ABBEY MORTGAGE BANK PLC
LAGOS, NIGERIA

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

ABBEY MORTGAGE BANK PLC
REPORTS OF THE DIRECTORS, AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTARY FINANCIAL INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2017

CONTENTS **Page**

CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2017

Directors

Names	Post Held
Chief Ifeanyichukwu Boniface Ochonogor	Chairman
Mrs. Rose Ada Okwechime	Managing Director/CEO
Mr. Madu Hamman	Executive Director
Mazi Emmanuel Kanu O.Ivi	Non-Executive Director
Air Vice Marshal Olufemi Soewu	Non-Executive Director
Mr. Bernard Okumagba	Non-Executive Director
High Chief Samuel Oni	Non-Executive Director
Mr. Uzochukwu Odunukwe	Non-Executive Director
Geoff Amaghereonu Esq	Company Secretary.
Registered Office	23 Karimu Kotun Street Victoria Island Lagos
Registered No:	RC 172093
License No:	000026
Auditors:	Ernst and Young 10th & 13th Floors UBA House 57 Marina, Lagos
Registrar:	Africa Prudential Plc 220B, Ikorodu Road Palmgrove Lagos Nigeria

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2017.

The Company has applied International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ('IASB") in preparing these Financial Statements and the comparative financial information.

1) RESULT

Highlights of the Bank's operating results for the year under review are as follows:

	2017 ₦'000	2016 ₦'000
Loss before income tax	(177,907)	(134,443)
Income tax expense	(34,468)	(33,554)
Loss after income tax	(212,375)	(167,997)
Other comprehensive income	-	-
Loss for the year	(212,375)	(167,997)
Less: appropriations:		
Transfer to regulatory risk reserve	(172,797)	(164,953)
Net effect of operations on retained earnings	(385,172)	(332,950)

2) PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Bank continues to be the provision of mortgage and banking services to the general public.

3) LEGAL FORM

The Company, which was incorporated in Nigeria as a private limited liability company on 26 August, 1991, obtained its license to operate as a Mortgage Bank on 20 January 1992, commenced business on 11 March 1992 and later converted to a public limited liability company in September 2007. On 21 October 2008, the Company became officially listed on the Nigerian Stock Exchange. Following the approval of the Central Bank of Nigeria, the Company changed its name from Abbey Building Society Plc to Abbey Mortgage Bank Plc on 16 January 2014.

4) DIRECTORS' INTERESTS IN SHARES AND CONTRACTS

The interests of the Directors in the issued share capital of the Bank as recorded in the Register of Directors' Shareholding as at 31 December 2017 are as follows:

S/N	Name of Directors	As at 31 December 2017 (Shares)	Percentage Holding [%]	As at 31 December 2016 (Shares)	Percentage Holding [%]
*1	Chief Ifeanyichukwu Boniface Ochonogor	275,198,488	6.55	275,198,488	6.55
*2	Mrs. Rose Ada Okwechime	204,356,780	4.87	204,356,780	4.87
3	Mr. Madu Hamman	839,170	0.02	839,170	0.02
4	Mazi Emmanuel Kanu O. Ivi	86,442,341	2.06	86,442,341	2.06
5	AVM Olufemi Soewu (Retired)	50,717,076	1.21	50,717,076	1.21
6	Mr. Bernard Okumagba	8,723,720	0.21	8,723,720	0.21
7	High Chief Samuel Oni	NIL		NIL	NIL
8	Mr. Uzochukwu Odunukwe	NIL		NIL	NIL

INDIRECT HOLDING

- Chief Ifeanyichukwu Boniface Ochonogor has an indirect holding in the Company through Forte Properties & Investment Ltd, a company in which he is a majority equity holder.
- Mrs. Rose Ada Okwechime has an indirect holding in the Company through Madonna Ashib Commercial Enterprises Ltd, a company in which she is the majority equity holder.
- Mr. Bernard Okumagba has an indirect holding in the Company through Eruaye Investment Ltd, a company in which he is a shareholder.

None of the Directors notified the Bank of any disclosable interest in contracts with which the Bank was involved as at 31 December 2017 (2016: None).

5) ELECTION/RE-ELECTION OF DIRECTORS

In accordance with Article 106 of the Company's Articles of Association, the Directors listed below retire by rotation and being eligible, offer themselves for re-election:

(a) **Mazi Emmanuel Kanu O. Ivi**
(b) **Mr. Bernard Okumagba**

6) RECORD OF DIRECTORS' ATTENDANCE

In accordance with Section 258 (2) of the Companies and Allied Matters Act CAP C20 LFN 2004, the Record of Directors' attendance at Directors' meetings during the financial year under review is available for inspection at the Annual General Meeting. It is also disclosed in the Corporate Governance Section of the Annual Report.

7) SUBSTANTIAL INTEREST IN SHARES

Nigerian citizens and associations held all the ordinary shares of the Company as at 31 December 2017. No individual shareholder held more than 5% of the issued and paid up share capital of the Company as at 31 December 2017 except the following:

As at 31 December 2017

Shareholder	No. of shares held	Percentage of shareholding %
Madonna Ashib Comm. Enterprise Ltd	1,068,622,674	25.44
Forte Properties & Investment Ltd	1,021,611,013	24.32
Abbey Staff Share Trust Scheme	308,200,087	7.34
Chief Ifeanyichukwu Boniface Ochonogor	275,198,488	6.55

As at 31 December 2016

Shareholder	No. of shares held	Percentage of shareholding %
Madonna Ashib Comm. Enterprise Ltd	1,068,622,674	25.44
Forte Properties & Investment Ltd	1,021,611,013	24.32
Abbey Staff Share Trust Scheme	308,200,087	7.34
Chief Ifeanyichukwu Boniface Ochonogor	275,198,488	6.55

8) HISTORY OF CAPITALIZATION

The authorised, issued and fully paid up share capital are as follows:

DATE	AUTHORISED		ISSUED AND FULLY PAID		CONSIDERATION
	INCREASE (₦)	CUMMULATIVE (₦)	INCREASE (₦)	CUMMULATIVE (₦)	
1991		5,000,000		5,000,000	CASH
1992	10,000,000	15,000,000	10,000,000	15,000,000	CASH
1992	15,000,000	30,000,000	15,000,000		
1994	20,000,000	50,000,000	15,000,000	30,000,000	CASH
1996		50,000,000	20,000,000	50,000,000	CASH
1997	50,000,000	100,000,000		70,000,000	
1999		100,000,000	20,000,000	70,000,000	
1999		100,000,000	8,000,000	78,000,000	BONUS
2000	100,000,000	200,000,000	22,000,000	100,000,000	BONUS
2001		200,000,000	85,000,000	185,000,000	CASH
2001		200,000,000	15,000,000	200,000,000	BONUS
2002	300,000,000	500,000,000	40,000,000	240,000,000	BONUS
2003		500,000,000	25,000,000	265,000,000	BONUS
2004	300,000,000	800,000,000	50,000,000	315,000,000	CASH
2005	200,000,000	1,000,000,000	25,000,000	360,000,000	BONUS
2005			140,000,000	500,000,000	CASH
2006	500,000,000	1,500,000,000			
2006			36,000,000	518,000,000	BONUS
2006			224,500,000	742,000,000	CASH
2007			277,435,000	1,019,935,000	CASH
2007	2,000,000,000	3,500,000,000	1,080,065,000	2,100,000,000	CASH

10.1) ANALYSIS OF SHAREHOLDERS AS AT 31 DECEMBER 2017

Range	Number of Shareholders	Shares Held	Percentage of shareholding %
1 - 100,000	618	23,133,249	0.55
100,001 - 500,000	123	30,366,465	0.72
500,001 - 1,000,000	20	18,257,148	0.44
1,000,001 - 50,000,000	33	270,540,179	6.44
50,000,001 - 500,000,000	14	1,767,469,272	42.08
500,000,001 - 2,000,000,000	2	2,090,233,687	49.77
	-------	---------------------	---------
	810	4,200,000,000	100.00
	====	===========	=====

10.2) ANALYSIS OF SHAREHOLDERS AS AT 31 DECEMBER 2016

Range	Number of Shareholders	Shares Held	Percentage of shareholding %
1 - 100,000	618	23,133,249	0.55
100,001 - 500,000	123	30,366,465	0.72
500,001 - 1,000,000	20	18,257,148	0.44
1,000,001 - 50,000,000	33	270,540,179	6.44
50,000,001 - 500,000,000	14	1,767,469,272	42.08
500,000,001 - 2,000,000,000	2	2,090,233,687	49.77
	-------	---------------------	---------
	810	4,200,000,000	100.00
	====	===========	=====

11) DONATIONS

Donations made during the period amounted to N900 thousand. (2016: N430 thousand). No donation was made to any political organization. The beneficiaries are:

	2017	2016
	₦'000	₦'000
Sacred Heart School, Lagos	300	150
Clarentian Missionaries	150	-
Our Mother of Perpetual Church	100	-
Catholic Church of Annunciation	100	-
McLilies School	50	-
Radiance School,Lagos	30	80
Cedec Internal School	40	-
Nazareth School	-	50
Saint Jude School	-	50
Ripe Int'l School	20	-
Gwell School	30	-
Milliue Haven School	20	-
Spring School	15	-
Millbank & Kristobel	20	-
National Handicap Association	-	30
Down syndrome Foundation of Nigeria	-	50
Others	25	20
Total	--------	--------
	900	430
	====	====

12) PROPERTY AND EQUIPMENT

Movements in property and equipment during the year are shown in Note 19 to the financial statements.

13) DIVIDEND

No dividends were declared and paid in 2017 (2016: nil).

14) EMPLOYMENT AND EMPLOYEES

Employment of disabled persons
It is the policy of the Company that there should be no discrimination in considering applications for employment including those from physically challenged persons. All employees, whether or not disabled, are given equal opportunities to develop. As at 31 December 2017 one physically challenged person was employed by the Company.

Employee's involvement and training
The Company is committed to keeping employees as fully informed as possible regarding its performance and progress and seeking their views whenever practicable on matters which particularly affect them as employees.

The Company places high a premium on the development of its manpower. The Company's expanding skill base has been extended by a range of training programmes provided for its employees whose opportunities for career development with the Company have been enhanced.

Health, safety at work and welfare of employees
Health and safety regulations are in force within the Company's premises and employees are aware of the existing regulations. The Company provides subsidy to all levels of employees for medical treatment, transportation, housing, etc.

15) ACQUISITION OF OWN SHARES

The Bank did not purchase its own shares during the year (2016: Nil).

16) EVENTS AFTER REPORTING DATE

There are no events after the reporting date which could have had a material effect on the state of affairs of the Bank as at 31 December 2017 and other comprehensive income for the year ended on that date, that have not been adequately adjusted for, or which require specific disclosures.

17) AUDIT COMMITTEE

Pursuant to Section 359(3) of the Companies and Allied Matters Act CAP C20 LFN 2004, the Bank has an Audit Committee comprising three Directors and three Shareholders as follows:

1.	Mr. Adekunle Alli	-	Chairman
2.	Prince (Engr.) MOT. O. Tobun	-	Member
3.	Mr. Gbadebo Ajeigbe	-	Member
4.	Mazi Emmanuel Kanu O. Ivi	–	Member
5.	AVM Olufemi Soewu (Rtd)	–	Member
6.	Mr. Bernard Okumagba	-	Member

The functions of the Audit Committee are as laid down in Section 359(6) of the Companies and Allied Matters Act CAP C20 LFN 2004.

18) AUDITORS

In accordance with Section 357(2) of the Companies and Allied Matters Act CAP C20 Laws of the Federation of Nigeria 2004, Messrs. Ernst and Young have indicated their willingness to continue in office as Auditors of the Bank. A resolution will be proposed at the Annual General Meeting authorizing the Directors to determine their remuneration.

BY ORDER OF THE BOARD OF DIRECTORS

GEOFF O. AMAGHEREONU ESQ
FRC/2013/NBA/00000002815
Company Secretary/Legal Adviser
23 Karimu Kotun Street,
Victoria Island, Lagos.
Date: 08 March 2018

CORPORATE GOVERNANCE REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

Introduction

Abbey Mortgage Bank Plc recognizes the fact that effective governance system is essential to retaining public trust and confidence in the way and manner we do our business. Our governance policies are structured to ensure maximum compliance with the provisions of the various laws and codes on the subject. These include the Central Bank of Nigeria Code of Corporate Governance of May 2014, the SEC Code of Corporate Governance dated 1st April, 2011, the Post Listing requirements of Nigerian Stock Exchange together with the amendments thereto, our internal Code of Corporate Governance and international best practices.

Abbey's Code of Corporate Governance is targeted at achieving the highest standards of transparency, accountability and good corporate behaviour in line with international best practices. The governance structures and processes are primed for the satisfaction of the various stakeholders including employees, shareholders, creditors, host communities and regulatory authorities.

Abbey's corporate ethos include accountability, transparency, integrity, fairness, discipline, communication, social and environmental responsibility, service excellence, responsible lending and stakeholder-rights' recognition.

Directors and employees are expected to act honestly, in good faith and in the best interest of the company in all transactions.

The governance structure of the Bank is driven principally by the Board of Directors, whose members are equipped with the requisite academic qualifications and relevant industry experience and tools to discharge their roles in the Bank. The governance policies adopted by the Board are designed to ensure long-term shareholder value. It is the primary responsibility of the Board to deliver sustainable shareholders' wealth through its oversight functions.

In compliance with the provisions of the Securities and Exchange Commission Code of Corporate Governance for quoted Companies and the operational guidelines provided by the CBN, the Directors are of the opinion that Abbey has to the best of its ability abided with the provisions of the CBN and SEC Codes of Corporate Governance.

Meetings of Shareholders

The general meeting of the Bank remains the highest decision making organ and the primary avenue for interaction between the shareholders, Management and the Board. Annual General Meetings are conducted in an open manner allowing for free discussions on all issues on the agenda and in accordance with the provisions of the Companies and Allied Matters Act and the Articles of Association of the Company. Venues for such meetings are always easily accessible.

Audit Committee

The Audit Committee is established in line with Section 359 (6) of the Companies and Allied Matters Act Cap C20 Laws of the Federation 2004. The Committee during the year comprised six members – Three members representing the shareholders and elected at the Annual General Meeting and three Non-Executive Directors. The Committee meets at least four times a year but could also meet at any other time should the need arise to enable it discharge its statutory duties as provided under the Act. The membership of the Committee is as follows:

Shareholders	**Directors**
*Mr. Matthias Menyelum Adaba	Mazi Emmanuel Kanu Okoroafor Ivi
Prince (Engr.) Olayiwola Tobun	AVM Olufemi Soewu (Rtd
Mr. Gbadebo Ajeigbe	Mr. Bernard Okumagba
*Mr. Adekunle Alli	

*Mr Matthias Menyelum Adaba ceased being the chairman of the Committee on 25th July, 2017 meeting whilst Mr. Adekunle Alli took over as chairman on 16th October, 2017.

Board of Directors

The Board is made up of a Non-Executive Chairman, three (3) Non-Executive Directors, two (2) Executive Directors and two (2) Independent Non- Executive Directors. Appointment to the Board is made by the shareholders at the Annual General Meeting upon recommendation by the Board of Directors.

The Board is accountable and responsible for the affairs of the Bank by ensuring that its operations at all times are carried out within the legal and regulatory framework. The Board's responsibilities and duties include, but are not limited to, defining the Bank's business strategic goals, formulating effective risk management policies, leadership, enterprise, integrity and judgment in directing the Bank so as to achieve continuing prosperity and to act in its best interest in a manner based on transparency, accountability, good corporate governance and equity. The Board meets at least once every quarter but may hold other sessions to address urgent matters requiring its attention. Its oversight functions are performed through the following Committees:

- Board Credit & Risk Management Committee
- Board Audit & Compliance Committee
- Board Strategy & Financial Analysis Committee
- Board Governance & Remuneration Committee

The Committees of the Board are constituted as follows:

Board Credit and Risk Management Committee	
High Chief Samuel Oni	Chairman
Mazi Emmanuel Kanu Okoroafor Ivi	Member
AVM Olufemi Soewu (Rtd)	Member
Mr. Bernard Okumagba	Member
Mr. Madu Hamman	Member

Board Strategy and Financial Analysis Committee	
Mr. Bernard Okumagba	Chairman
AVM Olufemi Soewu (rtd)	Member
High Chief Samuel Oni	Member
Mr. Uzochukwu Odunukwe	Member
Mr. Madu Hamman	Member

Board Governance and Remuneration Committee	
AVM Olufemi Soewu (Rtd)	Chairman
Mazi Emmanuel Kanu Okoroafor Ivi	Member
Mr. Bernard Okumagba	Member
Mr. Uzochukwu Odunukwe	Member

Board Audit & Compliance Committee	
Mazi Emmanuel Kanu Okoroafor Ivi	Chairman
High Chief Samuel Oni	Member
Mr. Uzochukwu Odunukwe	Member
Mr. Madu Hamman	Member

Frequency of Meetings

The Board and its Committees meet at least four times every year.

