MORTGAGE BANK PLC
RC 172093

ABBEY MORTGAGE BANK PLC
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ABBEY MORTGAGE BANK PLC
LAGOS, NIGERIA

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

ABBEY MORTGAGE BANK PLC

REPORT OF DIRECTORS AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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ABBEY MORTGAGE BANK PLC

CORPORATE INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2020

DIRECTORS

Names	Post Held
Mazi Emmanuel Kanu O.Ivi *	Chairman (Appointed Effective from 28 February 2020)
Mr. Madu Hamman**	Managing Director/CEO (Appointed Effective from 03 June 2020)
Mr. Mobolaji Adewumi	Executive Director
Mr. Oladipupo Adeoye	Executive Director
Air Vice Marshal Olufemi Soewu (rtd.)	Non-Executive Director
Prof. Marius Umego	Non-Executive Director
Brig-Gen John Obasa (rtd.)	Non-Executive Director
Mr. Nonso Okpalala	Non-Executive Director
High Chief Samuel Oni	Independent Non-Executive Director
Geoff Amaghereonu Esq	Company Secretary.
Registered Office	23 Karimu Kotun Street Victoria Island Lagos
Registered No:	RC 172093
License No:	26
Tax Identification Number	01334740-0001
Auditor:	Ernst & Young 10th & 13th Floors UBA House 57 Marina, Lagos
Registrars:	Africa Prudential Plc 220B, Ikorodu Road Palmgrove Lagos Nigeria

* The former chairman (Chief Ifeanyichukwu Boniface Ochonogor) retired effective February 28, 2020 and the new chairman (Mazi Emmanuel Kanu O.Ivi) replaced him on the same date.

** Mr Madu Hamman became the Managing Director on June 3, 2020 and was approved by CBN on November 19, 2020

ABBEY MORTGAGE BANK PLC

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their report together with the audited financial statements of Abbey Mortgage Bank ("the Bank") for the year ended 31 December 2020.

The Bank applied the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board 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:

	2020	**2019**
	₦'000	₦'000
Loss before income tax	(4,297,872)	(51,943)
Income tax expense	(3,747)	(10,693)
Loss after income tax	(4,301,619)	(62,636)
Other comprehensive income	-	-
Loss for the year	(4,301,619)	(62,636)
Less: appropriations:		
Transfer to/ (from) regulatory risk reserve	1,365,226	(702,675)
Net effect of operations on accomolated losses	(2,936,393)	(765,311)

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 Bank, 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 Bank became officially listed on the Nigerian Stock Exchange. Following the approval of the Central Bank of Nigeria, the Bank 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 2020 are as follows:

S/N	Name of Directors	As at 31 December 2020 (Shares)	Percentage Holding [%]	As at 31 December 2019 (Shares)	Percentage Holding [%]
1	Mazi Emmanuel Kanu O. Ivi	86,442,341	1.33	86,442,341	2.06
2	Mr. Madu Hamman	839,170	0.01	839,170	0.02
3	Mr. Mobolaji Adewumi	NIL		NIL	
4	Mr. Oladipupo Adeoye	NIL		NIL	
5	Air Vice Marshal Olufemi Soewu (Retired)	50,717,076	0.78	50,717,076	1.21
6	Prof. Marius Umego	NIL		NIL	
7	Brig-Gen. John Obasa	NIL		NIL	
8	Mr. Nonso Okpala	NIL		NIL	
9	High Chief Samuel Oni	NIL		NIL	

INDIRECT HOLDING

Mobolaji Adewumi, Dipo Adeoye and Nonso Okpala have indirect holding through VFD Group.

None of the Directors notified the Bank of any disclosable interest in contracts with which the Bank was involved as at 31 December 2020 (2019: None)

5 ELECTION/RE-ELECTION OF DIRECTORS

In accordance with Article 106 of the Bank's Articles of Association, High Chief Samuel Oni - one of the directors, retired by rotation and being eligible, offer himself for re-election while the below listed directors are new appointees subject to CBN approval.

(a) Ms. Jewel Okwechime

(b) Mrs. Christabel Onyejekwe

6) RECORD OF DIRECTORS' ATTENDANCE

In accordance with Section 284 (2) of the Companies and Allied Matters Act 2020, 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 Bank as at 31 December 2020. No individual shareholder held more than 5% of the issued and paid up share capital of the Bank as at 31 December 2020 except the following:

As at 31 December 2020

Shareholder	No. of shares held	Percentage of shareholding %
VFD Group Plc	2,275,538,462	35.22
Madonna Ashib Comm. Enterprise Ltd	1,068,622,674	16.54
Forte Properties & Investment Ltd	1,021,611,013	15.81

As at 31 December 2019

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	NIL	15,000,000	
1994	20,000,000	50,000,000	15,000,000	30,000,000	CASH
1996	NIL	50,000,000	20,000,000	50,000,000	CASH
1997	50,000,000	100,000,000	NIL	50,000,000	
1999	NIL	100,000,000	20,000,000	70,000,000	CASH
1999	NIL	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	NIL	200,000,000	85,000,000	185,000,000	CASH
2001	NIL	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	NIL	500,000,000	25,000,000	265,000,000	BONUS
2004	300,000,000	800,000,000	50,000,000	315,000,000	CASH
2004	NIL	800,000,000	20,000,000	335,000,000	BONUS
2005	200,000,000	1,000,000,000	25,000,000	360,000,000	BONUS
2006	500,000,000	1,500,000,000	140,000,000	500,000,000	CASH
2006	NIL	1,500,000,000	18,000,000	518,000,000	BONUS
2007	NIL	1,500,000,000	501,935,000	1,019,935,000	CASH
2008	2,000,000,000	3,500,000,000	1,080,065,000	2,100,000,000	CASH
2020	2,500,000,000	6,000,000,000	1,130,769,231	3,230,769,231	CASH

9 ANALYSIS OF SHAREHOLDERS

9.1 ANALYSIS OF SHAREHOLDERS AS AT 31 DECEMBER 2020

Range	Number of Shareholders	Shares Held	Percentage of shareholding %
1 - 100,000	842	23,264,506	0.36%
100,001 - 500,000	125	30,962,487	0.48%
500,001 - 1,000,000	19	17,257,148	0.27%
1,000,001 - 50,000,000	32	256,812,900	3.97%
50,000,001 - 500,000,000	14	1,767,469,272	27.35%
500,000,001 - Above	3	4,365,772,149	67.57%
	1,035	6,461,538,462	100

9.2 ANALYSIS OF SHAREHOLDERS AS AT 31 DECEMBER 2019

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

10) **DONATIONS**

Donations made during the year amounted to N397,400 (2019: N480,000). No donation was made to any political organization. The beneficiaries are:

	2020	2019
	₦'000	₦'000
Cedec International School	27	60
Gestor Nursery and Primary School	-	20
Bishop Alfred Adewale Martins	-	400
Sacred Heart School, Lagos	350	-
Gwell Schools	20	-
Total	397	480

11) **PROPERTY AND EQUIPMENT**

Movements in property and equipment during the year are shown in Note 22 to the financial statements.

12) **DIVIDEND**

No dividends were declared and paid in 2020 (2019: nil).

13) **EMPLOYMENT AND EMPLOYEES**

Employment of disabled persons

It is the policy of the Bank 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 2020 no physically challenged person was employed by the Bank (2019: Nil).

Employee's involvement and training

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

Health, safety at work and welfare of employees

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

14) **ACQUISITION OF OWN SHARES**

The Bank did not purchase its own shares during the year (2019: Nil).

15) **EVENTS AFTER REPORTING DATE**

In addition to the private placement of N2.37 billion whose full proceeds the Bank received after CBN verification in January 2020, a rights issue of 4 for 7 amounting to 3.69 billion units of ordinary shares of 50k at 82 kobo per share is in progress and had reached an advance stage as at 31 December 2020. The Acceptance List for the rights issue opened on 4 January 2021 and closed on 11 February 2021.

See note 37 for other disclosures relating to events after reporting date.

16) AUDIT COMMITTEE

Pursuant to Section 404 (3) of the Companies and Allied Matters Act 2020, the Bank has an Audit Committee comprising of three Directors and three Shareholders as follows:

1. Mr. Adekunle Alli	-	Chairman	Shareholders representative
2. Prince (Engr.) MOT. O. Tobun	-	Member	Shareholders representative
3. Mr. Gbadebo Ajeigbe	-	Member	Shareholders representative
4 AVM Olufemi Soewu (Rtd)	-	Member	
5 Nonso Okpala	-	Member	
6 High Chief Samuel Oni	-	Member	

The functions of the Audit Committee are as laid down in Section 404 (7) of the Companies and Allied Matters Act 2020.

17) AUDITOR

In accordance with Section 401(2) of the Companies and Allied Matters Act 2020 and in compliance with the FRC code of corporate governance for public interest entities which stipulate a maximum term of 10 years for external auditors, Messrs. Ernst & Young have expressed their willingness to resign as Auditors of the Bank as we have approached the 10th year of auditing. A resolution will be proposed at the Annual General Meeting to appoint another auditor.

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: 2 March 2021

ABBEY MORTGAGE BANK PLC

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

FOR THE YEAR ENDED 31 DECEMBER 2020

In accordance with the provisions of the Companies and Allied Matters Act 2020, the Banks and Other Financial Institutions Act 2020 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 the International Financial Reporting Standards, the requirements of the provisions of the Companies and Allied Matters Act 2020, the Banks and Other Financial Institution Act 2020, the Financial Reporting Council of Nigeria Act No. 6, 2011 and relevent Central Bank of Nigeria Circulars & Guidelines for the Operations of Primary Mortgage Banks in 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 the International Financial Reporting Standards, the requirements of the provisions of the Companies and Allied Matters Act 2020, the Banks and Other Financial Institution Act 2020, the Financial Reporting Council of Nigeria Act No. 6, 2011, and relevent Central Bank of Nigeria Circulars & Guidelines for the Operations of Primary Mortgage Banks in Nigeria.

