, Calculation and Paying Agent. Noteholders shall not be required to present and/or surrender any documents of title to the Issuing, Calculation and Paying Agent.
- 5.1.4 In the case of joint Noteholders, payment by electronic transfers will be made to the account of the Noteholder first named in the Register. Payment by electronic transfer to the Noteholder first named in the Register shall discharge the Issuer of its relevant payment obligations to joint Noteholders under the Notes.
- 5.1.5 In the case of nominees, the nominee shall be paid as the registered Noteholder, which payee shall in turn be responsible for transferring such funds to the holders of the beneficial interests.
- 5.1.6 Neither the Issuer nor its agents shall be responsible for any loss in transmission of funds paid in respect of each Note where the Issuer or CPA has provided evidence that the money was transferred into the account of the Noteholder.
- 5.1.7 If the Issuer is prevented or restricted directly or indirectly from making any payment by electronic funds transfer (whether by reason of strike, lockout, fire explosion, flood, riot, war, accident, act of God, embargo, legislation, shortage of or breakdown in facilities, civil commotion, government interference or control or any other cause or contingency beyond the control of the Issuer), the Issuer shall make such payment by cheque (or by such number of cheques as may be required in accordance with applicable banking law and practice). Such payments by cheque shall be sent through a reputable and registered courier operator to the address of the Noteholder as set forth in the Register.
- 5.1.8 Cheques may be posted by registered mail, provided that neither the Issuer nor the Agents shall be responsible for any loss in transmission and the postal authority shall be deemed to be the agent of the Noteholders for the purposes of all cheques posted in terms of this condition.

5.2 Payment Day

Payment shall be made on a Business Day. If the due date for payment of any amount in respect of the Notes is not a Business Day, then the Noteholder thereof shall not be entitled to payment of the amount due until the next Business Day. The Noteholder shall not be entitled to any further interest or other payment in respect of such delay. Provided that where the next Business Day falls in a different calendar month, that payment shall be made on the immediately preceding Business Day.

6. EVENT OF DEFAULT

6.1 Event of Default

An event of default in relation to the Notes (each an "Event of Default") shall arise if any one or more of the following events shall have occurred and is continuing:

6.1.1 if the Issuer fails to make payment in full by the Maturity Date;

- 6.1.2 if the Issuer fails to perform or observe any of its other obligations under the Notes and such failure has continued for a period of 7 days following the service on the Issuer of a written notice requiring that breach to be remedied;
- 6.1.3 should any, representation, warranty or undertaking made in connection with any documentation supplied by the Issuer be, in the Arranger's opinion, materially incorrect;
- 6.1.4 if the Issuer initiates bankruptcy or insolvency proceedings or becomes insolvent, or is provisionally or finally sequestrated, or is provisionally or finally wound up, or is unable to pay its debts as they become due, or is placed under provisional or final judicial management, or enters into a scheme of arrangement or compromise with its creditors;
- 6.1.5 should the shareholders of the Issuer pass a resolution for the winding up of the Issuer;
- 6.1.6 if an attachment, execution or other legal process is levied, enforced upon, issued on or against a material or substantial part of any assets of the Issuer and is not discharged or stayed within 90 days of service by the relevant officer of the court of such attachment, execution or other legal process; or
- 6.1.7 if a writ of execution is issued by any competent court attaching any material or substantial part of assets belonging to the Issuer and such remains unsatisfied for more than 10 Business Days after the date on which it is issued.
- 6.1.8 If the Issuer fails to notify FMDQ Exchange through the IPA that the Notes have been liquidated and funds have been transferred to all Noteholders by 5:00pm on the Redemption Date

6.2 Action upon Event of Default

- 6.2.1 Upon the occurrence of an Event of Default which is continuing, any Noteholder may by written notice to the Issuer at its specified office(s), effective upon the date of receipt thereof by the Issuer, declare the Notes held by that Noteholder to be forthwith due and payable, provided that no such action shall be taken if the Issuer withholds or refuses to make any payment in order to comply with any law or regulation of Nigeria or to comply with any order of a court of competent jurisdiction.
- 6.2.2 Upon the occurrence of an Event of Default, the Issuer shall pay Noteholders interest at the Default Rate until the debt obligations to the Noteholders have been settled in full. In addition, the Noteholders shall have the right to exercise all other remedies available to them under the laws of Nigeria.

7. REGISTER

- 7.1 The Register shall be maintained by the CSD. The Register shall reflect the number of Notes issued and shall contain the name, address, and bank account details of the registered Noteholders. The Register shall set out the aggregate Principal Amount of the Notes issued to such Noteholder and the date of issue.
- 7.2 Statements issued by the CSD as to the aggregate number of Notes standing to the CSD account of any person shall be conclusive and binding for all purposes save in the case of manifest error and such person shall be treated by the Issuer and the Agent as the legal and beneficial owner of such aggregate number of Notes for all purposes.
- 7.3 The IPCA shall alter the Register in respect of any change of name, address or bank account number of any of the registered Noteholders of which it is notified in accordance with these Terms and Conditions.

8. NOTICES

8.1 Notices to the Noteholders

- 8.1.1 All notices to the Noteholders will be valid if mailed by pre-paid registered mail to them at their respective addresses of record in the relevant register of Notes of a Series maintained by the Registrar. The Issuer shall also ensure that notices are duly given or published in a manner which complies with the requirements, rules and regulations of the Exchange or such other regulatory authority as may be applicable to the Notes.
- 8.1.2 Any notice shall be deemed to have been given on the second day after being so mailed, the date of delivery or on the date of first publication in national newspapers.

8.2 Notices from the Noteholders

- 8.2.1 Notices to be given by any Noteholder to the Issuer shall be in writing and given by lodging the same with the Issuing, Calculation and Paying Agent at its registered office.
- 8.2.2 Any change of name or address on the part of a Noteholder shall forthwith be notified to any of the Agents who shall inform the CSD to effect the change in the Register.

9. MODIFICATION

- 9.1 The Arrangers and the Issuer may agree, without the consent of the Noteholders, to any modification of the Terms and Conditions which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with the mandatory provisions of any law in Nigeria and which is not prejudicial to the interest of the Noteholders.
- 9.2 Save as provided in condition 9.1 above, no amendment of the Terms and Conditions may be effected unless:
 - (a) Such amendment is in writing and signed by or on behalf of the Issuer;
 - (b) The Exchange is notified of such amendment; and
 - (c) such amendment:
 - (i) if it affects the rights, under the Terms and Conditions, of all the Noteholders, is signed by or on behalf of Noteholders, holding not less than 75% of the outstanding Principal Amount of all the Notes; or
 - (ii) if it affects only the rights, under the Terms and Conditions, of a particular group (or groups) of Noteholders, is signed by or on behalf of the Noteholders in that group (or groups) holding not less than 75% of the outstanding Principal Amount of all the Notes held by that group.
- 9.3 Any such modification shall be binding on the Noteholders and shall be notified to the Noteholders in accordance with Condition 8 as practicable thereafter.

10. MEETING OF NOTEHOLDERS

10.1 The Issuer may at any time convene a meeting of all Noteholders upon at least 21 days prior written notice to such Noteholders. The notice is required to be given in terms of Condition 8. Such Notice shall specify the agenda, special resolution, date, place and time of the meeting to be held, which place shall be in Nigeria.

- 10.2 Any director and/or duly appointed representative of the Issuer may attend and speak at a meeting of the Noteholders but shall not be entitled to vote, other than as a Noteholder or as a proxy or representative of a Noteholder.
- 10.3 Noteholders holding not less than 50% in Principal Amount of the outstanding Notes shall be able to request the Issuer to convene a meeting of Noteholders. Should the Issuer fail to convene such a meeting within 10 days of such a request being received by the Issuer, the Noteholders requesting the meeting may convene such a meeting.
- A Noteholder may by an instrument in writing (a "Form of Proxy") signed by the holder or, in the case of a corporation executed under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation, appoint any person (a "Proxy") to act on his or its behalf in connection with any meeting or proposed meeting of the Noteholders.
- 10.5 Any Noteholder, which is a corporation, may by resolution of its directors or other governing body authorise any person to act as its representative (a "**Representative**") in connection with any meeting or proposed meeting of the Noteholders.
- 10.6 Any Proxy or Representative appointed shall, so long as the appointment remains in force, be deemed for all purposes in connection with any meeting or proposed meeting of the Noteholder specified in the appointment, to be the holder of the Notes to which the appointment relates and the holder of the Notes shall be deemed for such purposes not to be the holder.
- 10.7 The chairman of the meeting shall be appointed by the Issuer. The procedures to be followed at the meeting shall be as determined by the chairman subject to the remaining provisions of this Condition 10.3. Should the Noteholders request a meeting, and the Issuer fails to convene such a meeting within 10 days of such request, then the chairman of the meeting held at the instance of the Noteholders, shall be selected by a majority of Noteholders present in person or by Proxy.
- 10.8 At any such meeting 2 or more Noteholders present in person, by Representative or by Proxy, holding in aggregate not less than 1/3 of the Principal Amount of Notes outstanding shall form a quorum.
- 10.9 On a poll, each Noteholder present in person or by Proxy at the time of the meeting shall have the number of votes equal to the number of Notes, by denomination held by the Noteholder.
- 10.10 If within 30 minutes after the time appointed for any such meeting a quorum is not formed, the meeting shall, if convened upon the requisition of Noteholders, be dissolved. In any other case, the meeting shall be adjourned to such date and time not being less than 14 days nor more than 21 days thereafter and at the same time and place. At such adjourned meeting, 2 or more Noteholders present or represented by Proxy shall form a quorum and shall have the power to pass any Special Resolution and to decide upon all matters which could properly have been dealt with at the original meeting had the requisite quorum been present.