Records of Directors' Attendance of Board and Committee Meetings
The table below shows the frequency of meetings of the Board of Directors and Board Committees, and Members' attendance at these meetings during the year under review:

Board of Directors

Name	Number of Meetings held	Number of Meetings attended
Chief Ifeanyichukwu B. Ochonogor	4	3
Mrs. Rose Ada Okwechime	4	4
Mazi Emmanuel Kanu Okoroafor Ivi	4	4
AVM Olufemi Soewu (Rtd)	4	4
Mr. Madu Hamman	4	4
Mr. Bernard Okumagba	4	4
High Chief Samuel Oni	4	4
Mr. Uzochukwu Odunukwe	4	4

Credit and Risk Management Committee

Name	Number of Meetings held	Number of Meetings attended
High Chief Samuel Oni	6	6
Mazi Emmanuel Kanu Okoroafor Ivi	6	5
AVM Olufemi Soewu (Rtd)	6	6
Mr. Bernard Okumagba	6	4
Mr. Madu Hamman	6	6

Strategy and Financial Analysis Committee

Name	Number of Meetings held	Number of Meetings attended
Mr. Bernard Okumagba	5	3
AVM Olufemi Soewu (Rtd)	5	5
High Chief Samuel Oni	5	4
Mr. Uzochukwu Odunukwe	5	5
Mr. Madu Hamman	5	5

Governance and Remuneration Committee

Name	Number of Meetings held	Number of Meetings attended
AVM Olufemi Soewu (Rtd)	4	4
Mazi Emmanuel Kanu Okoroafor Ivi	4	4
Mr. Bernard Okumagba	4	3
Mr. Uzochukwu Odunukwe	4	4

Audit and Compliance Committee

Name	Number of Meetings held	Number of Meetings attended
Mazi Emmanuel Kanu Okoroafor Ivi	6	6
High Chief Samuel Oni	6	4
Mr. Uzochukwu Odunukwe	6	6
Mr. Madu Hamman	6	6

STATUTORY AUDIT COMMITTEE

The table below shows the frequency of meetings of the Statutory Audit Committee and members' attendance at these meetings during the year under review:

Name	Numbers of Meetings held	Number of Meetings attended
*Mr. Matthias Menyelum Adaba	4	2
*Mr. Adekunle Alli	4	2
Prince (Engr.) MOT O. Tobun	4	4
Mr. Gbadebo Ajeigbe	4	3
Mazi Emmanuel Kanu Okoroafor Ivi	4	4
AVM Olufemi Soewu (Rtd)	4	4
Mr. Bernard Okumagba	4	2

*Mr. Matthias Menyelum Adaba - Ceased being the Chairman of the Committee on 25th July, 2017.
*Mr. Adekunle Alli - Elected as member of the Committee on 25th July, 2017 and elected Chairman of the Committee on 16th October, 2017.

ELECTION/RE-ELECTION OF DIRECTORS
In accordance with the provisions of the Companies & Allied Matters Act and the Articles of Association:

Mazi Emmanuel Ivi and Mr. Bernard Okumagba shall retire by rotation at this Annual General Meeting. Being eligible, they have offered themselves for re-election.

Biographical Notes on Persons for Election/Re-election as Directors

Mazi Emmanuel Okoroafor Ivi
Mazi Emmanuel Kanu Okorafor Ivi has over 30 years post-graduation working experience. He served as a Senior Accountant with Texaco Overseas Nigeria Petroleum Company (TOPCCON) in charge of PP & E and later Joint Venture Operations including foreign cash call matters (Treasury services). He was Head of Finance/Corporate Treasurer/Director at Swiss Nigeria Chemical Company Limited from 1986 to 1996.

Before joining Abbey Mortgage Bank Plc as a Director Mazi E.K.O. Ivi was and still remains the Chairman/CEO of Target International Limited based in Apapa, Lagos, He is a Director in many other companies including Oculus Pharmacare Ltd.

Mazi Ivi holds a B.Sc in Accountancy and Executive MBA from the University of Lagos. He is a fellow of the Institute of Chartered Accountants of Nigeria and an Associate Member of the Chartered Institute of Taxation, Nigeria.

Mr. Bernard Okumagba

Mr. Bernard Okumagba is a chartered accountant and professional banker with over 30 years of cognate working experience including 16 years of consummate banking. He started his banking career at Oceanic Bank Plc in 1991 and later joined Crystal Bank of Africa Limited in 1994 as a Deputy Manager in the Risk Management Division. He also served as Head of Risk Management Department; Manager, Corporate Banking Division; Chief Inspector and Senior Manager, Corporate and Commercial Banking Division of Fidelity Bank Plc from 1996 to 2002.In 2002, he joined First Atlantic Bank Plc as Senior Manager and in 2003 he was appointed the CEO of the Asset Management subsidiary of the bank, a position he held until 2004 when he joined the United Bank for Africa as Principal Manager, Consumer and Commercial Banking Division. Mr. Okumagba held this position until August 2007 when he was appointed as a Commissioner for Economic Planning in Delta State. In November 2010, he was appointed Commissioner for Finance a position which he held until July 2013. He is presently Chairman of both Regents Consults Limited and Noly Insurance Brokers Limited.

Mr. Okumagba holds a B.Sc. in Accountancy from the University of Nigeria, Nsukka. He is an Associate Member of the Institute of Chartered Accountants of Nigeria.

Executive Management Committee

The Executive Management Committee comprises all senior executives from the rank of Assistant General Manager and above and is chaired by the MD/CEO. The Committee meets every two weeks or such other times as the business exigencies of the Bank may require. It has the primary responsibility of implementing the strategies approved by the Board, providing leadership to the Management Team and ensuring efficient deployment and management of the Bank's resources.

Its membership comprises the following:

1. Mrs. Rose Ada Okwechime	Managing Director/CEO (Chairman, EXCO)
2. Mr. Madu Hamman	Executive Director, Finance and Administration
3. Mr. Andrew O. Nwosisi	General Manager, Operations
4. Geoff O. Amaghereonu, Esq.	Company Secretary/Legal Adviser
5. Mr. Oneyogor S. Igwala	Head, Treasury
6. Ms. Olabisi Ajeigbe	Financial Controller
7. Mrs. Lolita Ejiofor	Head of Compliance & Business Review
8. Mr. Emmanuel Alagbe	Head, Assets and Liability Management & Head, Risk Management
9. Mrs. Henrietta Okafor	Branch Manager, Festac
10. Mr. Abiodun Lasisi	Head, Debt Recovery

Human Resources

Abbey strives to be an employer of choice. The company operates the "equal opportunity" principle. There is no gender or religious bias. There is no discrimination against physically-challenged persons or persons living with HIV/AIDS. Staff training and development have been our watchword and a number of senior staff have participated in international and national workshops and seminars, whilst there are regular in-house training sessions tailored to our specific needs covering all levels of staff.

The company strives hard to provide a safe and secure atmosphere for all its stakeholders. Various measures are in place to ensure a peaceful, friendly and conducive environment for all to transact business. All employees are adequately insured against health and occupational hazards, whilst medical facilities or alternatives are offered to all staff.

Corporate Social Responsibility

Abbey has always maintained a high level of social responsibility, with a strong desire to positively impact the host community. Our mission to provide affordable housing finance to enable people own their own homes stems from our dream to fulfill this social responsibility. We continuously engage in charitable acts to help the less privileged, such as sponsoring events for sick and physically handicapped children admitted into orthopaedic wards or those afflicted with Down syndrome.

Sustainable and Environmental Issues

Abbey conducts its business in a manner that protects the health and safety of all stakeholders. The Board and Management pay particular attention to ensuring that we continually strive to improve occupational health and safety performance, through close cooperation between management, employees and developers/customers, where applicable. We are therefore very delighted to report that last year there were no recorded cases of incidents in our operations.

We will always strive to ensure safe working conditions, equipment and work sites where applicable. We will continue to promote employee involvement and accountability in identifying, preventing and eliminating hazards and risks of injury.

We are committed to:

1. Incorporating Organizational Health and Safety (OH&S) considerations into all aspects of our management practices;
2. Managing operations to meet all applicable OH&S laws and regulations and company policies;
3. Identifying and assessing potential injury risks and implementing appropriate measures to eliminate or control those risks if any;
4. Establishing, communicating and enforcing, through employee involvement, work site-specific rules and safe work methods;
5. Promoting and developing safe behaviours, awareness, leadership and accountability of our employees in health and safety through their involvement in continual improvement processes;
6. Measuring our health and safety performance in accordance with established standards;
7. Ensure that all our financed projects meet legal and group environmental, health and safety requirements;
8. Ensure that management systems are effective in maintaining standards and fulfilling the challenge of securing continuous improvements in environmental, health and safety performance;
9. Ensure accountability by holding corporate management and senior executives responsible for Environmental, Health and Safety (EHS) performance;
10. Provide financial and human resources to allow EHS to be given an appropriate level of priority in our financed projects;
11. Ensure that all our financed projects incorporate best practice and promote innovation through the operation of our financed customers to eliminate or minimize risks to health, safety and the environment;

Our employees share in this responsibility and are accountable for the successful implementation of this policy. Management is empowered to curtail operations, as necessary, to prevent serious adverse impacts on health, safety and environmental issues.

Employment and Labour Relations

Abbey continues to strive to entrench fair labour practices. Workers are given adequate training to assist them in the performance of their duties. Abbey complies with extant labour laws. There is no discrimination against women in any form. Men and women on the same level enjoy equal remuneration. The Bank applies the acceptable rules governing the treatment of female workers during pregnancy and maternity leave.

Human Rights

In consonance with the provision of the Nigerian Constitution and the Universal Declaration of Human Rights, Abbey respects the fundamental human rights of its workers. Fair work practices and policies have been entrenched.

Forced or Compulsory Labour

In its engagement with developers, contractors and service providers, the Bank ensures that there is no forced labour or compulsory labour in any form. Child labour is not tolerated.

Whistle Blowing Policy

An important aspect of accountability and transparency is a mechanism to enable individuals to voice concerns in a responsible and effective manner. In furtherance of this Abbey has a policy detailing the mechanisms for whistle blowing.

Disclosure may be made through:
Email: whistleblowing@abbeymortgagebank.com
Dedicated telephone line: 019035717

Bribery and Corruption Policy

Abbey is committed to conducting her business fairly, honestly and lawfully. The Bank has a zero tolerance approach to bribery and corruption and insists on the same standard for those with whom it does business. The anti-corruption procedures are encapsulated in the Bribery and Corruption policy. The whistle blowing mechanisms are available for any person who wishes to lodge a report on bribery and corruption.

Security Trading Policy

In compliance with Rule 17-15 on Disclosure of Dealings on Issuer's Shares, Rulebook of the Nigerian Stock Exchange, the company has a Security Trading Policy (STP) which governs the trading of the company's securities by related parties. This policy is being adhered to.

Complaints Management Policy

In compliance with the requirement of the Securities and Exchange Commission Rule circulated on the 16th February, 2015, the company has in place Complaints Management Framework. This policy has been put in place and is being adhered to.

Board Evaluation

During the year under review, a Board Performance Evaluation was carried out. The performance of the Board and individual members was adjudged satisfactory.

Enterprise Risk Review

Abbey Mortgage Bank Plc (the "Bank") has clear risk management objectives and a well-established strategy to deliver them, through core risk management processes and procedures.

The evolving nature of risk management practices and the dynamic character of the mortgage banking industry necessitate regular review of the effectiveness of each enterprise risk management component.

The Bank operates an "Enterprise-wide" Risk Management Framework with the objective of managing all aspects of risk within the organisation. The Bank's operations require identification, measurement, aggregation and effective management of risks and efficient utilisation of capital to derive an optimal risk and return ratio. Risk management is at the core of the operating structure of the Bank. The most important risk categories the Bank is exposed to are credit, liquidity, operational, regulatory, reputational, legal and strategic risks.

The Bank has developed an effective enterprise risk management framework that allows us to balance the level of risk taken with our business objectives to achieve sustainable and consistent performance over the long term.

The Board of Directors (the "Board") determine the Bank's set objectives in terms of risk by issuing risk policies which guides the Bank's daily operation in terms of assuming risks against expected rewards. These risk policies are detailed in the Enterprise Risk Management Framework. This framework is a structured approach to identifying opportunities, assessing the risk inherent in these opportunities and actively managing these risks in a cost-effective and efficient manner.

1. Risk Management Strategy

i. The Bank believes that risk management is the basis of a long lasting financial institution
ii. The Bank will continue to adopt an enterprise-wide and integrated approach to risk management
The Bank's risk profile will be managed to ensure that specific financial deliverables remain possible under a range of adverse business conditions
Risk management is governed by well-defined policies and shared responsibilities which are clearly communicated across the Bank
There is clear segregation of duties between market facing business units and risk management functions
The Bank will optimise risk/return decisions by taking them as closely as possible to the business, while establishing strong and independent review and challenge structures;

The Bank's approach is to provide direction on:

- Understanding the principal risks to achieving organisation strategy;
- Establishing risk appetite; and
- Establishing and communicating the risk management framework.

The process is then broken down into five steps: identify, assess/measure, control, report and manage/challenge.

In addition to supporting transaction decisions, the measurement and control of credit, market, operational and other risks have considerable influence on the Bank's strategy.

2. Risk Appetite

Risk appetite is defined as the level of risk that the Bank is prepared to sustain whilst pursuing its business strategy, recognising a range of possible outcomes as business plans are implemented. It sets the quantum and types of risk that the Bank is prepared to take on the basis of its risk management competencies, strategy and core values by relating the level of risk the Bank decides to take to the level of capital required to support it. The risk appetite of the Bank is ultimately approved by the Board.

Taken as a whole, risk appetite provides a basis for the allocation of risk capacity across the Bank's business lines.

3. The Bank Risks Scope

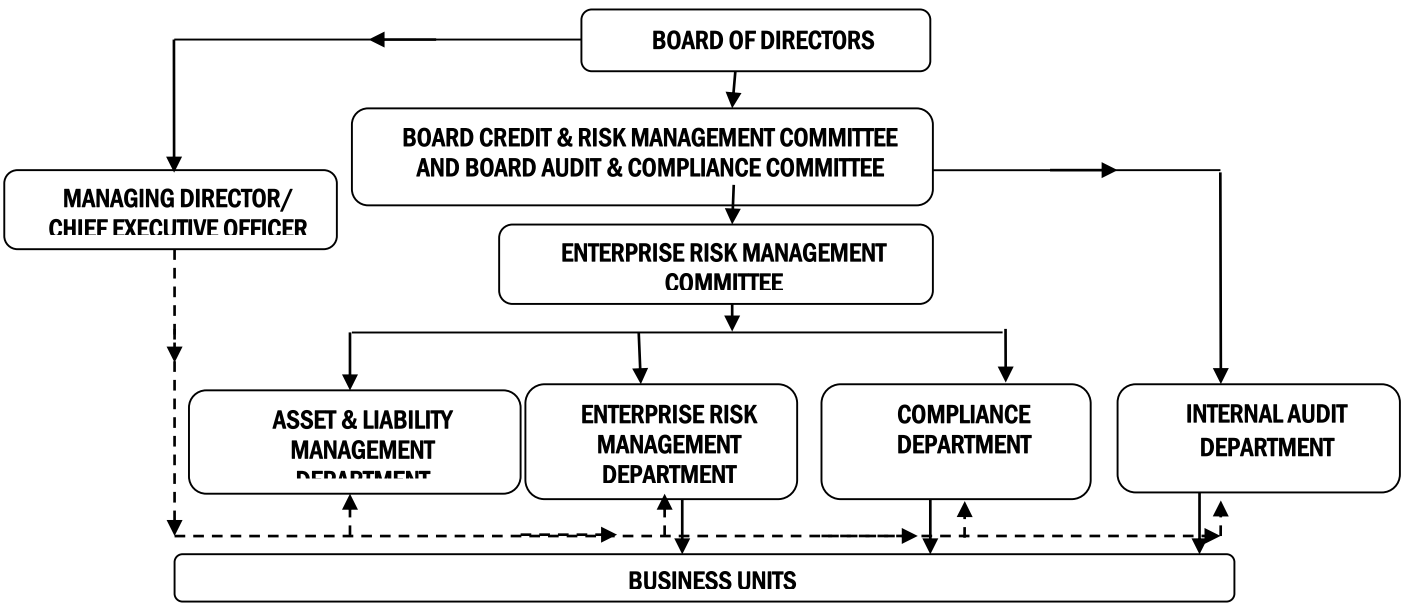
The risks that are managed by the Bank are as follows:

i. Credit Risk
ii. Capital Risk
iii. Operational Risk
iv. Liquidity and Funding Risk
v. Regulatory Compliance Risk
vi. Legal Risk
vii. Reputational Risk
viii. Strategic Risk

4. Risk Management Approach

The Bank addresses the challenges and opportunities of risk through an enterprise-wide risk management framework by applying practices that is supported by a governance structure consisting of the Board and executive management committees. The Board drives the risk governance and compliance process through its committees. The Audit and Risk committee provides oversight on the systems of internal control, financial reporting, risk management and compliance. The Credit Committee reviews the credit policies and approves all loans above the defined limits for executive Management.

Risk Management Control Structure



Responsibility for risk management resides at all levels within the Bank, from the Board of Directors and the Executive Management Committee down through the Bank to each business manager.

The Bank distributes these responsibilities so that risk/return decisions are taken at the most appropriate level; as close as possible to the business, and subject to robust and effective review and challenge. The responsibilities for effective review and challenges reside with senior managers, risk oversight committees, internal audit, the independent risk function, the Board Audit & Risk Committee and, ultimately, the Board of Directors.
The Board is responsible for approving risk appetite, which is the level of risk it has chosen to take in pursuit of its business objectives. The Head of Risk regularly presents a report to the Board Audit & Risk Committee summarising developments in the risk environment and performance trends in the key portfolios. The Board is also responsible for the Internal Control and Assurance Framework (Control Framework). It oversees the management of the most significant risks through the regular review of risk exposures and related key controls. Executive management responsibilities relating to this are set via the Risk Policy.

Responsibilities of Board Committees involved with risk governance include:

i. Monitor the organisation's risk profile against the agreed appetite. Where actual performance differs from expectations. The actions being taken by the management are reviewed.
ii. Review the system in place for monitoring risk, internal controls and compliance with applicable regulations and also review the integrity, reliability and accuracy of accounting and financial reporting systems in the Bank.
iii. Develop specific strategies that will help the Bank achieve its vision of being the number one Primary Mortgage Bank in Nigeria.
iv. Ensure that governance principles are well communicated and internalised by all in the Bank.

A number of the Board committees have delegated specific responsibilities to management committees.

Enterprise Risk Management Committee (ERMC)
The Enterprise Risk Management Committee (ERMC) has oversight responsibility for all risk categories in the Bank.

Responsibilities:

- Review risk limits, policies and management framework and recommend amendments (where appropriate) to the Board Credit & Risk Management Committee.
- Recommend that the Board approve the methodology of calculating the level of risk and allocation of limits based on recommendations Risk Management
- To review and approve the Risk Framework on an annual basis.
- Receive and review monthly reports on the Bank's Risk Profile, including the Top 20 Inherent Risks, the Top 20 Residual Risk after Controls, and the associated management actions resulting from the review.

- Receive and review half yearly reports on Business Continuity Management and Disaster Recovery Planning, including internal and external benchmarking, and test preparation results.
- Receive and review monthly Risk Reports covering losses, near misses, abnormal gains/profits, reputation risk, quantification of operational risk and capital.
- Act as a coordinating body for capturing and controlling organisational risks and making recommendations to the Board Credit & Risk Committee for the allocation of resources (financial or otherwise).