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

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MAZI EMMANUEL KANU O. IVI	**MADU HAMMAN**
FRC/2014/ICAN/00000008160	**FRC/2013/CIBN/000000011355**
Chairman	**Managing Director/CEO**
Date: 02 March 2021	**Date: 02 March 2021**

ABBEY MORTGAGE BANK PLC

CERTIFICATION PURSUANT
TO SECTION 60(2) OF THE INVESMENTS AND SECURITIES ACT No. 29 OF 2007

FOR THE YEAR ENDED 31 DECEMBER 2020

We the undersigned hereby certify the following with regard to the audited financial statements for the year ended 31 December 2020:

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.

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MADU HAMMAN	IDOWU O. SANNI
FRC/2013/CIBN/000000011355	FRC/2018/ICAN/00000017717
Managing Director/CEO	Financial Controller
Date: 02 March 2021	Date: 02 March 2021

ABBEY MORTGAGE BANK PLC

STATEMENT OF CORPORATE RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

In line with the provision of S. 405 of CAMA 2020, we have reviewed the audited financial statements of the Bank for the year ended 31 December 2020 and based on our knowledge confirm as follows:

a. The audited financial statements do not contain any untrue statement of material fact or omit to state a material fact which would make the statements misleading

b. The audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the bank as of and for the period ended 31 December 2020.

c. The bank's internal controls have been designed to ensure that all material information relating to the bank is received and provided to the Auditors in the course of the audit.

d. The banks internal controls were evaluated within 90 days of the financial reporting date and are effective as of 31 December 2020.

e. That we have disclosed to the bank's Auditors and the Audit Committee the following information:
   (i) There are no significant deficiencies in the design and operation of the bank's internal controls which could adversely affect the bank's ability to record, process, summarize and report financial data and have discussed with the auditors any weaknesses in internal controls observed in the cause of the Audit.

   (ii) There is no fraud involving management or other employees which could have any significant role in the bank's internal control.

f. There are no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of this audit, including any corrective actions with regard to any observed deficiencies and material weaknesses.

MADU HAMMAN
FRC/2013/CIBN/000000011355
Managing Director/CEO

Date: 02 March 2021

IDOWU O. SANNI
FRC/2018/ICAN/00000017717
Financial Controller

Date: 02 March 2021

ABBEY MORTGAGE BANK PLC

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

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 1 April, 2011, the Financial Reporting Council of Nigeria Code of Corporate Governance of Public Interest Entities, 2018, 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 Bank 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.

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 2020, and the Articles of Association of the Bank. Venues for such meetings are always easily accessible.

Audit Committee

The Statutory Audit Committee is established in line with Section 404 (5) of the Companies and Allied Matters Act 2020. 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 representatives	**Directors**
Mr. Adekunle Alli	High Chief Samuel Oni
Prince (Engr.) MOT O. Tobun	AVM Olufemi Soewu (Rtd)
Mr. Gbadebo Ajeigbe	Mr. Nonso Okpala

Board of Directors

The Board is made up of a Non-Executive Chairman, five (5) Non-Executive Directors including one (1) independent Director and three (3) 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 & Risk Management Committee

High Chief Samuel Oni	Chairman
AVM Olufemi Soewu (Rtd)	Member
Mr. Madu Hamman	Member
Mr. Mobolaji Adewumi	Member
Mr. Nonso Okpala	Member
Mr. Oladipupo Adeoye	Member

Board Strategy & Financial Analysis Committee

Nonso Okpala	Chairman
Air Vice Marshal Olufemi Soewu (Retired)	Member
High Chief Samuel Oni	Member
Mr. Madu Hamman	Member
Mr. Oladipupo Adeoye	Member
Mobolaji Adewumi	Member

Board Governance & Remuneration Committee

AVM Olufemi Soewu (Rtd)	Chairman
Prof. Marius Umego	Member
Brig-Gen John Obasa (rtd.)	Member

Board Audit & Compliance Committee

High Chief Samuel Oni	Member
AVM. Olufemi Soewu	Member
Prof. Marius Umego	Member
Brig-Gen John Obasa	Member

FREQUENCY OF BOARD AND BOARD COMMITTEE MEETINGS

Provided below are details of Board and Board Committee meetings held in 2020 showing the frequency of the meetings and attendance of members.

KEY: P = Present X = Absent

AWA = Absent with apology

BOARD MEETINGS

S/N	MEMBERS	3/2/'20	24/2/'20	28/3/'20	3/6/'20	26/6/'20	20/7/'20	24/8/'20	2/11/'20	17/12/'20
1	Mazi Emmanuel Kanu Ivi	P	P	P	P	P	P	P	P	P
2	Mr. Madu Hamman	P	P	P	P	P	P	P	P	P
3	Mr. Mobolaji Adewumi	X	P	P	P	P	P	P	P	P
4	Mr, Oladipo Adeoye	X	P	P	P	P	P	P	P	P
5	AVM Olufemi Soewu (rtd)	P	P	P	P	P	P	P	P	P
6	High Chief Samuel Oni	P	P	P	P	P	P	P	P	P
7	Mr. Nonso Okpala	X	P	P	P	P	P	P	P	P
8	Prof. Marius Umego	X	P	P	P	P	P	P	P	P
9	Brig-Gen. John Obasa	X	P	P	P	P	P	P	P	P

STRATEGY & FINANCIAL ANALYSIS COMMITTEE

S/N	MEMBERS	12/2/'20	28/8/'20	19/10/'20	12/11/2020
1	High Chief Samuel Oni	P	P	P	P
2	AVM Olufemi Soewu (rtd)	P	P	P	P
3	Mr. Madu Hamman	P	P	P	P
4	Mr. Nonso Okpala	X	P	P	P
5	Mr. Mobolaji Adewumi	X	P	P	P
6	Mr. Oladipupo Adeoye	X	P	P	P

GOVERNANCE & REMUNERATION COMMITTEE

S/N	MEMBERS	13/02/'20	2/7/'20	6/8/'20	4/12/'20
1	AVM Olufemi Soewu (Retired)	P	P	P	P
	Brig-Gen John Obasa	P	P	P	P
3	Prof. Marius Umego	P	P	P	P

CREDIT & RISK MANAGEMENT COMMITTEE

S/N	MEMBERS	12/2/'20	12/9/'20	6/10/'20	12/7/2020
1	High Chief Samuel Oni	P	P	P	P
3	Mr. Madu Hamman	P	P	P	P
4	AVM Olufemi Soewu (rtd)	X	P	P	P
5	Mr Nonso Okpala	X	P	P	P
6	Mr. Mobolaji Adewumi	X	P	P	P
7	Mr. Oladipupo Adeoye	X	P	P	P

AUDIT & COMPLIANCE COMMITTEE

S/N	MEMBERS	13/2/'20	19/5/'20	20/10/'20	9/12/'20
1	High Chief Samuel Oni	P	P	P	P
2	Prof. Marius Umego	P	P	P	P
3	Brig-Gen John Obasa	P	P	P	P

STATUTORY AUDIT COMMITTEE

S/N	MEMBERS	27/2/'20	25/8/'20	12/11/'20	4/12/'20	
1	Mr. Adekunle Alli	P	P	P	P	
2	Eng. M.O.T. Tobun	P	P	P	P	
3	Mr. Gbadebo Ajeigbe	P	P	P	P	
4	AVM Olufemi Soewu (rtd)	P	P	P	P	
5	High Chief Samuel Oni	P	P	P	P	
*6	Mr. Nonso Okpala	X	X	P	P	*He became a member on 31 August 2020

Election/Re-election of Directors
High Chief Samuel Oni shall retire by rotation at this Annual General Meeting. Being eligible he has offered himelf for re-election. Ms. Jewel Okwechime & Mrs. Christabel Onyejekwe are being presented for election as Directors.

Biographical Notes on Persons for Re-election as Directors

High Chief Samuel Oni
High Chief Samuel Oni is a Fellow of both the Association of Chartered Certified Accountants London [1980] and the Institute of Chartered Accountants of Nigeria. He holds an MBA degree from the University of Ilorin. [1990] He started his professional career as Principal Accountant at Defense Industries of Nigeria in 1979. In 1982, he joined Kwara Breweries as Chief Accountant, from where he joined a World Bank Project, Kwara State Agricultural Program as Financial Controller. He transferred his Services to the Central Bank of Nigeria in 1993 as Assistant Director. Upon the completion of several on-the-job training sessions in and outside Nigeria, he was given the role of Team Leader for on-site examination of both commercial and merchant banks. He successfully led many teams to various banks for routine, maiden and special examinations. His reports received several commendations from the management of CBN. In recognition of his hard work and diligence, he was promoted to Deputy Director in 1998. In April 2004, he was appointed Director of Bank Examination, a position he held till 2009 when he was appointed Director of Banking Supervision. He was also Chairman of the Committee set up by the CBN to midwife the establishment of Asset Management Corporation of Nigeria (AMCON). High Chief Oni retired from CBN in 2011. Since then he has been in private business and consultancy services. He also sits on the Board of United Bank for Africa Plc. His core competences include risk management, audit, regulatory compliance and corporate governance.

Ms. Jewel Okwechime
Ms. Jewel Okwechime holds a B.Tech degree from Halton College, Cheshire England and M.Eng in Chemical and Bio-Process Engineering from the University of Surrey, Guildford England. Her core competences include Environmental Engineering, Project Management, Risk Management, Sustainability, Training and Development, Business Development and Performance Optimization.
Ms. Okwechime was Senior Environmental Consultant at Atkins Global, Warrington UK, Corporate Senior Environmental Adviser, Wordside Energy Western Australia, Director, J&R Environmental Services, London UK, Senior Executive Assistant Heirs Holdings and Head of Administration and Business Development, Transnational Corporation Plc. She is the Managing Director/CEO of Deltic Africa.