11. CHANGE OF AGENT

- 11.1 Following the receipt of a formal application for the revision of transaction parties, and the Exchange's approval of such revisions, the Issuer is entitled to vary or terminate the appointment of the Agent and /or appoint additional or other agents and/or approve any change in the specified office through which any agent acts, provided that there will at all times during the subsistence of the Programme, be an agent with specified offices.
- 11.2 The Agent acts solely as agent of the Issuer and does not assume any obligation towards or any relationship of agency or trust for or with any Noteholder.

12. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders to issue further Notes under the Programme.

13. GOVERNING LAW

These Terms and Conditions and the provisions of this Programme Memorandum and the Notes are governed by, and shall be construed in accordance with, the laws of Nigeria.

TAX CONSIDERATIONS

The tax consequences of investments in the Notes are broadly summarised below. The summary is not intended and should not be construed, to be tax advice to any particular subscriber. Any prospective investor who is in any doubt as to his/her tax position or who is subject to taxation in any jurisdiction other than Nigeria should consult his/her own professional advisers without delay as to the consequences of an investment in the Notes in view of his/her own personal circumstances. Neither the Issuer nor its advisers shall be liable to any investor in any manner for placing reliance upon the contents of this section.

The Notes issued under the Programme will be zero-coupon notes and as such, will be offered and sold at a discount to Face Value. The Notes will thus not bear interest and the Issuer will not be required to withhold or deduct tax from payments in respect of the Notes to the Note holders. However, the discount on the Notes may be taxed in accordance with applicable Nigerian tax laws.

The foregoing summary does not purport to be comprehensive and does not constitute advice on tax to any actual or prospective purchaser of Notes issued under the Programme. In particular, it does not constitute a representation by the Issuer or its advisers on the tax consequences attaching to a subscription or purchase of Notes issued under the Programme. Tax considerations that may be relevant to a decision to acquire, hold or dispose of Notes issued under the Programme and the tax consequences applicable to each actual or prospective purchaser of the Notes may vary. Any actual or prospective purchaser of the Notes who intends to ascertain his/her tax position should seek professional advice from his/her preferred professional advisers as to the tax consequences arising from subscribing to or purchasing the Notes, bearing in mind his/her peculiarities. Neither the Issuer nor its advisers shall be liable to any subscriber or purchaser of the Notes in any manner for placing reliance upon the contents of this section.

RISK FACTORS

The following section does not describe all the risks (including those relating to each prospective investor's particular circumstances) with respect to an investment in the Notes. The risks in the following section are provided as general information only. Prospective investors should refer to and carefully consider the risks described below and the information contained elsewhere in this Programme Memorandum, which may describe additional risks associated with the Notes. **Investors should also seek professional advice before making investment decisions in respect of the Notes.**

RISK FACTORS RELATING TO NIGERIA

Political Risk

In 2023, Nigeria held several elections: presidential and legislative in February, gubernatorial in March, supplementary in April, and three off-cycle governorship elections in November. After the elections, both local and foreign stakeholders are worried about Nigeria's security and political situation.

Security problems exist throughout Nigeria. In the North-Central, there are conflicts between farmers and herders. The South-South deals with oil-related militancy. The South-East has secessionist movements, while the North-West and North-East face militant jihadist groups and communal militias. The South-West sees clashes between local militias and other groups. Despite promises from the previous president, insecurity persists.

Emerging Markets Risk

Emerging markets as Nigeria are subject to greater risk than more developed markets and financial turmoil in any emerging market could cause the price of securities to decrease. Generally, investments in emerging markets are only suitable for sophisticated investors who better understand the instruments and fully appreciate the significance of the risks involved and are familiar with investing in emerging markets.

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

Economic Risk

Nigeria's economy relies heavily on crude oil production and has suffered greatly due to the global drop in crude oil prices. This decline, coupled with the lack of foreign exchange, has hampered Nigeria's overall economic performance. However, the upcoming opening of the Dangote refinery in 2024 is expected to decrease Nigeria's reliance on fuel imports. This development will likely boost trade surplus and foster growth opportunities.

A number of international companies have been impacted by the difficulty in accessing foreign exchange for the purchase of raw materials or finished goods, leading to a significant has led to the closure of their operations in Nigeria.

Instability in key areas across the globe can adversely affect the movement of trade and foreign exchange in Nigeria. Investors are also advised to pay attention to key indicators in the global economy that may have an impact on investments in Nigeria.

RISK FACTORS RELATING TO THE ISSUER

The following is a description of the risk factors that are material in respect of the financial situation of the Issuer. The risks described below are not the only risks that affect the Issuer. Additional risks and uncertainties not currently known to the Issuer or that the Issuer considers immaterial may also materially and adversely affect the Issuer. Any of the following risks could result in a material adverse effect on the Issuer's financial condition, results of operations and ability to service debt including the CP notes.

The sequence in which they are listed is not an indication of their likelihood of occurrence or the extent of their commercial consequences. The following statements are complete but not exhaustive, thus prospective investors must consider all the information provided in this Programme Memorandum.

Regulatory Risks

The banking industry in which the Issuer operates is highly regulated. The Banks and Other Financial Institutions Act 2020 (BOFIA), various CBN guidelines (including the CBN Prudential Guidelines), circulars and directives contain provisions, which the Issuer is required to adhere to including the requirement to meet certain capital adequacy and cash reserve requirements, failing which the Issuer risks incurring regulatory sanctions by the CBN or any other regulators. In particular, non-compliance by the Issuer with CBN directives may result in the revocation of the Issuer's banking license or the imposition of penalties on the Issuer amongst other sanctions. Should the Issuer lose its banking license, it would be unable to meet its obligations with respect to the CP notes.

Operational Risks

This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Issuer's operational processes capture the following major types of losses: fraud (internal and external); fines, penalties or expenses incurred as a result of settlement delays and regulatory infractions; losses arising from litigation processes including out of court settlements; losses incurred as a result of damage to the Issuer's assets; and losses incurred as a result of system downtime, malfunction or disruption. The Issuer recognises the significance of operational risk, which is inherent in all areas of the Issuer's business. Any lapse due to operational risk that results in severe losses could affect the Issuer's ability to meet its debt obligations.

Credit Risks

The Nigerian banking industry is subject to the credit risk that Nigerian borrowers may not make timely payment of principal and interest on loans, if at all, and that upon such failure to pay, Nigerian banks may not be able to enforce any security interest or guarantee that they may hold. There is also credit risk in off-balance sheet financial instruments.

Higher credit risk has a material adverse effect on the quality of loan portfolios and exposes Nigerian banks to high risks and potential losses. Such losses, if material, could have a material adverse effect on the Issuer's financial condition, liquidity and results of operations.

Liquidity Risks

Liquidity risk arises when there is a mismatch between the inflows and outflows of the Issuer. This may be due to the inability of the Issuer to liquidate certain assets at short notice due to market illiquidity and inability to access sufficient funds to meet payment obligations in a timely manner. The management of liquidity risk is very critical to the ongoing viability of the Issuer.

Foreign Exchange Risks

Foreign Exchange risk is the risk that changes in foreign exchange rates and controls would affect the value of the financial assets and liabilities as well as off-balance sheet items of the Issuer. The Issuer takes on foreign exchange risks through its activities in both the trading and banking books. It is therefore exposed to the risk of loss on both its trading and banking book positions in the event of adverse movements in currency prices.

Market and Interest Rate Risks

The Issuer undertakes trading and investment activities in fixed income securities such as bonds, treasury bills, interbank takings and placements as well as foreign exchange trading, all of which give rise to market risk exposure. Market risk is the risk arising from adverse changes in underlying market factors such as interest rates, foreign exchange rates, equity prices, commodity prices and other relevant factors such as market volatility. As such, there is no assurance that the Issuer would be able to protect itself from the adverse effects of market risk exposure.