Asset and Liability Management Committee (ALCO)
Responsibilities:

1. Monitor and control all market, liquidity risk and interest rate risk across the Bank in accordance with the risk appetite set by the Board of Directors;
2. Review limit, guideline or trigger breaches and agree remedial actions in order to align exposures with agreed appetite;
3. Approve Market Risk, Liquidity Risk and Interest Rate Risk Policies for the Bank;
4. Review and note the impact of internal and external factors on the net interest margin; and
5. Recommend to the Board, policies and guidelines under which the Bank will manage matters listed below, and in so doing protect the Bank's capital base and reputation:
6. Balance Sheet growth:
    - Deposits, Advances and Investments;
    - Non-earning assets
    - Market and Liquidity Management.
    - Capital Management Compliance

Responsibilities:
1. Develop and review anti-money laundering ("AML")compliance policy/manual

2. Regular review and approval of customers' accounts opening/reactivation to ensure it meets Know Your Client ("KYC") requirements.
3. Monitoring of regulations, laws, circulars and policies issued by regulators for banks and other financial institutions to ensure compliance.
4. Rendition of money laundering reports such as Currency Transaction Report (CTR), Suspicious Transaction Report (STR) and Politically Exposed Persons Transaction Report (PEP) to CBN and Nigerian Financial Intelligence Unit ("NFIU") monitoring the Bank's activities to ensure compliance to prudential requirements stipulated in CBN prudential guidelines.
5. Conducting investigation into customer complaints on service issues, transaction errors and other irregularities and prompt resolution of these complaints.
6. Monthly rendition of customers' complaints report to Central Bank of Nigeria.

7. Ensuring that the Bank's regulatory returns are sent promptly to CBN, NDIC, CAC, SEC, NSE and other relevant regulatory bodies.

8. Coordinating the training of staff in AML/Counter Terrorism Financing awareness, detection method and reporting requirements

Business Units
Responsibilities

Business Units and their staff, as primary risk owners/managers, are responsible for the day-to-day identification, mitigation, management and monitoring of risks within their respective functions. Business Units and their staff are also responsible for the following:

- Implementing the Bank's risk management strategies;
- Managing day-to-day risk exposures by using appropriate procedures and controls in line with the Bank's risk management framework;
- Identifying risk issues and implementing remedial action to address these issues; and
- Reporting and escalating material risks and associated issues to appropriate authorities.

Internal Audit
Responsibilities

Internal Audit is responsible for the independent review of risk management and the control environment. Its objective is to provide reliable, valued and timely assurance to the Board of Directors and Executive Management over the effectiveness of controls, mitigating current and evolving high risks and in so doing enhancing the controls culture within the Bank. The Board Audit Committee reviews and approves Internal Audit's plans and resources, and evaluates the effectiveness of Internal Audit. An assessment by external advisers is also carried out periodically.

The Bank approaches and views risk not only as an uncertainty, but also as a potential opportunity to develop new frontiers in the Mortgage Banking Industry.

ABBEY MORTGAGE BANK PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO PREPARATION OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

In accordance with the provisions of the Companies and Allied Matters Act Cap C20 Laws of the Federation of Nigeria 2004, the Banks and Other Financial Institutions Act 2004 and the Financial Reporting Council of Nigeria Act No.6, 2011, the Directors are responsible for the preparation of annual financial statements, which give a true and fair view of the financial position of the Bank at the end of the financial year and of the financial results for the year then ended.

The responsibilities include ensuring that:

i. The Bank keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Bank and comply with the requirements of the Companies and Allied Matters Act of Nigeria;

ii. Appropriate and adequate internal controls are established to safeguard its assets and to prevent and detect fraud and other irregularities;

iii. The Bank prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates that are consistently applied; and

iv. It is appropriate for the financial statements to be prepared on a going concern basis.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with International Financial Reporting Standards, the requirements of the provisions of the Companies and Allied Matters Act of Nigeria 2004, the Banks and Other Financial Institution Act 2004, and the Financial Reporting Council of Nigeria Act No. 6, 2011.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial position of the Bank and of its financial results.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal control.

Nothing has come to the attention of the Directors to indicate that the Bank will not remain as a going concern for at least twelve months from the date of this statement.

BY ORDER OF THE BOARD OF DIRECTORS

ROSE ADA OKWECHIME (MRS.)
FRC/2013/CIBN/00000003444
Managing Director/CEO

CHIEF IFEANYICHUKWU BONIFACE OCHONOGOR
FRC/2013/ICAN/00000003485
Chairman, Board of Directors

23 March 2018

ABBEY MORTGAGE BANK PLC

CERTIFICATION
PURSUANT TO SECTION 60(2) OF THE INVESTMENTS AND SECURITIES ACT NO. 29 OF 2007
FOR THE YEAR ENDED 31 DECEMBER 2017

We the undersigned hereby certify the following with regard to the audited financial statements for the year ended 31 December 2017:

a. We have reviewed the report;

b. To the best of our knowledge, the report does not contain:
   i. Any untrue statement of a material fact, or

   ii. Omit to state a material fact, which would make the statements, misleading in the light of the circumstances under which such financial statements were made;

c. To the best of our knowledge, the financial statements and other financial information included in the report fairly present in all material respects the financial condition and results of operation of the Bank as of, and for the years presented in the report.

d. We:

   i. Are responsible for establishing and maintaining internal controls.

   ii. Have designed such internal controls to ensure that material information relating to the Bank is made known to officers within the Bank particularly during the period in which the periodic reports are being prepared;

   iii. Have evaluated the effectiveness of the Bank's internal controls as of date within 90 days prior to the report;

   iv. Have presented in the report of the Audit Committee our conclusions about the effectiveness of the Bank's internal controls based on our evaluation as of that date;

e. We have disclosed to the auditors of the Bank and Audit Committee:

   i. All significant deficiencies in the design or operation of internal controls which would adversely affect the Bank's ability to record, process, summarise and report financial data and have identified for the Bank's auditors any material weakness in internal controls, and

   ii. Any fraud, whether or not material, that involves management or other employees who have significant role in the Bank's internal controls;

f. We have identified in the report whether or not there were significant changes in internal controls or other factors that could significantly affect internal controls subsequent to the date of our evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

ROSE ADA OKWECHIME
FRC/2013/CIBN/00000003444
Managing Director/CEO

OLABISI AJEIGBE
FRC/2013/ICAN/00000002814
Financial Controller

23 March 2018

REPORT OF AUDIT COMMITTEE
FOR THE YEAR ENDED 31 DECEMBER 2017

In accordance with the provisions of Section 359 (6) of the Companies and Allied Matters Act CAP C20 Laws of the Federation of Nigeria 2004, we have reviewed the financial statements for the year ended 31 December 2017 as follows:

- We have exercised our statutory functions and powers as provided by the Articles of Association of the Bank and the Companies and Allied Matters Act Cap C20 Laws of the Federation of Nigeria 2004 and acknowledge the co-operation of management staff in the conduct of our responsibilities.

- We are of the opinion that the accounting and reporting policies of the Bank are in accordance with legal requirements and agreed ethical practices and that the scope of planning of both the external and internal audits for the year ended 31 December 2017 were satisfactory and complied with the Bank's system and internal control.

- We have reviewed the findings on management matters in conjunction with the external auditors and departmental responses thereon;

- As required by the provisions of the Central Bank of Nigeria Circular 851D/2004 dated 18 February 2004 on "Disclosures of Insider-Related Credits in Financial Statements" we reviewed the insider-related credits of the Bank and found them to be as analysed on in the financial statements as at 31 December 2017.

Mr Adekunle Alli
FRC/2013/ICAN/00000002835
Chairman, Audit Committee

Members of the Audit Committee
Mr. Adekunle Alli
Prince (Engr.) Olayiwola Tobun
Mr. Gbadebo Ajeigbe
Mazi Emmanuel Kanu O. Ivi
AVM Olufemi Soewu (Rtd)
Mr. Bernard Okumagba

07 March 2018

EY
Building a better
working world

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ABBEY MORTGAGE BANK PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Abbey Mortgage Bank Plc (the "Bank") which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the relevant provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Banks and Other Financial Institutions Act, CAP B3, Laws of the Federation of Nigeria 2004, the Financial Reporting Council of Nigeria ("FRCN") Act No. 6, 2011 and relevant Central Bank of Nigeria circulars.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* and other independence requirements applicable to performing audits of Abbey Mortgage Bank Plc. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Abbey Mortgage Bank Plc. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the Audit of the Financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How the matter was addressed in the audit
Impairment of loans and advances to customers Loans and advances to customers make up a significant portion of the total assets of the Bank. The impairment thereof is a key area of judgement for management. The identification of impairment and the	We assessed the effectiveness of key controls over the impairment calculation process. We evaluated the accuracy of underlying data that was drawn from the Bank's systems.

determination of the recoverable amount are an inherently uncertain process involving various assumptions including the financial condition of the counterparty, expected future cash flows, and collateral valuation, particularly on individually significant exposures that either continued to be, have become, or were at risk of being impaired. Due to the significance of loans and advances which represent 61% (2016: 55%) of total assets of the Bank and the related estimation process, this is considered a key audit matter. See Note 16 to the financial statements on disclosure of impairment of loan and advances to customer.	For loan impairment allowance calculated on an individual basis, we focus on those with the most significant potential impact on the financial statement and challenged management assumptions underlying the impairment identification and quantification, including the financial condition of the borrower, expected future cash flows, and valuation of underlying collateral We then performed an independent recalculation of the impairment provision for the selected portfolios For loan impairment allowance calculated on a collective basis we tested the underlying model for appropriateness of the model approval and validation process. We also considered the reasonability of the assumptions included in these models such as recovery and default rates. We also assessed the competence of the internal credit specialist and the key assumption that drive the impairment valuation. We also assessed whether the financial statement disclosures appropriately reflect the requirements of IFRS.regarding the loan provisions and the related risks such as credit risk, liquidity risk and the aging of the loans to bank customers.

Other Information

The Directors are responsible for the other information. The other information comprises the Report of the Directors, Corporate Governance Report, Enterprise Risk Management Policy, Report of the Audit Committee and the Investment and Securities Act Certificate, Statement of Value Added and Five Year Financial Summary which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this Auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors for the Financial Statements
The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Banks and Other Financial Institutions Act, CAP B3, Laws of the Federation of Nigeria 2004, the Financial Reporting Council of Nigeria ("FRCN") Act No. 6, 2011 and relevant Central Bank of Nigeria circulars, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting processes.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

EY
Building a better working world

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Bank audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our Auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements
In accordance with the requirement of Schedule 6 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, we confirm that:

i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
ii. In our opinion, proper books of account have been kept by the Bank, in so far as it appears from our examination of those books;
iii. The Bank's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

In compliance with the Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004 and circulars issued by Central Bank of Nigeria:

i. Related party transactions and balances are disclosed in Note 35 to the financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.

ii. As disclosed in Note 38 to the financial statements, The Bank contravened section 1.3 of the CBN Revised Guidelines for Primary Mortgage Bank in Nigeria, and related penalties have been paid.

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

27 March 2018

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
A1 431827

ABBEY MORTGAGE BANK PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	31 December 2017 ₦'000	31 December 2016 ₦'000
Interest and similar income	5	1,255,698	960,867
Interest and similar expense	6	(490,754)	(344,405)
Net Interest Income		**764,944**	**616,462**
Fees and commission income	7	121,212	213,148
Profit on disposals of non-current assets held for sale		1,902	13,494
Other operating income	8	31,157	31,412
Total operating income		919,215	874,516
Impairment charge on loans and advances	9	(58,361)	(67,121)
Impairment charge on other assets	9.1	(109,577)	(34,665)
Net operating income		**751,277**	**772,730**
Personnel expenses	10	(353,506)	(387,431)
Depreciation	19	(51,749)	(61,693)
Amortisation	20	(17,807)	(22,096)
Other operating expenses	11	(506,122)	(435,953)
Total operating expenses		(929,184)	(907,173)
Loss before income tax		**(177,907)**	**(134,443)**
Income tax expense	12	(34,468)	(33,554)
Loss for the year		**(212,375)**	**(167,997)**
Other comprehensive Income		-	-
Total comprehensive loss for the year, net of tax		(212,375)	(167,997)
Loss attributable to ordinary equity holders of the Bank		(212,375)	(167,997)
Total comprehensive loss attributable to equity holders of the Bank		(212,375)	(167,997)
Loss per share attributable to ordinary equity holders (Kobo) - Basic and Diluted	13	**(5.06)**	**(4.00)**

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

ABBEY MORTGAGE BANK PLC

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 ₦'000	2016 ₦'000
Assets			
Cash on hand	14	2,687	11,037
Due from banks	15	782,007	896,009
Cash balances with central bank	14.1	115,507	101,046
Loans and advances	16	7,458,506	6,900,080
Financial investments - available-for-sale	17	207,500	207,500
Financial investments - held-to-maturity	17.3	-	336,163
Other assets	18	64,128	417,906
Property and equipment	19	1,084,748	1,133,787
Intangible assets	20	32,176	45,583
Non-current assets held for sale	21	2,493,564	2,403,663
Total assets		**12,240,823**	**12,452,774**
Liabilities			
Due to customers	22	5,356,098	5,328,649
Current income tax payable	12.3	37,434	57,720
Other liabilities	23	232,492	205,352
Borrowings	24	14,670	24,245
Due to the National Housing Fund	25	374,237	398,541
Total liabilities		**6,014,931**	**6,014,507**
Equity			
Share capital	27.2	2,100,000	2,100,000
Share premium	28	2,877,126	2,877,126
(Accumulated losses) / retained earnings	29	(191,496)	193,676
Statutory reserve	30	298,440	298,440
Regulatory risk reserve		1,141,822	969,025
Total equity		**6,225,892**	**6,438,267**
Total liabilities and equity		**12,240,823**	**12,452,774**

The financial statements were approved by the Board of Directors on 8 March 2018, and signed on its behalf by:

Mrs. Rose Ada Okwechime
Managing Director/Chief Executive Officer
FRC/2013/CIBN/00000003444

Chief Ifeanyichukwu Boniface Ochonogor
Chairman
FRC/2013/ICAN/00000003485

Olabisi Ajeigbe
Financial Controller
FRC/2013/ICAN/00000002814

The accompanying notes to the financial statements.

ABBEY MORTGAGE BANK PLC

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital ₦'000	Share premium ₦'000	Statutory reserve ₦'000	Regulatory risk reserve ₦'000	(Accumulated losses)/retained earnings ₦'000	Total equity ₦'000
Balance as at 1 January 2016	2,100,000	2,877,126	298,440	804,072	526,626	6,606,264
Loss for the year	-	-	-	-	(167,997)	(167,997)
Other comprehensive income for the year					-	-
Transfer from retained earnings (Note 29)	-	-	-	164,953	(164,953)	-
to regulatory reserve						-
Balance as at 31 December 2016 / 1 January 2017	2,100,000	2,877,126	298,440	969,025	193,676	6,438,267
Loss for the year	-	-	-	-	(212,375)	(212,375)
Other comprehensive income for the year					-	-
Transfer from retained earnings (Note 29)	-	-	-	172,797	(172,797)	-
to regulatory reserve						
Balance as at 31 December 2017	2,100,000	2,877,126	298,440	1,141,822	(191,496)	6,225,892

The accompanying notes to the financial statements.

ABBEY MORTGAGE BANK PLC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 ₦'000	2016 ₦'000
Cash flows from operating activities			
Loss before income tax		(177,907)	(134,443)
Change in operating assets	32.1	(562,028)	(50,721)
Change in operating liabilities	32.2	30,285	(41,135)
Other non-cash items included in loss before income tax	32.3	259,032	171,596
Gain from investing activities	32.4	(2,102)	(14,094)
Income tax paid	12.3	(43,777)	(49,659)
Net cash flows used in operating activities		(496,497)	(118,456)
Cash flows from investing activities			
Purchase of intangible assets	20	(4,400)	(7,855)
Proceeds on disposal of non-current asset held for sale		22,000	151,091
Proceeds on disposal of property and equipment		200	600
Purchase of property and equipment	19	(2,712)	(16,733)
Proceed/(purchase) of held to maturity investments	17.4	368,632	(322,368)
Net cash flows from /(used in) investing activities		383,720	(195,265)
Cash flows from financing activities			
Repayments of borrowings		(9,575)	(109,576)
Proceeds from additional borrowings		-	21,774
Net cash flows used in financing activities		(9,575)	(87,802)
Net decrease in cash and cash equivalents		(122,352)	(401,523)
Net foreign exchange difference on cash and cash equivalents		-	184
Cash and cash equivalents at beginning of year		906,796	1,308,135
Cash and cash equivalents at end of year	32	**784,444**	**906,796**

The accompanying notes to the financial statements.

ABBEY MORTGAGE BANK PLC

STATEMENT OF REGULATORY RISK RESERVE
FOR THE YEAR ENDED 31 DECEMBER 2017

The Regulatory Body Central Bank of Nigeria (CBN) stipulates that provisions for loans recognized in the profit or loss account shall be determined based on the requirements of IFRS. The IFRS provisions should be compared with provisions determined under prudential guidelines and the expected impact/changes in general reserve should be treated as follows:

(i) Prudential Provisions is greater than IFRS provisions; transfer the difference from the retained earnings to a non-distributable regulatory reserve.

(ii) Prudential Provisions is less than IFRS provisions; the excess charges resulting should be transferred from the regulatory risk reserve account to the retained earnings to the extent of the non-distributable reserve previously recognized.

	2017	2016
	₦'000	₦'000
Regulatory risk reserve:		
Balance at beginning of the year	969,025	804,072
Transfer from retained earnings	172,797	164,953
	1,141,822	969,025

The Regulatory Risk Reserve accounts for the difference between the allowance for impairment on loans and advances computed based on the Central Bank of Nigeria Prudential Guidelines compared with the incurred loss model used in calculating the impairment under IFRS.