Mrs. Christabel Onyejekwe
Mrs. Christabel Onyejekwe is a seasoned Banker with over 3 decades of experience garnered from various Banks and financial institutions such as United Bank for Africa Plc, First Bank Plc, Magnum Trust Bank among others and presently works as Executive Director with NIBSS (Nigeria Inter-Bank Settlement Systems Plc). She holds an MBA, Banking & Finance (ESUT Business School)1998, B.L (Hons), Nigerian Law School -1986, and LL.B (Hons), University of Lagos,1985 and equally has Certificate in Corporate Level Strategy (Harvard Business School) 2016 and Certificate in Global Management (INSEAD Business School) 2014 – 2015 to mention but a few.

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	Mr. Madu Hamman	Managing Director/CEO
2	Mr. Mobolaji Adewunmi	Executive Director, Finance and Administration
3	Mr. Oladipupo Adeoye	Executive Director, Operations
4	Mrs. Lolita Ejiofor	Head of Compliance & Business Review
5	Geoff O. Amaghereonu	Company secretary/Legal adviser
6	Mr. Princewill Amadi	Group Head, Sales
7	Mr. Abiodun Lasisi	Head, Debt Recovery

Human Resources

Abbey strives to be an employer of choice. The bank 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 bank 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:

- Incorporating Organizational Health and Safety (OH&S) considerations into all aspects of our management practices;
- Managing operations to meet all applicable OH&S laws and regulations and Bank policies;
- Identifying and assessing potential injury risks and implementing appropriate measures to eliminate or control those risks if any;
- Establishing, communicating and enforcing, through employee involvement, work site-specific rules and safe work methods;
- Promoting and developing safe behaviours, awareness, leadership and accountability of our employees in health and safety through their involvement in continual improvement processes;
- Measuring our health and safety performance in accordance with established standards;
- Ensure that all our financed projects meet legal and group environmental, health and safety requirements;
- Ensure that management systems are effective in maintaining standards and fulfilling the challenge of securing continuous improvements in environmental, health and safety performance;
- Ensure accountability by holding corporate management and senior executives responsible for Environmental, Health and Safety (EHS) performance;
- Provide financial and human resources to allow EHS to be given an appropriate level of priority in our financed projects;
- 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 Bank has a Security Trading Policy (STP) which governs the trading of the Bank's securities by related parties. This policy is being adhered to.

Free Float Declaration

Abbey Mortgage Bank Plc with a free float percentage of 11.13% (and a free float value of ₦755,399,163.75) as at 31 December 2020, is not compliant with The Nigerian Stock Exchange's free float requirements for companies listed on the Main Board. However, the Bank is already making efforts to address the issue.

Complaints Management Policy
In compliance with the requirement of the Securities and Exchange Commission Rule circulated, the Bank 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.

OAACO

Olukayode Aina & Co.
Chartered Accountants

HEAD OFFICE:
Dainak Court
Plot 5, Olusola Harris Way,
Lekki Scheme II, Lagos.

REPORT OF EXTERNAL CONSULTANTS ON BOARD PERFORMANCE APPRAISAL OF ABBEY MORTGAGE BANK PLC

We have performed the evaluation of the Board of **Abbey Mortgage Bank Plc. for the year ended 31st December, 2020** in compliance with the requirements of the Securities & Exchange Commission's Code of Corporate Governance for public companies in Nigeria and the Central Bank of Nigeria Code of Corporate Governance for Primary Mortgage Banks.

Our review covered the evaluation of the Board, its committees and members with particular reference to structure, composition, responsibilities, processes, relationships and performance including key performance indicators.

We also reviewed the Bank's Corporate Governance framework as well as policies, manuals and procedures.

It should be noted that this evaluation is limited in nature and may not necessarily disclose all significant matters about the Bank or reveal irregularities, if any, in the underlying information.

To the best of our knowledge and in our opinion, the Board of Abbey Mortgage Bank Plc has complied with the requirements of both the Securities and Exchange Code of Corporate Governance and the Central Bank of Nigeria Code of Corporate Governance during the year ended 31st December, 2020.

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
SEV ICAN
0434073

Julius Olukayode Aina

March 2, 2021

FRC2013/ICAN/00000004390
Olukayode Aina & Co.
(Chartered Accountants)
Lagos.

ABBEY MORTGAGE BANK PLC

ENTERPRISE RISK MANAGEMENT POLICY

FOR THE YEAR ENDED 31 DECEMBER 2020

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.

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.

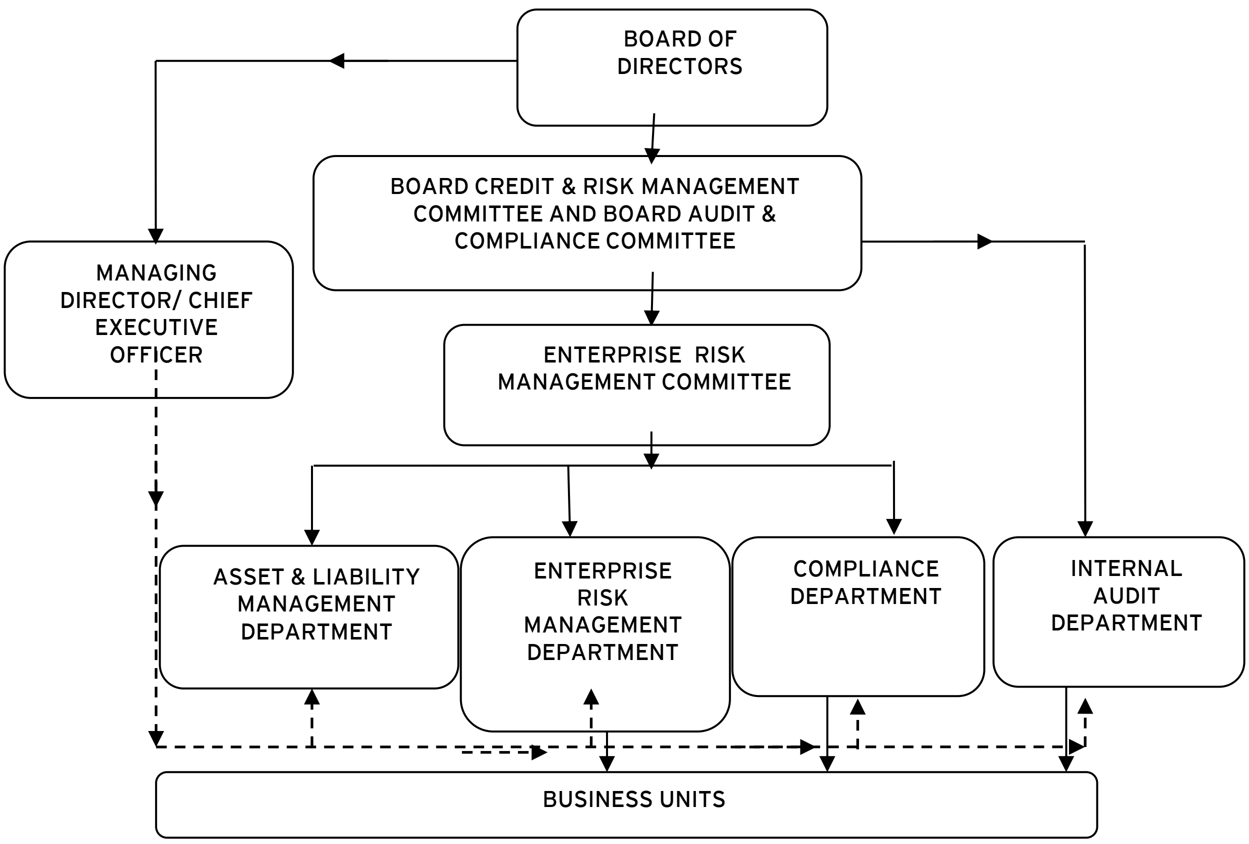
3 The Bank Risks Scope

- Credit Risk
- Capital Risk
- Operational Risk
- Liquidity and Funding Risk
- Regulatory & Compliance Risk
- Legal Risk
- Reputational Risk
- 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.

Risk Management Committee (RMC)
The Risk Management Committee (RMC) 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 Risk Management Committee.
- Recommend that the Board approve the methodology of calculating the level of risk and allocation of limits based on recommendations of 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 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

ABBEY MORTGAGE BANK PLC

ENTERPRISE RISK MANAGEMENT POLICY- Continued

FOR THE YEAR ENDED 31 DECEMBER 2020

Compliance Department
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 Central Bank of Nigeria (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

REPORT OF THE AUDIT COMMITTEE

FOR THE YEAR ENDED 31 DECEMBER 2020

In accordance with the provisions of Section 404(4) of the Companies and Allied Matters Act 2020, we have reviewed the financial statements for the year ended 31 December 2020 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 2020 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 2020 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 BSD/1/2004 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 2020.

Mr Adekunle Alli
Chairman, Audit Committee

Members of the Audit Committee
Mr Adekunle Alli
Prince (Engr.) Olayiwola Tobun
Mr. Gbadebo Ajeigbe
AVM Olufemi Soewu (Rtd)
High Chief Samuel Oni
Mr. Nonso Okpala

26 February 2021

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ABBEY MORTGAGE BANK PLC

Report on the Audited Financial Statements

Opinion
We have audited the financial statements of Abbey Mortgage Bank Plc ("the Bank") set out on pages 33 to 100, which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 accompanying financial statements give a true and fair view of the financial position of Abbey Mortgage Bank Plc as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, the provisions of the Companies and Allied Matters Act, 2020, the Banks and Other Financial Institutions Act 2020, the Financial Reporting Council of Nigeria Act No. 6, 2011 and relevant Central Bank of Nigeria Guidance and 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 the audit of the Bank. 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 the Bank. 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.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ABBEY MORTGAGE BANK PLC - Continued

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td>

Impairment of loans and advances to customers

As at 31 December 2020, Loans and advances to customers amounted to N5.6billion representing 30% of total assets and the impairment allowance amounted to N837million .The assessment of impairment for loans and advances is significant as it involves judgment due to the level of subjectivity inherent in estimating the impact of key assumptions on the recoverable amount of the loan balances.