SETTLEMENT, CLEARING AND TRANSFER OF NOTES

Words used in this section shall bear the same meanings as used in the section headed "Definitions and Interpretations", except to the extent that they are separately defined in this section or the meaning if applied, would be clearly inappropriate for the context.

Authorised Participants

The CSCS will maintain a central securities account for Issuing, Placing, Paying & Collecting Agents/ Issuing & Placing Agents and Dealing Members ("Authorised Participants") and each beneficial owner of the Notes is required to have a sub-account under the Authorised Participants. Note holders may exercise their rights in respect of the Notes held in the custody of CSCS only through the Authorised Participants.

For purposes of Notes issued under this Programme, the Authorised Participant is FSDH Capital Limited and any Arranger.

Registration

- i. The Authorized Participant is required to register with CSCS before dealing in CPs.
- ii. Note holders are required to route their account opening applications and transactions through the Authorized Participant, who would then notify CSCS to create a relevant sub-account for the Noteholder.
- iii. CSCS will assign a unique identification number ("Trade Member Code") to the Authorized Participant and also open the account(s) requested by the Authorized Participant.
- iv. CSCS will furnish the Authorized Participant with the following information:
 - a. Trade Member code;
 - b. Account Number(s), including sub-accounts for clients; and
 - c. CP Symbol and ISIN Codes (CSCS will re-open the existing ISIN code for all tranches with same maturity dates, however new ISIN codes will be issued for tranches with different maturity dates).

Lodgment

- The Authorized Participant will electronically lodge CPs with CSCS and advise CSCS after lodgment to transfer the CPs to the sub-accounts, individual accounts or custodians accounts of the beneficial owners of the Notes.
- ii. The CSCS shall process same within 24 hours of receipt.

Redemption

- i. No transactions or trades may be effected for any CPs five (5) working days prior to its maturity date as the Register closes two (2) working days before maturity date.
- ii. The CSCS shall expunge matured CPs on the maturity date of the CPs.
- iii. The Authorized Participant must notify the CSCS to expunge (knock-off) matured CPs not later than 3.00pm on the maturity/redemption date of the CP.
- iv. Maturity must be on a business day, however, where this falls on a public holiday, the ensuing working day shall be the maturity date of the CP.

Roll-Over

i. Every roll-over of a CP shall be treated or classified as a fresh/ separate CP and shall be registered with the CSCS who in turn shall furnish the IPCA with the new CP Symbol and ISIN Codes, subject to the receipt of CP rollover fees.

ii. The new codes shall replace the existing CP Symbol and ISIN Codes in the system.

Default

- i. The IPCA shall notify FMDQ Exchange in writing that the CP has been liquidated and that funds have been transferred to all CP holders by 5:00 p.m. on the Maturity Date of the CP, failing which, the Issuer shall be deemed to be in default.
- ii. In the case of a rollover, if any investor objects to a rollover, the Issuer shall effect the payment of the value of the investor's CP holding on the maturity date, based on the initial terms of the Issue. Failure by the Issuer to effect such payment shall result in a default.
- iii. The Exchange shall be notified immediately it is identified that a default is imminent or there is a strong possibility of default. The IPCA shall provide reasons for the default or imminent default e.g., the investors may not be paid due to IPCA experiencing technical issues such as a market disruption or insufficient funds in the funding account to meet payment obligations on maturity date or as the case may be.

Secondary Market Trading (OTC) Guidelines

- i. The Authorized Participant will submit CP transaction instructions/details to the CSCS via the CSCS data- exchange platform.
- ii. CP transactions are to be submitted to CSCS not later than 2:00pm of Day T and the Authorized Participant is required to state the particular account number where the CP(s) should be traded from or deposited into.
- iii. Flexible settlement cycle applies (T + 2, T + 1, T + 0 ...).

Reporting

- i. The CSCS will effect the transfer of CPs on the settlement date as advised by the buyer and seller (the "Transaction Parties") and also keep records of consideration for each transaction.
- ii. The CSCS will advise the Arrangers of their position, successful and failed transactions on each settlement day.
- iii. The Authorized Participant and Note holders can ascertain their CP balances after each day's trade via the CSCS website (www.cscs.ng).

Transfer of Notes

Title to beneficial interest in the Notes will pass on transfer thereof by electronic book entry in the securities accounts maintained by CSCS and may be transferred only in accordance with rules and operating procedures of CSCS.

Cash Settlement

The Transaction Parties will be responsible for effecting the payment transfers either via Real Time Gross Settlement ("RTGS"), NIBSS Electronic Funds Transfer ("NEFT") or any other transfer mode agreed by the Transaction Parties and recognised by the CBN.



(INCORPORATED WITH LIMITED LIABILITY IN THE FEDERAL REPUBLIC OF NIGERIA)

ISSUE OF UP TO No. | COMMERCIAL PAPER NOTES UNDER ITS | No. | No.

COMMERCIAL PAPER ISSUANCE PROGRAMME

This Pricing Supplement must be read in conjunction with the Programme Memorandum, dated 11 June 2024 prepared by FSDH Capital Limited on behalf of FSDH Merchant Bank Limited in connection with its \(\frac{\text{Y4}}{40}\),000,000,000 Commercial Paper Issuance Programme, as amended and/or supplemented from time to time (the "Programme Memorandum").

Any capitalised terms not defined in this Pricing Supplement shall have the meanings ascribed to them in the Programme Memorandum.

This document constitutes the Pricing Supplement relating to the issue of Commercial Paper Notes ("CP Notes" or "the Notes") described herein. The Notes described herein are issued on and subject to the Terms and Conditions as amended and/or supplemented by the Terms and Conditions contained in this Pricing Supplement. To the extent that there is any conflict or inconsistency between the contents of this Pricing Supplement and the Programme Memorandum, the provisions of this Pricing Supplement shall prevail.

This document has been prepared in accordance with the Central Bank of Nigeria ("CBN") Guidelines on the Issuance and Treatment of Bankers Acceptances and Commercial Paper, issued on September 11, 2019, the CBN letter to all deposit money banks and discount houses dated July 12, 2016 on Mandatory Registration and Quotation of Commercial Papers (together the "CBN Guidelines") and the Commercial Paper Registration and Quotation Rules (the "Rules") of FMDQ Securities Exchange in force from time to time.

The document is not required to be registered with the Nigerian Exchange Limited ("NGX") or the Securities and Exchange Commission ("SEC"). This document is important and should be read carefully. If any recipient is in any doubt about its contents or the actions to be taken, such recipient should consult his/her banker, stockbroker, accountant, solicitor or any other professional adviser for guidance immediately.



LEAD ARRANGER

FSDH CAPITAL LIMITED

RC 276208



FSDH MERCHANT BANK LIMITED

RC 199528

THIS PRICING SUPPLEMENT IS DATED [][] 2024

Issuer **FSDH Merchant Bank Limited** FSDH Capital Limited **Lead Arranger** Issuing, Placing, Paying and FSDH Merchant Bank Limited (Acting through its Treasury Unit) **Collecting Agent** Sponsor(s) to the Quotation on FSDH Capital Limited **FMDQ Exchange Auditors KPMG** Custodian Central Securities Clearing Systems PLC Series Number [•] **Programme Size** $N[\bullet]$ **Aggregate Nominal Amount** <u>₩</u>[•] a. Series [•] b. Tranche [•] Face Value **N**[●] Discounted Value [•] **Nominal Amount Per Note** [•] **Issue Price** [•] Tenor [•] **Maturity Date** [•] **Final Redemption Amount** [•] **Minimum Subscription** №5,000,000 and multiples of №1,000 thereafter **Specified Currency** Nigerian Naira (N) **Status Of Notes** Each Note constitutes a senior unsecured obligation of the Issuer and save for certain debts mandatorily preferred by law, the Notes rank pari passu among themselves, and save for certain debts mandatorily preferred by law, with other present and future senior unsecured obligations of the Issuer outstanding from time to time Form of Notes Uncertificated

Quotation Notes may be quoted on the FMDQ Exchange platform or any other recognized Exchange **Taxation** Please refer to the 'Tax Considerations' section in the Programme Memorandum Method of Offer Fixed Price Offer **Book Closed Period** The Register will be closed from [●] to [●] until the Maturity Date Implied Yield $[\bullet]\%$ **Discount Rate** [•]% Any Other Formula or basis For [•] **Determining Amount(S) Payable Day Count Fraction** Actual/Actual (actual number of days in a month and actual number of days in a year) **Business Day Convention** Any day except Saturdays, Sundays and public holidays declared by the Federal Government of Nigeria on which banks are open for business in Nigeria **Redemption/Payment Basis** Redemption at par Issuer's Early Redemption Not Applicable Issuer's Optional Redemption Not Applicable Other Terms Applicable On [•] Redemption Offer Opens [•] Offer Closes [•] **Issue Date** [•] **Allotment Date** [•] **Notification Of Allotment** All applicants will be notified through an email and/or telephone of their allotment by no later than [•] **Payment Date** [•] FSDH Merchant Bank Limited Details Of Bank Account(s) To Bank: Which Payments Are To Be Made In **Account Name:** [ullet]**Respect Of The Notes** Account Number: [•] **Sort Code:** [•]

Settlement Procedures andPurchases will be settled via direct debit, electronic funds transferSettlement Instructions(NIBBS, NEFT, RTGS, etc.)