STATEMENT OF PRUDENTIAL ADJUSTMENTS

	2017	2016
	₦'000	₦'000
PRUDENTIAL GUIDELINES PROVISION:		
General	42,497	38,473
Specific	1,977,706	1,766,596
Total	2,020,203	1,805,069
IFRS PROVISIONS:		
Specific Impairment	589,840	563,750
Collective Impairment	288,541	272,294
	878,381	836,044
IFRS impairment allowance lower than prudential provision	1,141,822	969,025

1 General information

These financial statements are the financial statements of Abbey Mortgage Bank Plc. (the "Bank"), a public limited liability company incorporated and domiciled in Nigeria on 26 August 1991. The Bank obtained its licence to operate as a mortgage bank on 20 January 1992 and commenced business on 11 March 1992. It was later converted to a public limited liability company in September 2007. On 21 October 2008, the Bank became officially listed on the Nigerian Stock Exchange.

The principal activities of the Bank are the provision of mortgage services, financial advisory, and real estate construction finance.

For the earlier years of its operations, the Bank specialized in funding small and medium size businesses. In the last few years, the Bank has started to implement a mortgage financing strategy in line with its strategic vision to become "the number one mortgage service provider in Nigeria". The Bank currently has 110 (2016: 117) staff in ten (10) branches and the Head Office.

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Directors on 07 March 2018.

2.1 *Basis of preparation*

A Statement of Compliance

These financial statements of the Bank are general purpose financial statements which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). Additional information required by provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Banks and Other Financial Institutions Act, CAP B3, Laws of the Federation of Nigeria 2004, the Financial Reporting Council of Nigeria ("FRCN") Act No. 6, 2011 and relevant Central Bank of Nigeria circulars, is included where appropriate.

B Basis of Measurement

The financial statements have been prepared on the historical cost basis except for quoted available for sale financial instruments which are carried at fair value.

C Functional and Presentation Currency

These financial statements are presented in Naira which is the Bank's functional and presentation currency. Except as otherwise indicated, financial information presented in Naira has been rounded to the nearest thousand.

D Use of Estimates and Judgments

The preparation of the financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Key sources of estimation uncertainty

(i) Allowances for loan impairment

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 2.2 (F) (ix).

The specific component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about a debtor's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently reviewed by the Credit and Risk Management Committee.

A collective component of the total allowance is established for:

- Groups of homogeneous loans that are not considered individually significant and
- Groups of assets that are individually significant but were not found to be individually impaired.

Collective allowance for groups of homogeneous loans is established using statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Collective allowance for group of assets that are individually significant but that were not found to be individually impaired cover credit losses inherent in portfolios of loans and advances and held to maturity investment securities with similar credit characteristics when there is objective evidence to suggest that they contain impaired loans and advances and held to maturity investment securities, but the individual impaired items cannot yet be identified. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on estimates of future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances are estimated.

(ii) Determining fair values

For disclosure purpose, the determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(iii) Useful lives and carrying value of property and equipment and intangible assets

The estimation of the useful lives of assets is based on management's judgment. Any material adjustment to the estimated useful lives of items of property and equipment and intangibles will have an impact on the carrying value of these items.

(iv) Determination of impairment of property and equipment, and intangible assets

Management is required to make judgments concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. The Bank applies the impairment assessment to its separate cash generating units. This requires management to make significant judgments and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgment is also required when assessing whether a previously recognised impairment loss should be reversed. No property and equipment, and intangible asset was impaired at the year end.

(v) Valuation of financial instruments
The Bank's accounting policy on fair value measurements is discussed under note 2.2(F) (ix)

The Bank measures fair values using the following hierarchy of methods.

· Level 1: Quoted market price in an active market for an identical instrument.

· Level 2: Valuation techniques based on observable inputs either directly- i.e. as prices or indirectly- i.e. derived from prices. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

· Level 3: This includes financial instruments, the valuation of which incorporate significant inputs for the asset or liability that is not based on observable market data (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product.

These inputs are generally determined based on inputs of a similar nature, historic observations on the level of the input or analytical techniques. This category includes investment securities.

(vi) *Deferred tax assets*

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies (See Note 12). Unrelieved tax losses can be used indefinitely.

(vii) *Owner-occupied properties*
The bank classifies owner-occupied properties as property and equipment where the Bank occupies significant portion of the property for its operations.

2.2 **Summary of significant accounting policies**
The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently

applied by the Bank and to all periods presented in the financial report.

A **Foreign currency transactions**
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities resulting from foreign currency transactions are subsequently translated at the spot rate at reporting date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different to those at which they were

initially recognized or included in a previous financial report, are recognized in the profit or loss in the period in which they arise.

Non–monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

Translation differences on non-monetary items measured at fair value through equity, such as equities classified as available-for-sale financial

assets, are included in the available-for-sale reserve in equity.

B **Interest**

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the profit or loss include:
- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.
- interest on available-for-sale investment securities calculated on an effective interest basis.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in the net trading income.

C Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income including account servicing fees, investment management fees, sales commission, placement fees and syndication fees are recognised as the related services are performed. When a loan commitment is not expected to result in the draw down of a loan, the related loan commitment fees are recognised on a straight line basis over the commitment period.

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

D Other operating income

Rental income

Rental income arising from operating leases on properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

E Income tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

F Financial assets and Financial Liabilities

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i Recognition of financial assets

All financial assets and liabilities are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, transaction costs that are directly attributable to its acquisition or issue.

ii **Classification and initial recognition of financial assets**

The Bank classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. Management determines the classification of financial assets and liabilities at the time of initial recognition and the classification is dependent on the nature and purpose of the financial assets.

Loans and advances

Loans and advances include loans and advances to banks and customers originated by the Bank which are not classified as either held for trading or designated at fair value. Loans and advances are recognized when cash is advanced to a borrower. Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method less any impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of EIR. The EIR amortization is included in finance income in the profit or loss. The losses arises from impairment are recognized in the profit or loss on a separate line.

Available-for-sale investments

Available-for-sale assets are non-derivative financial assets that are classified as available for sale and are not categorized into the other category described above. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. AFS financial assets are initially measured at fair value plus direct and incremental transaction costs and subsequently measured at fair value with unrealised gains or losses recognised in Other Comprehensive Income (OCI) and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs.

Dividend on available for sale equity instruments are recognized in profit or loss when the Bank's right to receive the dividend is established.

A financial asset classified as available for sale that would have met the definition of loans and receivables on initial recognition may only be transferred from the available for sale classification where the Bank has the intention and the ability to hold the asset for the foreseeable future or until maturity. The fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Financial investments - held-to-maturity

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the EIR less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in interest and similar income in the profit or loss. The losses arising from impairment of such investments are recognised in the profit or loss within credit loss expense.

If the Bank were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Bank would be prohibited from classifying any financial asset as held-to-maturity during the following two years.

iii De-recognition of financial assets

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability in the statement of financial position. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

iv Classification and initial recognition of financial liabilities

Financial liabilities are initially measured at fair value, plus transaction costs. All financial liabilities are measured at amortised cost using the EIR method. Gains or losses on liabilities are recognised in profit or loss.

After initial recognition, interest -bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are recognised as well as through the EIR amortised process .

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as interest expense in the profit or loss.

v De-recognition of financial liabilities

The Bank derecognises financial liabilities when, and only when its obligations are discharged, cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

vi Identification and measurement of impairment for loans and advances

At each reporting date the Bank assesses whether there is objective evidence that financial assets carried at amortised cost are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties;
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets,
- Although the decrease cannot yet be identified with the individual financial assets in the portfolio, including: adverse changes in the payment status of borrowers in the portfolio;
- National or local economic conditions that correlate with defaults on the assets in the portfolio

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal shall be recognised in profit or loss.

vii **Measurement of impairment loss for available for sale securities**

At each reporting date, an assessment is made of whether there is any objective evidence of impairment in the value of a financial asset. Impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

In the case of equity investments classified as available-for-sale, objective evidence would include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. The Bank treats 'significant' generally as 25% and 'prolonged' generally as greater than six months.

Where such evidence exists, the difference between the financial asset's acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any previous impairment loss recognised in the profit or loss, is removed from equity and recycled through other comprehensive income in profit or loss.
Impairment losses for available-for-sale equity securities are recognised within 'Net operating income' in the profit or loss.

Reversals of impairment of equity shares are not recognised in the statement of comprehensive income, increases in the fair value of equity shares after impairment are recognised in other comprehensive income.

viii **Collateral and Netting**

The Bank obtains collateral where appropriate, from customers to manage its credit risk exposure to the customer. The collateral normally takes the form of a lien over the customer's assets and gives the Bank a claim on these assets in the event that the customer defaults.

Collateral received in the form of securities is not recorded on the statement of financial position. Collateral received in the form of cash is recorded on the statement of financial position with a corresponding liability. These items are assigned to deposits received from bank or other counterparties. Any interest payable or receivable arising is recorded as interest expense or interest income respectively.

The Bank's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to its relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets that are determined better to be sold are immediately recognised as non-current assets held for sale at the lower of carrying amount and fair value less costs to sell at the date of repossession.

The loan agreement provides that, if an event of default occurs, all outstanding transactions with the counterparty will fall due and all amounts outstanding will be settled on a net basis.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise an asset and settle the liability simultaneously. In many cases, even though netting agreements are in place, the lack of an intention to settle on a net basis results in the related assets and liabilities being presented gross in the statement of financial position.

ix Valuation of financial Instruments

The best evidence of fair value is a quoted price in an actively traded market. In the event that the market for a financial instrument is not active, a valuation technique is used. The majority of valuation techniques employ only observable market data and so the reliability of the fair value measurement is high. However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant market inputs that are unobservable. Valuation techniques that rely to a greater extent on unobservable inputs require a higher level of management judgment to calculate a fair value than those based wholly on observable inputs.

The main assumptions and estimates which management consider when applying a model with valuation techniques are:

· The likelihood and expected timing of future cash flows on the instrument. These cash flows are usually governed by the terms of the instrument, although judgment may be required when the ability of the counterparty to service the instrument in accordance with the contractual terms is in doubt. Future cash flows may be sensitive to changes in market rates;

· Selecting an appropriate discount rate for the instrument. The determination of this is based on the assessment of what a market participant would regard as the appropriate spread of the rate for the instrument over the appropriate rate; and

· Judgment to determine what model to use to calculate fair value in areas where the choice of valuation model is particularly subjective, for example, when valuing complex derivative products.

When applying a model with unobservable inputs, estimates are made to reflect uncertainties in fair values resulting from a lack of market data inputs, for example, as a result of illiquidity in the market. For these instruments, the fair value measurement is less reliable. Inputs into valuations based on unobservable data are inherently uncertain because there is little or no current market data available from which to determine the level at which an arm's length transaction would occur under normal business conditions. However, in most cases there is some market data available on which to base a determination of fair value, for example historical data, and the fair values of most financial instruments are based on some market observable inputs even when unobservable inputs are significant.

Given the uncertainty and subjective nature of valuing financial instruments at fair value, it is possible that the outcomes in the next financial year could differ from the assumptions used, and this could result in a material adjustment to the carrying amount of financial instruments measured at fair value.

Fair value measurement

The Bank measures financial instruments, such as, quoted equities, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

Ø In the principal market for the asset or liability, or
Ø In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Bank. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

G Cash and cash equivalents

For the statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with other financial institutions, other short-term, highly liquid investments with original terms to maturity of three months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value. Restricted cash are not part of cash and cash equivalents.

H Property, plant and equipment

i Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

The cost of the relevant property, plant and equipment includes and is made up of expenditures that are directly attributable to the acquisition of the assets. Additions and subsequent expenditures are capitalised only to the extent that they enhance the future economic benefits expected to be derived from the assets and the cost of the asset can be measured reliably. All other repairs and maintenance are charged to the profit and loss statement during the period in which they were incurred.

Construction cost in respect of offices is carried at cost as work in progress. On completion of construction, the related amounts are transferred to the appropriate category of property, plant and equipment. Payments in advance for items of property, plant and equipment are included as prepayments in other assets and upon delivery are reclassified as additions in the appropriate category of property, plant and equipment. No depreciation is charged until the assets are available for use.

ii Subsequent costs

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

iii Depreciation

Depreciation is provided on the depreciable amount of items of property, plant and equipment on a straight-line basis over their estimated useful economic lives. The depreciable amount is the gross carrying amount, less the estimated residual value at the end of its useful economic life. Work in progress is not depreciated.

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

Motor vehicles	4 years
Office and residential equipment	10 years
Office furniture	10 years
Land and buildings	50 years
Computer equipment	5 years

Depreciation rates, methods and the residual values underlying the calculation of depreciation of items of property, plant and equipment are kept under review to take account of any change in circumstances.

When deciding on depreciation rates and methods, the principal factors the Bank takes into account are the expected rate of technological developments and expected market requirements for, and the expected pattern of usage of, the assets. When reviewing residual values, the Bank estimates the amount that it would currently obtain for the disposal of the asset after deducting the estimated cost of disposal if the asset were already of the age and condition expected at the end of its useful economic life.

Property, plant and equipment is subject to an impairment review if there are events or changes in circumstances which indicate that the carrying amount may not be recoverable.

iv De-recognition

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

v Gain or loss on sale of property, plant and equipment

The gain or loss on the disposal of premises and equipment is determined as the difference between the carrying amount of the assets at the time of disposal and the proceeds of disposal, and is recognized as an item of other income in the year in which the significant risks and rewards of ownership are transferred to the buyer.

l Intangible assets

Intangible assets consist of computer software and costs associated with the development of software for internal use. Computer software is stated at cost, less amortisation and accumulated impairment losses, if any. Costs that are directly associated with the production of identifiable and unique software products, which are controlled by the Bank and which will probably generate economic benefits exceeding costs are recognized as intangible assets. These costs are amortised on the basis of expected useful lives of the software which range from three to five years. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. Costs associated with maintaining software programs are recognized as expenses when incurred.

J Impairment of tangible and intangible assets excluding goodwill

At each reporting date, or more frequently where events or changes in circumstances dictate, tangible and intangible assets excluding goodwill, are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. For the purpose of conducting impairment reviews, cash-generating units are the lowest level at which management monitors the return on investment on assets. The impairment review includes the comparison of the carrying amount of the asset with its recoverable amount.

The recoverable amount of the asset is the higher of the assets or the cash-generating unit's fair value less cost to sell and its value in use. Fair value less cost to sell is calculated by reference to the amount at which the asset could be disposed of in a binding sale agreement in an arm's length transaction evidenced by an active market or recent transactions for similar assets.

The carrying values of tangible and intangible assets, excluding goodwill, are written down by the amount of any impairment and this loss is recognised in the profit or loss in the period in which it occurs. In subsequent years, the Bank assesses whether indications exist that impairment losses previously recognized for tangible and intangible assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is recalculated and, if required, its carrying amount is increased to the revised recoverable amount. The increase is recognized in other operating income as an impairment reversal. An impairment reversal is recognized only if it arises from a change in the assumptions that were used to calculate the recoverable amount. The increase in an asset's carrying amount due to an impairment reversal is limited to the depreciated amount that would have been recognized had the original impairment not occurred.

K Contingent liabilities

Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of the Bank; or present obligations that have arisen from past events but are not recognised because it is not probable that settlement will require the outflow of economic benefits, or because the amount of the obligations cannot be reliably measured. Contingent liabilities are not recognised in the financial statements but are disclosed unless the probability of settlement is remote.

L Financial guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee was given. Other than where the fair value option is applied, subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation recognised in the profit or loss, and the best estimate of the expenditures required to settle the obligations. Commission and fees charged to customers for services rendered in respect of financial guarantees are recognised at the time the services or transactions are effected.

Any increase in the liability relating to financial guarantees is recorded in the profit or loss.

M Employee benefits

i Post employment benefits

The Bank operates a defined contribution pension plan. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an personnel expense in profit or loss in the periods during which services are rendered by employees.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the reporting period in which the employees render the service are discounted to their present value at the reporting date.

For defined contribution schemes, the Bank recognises contributions due in respect of the accounting period in the profit or loss. Any contributions unpaid at the reporting date are included as a liability.

ii Short term employee benefits

Short-term employee benefits, such as salaries, paid absences, and other benefits, are accounted for on an accruals basis over the period which employees have provided services in the year. Bonuses are recognised to the extent that the Bank has a present obligation to its employees that can be measured reliably.

All expenses related to employee benefits are recognised in the profit or loss in the personnel expenses.

N Share Capital

Share issue costs

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Share premium

Premiums from the issue of shares are reported in share premium

Dividends on ordinary shares.

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's shareholders. Dividends declared after the reporting date are dealt with in the subsequent period

O Equity reserve

The reserves recorded in equity on the Bank's statement of financial position include:

Available-for-sale reserve comprises changes in fair value of available-for-sale investments.

Regulatory risk reserve details the difference between the impairment on loans and advances computed based on the Central Bank of Nigeria Prudential Guidelines compared with the incurred loss model used in calculating the impairment under IFRS.

Statutory reserve details un-distributable earnings required to be kept by the nation's central bank in accordance with the national law.

P Earnings per share

Basic earnings per share is calculated by dividing net profit after tax applicable to equity holders of the Bank, excluding any costs of servicing other equity instruments, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effective interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Q Leasing

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at the inception date and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Bank as a lessee

Leases that do not transfer to the Bank substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term. Contingent rentals are recognised as an expense in the period in which they are incurred.

Bank as a lessor

Leases where the Bank does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

R Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition, management has committed to the sale, and the sale is expected to have been completed within one year from the date of classification.

The Bank makes use of valuation experts to determine the fair value less cost to sell of these properties.

2.3 ADOPTION OF NEW AND REVISED STANDARDS

(i) New and amended standards adopted by the Bank

Below are the IFRSs and IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2017 that would have an impact on the Bank.

Amendments to IAS 7 Statement of Cash Flows - effective on or after 1 January 2017

The intention is to improve disclosures of financing activities and help users better understand changes in an entity's liquidity positions.

Under the new requirements, entities will need to disclose changes in their financial liabilities arising from financing activities, including both changes arising from cash flows and non-cash items (e.g., gains and losses due to foreign currency movements).

The Bank has provided the information for both the current and the comparative period in Note 32.3.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses - effective on or after 1 January 2017

The IASB clarified the accounting treatment of deferred tax assets of debt instruments measured at fair value for accounting, but measured at cost for tax purposes.

