

STANBIC IBTC FIXED INCOME PRODUCT GUIDE

FGN NAIRA BONDS

ISSUER	RISK PROFILE	TAX STATUS	MIN. ENTRY
Federal Government of Nigeria	Low Default Risk	WHT Tax Exempt	₦50,001,000 (Primary) ₦500,000 (BluNest)

1. What are Federal Government of Nigeria (FGN) Bonds?

FGN Bonds are debt securities issued by the Federal Government of Nigeria through the DMO. When you buy a Federal Government of Nigeria (FGN) bond, you are lending money to the Federal Government for a fixed period. In exchange, the government through the Debt Management Office (DMO), which issues and manages FGN debt promises two things: regular interest payments while you hold the bond, and the return of your original capital when the bond matures.

Here are some terms to know with respect to FGN Bonds as an investment opportunity.

- **Issuer:** The Federal Government of Nigeria, the borrower.
- **Bondholder:** You, the lender/investor, once you buy the bond.
- **Face value (or par value):** The amount the government agrees to repay you at maturity
- **Coupon:** The fixed interest rate on the bond when it's issued. It is usually expressed as a percentage of face value. A bond with a 19% coupon pays 19% of its face value per year, usually split into two semi-annual payments. This number never changes for the life of the bond, no matter what happens to interest rates afterward.
- **Yield (Yield to Maturity):** The actual annualized return you'll earn if you buy at today's price and hold to maturity, combining the coupon payments with any gain or loss between what you paid and the face value you'll get back.
- **Price:** What you actually pay to buy the bond. If prevailing interest rates rise after issuance, the bond price falls. If rates fall, the bond's price rises. Bond Price and interest rates move in opposite directions.
- **Maturity Date:** The date the government repays your original face value and the bond stops existing. Coupon payments stop at that point too; you get your principal back as a lump sum.

FGN bonds are issued in Naira and pay interest and principal in Naira. The default risk for FGN bonds is generally regarded as low (*Not Zero*) because the issuer is the Federal Government of Nigeria and the instrument is backed by the full faith of the Government.

FGN bonds have varying tenors (usually higher than a year) based on the borrowing needs of the government. The tenors of the FGN bonds in issue as at the time of this publication ranges from 2 years to about 28 years.

2. Primary Market vs. Secondary Market Dynamics

FGN Bonds are issued initially in the primary market by the DMO and subsequently traded among investors in the secondary OTC market:

Feature / Dimension	Primary Market Auction (PMA)	BluNest
Minimum Entry	₦50,001,000 direct institutional auction entry.	₦500,000
Access Mechanism	Monthly DMO Auctions via Primary Dealer Market Makers (PDMMs).	BluNest “Explore” products page
Pricing Model	Dutch Auction competitive bidding determining marginal stop yield.	Current Market Price

3. Buying through BluNest

BluNest democratizes sovereign bond investing by allowing retail and institutional investors to participate with a minimum entry of just ₦500,000. Investors can sign in to BluNest, navigate to the 'Explore' menu, and instantly view live available FGN Bonds alongside their Issuer, Tenor, Coupon Rate, and YTM. When an investor selects a bond, BluNest dynamically simulates the expected cashflows—displaying exact semi-annual coupon payouts and the final principal return at maturity.

Note: FGN Bond interest is Withholding Tax (WHT) EXEMPT, meaning the simulated payouts equal the exact net income received.

4. Risk & Return Profile Evaluation

- ✚ **Sovereign credit risk:** Low because it is backed by the Federal Government of Nigeria. But not literally zero.
- ✚ **Interest rate and price risk:** Because bonds run longer than money market instruments, secondary market prices move more with rate changes. If you sell before maturity, you could realize a capital gain or loss.
- ✚ **Reinvestment risk:** The semi-annual coupons you receive are reinvested at whatever rates prevail at the time and not necessarily the bond's original coupon rate.
- ✚ **Inflation / purchasing power risk:** Because of its long-dated nature, inflationary risk may impact/erode the real value of fixed coupon payments and your principal at maturity.

5. Who Should Consider FGN Bonds?

FGN Bonds are ideally suited for conservative retail and institutional investors seeking long-term capital preservation, predictable semi-annual cashflow, and 100% tax-free income. The table below outlines key investor profile criteria

✓ HIGHLY SUITABLE IF YOU NEED:

- You seek 100% sovereign-backed, low-default risk.
- You want predictable semi-annual cash inflows for living expenses or reinvestment.
- You want to lock in high benchmark interest rates for 2 to 30 years.

⚠ CONSIDER ALTERNATIVES IF:

- You require short-term liquidity under 1 year (consider NTBs or CPs instead).
- You are seeking aggressive equity-like capital growth or corporate dividend yields.
- You cannot tolerate secondary market price fluctuations if forced to sell early.
- You have an investment budget below BluNest's ₦500,000 threshold

READY TO INVEST IN NIGERIAN TREASURY BILLS?

Sign in to your BluNest account at <https://blunest.stanbicibtc.com> and explore available instruments under the "Explore" menu.