Issuer Rating 'A' by Agusto & Co.

'A' by DataPro.

Delivery Date [●]



Report of the independent auditor on the summary consolidated and separate financial statements

To the members of FSDH Merchant Bank Limited

Report on the summary consolidated and separate financial statements

Opinion

The summary consolidated and separate financial statements and (the "summary financial statements"), which comprise the summary consolidated and separate statements of financial position as at 31 December 2020, 31 December 2019, 31 December 2018, 31 December 2017 and 31 December 2016 and the summary consolidated and separate statement of comprehensive income for the years then ended are derived from the audited consolidated and separate financial statements (the "audited financial statements") of FSDH Merchant Bank Limited ("the Bank") and its subsidiary companies (together the "Group") for the years ended 31 December 2020, 31 December 2019, 31 December 2018, 31 December 2017 and 31 December 2016.

In our opinion, the accompanying summary financial statements are consistent in all material respects, with the audited financial statements and in accordance with the FMDQ commercial paper quotation rules.

Summary financial statements

The summary financial statements do not contain all the disclosures required by the International Financial Reporting Standards, the Companies and Allied Matters Act, the Financial Reporting Council of Nigeria Act, the Banks and Other Financial Institution Act and other relevant Central Bank of Nigeria circulars applied in the preparation of the audited financial statements of the Group and Bank. Therefore, reading the summary financial statements and the audited financial statements and the auditor's report thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the audited financial statements in our reports dated 16 April 2021, 26 March 2019, 26 March 2018, 4 May 2017 and 29 February 2016. The audit reports issued on 16 April 2021, 26 March 2019, 26 March 2018 and 4 May 2017 also include the communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the related periods.

Directors' responsibility for the summary financial statements

The directors are responsible for the preparation of the summary financial statements in accordance with the requirements of the FMDQ commercial paper quotation rules.

PricewaterhouseCoopers Chartered Accountants, Landmark Towers, 5B Water Corporation Road, Victoria Island, Lagos, Nigeria



Auditor's responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), 'Engagements to Report on Summary Financial Statements'.

For: PricewaterhouseCooper Chartered Accountants

Lagos, Nigeria

Engagement Partner: Wurs Olowofoyeku FRC/2017/ICAN/00000016809



22 May 2021



KPMG Professional Services

KPMG Tower Bishop Aboyade Cole Street Victoria Island PMG 40014, Falomo Lagos Telephone 234 (1) 271 8955

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REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL INFORMATION

To the Shareholders of FSDH Merchant Bank Limited

Opinion

- the consolidated and separate statements of financial position as at 31 December 2021 and 31 December 2022;
- the consolidated and separate statements of profit or loss and other comprehensive income for the years ended 31 December 2021 and 31 December 2022;
- the consolidated and separate statements of cash flows for the respective years then ended:

are derived from the audited consolidated and separate financial statements of FSDH Merchant Bank Limited for the years ended 31 December 2021 and 31 December 2022 (the "audited financial statements") respectively.

In our opinion, the accompanying summary financial information are consistent, in all material respects, with the audited financial statements for the years ended 31 December 2021 and 31 December 2022.

Summary Financial information

The summary financial information do not contain all the disclosures required by the IFRS Accounting Standards as issued by the International Accounting Standards Board, the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria (Amendment) Act, 2023, the Banks and other Financial Institutions Act, 2020 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars. Reading the summary financial information and the auditor's report thereon, is not a substitute for reading the audited financial statements and the auditor's report thereon. The summary financial information and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

The Audited Financial Statements and Our Report Thereon

We expressed unmodified audit opinions on the audited financial statements for the years ended 31 December 2021 and 31 December 2022 in our audit reports dated 28 April 2022, and 26 April 2023 respectively.

KPMS Professional Services, a partnership registered in Nigeria and a member firm of the KPMS global organisation of independent, member firms affiliated with KPMS International Limited, a private English company limited by guarantee

Registered in Nigeria No BN 96602'S

A list of partners is available for inspection at the firm's address.



Directors' Responsibility for the Summary Financial Information

The Directors of FSDH Merchant Bank Limited are responsible for the preparation of the summary financial information.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial information is consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), "Engagements to Report on Summary Financial Statements".

Elijah Oladunmoye, FCA FRC/2013/ICAN/0000019769 For: KPMG Professional Services Chartered Accountants

11 March 2024 Lagos, Nigeria



CONSOLIDATED AND SEPARATE INCOME STATEMENT FOR THE PAST THREE YEARS ENDED 31ST DECEMBER 2022

	Group & Bank	Group & Bank	Group &Bank
	2022	2021	2020
	N ′000	№ ′000	N ′000
Interest income on financial assets at fair value through profit or loss	2,197,487	511,486	752,931
Interest income on financial assets at fair value through other comprehensive income	3,719,840	3,693,409	4,722,241
Interest income on financial assets at amortised cost	12,791,011	6,863,859	5,098,931
	18,708,338	11,068,754	10,574,103
Interest expense	(12,758,928)	(7,562,772)	(6,814,365)
NET INTEREST INCOME	5,949,410	3,506,032	3,759,738
Impairment charge for credit losses	(1,327,878)	(146,411)	(1,026,940)
Net interest income after impairment charge for credit losses	4,621,532	3,359,621	2,732,798
Fee and commission income	1,430,832	1,144,379	484,504
Net gains on financial instruments held at fair value through profit or loss	3,036,450	619,549	973,263
Net gains on financial instruments classified as fair value through OCI	891,477	468,552	3,706,219
Other Income	380,389	485,726	575,646
Staff Cost	(2,991,561)	(2,226,913)	(2,137,172)
Other operating expenses	(3,316,152)	(2,843,901)	(2,690,194)
PROFIT BEFORE TAX	4,052,967	1,007,013	3,645,064
Income tax expense	(492,752)	(120,272)	(367,229)
PROFIT FOR THE YEAR	3,560,215	886,741	3,277,835
Other comprehensive profit/ (loss)	-	-	-
Items that will never be reclassified to profit or loss			
Net change in fair value on FVOCI financial assets	(3,086,535)	(4,133,722)	2,767,119
Related Income tax	-		
Other comprehensive profit/ (loss) for the year	(3,086,535)	(4,133,722)	2,767,119
Total comprehensive income for the year	473,680	(3,246,981)	6,044,954

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION FOR THE PAST THREE YEARS ENDED 31ST DECEMBER 2022

		I		
	Group &Bank	Group &Bank	Group &Bank	
	2022	2021	2020	
	№ ′000	№ ′000	₩′000	
Cash and balances with central bank	43,193,956	44,199,479	49,945,000	
Placements to banks and other financial institutions	4,304,210	7,783,220	4,003,401	
Financial instruments held at fair value through profit or loss	206,866	600,142	3,217,781	
Trading Assets	10,208,003	-	-	
Derivative assets held for risk management	460,730	821,873	238,691	
Loans and advances to customers	117,211,421	76,626,902	38,072,402	
Investment securities	54,970,827	38,327,639	42,573,216	
Pledged assets	6,212,356	12,757,565	16,551,088	
Right of use assets	86,953	70,721	70,621	
Current income tax asset	-	123,029	116,119	
Property and equipment	773,177	714,901	585,534	
Intangible assets	208,244	275,118	423,953	
Deferred tax asset	2,237,695	2,526,515	2,599,335	
Other assets	16,954,897	3,885,898	1,051,589	
TOTAL ASSETS	2 57,029,335	188,713,003	159,448,730	
Trading liabilities	16,008,428	5,576,479	-	
Derivative liabilities held for risk management	587,602	796,046	228,557	
Due to banks and other financial institutions	30,187,518	26,147,903	19,621,072	
Due to customers	98,251,471	71,794,882	80,213,989	
Lease liabilities	62,759	66,810	38,836	
Current income tax liability	35,285	-	-	
Debt securities issued	32,111,270	29,148,871	23,050,499	
Other borrowed funds	33,868,380	17,298,216		
Other liabilities	20,737,252	10,999,772	5,481,647	
Provision	125,657	35,922	-	
TOTAL LIABILITIES	231,975,622	161,864,902	128,634,600	
Share capital	2,138,623	1,833,417	1,833,417	
Share premium	234,381	539,587	539,587	
Retained earnings	15,123,273	15,350,818	17,455,379	
Statutory reserve	7,992,272	7,458,240	7,325,229	
Fair value reserve	(4,451,528)	(1,364,993)	2,768,729	
AGSMEIS reserve	1,114,137	936,126	891,789	
Credit risk reserve	2,902,555	2,094,906	071,107	
TOTAL EQUITY	25,053,713	26,848,101	30,814,130	
TOTAL EQUITY AND LIABILITIES	257,029,335	188,713,003	159,448,730	