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. However, their application has no effect on the Bank's financial position and performance as the Bank has elected not to recognise deferred tax assets, more information is provided in note 12.

(ii) Standards and interpretations issued/amended but not yet effective

IFRS 9 Financial Instruments

On July 2014, the IASB issued IFRS 9 Financial Instruments which replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Bank will adopt this standard on the required effective date. However, the Bank will not restate comparative information.

The Bank has completed the qualitative impact assessment of the IFRS 9 implementation project on its business. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Bank in 2018 when the Bank adopts IFRS 9. Overall, no significant impact is arising from classification and measurement on the Bank's statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9. The Bank is currently assessing the quantitative impact of IFRS 9 on its business. While the assessment is being finalised, the Bank do not expect the adoption of IFRS 9 to have a significant impact on the Capital Adequacy Ratio.

Based on the assessment carried out by the Bank, the estimated impact of application of the new standard are as follows:

(a) Classification and measurement

The new standard requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories are replaced by: fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI), and amortised cost. IFRS 9 eliminates IAS 39 categories of held to maturity, loans and receivables and available for sale.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated at FVPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

IFRS 9 allows entities to irrevocably designate instruments that qualify for amortised cost or fair value through OCI instruments as FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to profit or loss.
Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.
The accounting for financial liabilities will largely be the same as the requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements will be presented in OCI with no subsequent reclassification to profit or loss, unless an accounting mismatch in profit or loss would arise.
The assessment revealed that there will be no significant impact on the statement of financial position or equity on applying the classification and measurement requirements of IFRS 9. Loans as well as other receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest on principal outstanding. The contractual cash flow characteristics of those instruments meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments will not be required. Other financial assets currently held at fair value will continue to be measured at fair value i.e. quoted equity instruments.

(b) Impairment
IFRS 9 also fundamentally changes the loan loss impairment methodology. The standard replaces IAS 39's 'incurred loss' approach with a forward-looking 'expected credit loss' (ECL) approach. The Bank will record an allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset. IFRS 9 requires the Bank to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Bank is currently assessing the financial impact of IFRS 9 on its business.

(c) Other adjustments
In addition to the adjustments described above, on adoption of IFRS 9, other items of the primary financial statements such as deferred taxes will be adjusted as necessary.

IFRS 15 Revenue from Contracts with Customers - effective on or after 1 January 2018

IFRS 15 replaces all existing revenue requirements in IFRS(IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as IAS 17 (or IFRS 16 Leases, once applied). Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, plant and equipment and intangible assets. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. This will be effective from 1 January 2018.

The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.The principles in IFRS 15 must be applied using a five-step model:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation

The Bank has assessed the impact of the standard and come to a conclusion that it will have minimal impact on the result of the Bank.

IFRS 16 Leases - effective on or after 1 January 2019

The International Accounting Standards Board (IASB or Board) issued IFRS 16 Leases on 13 January 2016. The new standard requires lessees to recognise assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 Leases.

The scope of IFRS 16 includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17.

Early application is permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as IFRS 16. The Bank does not anticipate early adopting IFRS 16 and is currently evaluating its impact.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration - effective on or after 1 January 2018

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance
First-time adopters of IFRS are also permitted to apply the interpretation prospectively to all assets, expenses and income initially recognised on or after the date of transition to IFRS.

(v) Amendments to IAS 40 Transfers of Investment Property

he amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if it is without the use of hindsight. Effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed. The Company will apply amendments when they become effective. However, since Company's current practice is in line with the clarifications issued, the Company does not expect any effect on its financial statements.

Entities are required to apply these amendments retrospectively. Entities can choose to apply the standard using either a full retrospective approach or a modified retrospective approach, with some limited relief provided under either approach.
This new standard is not expected to have a significant impact on the Bank.

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions - effective on or after 1 January 2018

The amendments is in relation to the classification and measurement of share-based payment transactions.
The amendments address three main areas:
- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations; and
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The standard is not expected to have a significant impact on the Bank as it currently does not have any share-based payment transactions.

This new standard is not expected to have a significant impact on the Bank.

Other amendments to standards, which currently do not apply to the Bank are listed below;
- Amendments to IAS 16: Property, Plant and Equipment and IAS 41: Agriculture - Bearer Plants
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IAS 40: Transfers of Investment Property
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IFRSs Annual Improvements to IFRSs 2012-2014 Cycle:
  - IAS 19: Employee Benefits
  - IAS 34: Interim Financial Reporting
- Amendments to IFRSs Annual Improvements to IFRSs 2014-2016 Cycle:
  - IFRS 1 First-time Adoption of International Financial Reporting Standards
  - IAS 28 Investments in Associates and Joint Ventures
  - IFRS 12 Disclosure of Interests in Other Entities

3 Financial risk management

3.1 Introduction and overview

The Bank defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance

Risk management is carried out by a central risk department (Bank chief risk officer) under policies approved by the Board of Directors. Chief Risk Officer identifies, evaluates financial risks in close co-operation with the Bank's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk. In addition, internal audit is responsible for the independent review of risk management and the control environment. There has been no significant change in the risk policy of the Bank during the year.

The risks arising from financial instruments to which the Bank is exposed are financial risks, which includes credit risk, liquidity risk and market risk (discussed in subsequent sections)

3.2 The key elements of the Bank's risk management philosophy are the following:

- The Bank considers sound risk management to be the foundation of a long-lasting financial institution.
- The Bank continues to adopt a holistic and integrated approach to risk management and, therefore, brings all risks together under one or a limited number of oversight functions.
- Risk officers are empowered to perform their duties professionally and independently without undue interference.
- Risk management is governed by well-defined policies that are clearly communicated across the Bank.
- Risk management is a shared responsibility. Therefore, the Bank aims to build a shared perspective on risks that is grounded in consensus.
- The Bank's risk management governance structure is clearly defined.
- There is a clear segregation of duties between market-facing business units and risk management functions.
- Risks are reported openly and fully to the appropriate levels once they are identified.
- Risk-related issues are taken into consideration in all business decisions. The Bank shall continue to strive to maintain a conservative balance between risk and revenue considerations
- Risk officers work as allies and thought partners to other stakeholders within and outside the Bank, and are guided in the exercise of their powers by a deep sense of responsibility, professionalism and respect for other parties

3.3 Credit risk

Credit risk is the risk of suffering financial loss, should any of the Bank customers, clients or market counterparties fail to fulfil their contractual obligations to the Bank. Credit risk arises mainly from commercial and consumer loans and advances and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as financial guarantees, letters of credit, endorsements and acceptances.

Credit risk is the single largest risk for the Bank business; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralised in a credit risk management team, which reports to the Board of Directors and head of each business unit regularly.

3.3.1 In measuring credit risk of loans and advances to customers and to Bank's at a counterparty level, the Bank reflects the following components:

- The character and capacity to pay of the client or counterparty on its contractual obligations;
- Credit history of the counterparty; and
- The likely recovery ratio in case of default obligations – value of collateral and other ways out. The Bank's rating scale reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are reviewed and upgraded when necessary. The Bank regularly validates the performance of the rating and their predictive power with regard to default events.

Collateral Risk Rating (CRR)/Facility Risk Rating (FRR)

- The Bank does not lend to speculative grade obligors, on an unsecured basis. The Facility Risk Rating (FRR) is different from the Obligor Risk Rating (ORR) to the extent of the perceived value of enhancement provided.

- The Collateral Risk Rating grid indicates the acceptable collateral types rated 1–7 from best to worst in order of liquidity.

Collateral risk rating	Collateral type
1.	Cash/Treasury bills
2.	Marketable securities, guarantee/receivables of investment grade banks and corporates
3.	Enforceable lien on fast-moving inventory in bonded warehouses
4.	Legal mortgage on residential business real estate in prime locations A and B
5.	Legal mortgage or debenture on business premises, factory assets or commercial real estates in locations A and B
6.	Equitable mortgages on real estates in any location
7.	Letters of comfort or awareness, guarantee of non-investments grade banks and corporates

3.3.2 Risk limit control and mitigation policies

The Bank manages, limits and controls concentrations of credit risk wherever they are identified — in particular, to individual counterparties and Bank's, and to industries.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or group of borrowers, and to regional and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and country are approved quarterly by the Board of Directors.

Portfolio limits

The process of setting the limits is as follows:

- The Bank engages in a detailed portfolio plan annually. In drawing up the plan, the Bank reviews the macro-economic factors, identifies the growth sectors of the economy and conducts a risk rating of the sectors to determine its acceptable target market industries and exception. The Bank's target loan portfolio is then distributed across acceptable target market industries, strategic business units and approved product programmes.

Presently, the Bank does not have any exposure to counterparties domiciled outside Nigeria. However, the Bank has a fully developed country risk rating system that could be employed, should the need arise. In such eventuality, limits will be graduated on country risk rating.

Single obligor limits

- Limits are imposed on loans to individual borrowers. The Bank as a matter of policy does not lend above its regulatory lending limit, which is 20% of its shareholders' funds unimpaired by losses. The internal guidance limit is, however, set at 20% for corporate customers and 5% for individual customers of its shareholders funds unimpaired by losses to a single borrower.
- Product programmes contain guidelines on single obligor limits.
- Except with the approval of the Board of Directors, the Bank shall not lend more than:

– 20% of the Bank's shareholders' funds to any Bank. Only companies rated 'A' or better may qualify for this level of exposure.

· The Bank also sets internal credit approval limits for various levels in the credit process.

· Approval limits are set by the Board of Directors and reviewed from time to time as the circumstances of the Bank demand. Exposure to credit risk is also managed through regular analysis of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

The Bank also controls and mitigates risk through collateral

Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties.
- Charges over business assets such as premises, inventory and cash deposits.
- Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured, in addition, in order to minimise the credit loss, the Bank will seek additional collateral from the counterparty as soon as impairment indicators are identified for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

Estimate of the value of collateral and other security enhancements held against loans and advances to customers and banks is shown below :

	2017	2016
	₦'000	₦'000
Against individually impaired	607,000	509,520
Against neither past due nor impaired	15,306,266	15,155,686
Against past due but not impaired	5,487,050	6,056,210
Total	21,400,316	21,721,416
Against individually impaired		
Property	605,480	508,000
Equities	1,520	1,520
Total	607,000	509,520
Against neither past due nor impaired		
Property	14,319,490	14,521,036
Cash	226,776	249,400
Equities	760,000	385,250
	15,306,266	15,155,686
Against past due but not impaired		
Property	5,487,050	6,056,210
Cash	-	-
	5,487,050	6,056,210

3.3.3 Impairment and provisioning policies

Impairment allowances are recognised for financial reporting purposes only for losses that have been incurred at the reporting date based on objective evidence of impairment.

3.3.4 Maximum exposure to credit risk before collateral held or credit enhancements

The Bank's maximum exposure to credit risk at 31 December 2017 and 31 December 2016 respectively is represented by the net carrying amounts of the financial assets in the Statement of Financial Position excluding cash in hand.

3.3.5 Concentration of risks of financial assets with credit risk exposure

	2017 ₦'000	2016 ₦'000
Cash with central bank	115,507	101,046
Due from banks	782,007	896,009
Loans and advances	7,458,506	6,900,080
	8,356,020	7,897,135

(a) Geographical sectors

The following table breaks down the Bank credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorised by geographical region. For this table, the Bank has allocated exposures to regions based on the state of domicile of its counterparties:

	2017 ₦'000	2016 ₦'000
Cash with central bank – Head office	115,507	101,046
Due from banks – Head office	782,007	896,009
Loans and advances:		
Head Office	5,746,894	5,395,231
Apapa	258,390	205,216
Festac	65,400	38,538
Okota	66,554	95,221
LasuOjo	19,494	47,713
Asaba	21,439	49,346
Agbara	5,143	14,618
Abuja 1	503,703	501,422
Abuja 2	975,432	913,282
Victoria Island	460,816	475,537
Baze	213,622	
Total loans and advances	8,336,887	7,736,124
Impairment allowances for uncollectibility	(878,381)	(836,044)
Net loans and advances	7,458,506	6,900,080
Total financial assets	8,356,020	7,897,135

(b) Industry sectors

The following table breaks down the Bank credit exposure at carrying amounts (without taking into account any collateral held or other credit support), as categorised by the industry sectors of the Bank counterparties.

	2017 ₦'000	2016 ₦'000
Government:		
Cash with central bank	115,507	101,046
Financial Services:		
Due from banks	782,007	896,009
Loans and advances		
Construction Loans	976,736	717,036
Loan and Advances	281,334	221,385
Mortgage FMBN bonds	4,295	5,254
Mortgage Home Loans	5,848,819	5,497,308
NHF Loans	400,611	408,473
School Loans	278,443	301,332
Staff Mortgage Loans	63,996	78,168
Staff Personal Loans	501	590
Staff Share Loan	482,152	506,578
Total loans and advances	8,336,887	7,736,124
Impairment allowances for uncollectibility	(878,381)	(836,044)
Net loans and advances	7,458,506	6,900,080
Total financial assets	**8,356,020**	**7,897,135**

3.3.6 Credit quality of financial assets

A primary element of our credit approval process is a detailed risk assessment of every credit associated with counter-party. Our risk assessment procedures consider both the credit worthiness of the counter-party and the risks related to the specific type of credit facility or exposure. This risk assessment not only affects the structuring of the transaction and the outcome of the credit decision, but also influences the level of decision-making authority required to extend or materially change the credit and the monitoring procedures we apply to the on-going exposure.

The Bank has its own in-house assessment methodologies and rating scale for evaluating the creditworthiness of its counter-parties. The programmed 6-grade rating model was developed in line with foremost rating agencies in Nigeria, to enable the Bank to compare its internal ratings with common market practice and ensures comparability between different portfolios of our institution. The Bank generally rate all its credit exposures individually. The rating scale is as follows:

Rating Grades:	Descriptions / Characteristics
AAA	Exceptional Credit with unquestionable quality ,Good track record, Strong cash flow, Fully cash coverage.
AA	Very High credit quality, Good payment record, High Asset coverage, Very Good management structure.

A	Good credit quality with strong cash flow, debt payment capacity, good asset coverage, Good management structure.
BBB	Satisfactory asset quality, Good debt capacity but very low margin for debt servicing, Satisfactory Character.
BB	Satisfactory asset quality, Good debt capacity but low margin for debt servicing, Satisfactory Character ,Employee public servants, Stable industrial sectors. Temporary repayment difficulties.
B	Limited debt capacity, Modest debt service coverage, declining collateral quality. Few months repayments arrears, Satisfactory character of borrower, Employee public servants

(a) Financial assets neither past due nor impaired

The credit quality of the portfolio of loans and advances, cash and balances with central banks and debt securities that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Bank (See below for an explanation of the internal rating system)

Grades:	2017	2016
Loans and advances	₦'000	₦'000
AAA	122,356	3,842
AA	291,680	12,100
A	914,822	337,384
BBB	956,834	2,545,257
BB	446,951	205,612
B	1,033,599	715,024
	3,766,242	3,819,219

	2017	2016
(b) Financial assets past due but not impaired	₦'000	₦'000
Past due up to 90 days	563,787	923,438
Past due by 91- 180 days	606,448	2,073
Past due 181-360 days	651,242	326,230
Past due 361 days - beyond	1,576,301	1,580,819
	3,397,778	2,832,560

(c) Financial assets individually impaired

Impaired	1,172,867	1,084,345
Total Loans and advances	**8,336,887**	**7,736,124**

3.3.7 Credit enhancement

In the ordinary course of business, the Bank is exposed to the risk of having financial instruments that are not recognised in the financial position. The instruments are used mainly as interim Securities for National Housing Funds Loans ("NHFL"). The guarantees are expected to be discharged as soon as legal mortgages are perfected. The contractual amounts of the off- statement of financial position financial instruments are:

	2017	2016
	₦'000	₦'000
Guaranteed facilities (NHFL)	67,208	84,651

The value of the guarantees are equal to the value of the loans they have been obtained for,

3.4 Liquidity risk

3.4.1 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for derivatives. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the statement of financial position and sales of assets, or potentially an inability to fulfil lending commitments. The risk that the Bank will be unable to do so is inherent in all Bank operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

Management of liquidity risk

The Bank liquidity management process, as carried out within the Bank and monitored by a separate team in the Bank known as the asset and liability management committee (ALCO), its functions include:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or borrowed by customers.
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring the liquidity ratios of the statement of financial position against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Bank Treasury also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

3.4.2 Maturity analysis

The table below analyses financial assets and liabilities of the Bank into relevant maturity based on the remaining period at reporting date to the contractual maturity date. The table includes both principal and interest earned as at year end.