The use of the Expected Credit Loss model for the computation of impairment allowance requires the application of certain indices which are estimated from historical financial data within and outside the Bank, which includes;
- the determination of criteria for significant increase in credit risk (SICR) for staging purpose.
- assessing the relationship between the quantitative and qualitative factors incorporated in determining the Probability of Default (PD), the Loss Given Default (LGD), and the Exposure at Default (EAD).
-forward looking information and the probability weighting used in the ECL Model
- factors considered in cash flow estimation including timing and amount.
- factors considered in collateral valuation including hair-cut and time to realization.

Given the level of complexity and judgment involved in the determination of the ECL, and the material balance of the provision, we considered the impairment of loan and advances as a key audit matter in the financial statements.

The Bank's accounting policy on impairment and related disclosures on credit risk are shown in notes 3.2, 3.3 and 18.

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Our audit approach with respect to the audit of impairment on loans and advances to customers for the year ended 31 December 2020:

We obtained an understanding of the Bank's credit policy, we then tested and evaluated the design and operating effectiveness of the controls around the processes of credit assessment, loan classification and loan impairment assessment.

We checked and understood the key data sources and assumptions used in the Expected Credit Loss model used by the Bank to determine impairment provisions.
(i) We checked the reasonableness of the Bank's ECL methodology by considering whether it reflects unbiased and probability-weighted amounts that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information at the reporting date about past events, current conditions and forecasts of the future economic condition, information considered include: industry historical default rates, foreign exchange rate and Gross Domestic Product (GDP) growth rates;
(ii) For forward looking assumptions used by the Bank in its ECL calculations, we held meetings with management and corroborated the assumptions using public available information comprising foreign exchange rate and Gross Domestic Product (GDP) growth rate.
(iii) We evaluated the appropriateness of the basis of determining Exposure at Default, including the contractual cash flows, outstanding loan balance, loan repayment type, loan tenor and effective interest rate;
(iv) For Probability of Default (PD) used in the ECL calculations, we checked the historical movement in the balances of facilities between default and non-default categories for each other;
(v) We checked the calculation of the Loss Given Default (LGD) used by the Bank in the ECL calculations, including the appropriateness of the use of collateral and the resultant arithmetical calculations;
(vi) We re-performed the calculations of impairment allowance for loans and advances using the Bank's impairment model and validated key inputs. For loans and advances which have shown a significant increase in credit risk, the recalculation was based on the amount which the Bank may not recover throughout the life of the loans while for loans and advances that have not shown significant increase in credit risk, the recalculation was based on the losses expected to result from default events within a year.

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ABBEY MORTGAGE BANK PLC – Continued

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, Statement of Directors Responsibility in Relation to the Financial Statements, Report of the Audit Committee, the Investment and Securities Act Certificate, Value Added Statement and Five-Year Financial Summary which we obtained prior to the date of this report. 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 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 these financial statements in accordance with International Financial Reporting Standards, the provisions of the Companies and Allied Matters Act, 2020, the Banks and Other Financial Institutions Act 2020, the Financial Reporting Council of Nigeria Act No. 6, 2011 and relevant Central Bank of Nigeria (CBN) 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.

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

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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 skepticism 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.

Auditor's Responsibilities for the Audit of the Financial Statements – Continued

- 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.

- 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.

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, actions taken to eliminate threats or safeguards applied.

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From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated and separate 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 compliance with the Banks and Other Financial Institutions Act 2020 and circulars issued by Central Bank of Nigeria, we confirm that:

Related party transactions and balances are disclosed in Note 36 to the financial statements in compliance with Central Bank of Nigeria circular BSD/1/2004.

As disclosed in Note 39 to the financial statements, no contravention of the provisions of the Bank and Other Financial Institutions Act 2020 and CBN circulars was brought to our attention during the audit of the financial statements for the year ended 31 December 2020.

In accordance with the requirement of the Fifth Schedule of the Companies and Allied Matters Act, 2020, 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.

Signed:
Oluwasayo Elumaro, FCA
FRC/2012/ICAN/00000000139
For: Ernst & Young

Lagos, Nigeria
Date: 16 March 2021

ABBEY MORTGAGE BANK PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 ₦'000	2019 ₦'000
Interest income calculated using the effective interest rate method	5	1,399,438	1,124,745
Interest expense calculated using the effective interest rate method	6	(539,378)	(487,657)
Net interest income		860,060	637,088
Fees and commission income	7	601	235,986
Loss on disposal of non-current assets held for sale		(860)	(13,796)
Other operating income	8	120,266	27,444
Total operating income		980,067	886,722
Credit loss expense	9	(3,887,927)	(79,558)
Net operating income		**(2,907,860)**	**807,164**
Personnel expenses	10	(414,441)	(333,092)
Depreciation	11	(57,678)	(39,253)
Amortisation	23	(6,502)	(13,151)
Other operating expenses	12	(911,391)	(473,611)
Total operating expenses		**(1,390,012)**	**(859,107)**
Loss before income tax expense		**(4,297,872)**	**(51,943)**
Income tax expense	13	(3,747)	(10,693)
Loss for the year		**(4,301,619)**	**(62,636)**
Other comprehensive Income		-	-
Total comprehensive Income for the year net of tax		**(4,301,619)**	**(62,636)**
Loss per share attributable to ordinary equity holders (Kobo) - Basic and Diluted	14	**(67.87)**	**(1.49)**

The accompanying notes to the financial statements form part of these financial statements.

ABBEY MORTGAGE BANK PLC

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	31 December 2020 ₦'000	31 December 2019 ₦'000
Assets			
Cash on hand	15	2,020	785
Cash balances with central bank	16	289,774	128,463
Due from banks	17	8,793,209	1,831,405
Loans and advances	18	4,788,092	7,738,141
Financial investments - securities at FVTPL	19	329,334	258,778
Financial Investments- securities at amortised cost	20	2,826,364	648,316
Other assets	21	117,742	213,188
Property and equipment	22	1,092,515	1,094,520
Intangible assets	23	16,619	11,515
		18,255,669	11,925,111
Non-current assets held for sale	24	264,681	334,681
Total Assets		**18,520,350**	**12,259,792**
Liabilities			
Deposits from customers	25	14,629,440	6,340,597
Current income tax payable	13.3	21,606	27,982
Other liabilities	26	244,963	170,638
Due to National Housing Fund	27	269,300	325,835
Total Liabilities		**15,165,309**	**6,865,052**
Equity			
Share capital	29	3,230,769	2,100,000
Share premium	30	4,008,277	2,877,126
Accumulated losses	31	(5,029,743)	(2,093,350)
Statutory reserve	32	298,440	298,440
Regulatory risk reserve	40	847,298	2,212,524
Total Equity		**3,355,041**	**5,394,740**
Total liabilities and equity		**18,520,350**	**12,259,792**

The financial statements were approved by the Board of Directors on 02 March 2021 and signed on its behalf by:

Mazi Emmanuel Kanu O.Ivi
Chairman
FRC/2014/ICAN/00000008160

Madu Hamman
Managing Director/Chief Executive Officer
FRC/2013/CIBN/000000011355

Idowu O. Sanni
Financial Controller
FRC/2018/ICAN/00000017717

The accompanying notes to the financial statements form part of these financial statements.

ABBEY MORTGAGE BANK PLC

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital ₦'000	Share premium ₦'000	Statutory reserve ₦'000	Regulatory risk reserve ₦'000	Accumulated losses ₦'000	Total Equity ₦'000
Opening balance as at 1 January 2019	2,100,000	2,877,126	298,440	1,509,849	(1,328,039)	**5,457,376**
Loss for the year	-	-	-	-	(62,636)	**(62,636)**
Other comprehensive income for the year	-	-	-	-	-	**-**
Transactions directly affecting equity holders						
Transfer to regulatory risk reserve	-	-	-	702,675	(702,675)	**-**
Balance as at 31 December 2019	**2,100,000**	**2,877,126**	**298,440**	**2,212,524**	**(2,093,350)**	**5,394,740**
Loss for the year	-	-	-	-	(4,301,619)	**(4,301,619)**
Other comprehensive income for the year	-	-	-	-	-	**-**
Transactions directly affecting equity holders						
Issuance of shares	1,130,769	1,243,846	-	-	-	**2,374,615**
Transaction cost on share issuance	-	(112,695)	-	-	-	**(112,695)**
Transfer from regulatory risk reserve	-	-	-	(1,365,226)	1,365,226	**-**
Balance as at 31 December 2020	**3,230,769**	**4,008,277**	**298,440**	**847,298**	**(5,029,743)**	**3,355,041**

ABBEY MORTGAGE BANK PLC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 ₦'000	2019 ₦'000
Cash flows from operating activities:			
Loss before income tax		(4,297,872)	(51,943)
Adjustment for non-cash items	33.3	3,834,019	132,058
Net cash flows (used)/from operating activities before changes in working capital		(463,853)	80,115
Change in operating assets	33.1	(3,102,558)	(1,304,328)
Change in operating liabilities	33.2	8,306,633	368,904
Income tax paid	13.3	(10,123)	(15,000)
Net cash flows from/(used in) operating activities		4,730,099	(870,309)
Cash flows from investing activities:			
Purchase of intangible assets	23	(11,606)	(3,200)
Proceeds on disposal of non-current asset held for sale		69,140	2,065,400
Refund to customer for returning non-current asset formerly sold		-	(45,251)
Proceeds on disposal of property and equipment		2,005	3,192
Purchase of property and equipment	22	(55,673)	(73,495)
Payment for short term lease		-	(6,269)
Dividend received		21,500	-
Net cash flows (used in)/ from investing activities		25,366	1,940,377
Cash flows from financing activities:			
Repayments of borrowings		-	(5,712)
Proceeds from issue of share	31.2	2,374,615	-
Transaction cost on share issue	31.2	(112,695)	-
Net cash flows from/(used in) financing activities		2,261,920	(5,712)
Net increase in cash and cash equivalents		7,017,385	1,064,356
Cash and cash equivalents at beginning of year		1,835,152	770,796
Cash and cash equivalents at end of year	33	**8,852,537**	**1,835,152**

The accompanying notes to the financial statements form part of these financial statements.