STATEMENT OF CASH FLOWS FOR THE PAST THREE YEARS ENDED 31ST DECEMBER 2022

	Group &Bank 2022	Group &Bank 2021	Group &Bank 2020
	№ ′000	¥′000	№ ′000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	(10,257,315)	(30,235,314)	14,391,849
Interest received	17,192,293	9,647,200	10,714,895
Interest paid	(8,884,592)	(6,514,549)	(7,797,147)
Income taxes paid	(2,568)	(43,942)	(591,357)
NET CASH FLOWS (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(1,952,182)	(27,146,605)	16,718,240
CASH FLOWS FROM INVESTING ACTIVITIES			
Redemption/Disposal of investment securities	(11,031,744)	4,245,577	(61,382,477)
Additions to property and equipment	(437,783)	(517,925)	(292,177)
Additions to intangible assets	(154,502)	(66,733)	(189,919)
Additions to lease	(54,464)	-	-
Proceeds from sale of property, plant and equipment	47,050	115,593	61,272
Dividends received	176	7	95
NET CASH (USED IN)/GENERATED FROM IN INVESTING ACTIVITIES	(11,631,267)	3,776,519	2,900,665
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to owners	(406,595)	(592,088)	(2,166,242)
Principal elements of lease payments	(33,784)	(26,797)	(20,973)
Other borrowings (additions)	50,824,143	17,227,671	-
Repayment of other borrowing	(34,587,756)	-	(18,261,832)
Proceeds from debt instrument issued	42,221,766	29,521,325	45,118,540
Repayment of debt instrument	(43,149,424)	(25,886,550)	(37,873,325)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	14,868,350	20,243,561	(13,203,832)
CASH AND CASH EQUIVALENTS AT START OF YEAR	21,158,365	23,761,244	14,160,981
EXCHANGE DIFFERENCE ON CASH HELD	(1,504,049)	523,646	1,465,914
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,284,901	(3,126,524)	8,134,348
CASH AND CASH EQUIVALENTS AT END OF YEAR	20,939,217	21,158,366	23,761,243



FSDH Merchant Bank Limited

FSDH Merchant Bank Limited

A financial institution of good financial condition and strong capacity to meet its obligations relative to all other issuers in the same country.

Ratings Assigned:

National Rating: A Foreign Currency (FCY): B-

ESG Score:

2

Outlook: Stable

Issue Date: 21 July 2023 Expiry Date: 30 June 2024

Previous Rating: National Scale: A FCY Scale: B-

Industry: Banking

Analysts: Ihuoma Udensi

ihuomaudensi@agusto.com

Ayokunle Olubunmi, CFA ayokunleolubunmi@agusto.com

Agusto & Co. Limited UBA House (5th Floor) 57, Marina Lagos Nigeria

www.agusto.com

RATING RATIONALE

Agusto & Co. affirms FSDH Merchant Bank Limited's ('FSDH MB' or 'the Bank) 'A' national rating and 'B-' foreign currency rating. The ratings reflect the Bank's good profitability relative to its peers, adequate capitalisation, good liquidity profile and experienced management team. However, constraining these positives are the concentration in the loan book and the fragile state of the Nigerian economy. FSDH MB's FCY rating is reflective of the risk rating of the Federal Republic of Nigeria with a sovereign rating of 'B-' assigned by Agusto & Co. We have also affirmed the '2' ESG score denoting that environmental, social and governance issues have minimal contributions to the Bank's credit risk.

In the year under review, FSDH MB maintained an expansionary stance in risk asset creation as reflected in the 50% year-on-year growth in the loan book to \(\frac{\text{\text{\text{\text{4}}}}}{18.5}\) billion as at FYE 2022. Notwithstanding, obligor concentration remains as the top 10 exposures accounted for 52.4% (FYE 2021: 57.2%) of gross loans as at the same date. The largest exposure which is foreign currency denominated represented 43% (FYE 2021: 40%) of shareholders' funds, higher than the 40% internal guidance, albeit lower than the 50% regulatory maximum. The Bank's impaired (stage 3) loans declined by a marked 46.3% to \(\frac{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\te

FSDH MB leverages innovation and a role as a collections bank for some corporate and public sector entities to drive liability generation. As at 31 December 2022, the total deposit liabilities stood at \(\frac{\text{\text{\text{M}}}\)98.2 billion, up by 36.9% on the back of an intensified deposit mobilisation drive. However, low-cost deposits represented a lower 33.2% of total deposit liabilities, reflecting the wholesale focus of the Bank and rising yields. Consequently, the weighted average cost of funds (WACF) pushed up to 8.7% (FY 2020: 5.9%) in FY 2022. Nevertheless, the WACF was one of the lowest in the merchant banking segment in the year under review due to low-cost funding initiatives by the

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Long-Term Rating:



Short Term Rating: A2
Rating Outlook: Stable
Trend: Up
Currency: Naira
Date Issued: 21 Dec., 2023
Valid Till: 20 Dec., 2024

Reference:

Abiodun Adeseyoju, FCA. Abimbola Adeseyoju Oladele Adeoye This report is provided by DataPro subject to the Terms & Conditions stipulated in our Terms of Engagement

EXECUTIVE SUMMARY

	2022 N '000	2021 N '000	2020 N '000	2019 -N'000	2018 -N'000
Gross Earnings	24,447,486	13,786,960	16,313,734	20,822,341	18,525,590
Pre-tax-Profit	4,052,967	1,007,013	3,645,064	5,182,829	5,186,445
Equity	25,053,713	26,848,101	30,814,128	26,769,962	29,335,557
Deposit Liabilities	98,251,471	71,794,882	80,213,989	56,340,436	46,719,361
Net Loans & Advances	117,211,421	76,626,902	38,072,402	45,496,340	40,536,858
Total Assets	257,029,335	188,713,003	159,448,730	155,994,069	119,637,906

Rating Explanation

The Short-Term Rating of A2 indicates Fair Credit Quality and adequate capacity for timely payment of financial commitments.

The Long-Term Rating of A indicates Low Risk. It shows very good Financial Strength, Operating Performance and Business Profile when compared to the standard established by DataPro. This Bank, in our opinion, has strong ability to meet its ongoing obligations.

RATING SYNOPSIS

The Rating took into consideration all relevant qualitative and quantitative factors to arrive at the assigned risk indicator.

The qualitative information used were based on industry and market intelligence including public information. The quantitative information was obtained from the Bank's Audited and Management Accounts.

The risk factors were assessed using the Bank's Capitalization, Earnings Profile, Liquidity, Corporate Governance, Regulatory Compliance and Sustainability of its current healthy profile in the medium to long term period.

Overall, the following were observed:

Positive Rating Factors:

- Good Earnings Portfolio
- Experienced Management Team
- Good Liquidity Profile
- Strong Risk Management Framework

Negative Rating Factor:

Concentration Risk

This report does not represent an affer to trade in securities. It is a reference source and not a substitute for your own judgment. As far as we are aware, this report is based on reliable data and information, but we have not verified this or obtained an independent verification to this effect. We provide no guarantee with respect to accuracy or completeness of the data relied upon, and therefore the conclusions derived from the data. This report has been prepared at the request of, and for the purpose of, our client only and neither we nor any of our employees accept any responsibility on any ground whatsoever, including liability in negligence, to any other person. Finally, DataPro and its employees accept no liability whatsoever for any direct or consequential loss of any kind arising from the use of this document in any way whatsoever.



St. Nicholas House 10th, 12th & 13th Floors Catholic Mission Street P.O. Box 53123 Lagos, Nigeria +234 1 2774920-2 uubo@uubo.org www.uubo.org

10th June 2024

FSDH Capital Limited 8th Floor, UAC House, 1/5 Odunlami Street, Lagos Island, Lagos.