	Up to 3 months ₦'000	3-6 months ₦'000	7 to 12 months ₦'000	After 12 months ₦'000	Non-interest bearing ₦'000	Total ₦'000
As at 31 December 2017						
Cash on hand	2,687	-	-	-	-	2,687
Due from banks	781,757	-	-	250	-	782,007
Loans and advances	2,943,779	33,392	239,463	4,241,872	-	7,458,506
Financial investments - available for sale	-	-	-	-	207,500	207,500
Financial investments - held-to-maturity	-	-	-	-	-	-
Other assets	24,906	-	-	-		24,906
Cash balances with central bank	-	-	-	-	115,507	115,507
Total financial assets	3,753,129	33,392	239,463	4,242,122	323,007	8,591,113
Due to customers	3,655,503	753,602	503,106	85,050	358,837	5,356,098
Borrowings	2,301	-	-	12,369		14,670
Other liabilities	232,216	276	-	-		232,492
Due to the National Housing Fund	-	-	-	374,237		374,237
Total financial liabilities	3,890,020	753,878	503,106	471,656	358,837	5,977,497
Net financial (liabilities)/assets	(136,891)	(720,486)	(263,643)	3,770,466	(35,830)	2,613,616
As at 31 December 2016						
Cash on hand	11,037	-	-	-	-	11,037
Due from banks	895,759	-	-	250	-	896,009
Loans and advances	1,433,601	223,970	451,063	4791446	-	6,900,080
Financial investments - available for sale	-	-	-	-	207,500	207,500
Financial investments - held-to-	336,163	-	-	0	-	336,163
Other assets	290,315	-	-	-		290,315
Cash balances with central bank	-	-	-	-	101,046	101,046
Total financial assets	2,966,875	223,970	451,063	4,791,696	308,546	8,742,150
Due to customers	3,629,825	631,593	439,579	167,987	459,665	5,328,649
Borrowings	2,301	-	-	21,944		24,245
Other liabilities	200,021	5,331	-	-		205,352
Due to the National Housing Fund	-	-	-	398,541		398,541
Total financial liabilities	3,832,147	636,924	439,579	588,472	459,665	5,956,787
Net financial (liabilities)/assets	(865,272)	(412,954)	11,484	4,203,224	(151,119)	2,785,363

3.4.2 Maturity analysis - *Continued*

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

	Current	Non-current	Total
	₦'000	₦'000	₦'000
As at 31 December 2017			
Cash on hand	2,687	-	2,687
Due from banks	781,757	250	782,007
Loans and advances	3,216,634	4,241,872	7,458,506
Financial investments - available for sale	-	207,500	207,500
Financial investments - held-to-maturity	-	-	-
Other assets	64,128	-	64,128
Cash balances with central bank	-	115,507	115,507
Property and equipment	-	1,084,748	1,084,748
Intangible assets	-	32,176	32,176
Non-current assets held for sale	2,493,564	-	2,493,564
Total assets	6,558,770	5,682,053	12,240,823
Due to customers	5,271,048	85,050	5,356,098
Current income tax liability	37,434	-	37,434
Borrowings	6,047	8,623	14,670
Other liabilities	232,492	-	232,492
Due to the National Housing Fund	39,976	334,261	374,237
Total liabilities	5,586,997	427,934	6,014,931
Net assets	**971,773**	**5,254,119**	**6,225,892**
As at 31 December 2016			
Cash on hand	11,037		11,037
Due from banks	895,759	250	896,009
Loans and advances	2,108,634	4,791,446	6,900,080
Financial investments - available for sale	-	207,500	207,500
Financial investments - held-to-maturity	336,163	-	336,163
Other assets	417,906	-	417,906
Cash balances with central bank	-	101,046	101,046
Property and equipment	-	1,133,787	1,133,787
Intangible assets	-	45,583	45,583
Non-current assets held for sale	2,403,663	-	2,403,663
Total assets	6,173,162	6,279,612	12,452,774
Due to customers	5,160,662	167,987	5,328,649
Current income tax liability	57,720	-	57,720
Borrowings	6,047	18,198	24,245
Other liabilities	205,352	-	205,352
Due to the National Housing Fund	39,976	358,565	398,541
Deferred tax liabilities	-	-	-
Total liabilities	**5,469,757**	**544,750**	**6,014,507**
Net assets	**703,405**	**5,734,862**	**6,438,267**

The Bank holds a diversified portfolio of cash and high-quality, highly-liquid securities to support payment obligations and contingent funding in a stressed market environment. The Bank's assets held for managing liquidity risk comprise:

- Cash and balances with central banks;
- Certificates of deposit;

While there is a negative cumulative liquidity gap for within 12 months, it does not reflect the actual liquidity position of the Bank as most of the term deposits from customers maturing within one year are historically being rolled.

3.5 Market risk

Market risk is the exposure to an adverse change in the market value of our trading and investment positions caused by a change in prices and rates.

Such positions result from market making, proprietary trading, underwriting and investing activities.

The market risk factors are foreign exchange rates, commodity price, interest rates, and equity prices.

Each market risk category the Bank is exposed to daily is described below:

- Foreign exchange risks arise from exposures to changes in spot and forward rates and volatilities of the exchange rates.
- Interest rate risks result from exposures to changes in the level and shape of the yield curve, the volatility of interest rates and credit spreads.
- Equity price risks result from exposures to the changes in prices and volatilities of individual equities.

3.5.1 Management of market risk

The Bank has put in place a clearly defined market risk management framework that provides the Board of Directors and Management with guidance on market risk management processes. The Bank has also prescribed tolerable market related losses, vis-a-vis the quantum of available capital and level of other risk exposures.

The Bank's market risk policy and strategy are anchored on the following:

i. Product diversification which involves trading, application and investment in a wide range and class of products such as corporate securities and government securities;
ii. Risk taking within well-defined limits with the sole purpose of creating and enhancing shareholder value and competitive advantage;
iii. Effective utilisation of risk capital;
iv. Continuous re-evaluation of risk appetite and communication of same through market risk limits;
v. Independent market risk management function that reports directly to Management;
vi. Robust market risk management infrastructure reinforced by a strong automated system for controlling, monitoring and reporting market risk
vii. Deployment of a variety of tools to monitor and restrict market risk exposures such as position limits, sensitivity analysis, ratio analysis and management action triggers;
viii Setting the internal Open Position Limit (OPL) lower than the CBN prescribed limit (currently 5% of shareholders' funds). The Bank has put in place an approval process for exceeding the internal OPL limit. However, any trading above the CBN regulated OPL limit must be approved by the Central Bank;

and

ix. Enforcement of market risk operating limits and other risk management guidelines that will ensure consistent compliance with OPL limit.

3.5.2 Market risk measurement techniques

(a) Value at risk (VAR)

The Bank applies a 'value at risk' (VAR) methodology to its trading portfolios (including assets and liabilities designated at fair value) and at a Bank level to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Board sets limits on the value of risk that may be accepted by the Bank, which are monitored on a daily basis by Bank Treasury. Interest rate risk in the non-trading book is measured through the use of interest rate repricing gap analysis.

VAR, in general, is a quantitative measure of market risk which applies recent historic market conditions to estimate the potential future loss in market value that will not be exceeded in a set time period at a set statistical confidence level. VAR is calculated for expected movements over a minimum of one business day and to a confidence level of 99% and a 10-day holding period. The confidence level suggests that potential daily losses, in excess of the VAR measure, are likely to be experienced three times per year in every 250 days.

The Bank uses parametric method as its VAR methodology with an observation period of two years obtained from published data from preapproved sources. VAR is calculated on the Bank's positions at close of business.

The Bank recently deployed a risk management system with capabilities for a more robust market risk analysis including VAR models based on Monte-Carlo simulation. The Bank did not actively trade in the period.

(b) Stress tests

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions.

In recognition of the volatile market environment and the frequency of regulations that have had a significant effect on market rates and prices, the Bank augments other risk measures with stress testing to evaluate the potential impact of possible extreme movements in financial variables on portfolio values that are rare but plausible.

Stress testing is an integral part of the market risk management framework and considers both historical market events and forward-looking scenarios. A consistent stress testing methodology is applied to trading and non-trading books.

Stress scenarios are regularly updated to reflect changes in risk profile and economic events. The ALCO has responsibility for reviewing stress exposures and, where necessary, enforcing reductions in overall market risk exposure. The stress testing methodology assumes that scope for management action would be limited during a stress event, reflecting the decrease in market liquidity that often occurs. Regular stress test scenarios are applied to interest rates, exchange rates, and equity prices.

Non-trading book: Other sensitivity analyses

The Bank is yet to adopt the use of VAR for its equity exposure as a result of low market liquidity. The Bank does not trade in commodity and therefore is not exposed to commodity risk except in transactions where commodities have been used as collateral for credit transactions. The latter is covered under credit risk management.

3.5.3 Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarises the Bank exposure to foreign currency exchange rate risk at 31 December 2017 and 31 December 2016. Included in the table are the Bank financial instruments at carrying amounts, categorised by currency.

	NAIRA ₦'000	US DOLLAR ₦'000	EURO ₦'000	TOTAL ₦'000
AS AT 31 DECEMBER 2017				
Financial assets:				
Cash and balances with central banks / due from banks	899,757	208	236	900,201
Loans and advances	7,458,506	-	-	7,458,506
Other assets	64,128	-	-	64,128
Financial investments - available for sale	207,500	-	-	207,500
Financial investments - held-to-maturity	-	-	-	-
	8,629,891	208	236	8,630,335
Financial liabilities:				
Due to customers	5,356,098	-	-	5,356,098
Borrowings	14,670	-	-	14,670
Other liabilities	232,492	-	-	232,492
Due to the National Housing fund	374,237	-	-	374,237
	5,977,497	-	-	5,977,497
Net open currency position	**2,652,394**	**208**	**236**	**2,652,838**
As at 31 December 2016				
Financial assets:				
Cash and balances with central banks / due from banks	1,007,628	238	226	1,008,092
Loans and advances	6,900,080	-	-	6,900,080
Other assets	417,906	-	-	417,906
Financial Investments - Available for sale	207,500	-	-	207,500
Financial investments - held-to-maturity	336,163	-	-	336,163
Total liabilities	8,869,277	238	226	8,869,741
Financial liabilities:				
Due to customers	5,328,649	-	-	5,328,649
Due to the National Housing fund	398,541	-	-	398,541
Borrowings	24,245	-	-	24,245
Other liabilities	205,352	-	-	205,352
	5,956,787	-	-	5,956,787
Net open currency position	**2,912,490**	**238**	**226**	**2,912,954**

The Bank's exposure to foreign currency risk is low. Movement in exchange rate between the US Dollar and the Nigerian Naira affects reported earnings through revaluation gain or loss and the statement of financial position size through increase or decrease in the revalued amounts of assets and liabilities denominated in US Dollars.

Foreign exchange sensitivity analysis

The Foreign exchange sensitivity analysis of the Bank is presented below.

For each foreign currency net exposure it is reasonable to assume a 5% appreciation/depreciation against the functional currency. If all other variables are held constant, the tables below present the impacts on profit or loss before tax if these currency movements had occurred.

	US DOLLAR ₦'000	EURO ₦'000
As at 31 December 2017		
Net foreign currency exposures	208	236
As at 31 December 2016		
Net foreign currency exposures	238	226

The Bank is exposed to the US Dollar and Euro currencies.

The following table details the sensitivity to a 5% increase and decrease in Naira against the US Dollar and Euro. Management believe that a 5% movement in either direction is reasonably possible at the reporting date. The sensitivity analyses below include outstanding US Dollar and Euro denominated assets and liabilities. A positive number indicates an increase in profit where Naira strengthens by 5% against the US Dollar and Euro. For a 5% weakening of Naira against the US Dollar and Euro, there would be an equal and opposite impact on profit, and the balance below would be negative.

Foreign exchange sensitivity analysis (31 December 2017)	
Naira strengthens by 5% against the US Dollar	
Profit/ (loss)	₦10,000
Naira weakens by 5% against the US Dollar	
Profit/(loss)	₦(10,000)
Naira strengthens by 5% against the Euro	
Profit/(loss)	₦12,000
Naira weakens by 5% against the Euro	
Profit/(loss)	₦(12,000)

Foreign exchange sensitivity analysis (31 December 2016)	
Naira strengthens by 5% against the US Dollar	
Profit/ (loss)	₦12,000
Naira weakens by 5% against the US Dollar	
Profit/(loss)	₦(12,000)
Naira strengthens by 5% against the Euro	
Profit/(loss)	₦11,000
Naira weakens by 5% against the Euro	
Profit/(loss)	₦(11,000)

3.5.4 Equity and commodity price risk

The Bank is exposed to equity price risk by holding investments quoted on the Nigerian Stock Exchange (NSE) and other non-quoted investments. Equity securities quoted on the NSE is exposed to movement based on the general movement of the all share index and movement in prices of specific securities held by the Bank.

The Bank holds 5,000,000 quoted shares in Universal Insurance Bank Plc with a market value of N2.5 million and 50,000,000 unquoted shares in Nigeria Mortgage Refinance Bank with carrying value of N205million as at year end.

The Bank does not hedge against this risk, hence, these are the exposures to the risk

The Bank does not deal in commodities and is therefore not exposed to any commodity price risk.

The following table details the sensitivity to a 5% increase and decrease in equity prices. Management believe that a 5% movement in either direction is reasonably possible at the reporting date.

Equity price sensitivity analysis

	2017	2016
Impact on total comprehensive income	**₦'000**	**₦'000**
5% increase with all other variables held constant	10,375	10,375
5% decrease with all other variables held constant	(10,375)	(10,375)

3.5.5 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Bank manages this risk by ensuring significant portion of its loans are contracted on fixed interest rate.

3.5.5 Interest rate risk

	Carrying Value	Variable Interest	Fixed Interest	Non-interest Bearing
AS AT 31 DECEMBER 2017	₦'000	₦'000	₦'000	₦'000
Financial assets:				
Cash on hand	2,687	-	-	2,687
Due from banks	782,007	62,274	719,483	250
Loans and advances	7,458,506	-	7,458,506	-
Financial investments - available for sale	207,500	-	-	207,500
Other assets	41,424	-		41,424
Cash balances with central bank	115,507	-		115,507
	8,607,631	62,274	8,177,989	367,368
Financial liabilities:				
Due to customers	5,356,098	-	5,356,098	-
Borrowings	14,670	-	14,670	-
Other liabilities	232,492	-	-	232,492
Due to the National Housing fund	374,237	-	374,237	-
	5,977,497	-	5,745,005	232,492
AS AT 31 DECEMBER 2016				
Financial assets:				
Cash on hand	11,037	-	-	11,037
Due from banks	896,009	86,025	809,734	250
Loans and advances	6,900,080	-	6,900,080	-
Financial Investments - Available for sale	207,500	-	-	207,500
Financial investments - held-to-maturity	336,163	-	336,163	
Other assets	290,315	-	-	290,315
Cash balances with central bank	101,046	-		101,046
	8,742,150	86,025	8,045,977	610,148
Financial liabilities:				
Due to customers	5,328,649	-	4,859,000	469,649
Borrowings	24,245	-	24,245	-
Other liabilities	205,352	-	-	205,352
Due to the National Housing fund	398,541	-	398,541	-
	5,956,787	-	5,281,786	675,001

3.5.6 Total Interest Re-pricing Gap

The re-pricing gap details each time the interest rate is expected to change:
For Variable interest linked to prime, it's the date prime is next expected to change unless the instrument is expected to mature sooner
For non-interest bearing, it is not included in the table

	Less than 3 months ₦'000	3-6 months ₦'000	6-12 months ₦'000	1-5years ₦'000	More than 5 years ₦'000	Total rate Sensitive ₦'000
As at 31 December 2017						
Financial assets						
Due from banks	781,757	-	-	-	-	781,757
Loans and advances	2,943,779	33,392	239,463	2,720	4,239,152	7,458,506
Total financial assets	3,725,536	33,392	239,463	2,720	4,239,152	8,240,263
Financial liabilities						
Due to customers	2,748,516	2,018,287	504,242	85,050		5,356,095
Borrowings	-	-	14,670	-	-	14,670
Due to the National Housing Fund	-	-	-	-	374,237	374,237
Total financial liabilities	2,748,516	2,018,287	518,912	85,050	374,237	5,745,002
Net gap position	977,020	(1,984,895)	(279,449)	(82,330)	3,864,915	2,495,261
As at 31 December 2016						
Financial assets						
Due from banks	895,759	-	-	-	-	895,759
Loans and advances	1,433,601	223,970	451,063	2,720	4,788,726	6,900,080
Financial investments - held-to-maturity	336,163	-	-	-		336,163
Total financial assets	2,665,523	223,970	451,063	2,720	4,788,726	8,132,002
Financial liabilities						
Due to customers	3,619,841	631,593	439,579	167,810	177	4,859,000
Borrowings			24,245	-	-	24,245
Due to the National Housing Fund	-	-	-	-	398,541	398,541
Total financial liabilities	3,619,841	631,593	463,824	167,810	398,718	5,281,786
Net gap position	(954,318)	(407,623)	(12,761)	(165,090)	4,390,008	2,850,216

3.5.7 **Interest Rate Sensitivity**

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, to the Bank's income statements and equity

	Plus 5	Plus 10	Minus 5	Minus 10
	Basic Points	Basic Points	Basic Points	Basic Points
	Sensitivity of profit or loss & equity			
AS AT 31 DECEMBER 2017	₦'000	₦'000	₦'000	₦'000
Rate Sensitive Assets				
Bank placements	7,939	15,877	(7,939)	(15,877)
Loans and advances	53,223	106,446	(53,223)	(106,446)
Rate Sensitive Liabilities				
Deposits	24,375	48,750	(24,375)	(48,750)
Borrowings	163	326	(163)	(326)
As at 31 December 2016				
Rate Sensitive Assets				
Bank placements	5,716	11,412	(5,706)	(11,412)
Loans and advances	41,648	83,295	(41,648)	(83,295)
Rate Sensitive Liabilities				
Deposits	16,614	33,228	(16,614)	(33,228)
Borrowings	606	1,212	(606)	(1,212)

3.6 **Fair value of financial assets and liabilities**

(a) **Financial instruments measured at fair value**

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

AS AT 31 DECEMBER 2017	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total ₦'000
Assets measured at fair value				
Investment securities - quoted equity	-	2,500	-	2,500
Assets for which fair value is disclosed				
Loans and advances			3,818,962	3,818,962
	-	2,500	3,818,962	3,821,462

AS AT 31 DECEMBER 2016				
Assets measured at fair value				
Investment securities - quoted equity	-	2,500	-	2,500
Assets for which fair value is disclosed				
Loans and advances	-	-	4,852,144	4,852,144
	-	2,500	4,852,144	4,854,644

Quoted equity instrument

Level 2 equity securities relate to securities which have limited level of trading in the stock market.

There have been no transfer between the levels.

(b) Set out below is a comparison by class of the carrying amounts and fair values of the Company's financial instruments that are carried in the financial statements.

	Carrying value		Fair value	
	2017	2016	2017	2016
	₦'000	₦'000	₦'000	₦'000
Due from banks	782,007	896,009	782,007	896,009
Loans and advances	7,458,506	6,900,080	3,818,962	4,852,144
Financial investments - available-for-sale	207,500	207,500	207,500	207,500
Financial investments - held-to-maturity	-	336,163	-	336,163
Other assets	31,650	290,315	31,650	290,315
Cash balances with central bank	115,507	101,046	115,507	101,046
	8,595,170	8,731,113	4,955,626	6,683,177
Due to customers	5,356,098	5,328,649	5,356,098	5,328,649
Other liabilities	232,492	24,245	232,492	205,352
Borrowings	14,670	205,352	14,670	24,245
Due to the National Housing Fund	374,237	398,541	374,237	398,541
	5,977,497	5,956,787	5,977,497	5,558,246

(c) Fair valuation methods and assumptions

(i) Cash and balances with central banks

Cash and balances with central bank represent cash held with central bank of Nigeria. The fair value of these balances is their carrying amounts.