1 General information

These financial statements are the financial statements of Abbey Mortgage Bank Plc. (the "Bank"), a public limited liability Bank 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 Bank 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 113 (2019: 109) staff in ten (10) branches and the Head Office.

The financial statements for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Board of Directors on 02 March 2021.

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 the provisions of the Companies and Allied Matters Act 2020, the Banks and Other Financial Institutions Act 2020, 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 equity instruments which are carried at fair value.

c 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.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended 31 December 2019. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several other amendments and interpretations are applied for the first time in 2020, but do not have an impact on the financial statements of the Bank.

2.2.1 Below is a list of other interpretations and amendment that were effective for the first time in 2020 but do not have a significant impact on the Bank:

i Definition of Business- Amendment to IFRS 3
ii Interest rate benchmark Reform- Amendment to IFRS 9, IAS 39 and IFRS 7
iii Definition of Material- Amendment to IAS 1 and IAS 8
iv The Conceptual Framework for Financial Reporting
v Amendment from IFRS 16 Covid 19 Related Rent Concessions:

2.3 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards and interpretations, if applicable, when they become effective.

a IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

* A specific adaptation for contracts with direct participation features (the variable fee approach)
* A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

Amendments to IFRS 17

In June 2020, the IASB issued amendments to IFRS 17. These amendments follow from the Exposure Draft (ED) on proposed Amendments to IFRS 17 Insurance Contracts.

As a result of its re-deliberations, the IASB has made changes to the following main areas of IFRS 17

Deferral of the effective date of IFRS 17 and IFRS 9 for qualifying insurance entities by two years to annual reporting periods beginning on or after 1 January 2023)

- Scope of the standard
- Expected recovery of insurance acquisition cash flows from insurance contract renewals
- CSM relating to investment activities
- Applicability of the risk mitigation option for contracts with direct participation features
- Reinsurance contracts held - expected recovery of losses on underlying onerous contracts
- Simplified presentation of insurance contracts in the statement of financial position
- Additional transition reliefs

IFRS 17 will not be applicable to the Bank, as it does not issue insurance contract.

b Interest rate Benchmark Reform-Phase 2- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

On 27 August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. With publication of the phase two amendments, the IASB has completed its work in response to IBOR reform.

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR)

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. It also permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. The ammendments also provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The amendment is effective for annual periods beginning on or after 1 January 2021. While application is retrospective, the entity is not required to restate prior periods.

The amendment will have no significant impact on the Bank.

c Reference to the Conceptual Framework- Amendment to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendment is effective for annual periods beginning on or after 1 January 2022 and must be applied prospectively.

The amendment is not expected to have significant impact on the Bank.

2.3 Standards issued but not yet effective

d Property, plants and machinery - Proceeds before intended use-Amendment to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual periods beginning on or after 1 January 2022 and must be applied reprospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendment is not expected to have significant impact on the Bank.

e Onerous Contracts- Cost of fulfilling a contract- Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendment is effective for annual periods beginning on or after 1 January 2022 and must be applied prospectively to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments

The amendment is not expected to have significant impact on the Bank.

f Classification of Liabilities as Current and Non-current - Amendments to IAS 1

In January 2020, the Board issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:
• What is meant by a right to defer settlement
• That a right to defer must exist at the end of the reporting period
• That classification is unaffected by the likelihood that an entity will exercise its deferral right
• That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification

The amendment is effective for annual periods beginning on or after 1 June 2023 and must be applied reprospectively if the entity carefully consider that there are aspects of the amendments that suggest that terms of their existing loan agreements should be renegotiated.

The Bank currently presents its statement of financial position based on liquidity. However, the Bank will consider whether some of the amendments may impact its current practice.

g IFRS 1- First time Adoption of International Financial Reporting Standards

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS.

This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. A

An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

The amendment is not expected to have an impact on the Bank.

h IFRS 9-Financial Instrument: Fees in the 10% test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted

The amendment is not expected to have a significant impact on the Bank.

i IAS 41- Agriculature: Taxation in Fair value measurementa

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.
An entity applies the amendment to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted.

The amendment is not expected to have an impact on the Bank.

J Lease Incentives
The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

2.4 Significant accounting judgements, estimates and assumptions

In the application of the Bank's accounting policies, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying the Bank's accounting policies

The following are the critical judgments, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognised in financial statements

Going Concern

The financial statements have been prepared on the going concern basis and there is no intention to curtail business operations. The Directors have made assessment of the Bank's ability to continue as a going concern and have no reason to believe that the Bank will not remain a going concern in the next 12 months ahead.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Bank based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

(i) Determination of collateral Value

Management monitors market value of collateral on a regular basis. Management uses experienced judgement to adjust the fair value to reflect the current circumstances. The amount and collateral required depend on the assessment of credit risk of the counterpart.

The Management believes that the underlying assumptions are appropriate and that the Bank's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the Note 3.3.4

(ii) 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. Areas where significant estimate are significant are disclosed in Note 22 and 23.

(iii) 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- See Note 22 and 23.

(iv) Fair value measurement of financial instruments

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.

The Bank's accounting policy on fair value measurements is discussed under note Note 3.6

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 other financial assets per Note 3.6.

2.4 Significant accounting judgements, estimates and assumptions

(v) *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 13). Unrelieved tax losses can be used indefinitely.

(vi) *Owner-occupied properties*

The Bank classifies owner-occupied properties as property and equipment when the Bank evaluate the terms and conditions of the arrangements, such as lease term not constituting a major part of the economic life of the property, the present value of the minimum lease payments not amounting to substantially all of the carrying value of the property and that it retains all the significant risks and rewards of ownership of the property. (See Note 22)

(vii) *Impairment under IFRS 9*

The impairment requirements of IFRS 9 apply to all debt instruments that are measured at amortised cost. Expected credit losses are recognised upon initial recognition of the financial asset based on expectation of potential credit losses at the time of initial recognition.

The Bank does not originate or purchase credit impaired loans or receivables.

The determination of whether a financial asset is credit impaired focuses exclusively on default risk, without taking into consideration the effect of credit risk mitigants such as collateral or guarantees. Specifically, the financial asset is credit impaired and in stage 3 when: the Bank considers the obligor is unlikely to pay its credit obligations to the Bank. The termination may include forbearance actions, where a concession has been granted to the borrower or economic or legal reasons that a qualitative indicators of credit impairment; or contractual payments of either principal or interest by the obligor are pass due by more than 90 days.

For financial assets considered to be credit impaired, the ECL allowance covers the amount of loss the Bank is expected to suffer. The estimation of ECLs is done on a case by case basis for non-homogenous portfolios, or by applying portfolio based parameters to individual financial assets in this portfolios by the Bank's ECL model for homogenous portfolios.

Forecast of future economic conditions when calculating ECLs are considered. The lifetime expected losses are estimated based on the probability – weighted present value of the difference between:
1) The contractual cash flows that are due to the Bank under the contract; and
2) The cash flows that the Bank expects to receive.

Elements of ECL models that are considered accounting judgements and estimates include:
• The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment
• The development of ECL models, including the various formulas and the choice of inputs. Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs.
• Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Expected lifetime:
The expected life time of a financial asset is a key factor in determine the life time expected credit losses. Lifetime expected credit losses represents default events over the expected life of a financial asset. The Bank measures expected credit losses considering the risk of default over the maximum contractual period (including any borrower's extension option) over which it is exposed to credit risk.

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.

2.5 Foreign currency transactions

(a) Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The financial statements are presented in Naira, which is the Bank's presentation currency.

(b) Transactions and balances

Foreign currency transactions (i.e. transactions denominated, or that require settlement, in a currency other than the functional currency) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Summary of significant accounting policies

2.6 Financial assets and liabilities

2.6.1 Initial recognition

All financial assets and liabilities are initially recognized on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. The Bank uses trade date accounting for regular way contracts when recording financial assets transactions.

A financial asset or financial liability is measured initially at fair value plus or minus, for an item not at fair value through profit or loss, direct and incremental transaction costs that are directly attributable to its acquisition or issue. Transaction costs of financial assets and liabilities carried at fair value through profit or loss are expensed in profit or loss at initial recognition.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in Net gains on financial assets at fair value through profit or loss. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

Amortised cost and gross carrying amount

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Effective interest method

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

For purchased or originated credit-impaired (`POCI') financial assets — assets that are credit-impaired at initial recognition — the Bank calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Bank revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest income and expenses

Interest income and expenses are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired financial assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses. Further policy on interest income is covered in Note 2.7.1

The calculation of the effective interest rate includes transaction costs and fees and points 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 financial liability. Recoveries of interest that was previously not recognized needs to be recognized as a gain in the credit loss expense.

Summary of significant accounting policies

2.6.2 **Financial assets - Classification of financial instruments**

The Bank classifies its financial assets under IFRS 9, into the following measurement categories:
• those to be measured at fair value through profit or loss (FVTPL) (equity instrument); and
• those to be measured at amortised cost (debt instrument).

The classification depends on the Bank's business model (i.e. business model test) for managing financial assets and the contractual terms of the financial assets cash flows (i.e. solely payments of principal and interest – SPPI test). The Bank also classifies its financial liabilities at amortized cost. Management determines the classification of the financial instruments at initial recognition.

2.6.3 **Financial assets - Subsequent measurement**

a) Debt instruments

The classification and subsequent measurement of debt instruments depend on the Bank's business model for managing the financial assets and the contractual terms of the cash flows. Based on these factors, the Bank classifies its debt instruments into one of the following measurement categories:

Amortised cost: Financial assets such as loans and advances that are held within a business model whose objective is collection of contractual cash flows and where such cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss due to impairment or upon derecognition of a debt investment that is subsequently measured at amortised cost is recognised in profit or loss. Interest income from these financial assets is included in "Interest income calculated using the effective interest rate method"

Business Model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

• the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

• how the performance of the portfolio is evaluated and reported to the Bank's management;

• the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

• how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected.

• the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing financial assets is achieved and how cash flows are realized.