Attention: Vanessa Omoregie

Dear Sirs,

RE: ESTABLISHMENT OF A N40,000,000,000.00 COMMERCIAL PAPER ISSUANCE PROGRAMME BY FSDH MERCHANT BANK LIMITED

We have been retained as legal counsel in connection with the establishment of the N40,000,000,000.00 (forty billion Naira) Commercial Paper Issuance Programme (the "Programme") by FSDH Merchant Bank Limited (the "Issuer").

The Programme is for the issuance of discounted and/or zero-coupon commercial paper notes with a minimum tenor of 15 days and a maximum tenor of 270 days (the "Notes") in series and/or tranches and in an aggregate amount of up to \$\frac{440}{000},000,000,000.00\$ (forty billion Naira) (across all tenors), being the maximum size of the Programme.

This opinion is issued pursuant to the Issuing and Placing Agency Agreement dated 10th June 2024 between the Issuer and the Issuing and Placing Agent.

1. DEFINITIONS

1.1. Words and expressions used in this opinion ("Opinion") and not otherwise defined herein shall have the same meanings attributed to those terms in the Issuing and Placing Agency Agreement.

The following terms, where used in this Opinion, shall have the meaning set out beside them below:

"Authorised Dealer" means a Nigerian bank licensed by the CBN to deal in foreign exchange;

"BFA" means the Business Facilitation (Miscellaneous Provisions) Act 2022;

DATEMERS

TAN AGBOR-ANEKAN UKRABAH-JUROKE LAPRO-LUTOMA AZRIWE-FOLARE ELIAS ADEROWALE-VIRKA EDU-NICHOLAS OKAFOR-OZOFU LATURDE EIGEMIDIA. LOLADE OSOSAM-PENA AJAKROM-FESTUS OKMA-ADEGLA SUPINDLA. -JOSEPH EHUMLEZE - OKMINE OKAFOR + OLUKWOCE DADA + ANRIA SIRAHM

OF COUNEEL MYMA BELO/DSABIE BETTRED FOUNDER UDOMA UDD UDDMA

COMMULTANTS: OLUGBENSA OJO + ANIGLA DUROSINIHIATTI + SALLY UDONA.

FFICES LINGUE + ABUJA + NORT HARCIOURY



"Board" means the Board of Directors of the Issuer:

"CAC" means the Corporate Affairs Commission - Nigeria's companies' registry;

"CAMA" means the Companies and Allied Matters Act, No.3 2020 (as amended by the BFA);

"CBN" means the Central Bank of Nigeria;

"CBN Guidelines" means:

- (a) the Guidelines on the Issuance and Treatment of Bankers Acceptances and Commercial Papers issued by the CBN on 11th September 2019: and
- (b) the Letter from the CBN to all Deposit Money Banks and Discount Houses dated 12th July 2016 with respect to the Mandatory Registration and Listing of Commercial Paper;

"CCI" means a Certificate of Capital Importation issued by an Authorised Dealer in electronic form;

"CITA" means the Companies Income Tax Act (Chapter C21) LFN 2004 (as amended by the Companies Income Tax (Amendment) Act, No.11, 2007 and the Finance Act 2019, Finance Act 2020, Finance Act 2021, and Finance Act 2023);

"Commissioner" means the Commissioner for Stamp Duties of the FIRS:

"Court" means the Federal High Court;

"CP Rules" means the Commercial Paper Registration and Quotation Rules issued by FMDQ Exchange in October 2023 (as may be amended from time to time) or such other regulations with respect to the issuance, registration and quotation of commercial paper as may be prescribed by FMDQ Exchange from time to time;

"FEMM Act" means the Foreign Exchange (Monitoring and Miscellaneous Provisions) Act Chapter F34 LFN 2004 (as amended by the BFA);

"FIRS" means the Federal Inland Revenue Service;

"FMDQ Exchange" means FMDQ Securities Exchange Limited, a securities exchange and self-regulatory organisation licensed by the SEC to provide a platform for, inter alia, the listing, quotation, registration and trading of securities;



"Issuing and Placing Agent or "IPA"" means FSDH Capital Limited, and any other additional IPAs appointed pursuant to the Issuing and Placing Agency Agreement from time to time, which appointment may be for a specific issue or on an ongoing basis, subject to the Issuer's right to terminate the appointment of an IPA pursuant to the Issuing and Placing Agency Agreement;

"Issuing and Placing Agency Agreement" means the issuing and placing agency agreement entered into between the Issuer and the IPA;

"ISA" means the Investments and Securities Act No. 29, 2007 (as amended by the BFA);

"LFN 2004" means the Laws of the Federation of Nigeria, 2004;

"NGN" means the Naira, the official currency of Nigeria;

"Nigeria" means the Federal Republic of Nigeria;

"Opinion Documents" mean the documents listed in paragraphs (a) to (l) of paragraph 3.1 below;

"PITA" means the Personal Income Tax Act (Chapter P8) LFN 2004 (as amended by the Personal Income Tax (Amendment) Act, No.20, 2011, the Finance Act 2019, Finance Act 2020, Finance Act 2021, and Finance Act 2023);

"SEC" means the Securities and Exchange Commission;

"SEC Rules" means the SEC Rules and Regulations 2013 (as amended from time to time) issued pursuant to the ISA;

"Stamp Duties Act" means the Stamp Duties Act (Chapter S8) LFN 2004 (as amended by the Finance Act 2019, Finance Act 2020, Finance Act 2021, and Finance Act 2023);

"Transaction Documents" means the documents listed in paragraphs (e) to (i) of paragraph 3.1 below; and

"VAT Act" means the Value Added Tax Act (Chapter V1) LFN 2004 (as amended by the Value Added Tax (Amendment) Act No. 12 of 2007 and the Finance Act 2019, Finance Act 2020, Finance Act 2021, and Finance Act 2023).

SCOPE OF OPINION

2.1. This Opinion is limited to Nigerian law applicable in Nigeria as at the date of this Opinion and is provided on the basis that the Opinion will



itself be governed by, and construed in accordance with, Nigerian law. We express no opinion on any laws, procedures, matters, or other circumstances relating to jurisdictions other than Nigeria. This Opinion is given on the best of our knowledge and is given as at the date of this Opinion based on the information and documents set out in paragraph 3 below.

- 2.2. Except for the searches: (a) on the corporate records of the Issuer at the CAC on 7th June, 2024; and (b) at the Lagos Division of the Court in Ikoyi on 7th June, 2024 with respect to whether any insolvency processes, proceedings, petitions or resolutions have been filed against the Issuer, we have not carried out any investigation or verification of the facts, or the reasonableness of any assumption or statement of opinion (including as to the solvency of any other person expressed to be a party to the Transaction Documents or any other person), contained in the Transaction Documents or in determining whether any material fact has been omitted therefrom.
- 2.3. In providing this Opinion, we assume no obligation to update or supplement the Opinion to reflect any facts or circumstances which may come to our attention after the date of this Opinion or changes in law and regulations which may occur or take effect after the date of this Opinion.
- 2.4. We have made no searches or enquiries concerning any person at the Court or at the CAC (other than the Issuer) or on any corporate records of a person (other than that of the Issuer) nor have we examined any other documents other than the Opinion Documents.

3. DOCUMENTS EXAMINED

- 3.1. In arriving at the opinions expressed below, we have reviewed and relied on the following documents:
 - (a) a copy of the memorandum and articles of association of the Issuer certified by the CAC on 3rd January 2013;
 - a copy of the Certificate of Incorporation of the Issuer dated 31st December 2012;
 - a copy of the Issuer's most recent Status Report certified by the CAC dated 7th June 2024;
 - (d) an extract of the resolution of the Board which was passed on 23rd February 2024 by which the Board approved the establishment of the Programme and the issuance and offering of the Notes:
 - (e) the executed IPA Agreement dated 10th June 2024;



- (f) the executed Deed of Undertaking dated 10th June 2024;
- (g) the Programme Memorandum dated 10th June 2024;
- (h) the pro-forma final terms: and
- the executed Deed of Covenant dated 10th June 2024.
- We have also reviewed and relied on such laws, rules, and regulations as we have deemed necessary as a basis for the opinions expressed herein.