(ii) Equity securities

The fair value of quoted equity securities are determined by reference to quoted prices (unadjusted) in active markets for the instrument.

(iii) Loans and advances

Loans and advances are carried at amortised cost net of provision for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(iv) Other assets

Fair value of other assets approximates to the carrying amount due to their short term nature.

(vi) Held-to-maturity financial investments

The fair value of the held-to-maturity financial investment has been determined using the yield rate as quoted on the FMDQ.

(vi) Due to customers, other liabilities and borrowings

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair values of fixed interest-bearing deposits and borrowings are determined using a discounted cash flow model based on a current yield curve appropriate for the remaining term to maturity.

3.7 Capital management

The Bank objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by the regulators of the banking markets where the Bank operates;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of Regulatory Capital are monitored daily by the Bank's management, employing techniques based on the CBN guideline. The required information is filed with the CBN on a quarterly basis.

The Bank maintains a ratio of Total Regulatory Capital to its risk-weighted assets (the 'Basel ratio') above a minimum level required by the regulatory authority which takes into account the risk profile of the Bank.

The regulatory capital requirements are strictly observed when managing economic capital. The Bank's regulatory capital, comprising of the following two tiers, is managed by Risk Management, Treasury and Strategy.

- Tier 1 capital: share capital, retained earnings and reserves created by appropriations, statutory reserve, non-controlling interests arising on consolidation from interests in permanent shareholders' equity.
- Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and unrealised gains arising on the fair valuation of equity instruments held as available for sale.

The table below summarises the composition of regulatory capital and the ratios of the Bank for the year ended 31 December 2016. During the year, the Bank complied with all of the externally imposed capital requirements to which it is subject.

	2017	2016
Tier 1 capital	₦'000	₦'000
Share capital	2,100,000	2,100,000
Share premium	2,877,126	2,877,126
Retained earnings	(191,496)	193,676
Statutory reserve	298,440	298,440
Regulatory reserve	-	-
Total regulatory capital	5,084,070	5,469,242

In accordance with CBN circular BSD/DIR/GEN/LAB/07/021, regulatory reserve is no longer included in Tier 1 capital computation.

Risk-weighted assets		
On statement of financial position	9,361,068	9,160,582
Off statement of financial position	33,442	36,930
	9,394,510	9,197,512
Risk-weighted Capital Adequacy Ratio (CAR)	54%	59%

The Bank's borrowings were not used in the Capital adequacy calculations due to their non-qualification. The borrowings have a maturity of less than 7 years, therefore the Bank does not have any capital qualifying within Tier 2 Capital. The Bank meets the CBN minimum capital adequacy requirement of 10%.

4 Operating Segments

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit (or loss) before income taxes, as included in the internal management reports that are reviewed by the Bank's CEO. The CEO is considered the chief operating decision maker in the Bank. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within this industry. Inter-segment pricing is determined on an arm's length basis.

4.1 Services from which reportable segments derive their revenues

Information reported to the chief operating decision maker (the CEO) for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Bank's reportable segments under IFRS 8 are therefore as follows.

Mortgage banking
Investment banking
Retail banking

4.2 Segment revenues and results

The following is an analysis of the Bank's revenue and results from continuing operations by reportable segment.

	Mortgage banking ₦'000	Investment banking ₦'000	Retail banking ₦'000	Unallocated ₦'000	Total ₦'000
As at 31 December 2017					
Gross earnings					
Derived from external customers	1,185,669	191,241	21,009	10,148	1,408,067
Interest and similar expense	(3,258)	(467,894)	(19,602)	-	(490,754)
Profit on disposals of non-current assets held for sale	-	-		1,902	1,902
Total operating income / (loss)	1,182,411	(276,653)	1,407	12,050	919,215
Expenses:					
Impairment charges	58,361	109,577	-	-	167,938
Personnel expenses	265,130	53,026	35,351	-	353,506
Depreciation	38,812	7,762	5,175	-	51,749
Amortisation	13,355	2,671	1,781	-	17,807
Other operating expenses	379,592	75,918	50,612	-	506,122
Total expenses	755,249	248,955	92,918	-	1,097,122
Segment profit / (loss)	427,162	(525,608)	(91,511)	12,050	(177,907)
Income tax expense				(34,468)	(34,468)
Loss for the year					(212,375)
Total assets	10,215,436	1,655,109	370,278	-	12,240,823
Total liabilities	622,990	4,288,050	1,066,457	37,434	6,014,931

	Mortgage banking ₦'000	Investment banking ₦'000	Retail banking ₦'000	Unallocated ₦'000	Total ₦'000
As at 31 December 2016					
Gross earnings					
Derived from external customers	1,045,283	127,917	29,324	2,903	1,205,427
Interest and similar expense	(12,122)	(326,836)	(5,447)	-	(344,405)
Profit on disposals of non-current assets held for sale	-	-	-	13,494	13,494
Total operating income / (loss)	1,033,161	(198,919)	23,877	16,397	874,516
Expenses:					
Impairement charge	67,121	34,665	-	-	101,786
Personnel expenses	290,573	58,115	38,743	-	387,431
Depreciation	46,270	9,254	6,169	-	61,693
Amortisation	16,572	3,314	2,210	-	22,096
Other operating expenses	326,965	65,393	43,595	-	435,953
Total expenses	747,501	170,741	90,717	-	1,008,959
Segment profit / (loss)	285,660	(369,660)	(66,840)	16,397	(134,443)
Income tax expense				(33,554)	(33,554)
Profit for the year					(167,997)
Total assets	9,683,048	2,387,627	382,099	-	12,452,774
Total liabilities	639,704	4,271,216	1,045,867	57,720	6,014,507

For the purposes of monitoring segment performance and allocating resources between segments:

* All assets are allocated to reportable segments other than 'other financial assets'. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

* All liabilities are allocated to reportable segments other than borrowings, 'other financial liabilities', and current tax liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

4.3 Geographical information

The Bank operates within Nigeria and does not have operations outside the country, therefore no reporting has been done based on geographical segment.

		2017	2016
5	**Interest and similar income**	**₦'000**	**₦'000**
	Loans and advances	1,064,457	832,950
	Cash and short term funds	158,772	114,122
	Financial investments - held-to-maturity	32,469	13,795
		1,255,698	960,867

Interest income on loans and advances to customers includes interest income on impaired financial assets, recognised using the rate of effective interest used to discount the future cash flows for the purpose of measuring the impairment charge. This amounted to ₦101,528,000 for 2017 (2016: ₦107,069,000).

		2017	2016
6	**Interest and similar expense**	**₦'000**	**₦'000**
	Due to customers	487,496	332,283
	Borrowings	3,258	12,122
		490,754	344,405

The interest on borrowings relates to loan obtained from Netherlands Development Finance Company (FMO) and Nigeria Mortgage Refinancing Company.

		2017	2016
7	**Fees and commission income**	**₦'000**	**₦'000**
	Mortgage fees	121,212	212,333
	Legal Fees	-	815
		121,212	213,148

8	**Other Operating income**		
	Rental income	9,948	1,304
	Foreign exchange gain	-	184
	Other income	21,009	29,324
	Profit on sale of property and equipment	200	600
		31,157	31,412

Other income consists of income from e-payments, account maintenance and other operational income.

		2017	2016
9	**Impairment charge on loans and advances**	₦'000	₦'000
	The net impairment charge for loans and advances comprises:		
	Collective impairment (Note 16.1)	16,247	28,843
	Individual impairment (Note 16.1)	43,648	56,177
	Provision no longer required (Note 16.1)	(1,534)	(17,899)
	At the end of the year	58,361	67,121

The provision no longer required relate to doubtful loans and advances which the Bank has been able to recover from the customers during the year and arising from the revaluation of the collateral assets for some of the loans and advances.

		2017	2016
9.1	**Impairment charge on other assets**	₦'000	₦'000
		109,577	34,665

10	**Personnel expenses**		
	Wages, salaries and other staff costs	331,213	363,385
	Retirement contribution plan	22,293	24,046
		353,506	387,431

11	**Other operating expenses**		
	Directors remuneration	81,141	78,354
	Subscriptions, publications, stationeries, and communications	62,113	60,655
	Property and equipment repairs and maintenance	45,126	38,547
	Other assets written off	54,007	-
	Insurance expenses	30,047	32,555
	Electricity and gas	23,977	27,715
	Deposit insurance commission	23,596	21,906
	Auditors remuneration	12,000	12,000
	Lease payments recognised as an operating lease expense	7,808	7,808
	Security costs	7,460	8,775
	Advertising expenses	3,299	7,345
	Bank charges	2,891	4,476
	Bad debt written off	-	681
	Medical expenses	24,148	24,401
	Fine - (CBN)	400	-
	Donation	900	430
	Other expenses	127,209	110,305
		506,122	**435,953**

Other expenses is made up of other operating expenses such as rates, staff training and travelling expenses.

12 Taxation

		2017	2016
12.1	**Current income tax for the year**	**₦'000**	**₦'000**
	Income tax	32,973	33,554
	Education Tax	1,495	-
	Total current income tax expense	34,468	33,554
	Deferred tax (net)		
	Relating to origination and reversal of temporal differences Note 26	-	-
	Income tax expense	34,468	33,554

12.2 Reconciliation of effective tax rate

The effective income tax rate for 2017 is 19% (2016: 25%).

The Bank is assessed on minimum tax for 2017 in compliance with the provision of the Company Income Tax Act CAP 21 Cap C21 LFN 2004 as amended, while Education tax charge is based on the provisions of the Education Tax Act CAP E4 LFN 2004 as amended.

Where in any year of assessment the ascertainment of total assessable profits from all sources of a Bank results in a loss or where a Bank's ascertained total profits results in no tax payable or tax payable which is less than the minimum tax there shall be levied and paid by the Bank, the minimum tax as prescribed in the subsection (2) of this sections. The minimum tax was assessed as the 0.5 per cent of net assets and 0.125 per cent of turnover above 500,000 being the highest of the four options.

		2017	2016
12.2	**Reconciliation of effective tax rate**	**₦'000**	**₦'000**
	Loss before income tax	(177,907)	(134,443)
	Income tax using the domestic Corporation tax rate 30% (2016: 30%)	(53,372)	(40,333)
	Income not subject to tax	(6,228)	(53,011)
	Non-deductible expenses	58,330	44,850
	Education Tax	1,495	-
	Capital gains tax	-	1,499
	Effect of minimum tax floor	34,243	80,549
		34,468	33,554
12.3	**The movement in the current income tax payable is as follows:**		
	At beginning of the year	57,720	87,326
	Income tax expense	34,468	33,554
	Capital gains tax payable	-	1,499
	Withholding tax credit received	(10,977)	(15,000)
	Payments during the year	(43,777)	(49,659)
	At end of the year	37,434	57,720

13 Loss per share attributable to ordinary equity holders (Kobo) - Basic and Diluted

Basic

Basic loss per share has been calculated based on loss after tax attributable to the shareholders during the year and the weighted average number of issued share capital of 4,200,000,000 at 31 December of every year.

	2017	2016
Loss after income tax attributable to the shareholders (₦'000)	(212,375)	(167,997)
Weighted average number of shares ('000)	4,200,000	4,200,000
(in kobo)	**(5.06)**	**(4.00)**

Diluted

There was no diluting instruments as at the reporting date, hence diluted loss per share is the same as basic (loss) / earnings per share.

		2017	2016
14	**Cash on hand**	**₦'000**	**₦'000**
	Cash	2,687	11,037
14.1	**Cash balances with central bank**		
	Deposits with CBN	115,507	101,046
	See Note 15 for nature of deposits with CBN.		
15	**Due from banks**		
	Balances with Federal Mortgage Bank of Nigeria ("FMBN")	250	250
	Balances with other banks	62,274	86,025
	Fixed placements with banks	719,483	809,734
		782,007	896,009

Rate range analysis:

	2017	2016
Fixed placements with banks	3.5% to 17.5%	3.5% to 15%

The balance with FMBN is a mandatory specified deposit required for the National Housing Fund on-lending loan. Balance with other banks earns interest at floating rates based on daily bank deposit rates. Fixed placements with banks are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Bank, and earn interest at the respective fixed placement rates.

The Bank has restricted cash balances with the Central Bank of Nigeria and the FMBN. This balance is made up of CBN and FMBN cash reserve requirement. The cash reserve ratio represents a mandatory cash deposit which should be held with the Central Bank of Nigeria as a regulatory requirement. Restricted deposits with Central Bank and Federal Mortgage Bank are not available for use in the Bank's day-to-day operations.

		2017	2016
16	**Loans and advances**	₦'000	₦'000
	Mortgages	7,200,258	6,615,921
	Advances	763,961	729,323
	National Housing Fund	372,668	390,880
		8,336,887	7,736,124
	Collective impairment allowance	288,541	272,294
	Specific impairment allowance	589,840	563,750
	Total impairment allowance	878,381	836,044
	Total	7,458,506	6,900,080
16.1	**The movement of allowance for impairment:**		
	Collective impairment allowance		
	At beginning of the year	272,294	243,451
	Charge for the year (Note 9)	16,247	28,843
	At end of the year	288,541	272,294
	Specific impairment allowance		
	At the beginning of the year	563,750	527,616
	Write off	(16,024)	(2,144)
	Allowance no longer required (Note 9)	(1,534)	(17,899)
	Charge for the year (Note 9)	43,648	56,177
	At the end of the year	**589,840**	**563,750**
	Total impairment allowance	**878,381**	**836,044**
16.2	**Analysis by sector (gross)**		
	Construction loans	976,736	717,036
	Loans and advances	281,334	221,385
	Mortgage FMBN loan	4,295	5,254
	Mortgage loans	5,848,819	5,497,308
	NHF loans	400,611	408,473
	School loans	278,443	301,332
	Staff mortgage loans	63,996	78,168
	Staff personal loans	501	590
	Staff share loans	482,152	506,578
		8,336,887	7,736,124
16.3	**Analysis by security (gross)**		
	Secured against real estate	7,467,992	6,668,649
	Other security	731,937	658,910
	Unsecured	136,958	408,565
	Total	8,336,887	7,736,124

Other security consists of assets with other securities such as equities and cash held in lien.

16.4 Loans and advances general terms and conditions

	2017		2016	
Tenor	**Rate**	**₦'000**	**Rate**	**₦'000**
1 to 5 years	14	6,546,998	16	5,563,310
6 to 10 years	10	391,559	10	720,733
11 to 15 years	8	749,478	8	767,207
> 15 years	6	648,852	6	684,874
		8,336,887		7,736,124

The rates are average rate of interests per annum for the loans and advances within the different tenor ranges.

		2017	2016
17	**Financial investments - available-for-sale ("AFS")**	**₦'000**	**₦'000**
	Quoted investments		
	Quoted equities	2,500	2,500
	Unquoted investments		
	Unquoted equities - (note 17.2)	205,000	205,000
		207,500	207,500

Quoted investments are stated at fair value and the unquoted equity are measured at cost.

		2017	2016
17.2	**Movements in available for sale investment (unquoted)**		
	Balance at beginning of year	205,000	200,000
	Additions		5,000
	Balance at end of year	205,000	205,000

The additions in the year 2016 represents allotment of 3.33% of equity in Mortgage Warehouse Funding Limited.

		2017	2016
17.3	**Financial investments - held-to-maturity**	**₦'000**	**₦'000**
	Treasury bills	-	336,163
17.4	**Movements in held-to-maturity**		
	Balance at beginning of year	336,163	-
	(Disposal)/additions	(368,632)	322,368
	Interest income	32,469	13,795
		-	336,163
18	**Other assets**		
	Prepayments	32,478	86,076
	Balance with other financial institutions	151,001	330,738
	Stationery and stocks	6,744	5,313
	Sundry receivables	26,197	36,202
	Allowance for impairment of other assets - (note 18.1)	(152,292)	(40,423)
		64,128	417,906

institutions. The recovery of the amount appears doubtful based on the fact that no date haas been fixed for repayment. See note 18.1 below.

Sundry receivable is mainly made up of witholding tax receivable and fees receivable.

Other assets are mainly due within 3 months of the year end hence their carrying value approximate to their fair value.

18.1	Movement of allowance for impairment of other assets		
	Balance at the beginning of year	40,423	5,758
	Written off	-	-
	Reclassification	2,292	-
	Provision for the year (Note 9.1)	109,577	34,665
		152,292	40,423

19 Property and equipment

	Land and building ₦'000	Furniture and equipment ₦'000	Computer equipment ₦'000	Motor vehicles ₦'000	Total ₦'000
Cost					
At 1 January 2017	1,145,620	186,369	102,805	223,058	1,657,852
Additions	742	870	1,100		2,712
Disposals	-	(2,200)	-	(9,025)	(11,225)
At 31 December 2017	1,146,362	185,039	103,905	214,033	1,649,339
Accumulated depreciation					
At 1 January 2017	107,357	118,722	96,269	201,717	524,065
Charge for the year	22,685	13,612	3,683	11,769	51,749
Disposals	-	(2,198)	1	(9,026)	(11,223)
At 31 December 2017	130,042	130,136	99,953	204,460	564,591
Net book value at 31 December 2017	**1,016,320**	**54,903**	**3,952**	**9,573**	**1,084,748**
Net book value at 31 December 2016	**1,038,263**	**67,647**	**6,536**	**21,341**	**1,133,787**

There were no restrictions on title and no asset pledge as security for liabilities during the year.

Included in the assets are buildings occupied by the Bank which are partly leased out. At 31 December 2017, the net carrying amount of this asset was ₦768million (2016: ₦855million), on which the accumulated depreciation as at 31 December 2017 was ₦85million (2016: ₦75million).

19 Property and equipment - *Continued*

	Land and building ₦'000	Furniture and equipment ₦'000	Computer equipment ₦'000	Motor vehicles ₦'000	Total ₦'000
Cost					
At 1 January 2016	1,145,620	185,936	101,505	216,348	1,650,106
Additions	-	433	1,300	15,000	16,733
Disposal	-	-	-	(8,290)	(8,290)
At 31 December 2016	1,145,620	186,369	102,805	223,058	1,658,549
Accumulated depreciation					
At 1 January 2016	84,672	104,389	90,180	191,418	471,356
Charge for the year	22,685	14,333	6,089	18,586	61,693
Disposals	-	-	-		-
At 31 December 2016	107,357	118,722	96,269	210,004	533,049
Net book value at 31 December 2016	**1,038,263**	**67,647**	**6,536**	**13,054**	**1,125,500**
Net book value at 31 December 2015	**1,060,949**	**81,547**	**11,324**	**24,930**	**1,178,750**

There were no restrictions on title and no asset pledge as security for liabilities during the year.