Solely payments of principal and interest (SPPI) assessment

Principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

• contingent events that would change the amount and timing of cash flows;
• leverage features;
• prepayment and extension terms;
• terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
• features that modify consideration of the time value of money - e.g. periodical rate of interest

b) **Equity instruments**

The Bank subsequently measures all its equity investments at fair value through profit or loss (FVTPL). Changes in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss. Dividends from such investments continue to be recognised in profit or loss as other income when the right to receive payments is established. Included in this classification are quoted financial investments.

Summary of significant accounting policies

2.6.4 **Reclassifications**

The Bank reclassifies financial assets when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and must be significant to the Bank's operations.

When reclassification occurs, the Bank reclassifies all affected financial assets in accordance with the new business model. Reclassification is applied prospectively from the 'reclassification date'. Reclassification date is 'the first day of the first reporting period following the change in business model. Gains, losses or interest previously recognised are not restated when reclassification occurs.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets that are debt instruments. A change in the objective of the Bank's business occurs only when the Bank either begins or ceases to perform an activity that is significant to its operations (e.g., via acquisition or disposal of a business line).

The following are not considered to be changes in the business model:
• A change in intention related to particular financial assets (even in circumstances of significant changes in market conditions)
• A temporary disappearance of a particular market for financial assets
• A transfer of financial assets between parts of the entity with different business models

2.6.5 **Modifications**

If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value. Any difference between the amortized cost and the present value of the estimated future cash flows of the modified asset or consideration received on derecognition is recorded as a separate line item in profit or loss.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). The amount arising from adjusting the gross carrying amount is recognised in profit or loss.

2.6.6 Impairment of financial assets

Overview of the ECL principles

The Bank assesses on a forward looking basis the expected credit losses (ECL) associated with its loans and other debt financial assets not held at FVPL. In this section all referred to as 'financial instruments'. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition.

The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering if it is 30 days past due. Based on the above process, the Bank groups its loans into Stage 1, Stage 2 and Stage 3, as described below:

• Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12 months expected credit losses (12mECLs). Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

• Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the lifetime expected credit losses (LTECLs). Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

• Stage 3: These are loans considered as credit-impaired.The Bank records an allowance for the LTECLs.

POCI: The Bank does not have purchased or originated credit impaired (POCI) assets in its portfolio.

Summary of significant accounting policies
The calculation of ECLs

The Bank calculates ECLs based on three economic scenario (base case, best case and worst case) to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as

PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in Note 3.3.3.

EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in Note 3.3.3.

LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 3.3.3.

When estimating the ECLs, the Bank considers three economic scenario which are considered to be the upturn economic scenario, downturn economic scenario and base case economic scenario. The assessment also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier, with the exception of revolving facilities which could extend beyond the contractual life.

The mechanics of the ECL method are summarised below:

Stage 1
• The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date.
• These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2
• When a financial instruments has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3
• For financial instruments considered credit-impaired (as defined in Note 3), the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

POCI
• POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in lifetime ECLs since initial recognition, discounted by the credit-adjusted EIR.

Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily. Details of the impact of the Bank's various credit enhancements are disclosed in Note 3.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

Summary of significant accounting policies
Collateral repossessed

The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Bank's policy.

Write-off

After a full evaluation of a non-performing exposure, in the event that either one or all of the following conditions apply, such exposure is recommended for write-off (either partially or in full):

- continued contact with the customer is impossible;
- recovery cost is expected to be higher than the outstanding debt;
- amount obtained from realization of credit collateral security leaves a balance of the debt; or
- it is reasonably determined that no further recovery on the facility is possible.

All credit facility write-offs require endorsement by the Board Credit and Risk Committee, as defined by the Bank. Credit write-off approval is documented in writing and properly initialed by the Board Credit and Risk Committee. The gross carrying amount of an asset is written off (either fully or partially) to the extent that there is no realistic prospect of recovery. This is generally the case when the Bank determines that the counterparty does not have assets or sources of income that could generate sufficient cashflows to repay the amount subject to write off. However, the financial assets that are subjected to write off could still be subject to enforcement activities in other to comply with the Bank's procedures for recovery of amount due.

A write-off constitutes a derecognition event. The write-off amount is used to reduce the carrying amount of the financial asset. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amount due. Whenever amounts are recovered on previously written-off credit exposures, such amount recovered is recognised as income on a cash basis only.

Forward looking information

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as:
- GDP growth
- Unemployment rates
- Inflation rates
- Foreign exchange rates
- Market growth rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Derecognition 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 rights to receive the contractual cash flows on 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 such derecognised financial asset that is created or retained by the Bank is recognised as a separate asset or liability. Impaired debts are derecognised when they are assessed as uncollectible.

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.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Summary of significant accounting policies

2.6.7 **Financial liabilities**

Initial and subsequent measurement

Financial liabilities are initially measured at their fair value, except in the case of financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR. The Bank classifies financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading liabilities are recorded and measured in the statement of financial position at fair value.

In both the current and prior period, all financial liabilities are classified and subsequently measured at amortised cost.

Modifications

The Bank derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. This occurs when the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment (i.e. the modified liability is not substantially different), any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).
The exchange between the Bank and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Reclassification

Financial liabilities are not reclassified after initial classification.

2.7.1 Income and expenses

Interest income and expenses are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:
• The gross carrying amount of the financial asset; or
• The amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses. The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Bank recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk. The adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the statement of financial position with an increase or reduction in interest income. The adjustment is subsequently amortised through interest income in profit or loss.

a. Amortised cost and gross carrying amount
The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2018). The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

b. Calculation of interest income and expenses
The Bank calculates interest income and expense by applying the effective interest rate to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.
However, for financial asset that have become credit-impaired subsequent to initial recognition and is, therefore, regarded as 'Stage 3', the Bank calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, then the Bank reverts to calculating interest income on a gross basis.

Summary of significant accounting policies

2.7.2 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.

2.7.3 Other operating income

Included in other operating income are other income, profit on sale of property and equipment rental income and fair value gain on financial instruments at FVTPL .

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 other income in the statement of profit or loss due to its operating nature.

2.7.4 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.

2.7.5 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.

Summary of significant accounting policies

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:

- In the principal market for the asset or liability, or
- 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.

2.7.6 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.

2.7.7 Property 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 are as follows:

Motor vehicles	4 years
Office furniture and equipment	10 years
Buildings	50 years
Computer equipment	5 years

Land is not depreciated. 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.

Summary of significant accounting policies

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.

2.7.8 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.

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.

2.8.1 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 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 as personnel expenses.

2.8.2 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 reflected in the share premium.

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 recognized in the subsequent period.

Summary of significant accounting policies

2.8.3 Equity reserve

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

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 expected credit loss model used in calculating the impairment under IFRS 9.

Statutory reserve details un-distributable earnings required to be kept by the nation's central bank in accordance with the national law. The national law requires every Primary Mortgage Bank (PMB) to maintain a reserve fund and shall, out of its net profit after taxation and before any dividend is declared, transfer to the statutory reserve as follows:

a. Where the reserve fund is less than the paid-up share capital, a minimum of 20% of the net profit; or

b. Where the reserve fund is equal to or in excess of the paid-up share capital, a minimum of 10% of net profit;

c. No transfer to the reserve fund shall be made until all identifiable losses have been made good.

2.8.4 (Loss)/Earnings per share

Basic Loss 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.

2.8.5 Leases

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

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The bank has adopted the short term lease exemption for its leases and recognizes short term lease rentals on a straight line basis in the profit or loss statement.

The Bank subsequently measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications.

The corresponding lease liabilities, where applicable, are included in other liabilities.

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.

2.8.6 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.

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.

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.

3.3.3 Impairment assessment

Definition of default and cure

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.
As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

‣ Internal rating of the borrower indicating default or near-default
‣ The borrower requesting emergency funding from the Bank
‣ The borrower having past due liabilities to public creditors or employees
‣ The borrower is deceased
‣ A material decrease in the borrower's turnover or the loss of a major customer
‣ A covenant breach not waived by the Bank

It is the Bank's policy to consider a financial instrument as 'cured' and therefore-classified out of Stage 3 when none of the default criteria have been present for at least three consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

The Bank's PD estimation process

The PDs for each portfolios were computed using the portfolio migration approach. Up to 4years historical information are to be generated to determine the movement of performing loan to non performing loans over the available observable periods. The yearly PDs are obtained by dividing the non performing loans at year end over the performing loans as at the beginning of the year. Thereafter an average of the four years would finally be obtained for each portfolio which is called 12M Unadjusted PDs. These 12M Unadjusted PDs are then adjusted for IFRS 9 ECL calculations to incorporate forward looking information and the IFRS 9 Stage classification of the exposure. This is repeated for each economic scenarios as appropriate.

PRODUCT TYPES	AVERAGE 12M UNADJUSTED PDS	
	2020	2019
Mortgage Loans	12.61%	9.93%
Advance Loans	1.47%	1.47%
NHF Loans	12.45%	12.41%

Exposure at Default

The exposure at default(EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12mECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2 and Stage 3 financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Bank determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Bank's models.

Loss given default

The Bank segments its products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product types) as well as borrower characteristics.

Further recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in historical recoveries and outstanding exposure, payment status or other factors that are indicative of losses in the group.

The Bank estimates regulatory and IFRS 9 LGDs on a different basis. Under IFRS 9, LGD rates are estimated for each product type. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

Significant increase in credit risk

The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. The Bank considered an exposures to have significantly increased in credit risk in credit risk when the IFRS 9 lifetime PD has doubled since initial recognition.

The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. In certain cases, the Bank may also consider that events explained under definition of default as significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

When estimating ECLs on a collective basis for a group of similar assets, the Bank applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

Analysis of inputs to the ECL model under multiple economic scenarios

An overview of the approach to estimating ECLs is set out in Note 2.6.6 Summary of significant accounting policies and in Note 2.4 Significant accounting judgements, estimates and assumptions. To ensure completeness and accuracy, the Bank obtains the data used from third party sources (Central Bank of Nigeria, Trading Economies) and a team of expert within its credit risk department verifies the accuracy of inputs to the Bank' ECL models including determining the weights attributable to the multiple scenarios. The following tables set out the key drivers of expected loss and the assumptions used for the Bank's base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios as at 31 December 2020 and 31 December 2019.