4. ASSUMPTIONS

In rendering the opinion below, we have assumed that:

- in our examination of the Opinion Documents, the documents submitted to us as originals are authentic, that all signatures are genuine and that all documents submitted to us as copies are complete, correct and conform to the originals;
- (b) there are no contractual or similar restrictions binding on the Issuer which would affect the conclusions arrived at in this Opinion or affect the Issuer's ability to establish the Programme and to issue the Notes;
- (c) there are no contractual or similar restrictions contained in any agreement or arrangement (other than those in the Transaction Documents) that are binding on any party to such Transaction Document which would affect the opinions expressed herein;
- (d) all resolutions provided have been validly passed in accordance with the requirements of the law and the memorandum and articles of association of the Issuer and are in full force and effect and have not been amended, modified, or superseded as at the date of this Opinion;
- (e) no party has entered into any Transaction Documents in consequence of bad faith, fraud, coercion, duress misrepresentation or undue influence or on the basis of a mistake of fact or law or believing it to be fundamentally different in substance or in kind from what it is;
- all approvals, consents, and authorisations provided to us are genuine and authentic;
- (g) all statements as to matters of fact contained in the Transaction Documents are correct and not misleading other than to the



extent that such statements relate to matters that we have specifically opined on in this Opinion and that all representations of facts expressed in or implied by the documents that we have examined are accurate;

- (h) no Notes will be issued with a tenor of more than 270 days or on the basis that the Notes may be rolled over after 270 days;
- the Issuer has been rated in the manner required by, and in compliance with, the CBN Guidelines and the CP Rules;
- the documents in the file of the Issuer held at the CAC are the most recent and up to date records of the Issuer;
- (k) no steps have been taken for the administration, bankruptcy, liquidation, dissolution or similar procedure of or in respect of the Issuer, and the Issuer is not insolvent within the meaning of the CAMA, after the dates of the searches referred to in paragraph 5.10(a) below;
- the copies of the Issuer's corporate documents which we have relied on are in full force and effect and have not been amended, modified, or superseded as at the date of this Opinion;
- (m) the proceeds realised from the issuance of the Notes under the Programme will not cause any borrowing or similar limit binding on the Issuer from time to time to be exceeded or breached; and
- (n) there are no facts not disclosed to us by the Issuer which would affect the conclusions that we have arrived at in this Opinion.

OPINION

Based on our review of the Opinion Documents and the foregoing assumptions, and subject to the further qualifications set forth in paragraph 6 below, it is our opinion that:

- (a) Subject to the qualification in paragraph 6.2 below, the Issuer is a private limited liability company, duly incorporated and validly existing under the laws of Nigeria with corporate authority, perpetual succession, capacity to own moveable and immovable properties and the ability to sue and be sued in its corporate name.
- (b) The Issuer is empowered by Article 51(1) of its articles of association to issue the Notes and to perform its obligations under the Transaction Documents.

5.2. Due Authorisation



- (a) The Transaction Documents and the performance of the Issuer's obligations thereunder, and the issue of the Notes, have been duly authorised by the Board, and the Transaction Documents have been duly executed and delivered, in each case, by the Issuer.
- (b) The Transaction Documents constitute, and the Notes (when issued) will constitute, legal, valid, and binding obligations of the Issuer and are enforceable against the Issuer in accordance with their respective terms subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding at law and / or in equity).
- (c) The holders of the Notes that will be issued under the Programme will each be entitled to enforce the terms of the Deed of Covenant against the Issuer.

5.3. No Conflict

The execution, delivery, and performance by the Issuer of its obligations under the Transaction Documents, and the issuance of the Notes pursuant to the Transaction Documents, will not, to the best of our knowledge, conflict with, violate, contravene, or constitute a default under:

- the memorandum and articles of association of the Issuer; or
- (b) any law or regulation in force in Nigeria and applicable to the Issuer.

Filings, Registrations, or Consents

- (a) Save for the requirement to pay stamp duty on the Transaction Documents at the Stamp Duties Office of the FIRS and to file the Transaction Documents with FMDQ Exchange, it is not necessary under the laws of Nigeria that any document be filed, registered, recorded or notarised before or with any court, public office or other authority in Nigeria in order to ensure the legality, validity, enforceability, and the admissibility in evidence of any of the Transaction Documents or the performance by the Issuer of its obligations under the Transaction Documents (including the issuance of the Notes).
- (b) Subject to the qualification in paragraph 6.3 below, it is permissible for the Issuer to issue the Notes and invite investors to invest in the Notes pursuant to Section 67(1)(b) of the ISA.



- (c) The issuance of the Notes by the Issuer does not require SEC approval or registration with the SEC.
- (d) The Notes have been issued in compliance with the requirements of the CBN Guidelines and the CP Rules.

5.5. Taxation

- (a) The Issuer is incorporated in Nigeria. Under the respective provisions of the CITA and the PITA, the Issuer has an obligation to withhold tax on interest payments to residents and non-resident companies and individuals and to remit the tax withheld to the FIRS (in the case of corporate Noteholders), and to the relevant State Internal Revenue Service (in the case of individual Noteholders) except where such interest is specifically exempted from tax. The Notes issued under the Programme will be zero-coupon/discounted notes and, as such, will be offered and sold at discount to Face Value. The Notes will thus not bear interest, and the Issuer will not be required to withhold or deduct tax from payments in respect of the Notes to the Noteholders.
- (b) Other than value added tax payable on the fees due to a selling or buying agent, the Noteholders will have no obligation under the VAT Act to pay value added tax on the buying or selling of the Notes as the VAT Act exempt securities from the payment of value added tax.
- (c) Any sale of Notes by a Noteholder (whether resident in Nigeria or non-resident unless an exemption applies) will give rise to a capital gains tax obligation at the rate of 10 per cent on the gain realised from a disposal of such Notes.
- (d) The Stamp Duties Act requires stamp duty to be paid, at the rates specified therein, on instruments executed in Nigeria "or relating, wheresoever executed, to any property situate or to any matter or thing done or to be done in Nigeria", failing which payment on such instruments shall not be admissible in evidence in any civil proceedings:
 - (i) The Transaction Documents, being instruments executed in Nigeria or that relate to a matter or thing done or to be done in Nigeria, will be subject to the payment of stamp duty at the applicable rate and to be stamped by the Commissioner. The applicable rate of stamp duty can only be confirmed following an assessment of the Transaction Documents by the Commissioner.



- (ii) Stamp duty must be paid within 30 (thirty) days after the execution of the Transaction Documents except where they are executed outside Nigeria, in which case stamp duty must be paid within 30 (thirty) days after the date that physical or electronic copies of the documents are first brought into or received in Nigeria.
- (iii) The Notes, when issued, will be liable to ad valorem stamp duty at the rate of NGN00.05 (five kobo) on every NGN50.00

5.6. Foreign Currency Regulations

- (a) Under Nigerian law, residents and non-residents of Nigeria may invest in, acquire, deal in, or dispose of the Notes.
- (b) Pursuant to Section 15 of the FEMM Act, an investor is permitted to bring foreign exchange into Nigeria to invest in the Notes and such an investor is entitled to obtain a CCI from the relevant Authorised Dealer through which such foreign capital was brought into Nigeria. A CCI will only be issued by the relevant Authorised Dealer when the foreign capital has been received in Nigeria and converted into Naira.
- (c) A CCI serves as evidence that foreign currency has been inflowed into Nigeria through an Authorised Dealer and converted into Naira to invest in securities, such as the Notes. A CCI will permit a Noteholder in whose favour it is issued to have access to the Nigerian Autonomous Foreign Exchange Market to repatriate proceeds from the Notes, subject to providing appropriate documentation to the relevant Authorised Dealer. Based on the CCI, such money may be repatriated out of Nigeria without restriction and without the need to obtain any consent, approval, licence, or permission of any person or authority other than the routine approval of the Authorised Dealer through which the foreign currency will be repatriated.
- (d) Where an investor brought foreign capital into Nigeria to invest in the Notes and does not obtain a CCI, such an investor will not be permitted to access the Nigerian Autonomous Foreign Exchange Market to repatriate the proceeds from that investment.

5.7. Ranking of Claims

Subject to the qualification in paragraph 6.4 below, the obligations of the Issuer under the Transaction Documents rank at least pari passu with all other present unsecured and unsubordinated obligations of the



Issuer subject to the effect of applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally.

- 5.8. Governing Law and Dispute Resolution
- 5.8.1. The parties' choice of Nigerian law as the governing law of the Transaction Documents will be upheld and applied by the courts in Nigeria.
- 5.8.2. The submission to arbitration by the parties would be upheld by a Nigerian court because parties are permitted under Nigerian law to choose arbitration as a means of settling their disputes. Nigerian law also permits parties to choose the seat and governing rules of the arbitration.
- 5.9. Immunity and Set Off

Neither the Issuer nor any of its assets are entitled to immunity on the grounds of sovereignty or otherwise from any legal action or proceeding (which shall include, without limitation, suit, attachment prior to judgment, execution, or other enforcement).