Included in property and equipment are assets subject to operating leases where the Bank is a lessor. At 31 December 2016, the net carrying amount of this asset was ₦855million (2015: ₦85million), on which the accumulated depreciation as at 31 December 2016 was ₦75million

20 Intangible assets

	2017			2016		
	Computer software ₦'000	Work-in progress ₦'000	Total ₦'000	Computer software ₦'000	Work-in progress ₦'000	Total ₦'000
Cost						
At 1 January	109,234	1,897	111,131	98,866	4,410	103,276
Additions	4,400		4,400	7,855		7,855
Transfer	1,897	(1,897)	-	2,513	(2,513)	-
At 31 December	115,531	-	115,531	109,234	1,897	111,131
Accumulated amortisation						
At 1 January	65,548	-	65,548	43,452		43,452
Amortisation	17,807	-	17,807	22,096	-	22,096
At 31 December	83,355	-	83,355	65,548	-	65,548
Carrying amount	**32,176**	**0**	**32,176**	**43,686**	**1,897**	**45,583**

The intangible assets consist wholly of the Bank's computer software. The assets which are material include: E-banking Software with carrying amount of ₦Nil (2016: ₦2.3million) and remaining amortisation period of 1 years. EazyBank with carrying amount of ₦19.5 million (2016: ₦27.2million) and remaining amortisation period of 2 years.

Work-in-progress represents cost of new computer software under installation. No amortisation has been charged on this. The transfer from work-in-progress to computer software represent software installation completed during the year.

The Bank performed its annual impairment test as at 31 December 2017 and 2016 and there were no indicators of impairment of assets held as at these dates.

21 Non-current assets held for sale

In the year ended 31 December 2013, the CBN stipulated that the Bank should commence disposal of all real estate developments in their books. Consequently, the Bank commenced plans to dispose of these assets. The criteria to classify the assets as non-current assets held for sale were first met as at 31 December 2013. Sale of all the assets have not been completed at the year end due to circumstances beyond the Bank's control. The Bank expects to sell the assets within the next 12 months.

	2017 ₦'000	2016 ₦'000
As at 1 January	2,403,663	2,539,761
Repossessed assets	110,000	-
Disposal	(20,099)	(136,098)
	2,493,564	2,403,663

The movement in the year relates to assets repossessed from customers that defaulted on loans and advances. The collateral properties repossessed are immediately put in the process of being disposed of as it is not the Bank's business to keep these properties.

The circumstance beyond management's control is the liquidity crisis in the economy.

22 Due to customers

	2017 ₦'000	2016 ₦'000
Demand deposits	489,730	539,686
Savings deposits	1,028,538	1,001,087
Term deposits	3,837,830	3,787,876
	5,356,098	5,328,649
Within one year	5,271,048	5,160,662
More than one year	85,050	167,987
	5,356,098	5,328,649

		2017	2016
23	**Other liabilities**	**₦'000**	**₦'000**
	Accounts payable	212,144	176,412
	Rent payable	6,417	917
	Information technology levy	2,412	2,412
	Other liabilities	276	5,331
	Staff pension contribution	688	722
	Rent received in advance	10,555	19,558
		232,492	205,352

Terms and Conditions of other liabilities

Accounts payable and other liabilities are made up of various expenses such as audit fee, rates, etc. which have been incurred during the year but remained unpaid as at the year end. The Bank normally settles such expenses within one to three months from the day of receipt of service to which it relates.

The rent payable is due on demand.

Information technology levy represents 1% of profit before tax in line with section 12(2) of the NITDA Act which became effective in 2007.

The Bank and its employees make a joint contribution of 10% and 8%, respectively, on each of the qualifying employee's salary, housing and transport allowance to each employee's retirement savings account maintained with their nominated pension fund administrators.

The Bank's liabilities in respect of the defined contribution scheme are charged against the profit of the year in which they become payable. Payments are made to pension fund administration companies who are financially independent of the Bank.

	2017	2016
Defined contribution scheme	**₦'000**	**₦'000**
Pension liability	688	722

24	**Borrowings**		
	Nigeria Mortgage Refinancing Company	14,670	21,944
	Netherlands Development Finance Company	-	2,301
	Netherlands Development Finance Company	14,670	24,245
	Current	3,747	2,301
	Non-current	10,923	21,944
		14,670	24,245

The Bank has not had any defaults of principal, interest or other breaches with respect to their borrowings during the year.

The principal of ₦14,671,509 (2016: ₦21,718,235) relates to outstanding balance of refinancing loan granted by Nigerian Mortgage Refinancing Company (NMRC) in November 2016. The principal and interest are rapayble over 15 years on monthly basis. The interest rate is 15.5% per annum.

		2017	2016
25	**Due to the National Housing Fund**	₦'000	₦'000
	On -lending funds	374,237	398,541

The funds are obtained from the Federal Mortgage Bank of Nigeria ("FMBN") for the purpose of on-lending of this fund to qualifying members of the National Housing Fund loan scheme. The funds are obtained at 4% per annum from FMBN and issued to customers at 6% per annum.

26 Deferred tax liabilities

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2016: 30%).

26.1 Deferred tax liabilities are attributable to the following:

	2017	2016
Accelerated tax depreciation	174,384	152,747
Investments properties	204,587	204,777
Allowances for loan losses	(92,333)	(87,134)
Other assets	45,688	12,127
Unutilised capitalised allowance	(180,412)	(137,638)
Tax loss carried forward	(211,849)	(235,838)
Unrecognised deferred tax assets	59,935	90,959
	-	-

26.2 Movements in temporary differences during the year:

	At beginning of year ₦'000	Recognised in profit or loss ₦'000	At end of year ₦'000
Accelerated depreciation	152,747	21,637	174,384
Investments properties	204,777	(190)	204,587
Allowances for loan losses	(87,134)	(5,199)	(92,333)
Other assets	12,127	33,561	45,688
Unutilised capitalised allowance	(137,638)	(42,774)	(180,412)
Tax loss carried forward	(235,838)	23,989	(211,849)
Unrecognised Deferred tax asset	90,959	(31,024)	59,935
	-	-	-

		2017	2016
27	**Share capital**	₦'000	₦'000
	Authorised		
27.1	7 billion ordinary shares of 50 kobo each	3,500,000	3,500,000
27.2	**Issued and fully paid**		
	4.2 billion ordinary shares of 50k each	2,100,000	2,100,000

28 Share premium

There was no movement in share premium during 2017 and 2016.

29 Accumulated loss / retained earnings

Balance at beginning of year	193,676	526,626
(Loss)/profit for the year	(212,375)	(167,997)
Transfer to regulatory risk reserve	(172,797)	(164,953)
Balance at end of year	(191,496)	193,676

30 Statutory reserve

Undistributable earnings required to be kept by the nations central bank in accordance with national law.

	2017	2016
	₦'000	₦'000
At the beginning of the year	298,440	298,440
Transfer from profit and loss account	-	-
At the end of the year	298,440	298,440

Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by section 16(1) of the Banks and Other Financial Institutions Act of Nigeria, an appropriation of 20% of profit after tax is made if the statutory reserve is less than paid-up share capital and 10% if the statutory reserve is greater than the paid-up capital.

In view of loss made during the year, no appropriation is made.

31 Available for sale reserve

The available for sale reserve shows the movements regarding gains and losses on available for sale financial instruments. The fair value change has been reclassified to profit or loss in prior years, hence, the reserve is ₦nil at 31 December 2017 (2016: ₦nil).

		2017	2016
32	**Additional cash flow information**	₦'000	₦'000
	Cash and cash equivalents		
	Cash on hand (note 14)	2,687	11,037
	Due from banks (note 15)	781,757	895,759
		784,444	906,796

The deposits with the Central Bank and FMBN (see Notes 14 and 15) are not available to finance the Bank's day-to-day operations and, therefore, are not part of cash and cash equivalents.

		2017	2016
32.1	**Change in operating assets**	**₦'000**	**₦'000**
	Net change in loans and advances to customers	(600,761)	136,277
	Net change in other assets	163,194	(186,998)
	Net change in cash reserve with CBN	(14,461)	-
	Repossessed assets	(110,000)	-
		(562,028)	(50,721)
32.2	**Change in operating liabilities**		
	Net change in due to customers	27,449	(32,744)
	Net change in due to NHF	(24,304)	(25,723)
	Net change in other liabilities	27,140	17,332
		30,285	(41,135)
32.3	**Other non-cash items included in loss before income tax**		
	Depreciation	51,749	61,693
	Amortisation	17,807	22,096
	Financial investments - held-to-maturity	(32,469)	(13,795)
	Impairment charge on loans and advances	59,895	85,020
	Provision on loans and advances no longer required	(1,534)	(17,899)
	Foreign exchange gain	-	(184)
	Allowance for impairment of other assets - (note 18.1)	109,577	34,665
	Other assets written off	54,007	
		259,032	171,596
32.4	**Gain from investing activities**		
	Profit on sale of property and equipment	(200)	(600)
	Gain on sale of non-current assets held for sale	(1,902)	(13,494)
		(2,102)	(14,094)

33 Contingencies and commitments

33.1 Guarantees and other commitments

There is a lien on cash collateral of ₦100m (2016: ₦100million) invested in fixed term deposit.

The bank has paid off the principal and interest of the FMO loan. A collateral issue arising from the contract is the subject matter of further discussions between the Bank and the FMO. The management having sought the advice of external legal counsel, are of the opinion that the matter will be resolved in the satisfaction of both parties.

33.2 Capital commitments

At the year end, the Bank had no capital commitment.

33.3 Claims and litigations

The Bank in the ordinary course of business is presently involved in four (2016: four) claims and litigations relating to customer disputes. Maximum exposure for the Bank is N209,000,000 (2016: N216,400,000). Management does not believe these claims and litigations will be successful.

34 Operating leases

Bank as lessee

The Bank entered into commercial leases for premises. These leases have an average life of between three and five years. There are no restrictions placed upon the lessee by entering into these leases.

	2017	2016
	₦'000	₦'000
Due within 1 year	5,500	5,500
Due 2-5 years	2,308	2,308
	7,808	7,808

There is no separate amount for minimum lease payment, contingent rents and sublease payment. None of the lease was sub-leased during the year. There is no restriction imposed by the lease arrangement.

Bank as lessor

The Bank has received rental income for properties which range between 1 and 2 years which have been capitalised in other liabilities as ₦10,555,151 (2016: ₦19,558,000) .

The total rent recognised as income during the year is ₦9,948,182 (2016: ₦1,304,000).

35 Related party disclosures

An analysis of insider related credit granted to companies and individuals with whom the key management of the Bank are related or in which the key management have related interests are as stated below. Credit facilities were provided by the Bank to related parties on commercial terms. Loans and advances to related parties at the statement of financial position date, which are all performing amounted to ₦490 million (2016: ₦1,240.1 million).

Name of Borrower	Relationship to Bank	Amount outstanding 2017	Amount outstanding 2016	Interest paid 2017	Interest paid 2016	Facility type	Status	Nature of security
		₦'000	₦'000	₦'000	₦'000			
Rosabon Investment Company Limited	Bank's Chairman is majority shareholder and director of the Company	81,495	-	14,521	-	Working capital	Performing	Equitable mortgage/Cash
Infant Jesus Academy	Bank's MD/CEO is a Director of the School	266,608	295,455	584,210	33,771	Mortgage loan	Performing	Legal mortgage
Chike Chiemeke	A brother to the Bank's MD/CEO	20,942	21,227	4,332	4,639	Mortgage loan	Performing	Legal mortgage
Mr. Madu Hamman	Bank's Executive Director	3,688	7,967	219	430	Housing loan	Performing	Legal mortgage
White Oak Real Estate Limited	Some Directors of the Bank own shares in the Company	-	813,628	-	68,000	Mortgage loan	Watchlist	Legal & Equitable Mortgage
		372,733	1,130,310	603,282	38,840			

The Bank rents properties from the Chairman for two of its branches. The rental charge for the current year is ₦5,500,000 (2016: ₦5,500,000) and the amount payable at the year end is ₦6,416,000 (2016: ₦916,668).

Terms and conditions of transactions with related parties

The above-mentioned outstanding balances arose from the ordinary course of business. The interest rates charged to and by related parties are at normal commercial rates. Outstanding balances at the year-end are fully secured for the year ended 31 December 2017 and 2016, all related party facilities were performing at year end and as such there were no amounts provided for.

35.1 Key management compensation

	2017	2016
	₦'000	₦'000
Salaries and other short term employee benefits	57,476	57,476
Post -employment benefits	3,595	3,595
	61,071	61,071

35.2 Directors emoluments

	2017	2016
Fees and sitting allowances	11,250	13,345
Executive compensation	57,476	57,476
Defined contribution scheme	3,595	3,595
Other directors expenses	4,538	4,538
	76,859	78,954

36 Events after reporting date

There were no events after reporting date which could have a material effect on the financial position of the Bank as at 31 December 2017 and profit or loss and other comprehensive inccome on that date which have not been adequately adjusted for or disclosed.

37 Dividend payable

No dividend was paid or proposed for the year or prior year.

38 Compliance with banking regulations

The Bank incurred and paid the sum of N400,000 as a cautionary penalty for granting consumer / commercial loan to two customers which are disallowed by the section 1.3 of the Central Bank of Nigeria revised guidelines for Primary Mortgage Bank.

ABBEY MORTGAGE BANK PLC

STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017		2016	
	₦'000	%	₦'000	%
Gross Income	1,409,969		1,218,921	
Interest Expense	(490,754)		(344,405)	
	919,215		874,516	
Impairment charge	(167,938)		(101,786)	
Brought-in-materials and services-local	(506,122)		(435,953)	
Value added	245,155	100	336,777	100
Applied to pay:				
Employee as wages, salaries and pensions	353,506	144%	387,431	115%
Government taxes	34,468	14%	33,554	10%
Retained in business:				
Depreciation and amortisation	69,556	28%	83,789	25%
Loss for the year	(212,375)	-87%	(167,997)	-50%
Deferred taxation	-	0%	-	0%
	245,155	100%	336,777	100%

Value added represents the additional wealth which the Bank has been able to create by its own and employees efforts. This statement shows the allocation of that wealth among the employees, shareholders, government and that retained for the future creation of more wealth.

This information is presented for the purpose of the requirements of the Companies and Allied Matters Acts.

ABBEY MORTGAGE BANK PLC

FIVE-YEAR FINANCIAL SUMMARY
STATEMENT OF FINANCIAL POSITION

AS AT			31 DECEMBER		
	2017	2016	2015	2014	2013
Assets	₦'000	₦'000	₦'000	₦'000	₦'000
Cash on hand	2,687	11,037	3,671	7,693	6,965
Due from banks	782,007	896,009	1,304,714	1,849,687	1,553,572
Loans and advances	7,458,506	6,900,080	7,103,478	6,819,979	7,311,080
Financial Investments - available for sale	207,500	207,500	202,500	202,500	2,500
Financial investments - held-to-maturity	-	336,163			
Other assets	64,128	417,906	285,573	106,336	127,869
Cash balances with central bank	115,507	101,046	101,046	15,748	15,748
Property and equipment	1,084,748	1,133,787	1,178,750	1,235,801	1,236,005
Investment property	-	-	-	-	-
Intangible assets	32,176	45,583	59,823	67,013	26,255
Non-current assets held for sale	2,493,564	2,403,663	2,539,761	3,040,150	3,285,150
Deferred tax assets	-	-	-	-	-
Total Assets	**12,240,823**	**12,452,774**	**12,779,316**	**13,344,907**	**13,565,144**
Liabilities and equity					
Due to customers	5,356,098	5,328,649	5,361,393	5,180,089	4,918,836
Current income tax liability	37,434	57,720	87,326	55,723	35,390
Other liabilities	232,492	205,352	188,020	173,120	175,174
Borrowings	14,670	24,245	112,049	581,016	825,245
Due to the National Housing Fund	374,237	398,541	424,264	445,273	462773
Deferred tax liabilities	-	-	-	358,916	433,750
	6,014,931	6,014,507	6,173,052	6,794,137	6,851,168
Equity					
Share capital	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
Share premium	2,877,126	2,877,126	2,877,126	2,877,126	2,877,126
Retained earnings	-191,496	193,676	526,626	552,686	750,821
Statutory reserve	298,440	298,440	298,440	298,440	298,440
Regulatory risk reserve	1,141,822	969,025	804,072	722,518	687,589
Total equity	**6,225,892**	**6,438,267**	**6,606,264**	**6,550,770**	**6,713,976**
Total liabilities and equity	**12,240,823**	**12,452,774**	**12,779,316**	**13,344,907**	**13,565,144**

ABBEY MORTGAGE BANK PLC

FIVE-YEAR FINANCIAL SUMMARY
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED	31 DECEMBER				
	2017	2016	2015	2014	2013
	₦'000	₦'000	₦'000	₦'000	₦'000
Total operating income	919,215	874,516	878,311	917,331	942,677
Operating expenses	(929,184)	(907,173)	(1,015,414)	(1,015,167)	(926,236)
(Loss) / profit before income tax	**(177,907)**	**(134,443)**	**(227,272)**	**(182,892)**	**(472,577)**
(Loss) / profit for the year	**(212,375)**	**(167,997)**	**55,494**	**(163,206)**	**(508,600)**
Other comprehensive Income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Net loss on financial investments	-	-	-	-	-
Reclassification of net loss to income statement	-	-	-	-	-
	-	-	-	-	-
Total other comprehensive (loss) / income for the year	**(212,375)**	**(167,997)**	**55,494**	**(163,206)**	**(508,600)**
(Loss) / earnings per share (Kobo) - Basic and diluted	**(5.06)**	**(4.00)**	**1.32**	**(3.89)**	**(12.11)**

(Loss) / earnings per share (basic) are based on the (loss) / profit after tax and weighted number of ordinary shares in issue and paid up at the end of every accounting year.