The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations.

31 December 2020	Key drivers	ECL Scenario	2021
	Exchange Rate (Nigerian Naira to US Dollars) ₦		
		Best case	363
		Base case	374
		Worst case	381
	Inflation Rate %		
		Best case	13.06%
		Base case	13.50%
		Worst case	14.36%
	Crude oil Price ₦		
		Best case	48.29
		Base case	48.28
		Worst case	48.26

31 December 2019	Key drivers	ECL Scenario	2020
	Exchange Rate (Nigerian Naira to US Dollars) ₦		
		Best case	365
		Base case	390
		Worst case	400

The following tables outline the impact of multiple scenarios on the allowance:

31 December 2020	Balances with CBN and Due from Banks	Financial instrument at amortised cost	Mortgage Home Loan	Advance Loans	NHF Loans	Total
Upside (11.67%)	6,866	20,722	80,112	2,381	3,395	113,476
Base (80.00%)	47,793	142,366	632,526	16,334	23,891	862,911
Downside (8.33%)	5,125	14,887	74,623	1,702	2,568	98,905
Total	59,784	177,975	787,261	20,417	29,854	1,075,291

31 December 2019	Balances with CBN and Due from Banks	Financial instrument at amortised cost	Mortgage Home Loan	Advance Loans	NHF Loans	Total
Upside (10.83%)	387	16,493	129,774	2,001	940	149,595
Base (80,00%)	3,234	121,834	1,139,762	14,780	13,779	1,293,389
Downside (9.17%)	383	13,965	152,296	1,693	2,172	170,509
Total	4,003	152,292	1,421,832	18,475	16,891	1,613,493

Determination of regulatory risk reserves

Provisions under Prudential Guidelines are determined using the time based provisioning regime prescribed by the Central Bank of Nigeria Regulatory and Supervisory Framework for Mortgage Banks in Nigeria. This is at variance with the expected credit loss model required by IFRS under IFRS 9. As a result of the differences in the methodology/provision regime, there will be variances in the impairments allowances required under the two methodologies.

(a) Impairment for loans recognised in the profit or loss is determined based on the requirements of IFRS. However, the IFRS impairment is compared with provisions determined under prudential guidelines and the expected impact/changes is recognised in general reserves as follows:

- If prudential provisions is greater than IFRS impairment; the excess provision resulting therefrom is transferred from the retained earnings/accumulated losses account to a "regulatory risk reserve".

- If prudential provisions is less than IFRS impairment; IFRS determined impairment is charged to the profit or loss. The cumulative balance in the regulatory risk reserve is thereafter reversed to the retained earnings/accumulated losses account.

(b) The regulatory risk reserve is considered a non-distributable reserve and is classified under Tier 1 as part of the core capital. The Bank has complied with the requirements of the guidelines as follows:

Statement of prudential adjustments		**31 December**	**31 December**
In thousands of Naira	**Note**	**2020**	**2019**
IFRS-based impairments and credit losses:			
Total ECL Under IFRS 9		**1,075,291**	**1,613,493**
Loans and advances	18	837,531	1,457,198
Balances with CBN	16	2,226	791
Due from Banks	17	57,558	3,212
Financial assets at amortized cost	20	24,053	-
Other assets	21	153,923	152,292
IFRS impairment allowances by the Bank (a)		1,075,291	1,613,493
Prudential provisions and credit losses:			
Specific provision on loans and advances		1,732,143	3,647,277
General provision on loans and advances		36,523	26,448
Provision for other assets		153,923	152,292
Total regulatory impairment based on prudential guidelines (b)		1,922,589	3,826,017
Required balance in regulatory risk reserves (c = b - a), where b>a		847,298	2,212,524

3.3.4 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

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

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:

	2020 ₦'000	2019 ₦'000
Guaranteed facilities (NHFL)	67,208	67,208

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

Maximum exposure to credit risk before collateral held or credit enhancements

The Bank's maximum exposure to credit risk at 31 December 2020 and 31 December 2019 respectively is represented by the net carrying amounts of the financial assets in the Statement of Financial Position excluding cash in hand.

		Fair Value of collateral and credit enhancements held		
31 December 2020	**Maximum Exposure to credit risk**	**Total Collateral Value**	**Net Exposure**	**Associated ECLs**
In ₦'thousands				
Financial Assets				
Cash balances with central bank	292,000	-	292,000	2,226
Due from banks	8,850,767	-	8,850,767	57,558
Loans and advances				
Mortgage loans	4,807,300	7,470,008	(2,662,708)	787,260
NHF Loans	235,485	426,064	(190,579)	29,854
Advance loans	582,838	1,252,282	(669,444)	20,417
Securities at amortised cost	2,850,417	-	2,850,417	24,053
Other financial assets	181,919	-	181,919	153,923
Total Financial Assets at amortised cost	**17,800,726**	**9,148,354**	**8,652,372**	**1,075,291**

		Fair Value of collateral and credit enhancements held		
31 December 2019	**Maximum Exposure to credit risk**	**Total Collateral Value**	**Net Exposure**	**Associated ECLs**
In ₦'thousands				
Financial Assets				
Cash balances with central bank	129,254	-	129,254	791
Due from banks	1,834,617	-	1,834,617	3,212
Loans and advances			-	
Mortgage loans	8,296,776	11,926,660	(3,629,884)	1,421,832
NHF Loans	357,332	877,955	(520,623)	16,891
Advance loans	541,231	935,790	(394,559)	18,475
Securities at amortised cost	648,316	-	648,316	-
Other financial assets	241,013	-	241,013	152,292
Total Financial Assets at amortised cost	**12,048,539**	**13,740,405**	**(1,691,866)**	**1,613,493**

3.3.5 Analysis of risk concentration

The Bank's concentration of risk are managed by client/counterparty, industry sector region (See Note 3.3.5.1) and geographic sector (Note 3.3.5.2).

The following table shows the risk concentration by industry for the components of the statement of financial position.

3.3.5.1 Industry analysis

31 December 2020	Financial services	Government	Others	Total
In ₦'thousands				
Financial Assets				
Cash balances with central bank	-	292,000	-	292,000
Due from banks	8,850,767	-	-	8,850,767
Loans and advances				
Construction Loans (CCL)	-	-	2,327,500	2,327,500
Loan and Advances (MSCHL)	-	-	171,042	171,042
Mortgage FMBN bonds (FMBN)	-	-	3,664	3,664
Mortgage Home Loans (MHL)	-	-	2,251,063	2,251,063
NHF Loans	-	-	231,821	231,821
School Loans	-	-	208,845	208,845
Staff Mortgage Loans	-	-	14,071	14,071
Staff Personal Loans	-	-	10,801	10,801
Staff Share Loan	-	-	406,816	406,816
Total loans and advances	-	-	5,625,623	5,625,623
Securities at amortised cost	1,024,481	1,825,936	-	2,850,417
Other financial assets	-	-	181,919	181,919
Total gross carrying amount	9,875,248	2,117,936	5,807,542	17,800,726
Expected credit loss	(81,611)	(2,226)	(991,454)	(1,075,291)
Total Financial Assets	9,793,637	2,115,710	4,816,088	16,725,435

31 December 2019	Financial services	Government	Others	Total
In ₦'thousands				
Financial Assets				
Cash balances with central bank	-	129,254	-	129,254
Due from banks	1,834,617	-	-	1,834,617
Loans and advances				-
Construction Loans (CCL)	-	-	3,500,470	3,500,470
Loan and Advances (MSCHL)	-	-	109,080	109,080
Mortgage FMBN bonds (FMBN)	-	-	3,834	3,834
Mortgage Home Loans (MHL)	-	-	4,497,273	4,497,273
NHF Loans	-	-	353,499	353,499
School Loans	-	-	274,020	274,020
Staff Mortgage Loans	-	-	25,013	25,013
Staff Personal Loans	-	-	30	30
Staff Share Loan	-	-	432,120	432,120
Total loans and advances	-	-	9,195,339	9,195,339
Securities at amortised cost	-	648,316	-	648,316
Other financial assets	-	-	241,013	241,013
Total gross carrying amount	1,834,617	777,570	9,436,352	12,048,539
Expected credit loss	(3,212)	(791)	(1,609,490)	(1,613,493)
Total Financial Assets	1,831,405	776,779	7,826,862	10,435,046

3.3.5.2 Geographic Analysis

For this table, the Bank has allocated exposures to regions based on the state of domicile of its counterparties:

	2020 ₦'000	2019 ₦'000
Cash with central bank – Head office	292,000	129,254
Due from banks – Head office	8,850,767	1,834,617
Expected credit loss	(83,837)	(4,003)
Net cash with central and due for banks	9,058,930	1,959,868
Loans and advances:		
Head Office	3,952,406	6,996,777
Apapa	33,603	129,436
Festac	-	22,773
Okota	8,721	18,639
LasuOjo	1,439	5,409
Asaba	2,309	4,213
Agbara	1,796	1,796
Abuja 1	222,635	481,398
Abuja 2	731,527	1,181,568
Victoria Island	670,685	350,409
Baze	503	2,921
Total loans and advances	5,625,623	9,195,339
Expected credit loss	(837,531)	(1,457,198)
Net loans and advances	4,788,092	7,738,141
Securities at amortised cost	1,825,936	648,316
Other financial assets	181,919	241,013
Expected credit losses	(177,976)	(152,292)
	1,829,879	737,037
Total financial assets	15,676,902	10,435,046