5.10 Winding up

- (a) Subject to the qualification in paragraph 6.3 below, based on our searches at the registries (i) of the CAC on 7th June, 2024 and (ii) at the Lagos Division of the Court in Ikoyi on 7th June, 2024, we confirm that as at those dates, no documents had been filed at the CAC, and no proceedings or petition has been initiated at the Lagos Division of the Court, for the administration, winding up, bankruptcy, liquidation, dissolution, or similar procedure of or in respect of the Issuer.
- (b) Subject to bankruptcy and insolvency laws generally applicable to Nigerian companies, in bankruptcy or insolvency proceedings involving the Issuer, the obligations of the Issuer under the Transaction Documents will remain valid, binding, and enforceable. Upon the commencement of winding-up proceedings against the Issuer at the Court, no attachment or execution can be levied against its assets that are not subject to any security interest.
- (c) Subject to bankruptcy and insolvency laws generally applicable to the Issuer, upon the maturity of the Notes, in the event that the Issuer is unable to discharge all of its obligations to the Noteholders, the Noteholders (as creditors of the Issuer) are entitled to apply for the winding up of the Issuer on the ground of the Issuer's inability to pay its debts.



(d) The Notes are neither secured nor guaranteed and the Issuer has created no security interests in favour of the Noteholders by the Transaction Documents. As a result, in the insolvency of the Issuer, Nigerian law would regard the Noteholders as unsecured creditors of the Issuer for all purposes.

5.11. Domicile, Residence

Under Nigerian law, an entity that is not incorporated in Nigeria will not, by reason of its purchase of the Notes, and enforcing its rights thereunder be:

- (a) required to be incorporated in Nigeria or be required to comply with any requirement as to foreign registration or qualification in Nigeria;
- required to make any filing with any court or other agency in Nigeria prior to any enforcement of the Transaction Documents (including the Notes); or
- (c) deemed to be resident, domiciled, or carrying on business in Nigeria for tax or any other purpose and the performance by any party of any of its rights, duties, obligations, or representations under the Transaction Documents (including the Notes) will not violate any existing applicable law or regulation in Nigeria

6. QUALIFICATION

6.1. Enforceable

The expression "enforceable" as used in this Opinion means that the obligations of the Issuer under the Transaction Documents are of a type which the courts in Nigerian will enforce. It does not mean that those obligations will be enforced in all circumstances in accordance with their terms. In addition, but without limitation, the power of a Nigerian court to order specific performance of an obligation, to stay proceedings or to grant injunctive relief or any equitable remedy, is discretionary and, accordingly, we express no opinion as to whether such remedies would be available in respect of any of the obligations of the Issuer and a Nigerian court may make an award of damages where specific performance of an obligation or any other equitable remedy was sought.

6.2. Exemption from Registration with the SEC

Section 313(1) (h) of the ISA provides that the SEC may, from time to time, make rules and regulations for the purpose of giving effect to the ISA and may, in particular, make rules and regulations, among other things, prescribing that the provisions of the ISA shall not apply or shall apply with such modifications, if any, as may be specified in the



regulations to any person or any securities or to any transaction. The SEC has on this basis, and by virtue of Rule 8 of the SEC Rules provided that the provisions of the ISA and the SEC Rules requiring registration shall not apply to, among other things, any note, bill of exchange or banker's acceptance which arises out of a current transaction or the proceeds of which have been or are to be used for current transactions and which has a maturity, at the time of issuance, not exceeding 9 (nine) months exclusive of days of grace, or the maturity of which is likewise limited. This means that commercial papers which have a maximum tenor of 270 (two hundred and seventy) days (such as the Notes) are not required to be registered with the SEC.

6.3. Searches at the Federal High Court

- 6.3.1. There is no independent registry at which to confirm whether any steps have been taken to wind up the Issuer. Under Nigerian law, the Court has exclusive jurisdiction in matters relating to the insolvency of a Nigerian company. The CAMA provides that the division of the Court within whose area of jurisdiction the registered office or head office of a company is situate shall have the jurisdiction to wind up that company. That notwithstanding, there is a possibility for an action for the winding up of the Issuer to be commenced in any of the divisions of the Court across Nigeria. Consequently, unless an exhaustive search is conducted in each division of the Court, it cannot be confirmed conclusively that no winding up petitions have been filed against the Issuer. The information regarding the commencement of matters in the Court are kept in physical files which are sometimes imperfectly kept.
- 6.3.2. Online searches are not available. Therefore, in order to ascertain that no such action has been instituted, it would be necessary to travel to each State and the Federal Capital Territory (many of which are between one and two hours flying distance from Lagos) to carry out a physical search of the hard copies of the Court's files in all the divisions. Accordingly, such physical searches are prone to errors and provide no guarantee that no such matters have in fact been commenced. The usual practice is to conduct a search in the division of the Court in which the company's registered office is located and this is the approach that has been adopted with respect to the Issuer because the Issuer has its registered office in Lagos State. Being the commercial centre of the country, a search in the Lagos State division of the Court does provide some level of comfort.

7. BENEFIT OF OPINION

7.1. This Opinion is addressed to the IPA and is given for the IPA's sole benefit for the purpose of the transactions contemplated by the Transaction Documents.



- 7.2. This Opinion is not to be relied upon by anyone else or quoted in any public document without our prior express written consent, other than those professional advisers or persons (such as auditors, legal advisers or insurers) who, in the ordinary course of their business, have access to the papers and records of the IPA or are entitled by law to see them on the basis that such persons will make no further disclosure without our prior express written consent.
- 7.3. This Opinion may be included in the Programme Memorandum, and you may release a copy of this opinion (a) to the extent required by any applicable law or regulation, (b) to any regulatory authority having jurisdiction over you, or (c) in connection with any actual or potential dispute or claim to which you are a party relating to the issue of any Note, in each case for the purposes of information only on the strict understanding that we assume no duty or liability whatsoever to any such recipient as a result or otherwise.

Yours faithfully,

Udo Udona & Belo-Osogie UDO UDOMA & BELO-OSAGIE

GENERAL INFORMATION

Authorisation

This CP Programme and Notes issued hereunder were approved by the resolution of the Board of Directors of FSDH Merchant Bank dated 23 February 2024.

Auditors

PwC acted as auditors of the annual financial statements of the Issuer for the financial year ended December 31, 2020 and was responsible for the audit, and issued unqualified reports.

KPMG acted as auditors of the annual financial statements of the Issuer for the financial years ended December 31, 2021 and December 31, 2022 and was responsible for the audit, and issued unqualified reports.

Commercial Paper Outstanding

The Issuer has one commercial paper outstanding as at the date of this Programme Memorandum which is due to mature on 20 June 2024.

Going Concern

The Issuer is at the date hereof a going concern and can be reasonably expected to meet all of its obligations as and when they fall due.

Litigation

FSDH in its ordinary course of business is presently involved in 3 (three) cases. The aggregate amount claimed against the Bank in all the pending cases is N347,633,000.00 (three hundred and forty-seven million, six hundred and thirty-three thousand Naira). The Bank is of the opinion that the pending claim is unlikely to have a material adverse effect on the Bank or the Programme.

Material Contracts

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

- i. the Deed of Covenant dated 11 June 2024 executed by the Issuer as a deed poll in favour of the Note holders;
- ii. the Issuing and Placing Agency Agreement dated 11 June 2024 executed by the Arrangers and the Issuer; and
- iii. the Deed of Undertaking dated 11 June 2024 executed by the Issuer/the Collecting and Paying Agent.

Other material contracts in respect of any issuance of Notes under the Programme will be disclosed in the Applicable Pricing Supplement issued in respect of that Series or Tranche.

Ultimate Borrower

The Issuer is the borrower in respect of the Notes.

ISSUER

FSDH Merchant Bank Limited

5th – 8th Floors, UAC House 1/5, Odunlami Street Marina, Lagos Island Lagos, Nigeria Taiwo Otiti

ED, IT, Compliance & Operations

JAK.

ARRANGERS

FSDH Capital Limited

4th Floor, UAC House 1/5, Odunlami Street Lagos Island, Lagos, Nigeria Abimbola Kasim

Chief Executive Officer

Mewern

AUDITORS

KPMG

KPMG Tower Boshop Aboyade Cole Street Victoria Island, Lagos, Nigeria Elijah Oladunmoye

Partner

SOLICITORS

Udo Udoma & Belo-Osagie

10th & 13th Floors, Nicholas House Catholic Mission Street Lagos Island, Lagos, Nigeria Yinka Edu Partner

holdu

ISSUING, PLACING, PAYING AND COLLECTING AGENT

FSDH Merchant Bank Limited

5th – 8th Floors, UAC House 1/5, Odunlami Street Marina, Lagos Island Lagos, Nigeria Taiwo Otiti

ED, IT, Compliance & Operations

J. H