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

3.4.2a 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		Total ₦'000
As at 31 December 2020						
Cash on hand	2,020	-	-	-		2,020
Due from banks	8,850,767	-	-	-		8,850,767
Loans and advances	2,593,826	503	216,797	2,818,213		5,629,338
Securities at amortised cost	2,850,417	-	-	-		2,850,417
Other assets	181,919	-	-	-		181,919
Cash balances with central bank	292,000	-	-	-		292,000
Total financial assets	14,770,949	503	216,797	2,818,213	-	17,806,461
Due to customers	13,838,007	617,553	87,047	86,833		14,629,440
Other financial liabilities	207,380	-	-	-		207,380
Due to the National Housing Fund	-	-	-	269,300		269,300
Total financial liabilities	14,045,387	617,553	87,047	356,133		15,106,120
Net financial assets (liabilities)	725,562	(617,050)	129,750	2,462,080		2,700,341
As at 31 December 2019						
Cash on hand	785	-	-	-		785
Due from banks	1,834,617	-	-	-		1,834,617
Loans and advances	4,195,146	8,499	2,920,170	2,071,524		9,195,339
Securties at amortised cost	648,316	-	-	-		648,316
Other assets	269,711	-	-	-		269,711
Cash balances with central bank	129,254	-	-	-		129,254
Total financial assets	7,077,829	8,499	2,920,170	2,071,524		12,078,022
Due to customers	5,630,954	594,213	32,047	83,383		6,340,597
Other financial liabilities	148,078	-	-	-		148,078
Due to the National Housing Fund	-	-	-	380,286		380,286
Total financial liabilities	5,779,032	594,213	32,047	463,669	-	6,868,961
Net financial assets (liabilities)	1,298,797	(585,714)	2,888,123	1,607,855		5,209,061

Other financial liabilities include account payable and lease liability.

3.4.2 Maturity analysis of assets and liabilities

3.4.2b The table below analyses the assets and liabilities of the Bank according to when they are expected to be recovered or settled.

	Current	Non-current	Total
	₦'000	₦'000	₦'000
As at 31 December 2020			
Assets			
Cash on hand	2,020	-	2,020
Cash balances with central bank	-	289,774	289,774
Due from banks	8,793,209		8,793,209
Loans and advances	3,686,831	1,101,261	4,788,092
Equity investments at FVTPL	-	329,334	329,334
Securities at amortised cost	2,826,364	-	2,826,364
Other assets	117,742	-	117,742
Property and equipment	-	1,092,515	1,092,515
Intangible assets	-	16,619	16,619
Non-current assets held for sale	264,681	-	264,681
Total assets	15,690,847	2,829,503	18,520,350
Liabilities			
Due to customers	14,542,607	86,833	14,629,440
Current income tax payable	21,606		21,606
Other liabilities	244,963	-	244,963
Due to the National Housing Fund	-	269,300	269,300
Total liabilities	14,809,176	356,133	15,165,309
As at 31 December 2019			
Assets			
Cash on hand	785	-	785
Cash balances with central bank	-	128,463	128,463
Due from banks	1,831,405		1,831,405
Loans and advances	5,958,369	1,779,772	7,738,141
Equity investments at FVTPL	-	258,778	258,778
Securities at amortised cost	648,316	-	648,316
Other assets	213,188	-	213,188
Property and equipment	-	1,094,520	1,094,520
Intangible assets	-	11,515	11,515
Non-current assets held for sale	334,681	-	334,681
Total assets	8,986,744	3,273,048	12,259,792
Liabilities			
Due to customers	5,610,398	730,199	6,340,597
Current income tax payable	27,982		27,982
Other liabilities	170,638	-	170,638
Due to the National Housing Fund	-	325,835	325,835
Total liabilities	5,809,018	1,056,034	6,865,052

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.

(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.

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 2020 and 31 December 2019. Included in the table are the Bank financial instruments at carrying amounts, categorised by currency.

	NAIRA	US DOLLAR	EURO	TOTAL
	₦'000	₦'000	₦'000	₦'000
AS AT 31 DECEMBER 2020				
Financial assets:				
Cash and balances with central banks / due from banks	9,084,448	258	297	9,085,003
Loans and advances	4,788,092	-	-	4,788,092
Other financial assets	93,945	-	-	93,945
Equity investments at FVTPL	329,334	-	-	329,334
Securities at amortised cost	2,826,364	-	-	2,826,364
	17,122,183	258	297	17,122,738
Financial liabilities:				
Due to customers	14,629,440	-	-	14,629,440
Other financial liabilities	244,501	-	-	244,501
Due to the National Housing fund	269,300	-	-	269,300
	15,143,241	-	-	15,143,241
Net open currency position	1,978,942	258	297	1,979,497
AS AT 31 DECEMBER 2019				
Financial assets:				
Cash and balances with central banks / due from banks	1,960,171	222	260	1,960,653
Loans and advances	7,738,141	-	-	7,738,141
Other financial assets	117,419	-	-	117,419
Equity investments at FVTPL	258,778	-	-	258,778
Securities at amortised cost	648,316	-	-	648,316
	10,722,825	222	260	10,723,307
Financial liabilities:				
Due to customers	6,340,597	-	-	6,340,597
Other financial liabilities	169,995	-	-	169,995
Due to the National Housing fund	325,835	-	-	325,835
	6,836,427	-	-	6,836,427
Net open currency position	3,886,398	222	260	3,886,880

The Bank's exposure to foreign currency risk is low. Movement in exchange rate between the US Dollar and the Euro 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 Euro.

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	EURO
	₦'000	₦'000
As at 31 December 2020		
Net foreign currency exposures	258	297
As at 31 December 2019		
Net foreign currency exposures	222	260

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 2020)	
Naira strengthens by 5% against the US Dollar	
Profit/ (loss)	₦12,900
Naira weakens by 5% against the US Dollar	
Profit/(loss)	₦(12,900)
Naira strengthens by 5% against the Euro	
Profit/(loss)	₦14,850
Naira weakens by 5% against the Euro	
Profit/(loss)	₦(14,850)
Foreign exchange sensitivity analysis (31 December 2019)	
Naira strengthens by 5% against the US Dollar	
Profit/ (loss)	₦11,100
Naira weakens by 5% against the US Dollar	
Profit/(loss)	₦(11,100)
Naira strengthens by 5% against the Euro	
Profit/(loss)	₦13,000
Naira weakens by 5% against the Euro	
Profit/(loss)	₦(13,000)

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 Plc with a market value of N1 million and 55,555,555 quoted shares in Nigeria Mortgage Refinance Bank with carrying value of N257.78million 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

	2020	2019
Impact on total comprehensive income	₦'000	₦'000
5% increase with all other variables held constant	16,467	12,939
5% decrease with all other variables held constant	(16,467)	(12,939)

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. The Bank does not have any variable rate instrument at the end of the year (2019: Nil)

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.

	Level 1	Level 2	Level 3	Total
	₦'000	₦'000	₦'000	₦'000
AS AT 31 DECEMBER 2020				
Assets measured at fair value				
Financial investments - securities at FVTPL	329,334	-	-	329,334
Assets for which fair value is disclosed				
Loans and advances	-	-	4,196,525	4,196,525
Financial Investments- securities at amortised cost	-	-	2,850,417	2,850,417
	329,334	-	7,046,942	7,376,276
Liabilities for which fair value is disclosed				
Due to the National Housing Fund	-	-	43,241	43,241
	-	-	43,241	43,241

	Level 1	Level 2	Level 3	Total
AS AT 31 DECEMBER 2019	₦'000	₦'000	₦'000	₦'000
Assets measured at fair value				
Equity investments at FVTPL	258,778	-	-	258,778
Assets for which fair value is disclosed				
Loans and advances	-	-	8,318,502	8,318,502
Financial Investments- securities at amortised cost	-	-	651,558	651,558
	258,778	-	8,970,059	9,228,837
Liabilities for which fair value is disclosed				
Due to the National Housing Fund	-	-	334,600	334,600
	-	-	334,600	334,600

Quoted equity instrument

Level 1 equity securities relates to securities quoted on the Nigerian Stock Exchange and NASD.

The fair value of the loans and advances and Due to NHF have been determined using the discounted cash flow method (DCF") using the Central Bank of Nigeria prime lending rate at the year end, the significant observable input.

The fair values of cash balances with Central Bank, Due from Banks and other liabilities estimates their carrying amounts due to their short nature.

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 Bank's financial instruments that are carried in the financial statements.

	Carrying value		Fair value	
	2020	2019	2020	2019
	₦'000	₦'000	₦'000	₦'000
Loans and advances	5,625,623	9,195,339	4,196,525	6,236,438
Financial investments - securities at FVTPL	329,334	258,778	329,334	258,778
Financial Investments- securities at amortised cost	2,850,417	648,316	2,850,417	648,316
	8,805,374	10,102,433	7,376,276	7,143,532
Due to the National Housing Fund	269,300	325,835	43,241	35,881

(c) Fair valuation methods and assumptions

(ii) Equity securities

The fair value of quoted equity securities are determined by reference to quoted prices (unadjusted) in active markets for the instrument. As at the reporting date, the Bank does not have any plan to dispose the investments and plans to hold the investment for the foreseeable future.

(iii) Loans and advances
Loans and advances are carried at amortised cost gross of expected credit loss. 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 average of prime lending rate and maximum lending rate to determine fair value.

(iv) Financial Investments -securities at amortised cost
Fair value of financial investments at amortised cost approximates the carrying amount due to their short term nature.

(v) Due to customers, other liabilities and Due to NHF
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 due to NHF are determined using average of prime lending rate and maximum lending rate 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 2020. During the year, the Bank complied with all of the externally imposed capital requirements to which it is subject.

	2020	2019
Tier 1 capital	₦'000	₦'000
Share capital	3,230,769	2,100,000
Share premium	4,008,277	2,877,126
Accumulated losses	(5,029,743)	(2,097,353)
Statutory reserve	298,440	298,440
Regulatory reserve	-	-
Total regulatory capital	2,507,743	3,178,213

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	8,086,248	8,337,963
Off statement of financial position	33,442	33,442
	8,119,690	8,371,405
Risk-weighted Capital Adequacy Ratio (CAR)	31%	38%
Minimum Capital Adequacy Ratio (CAR)	10%	10%

4 Segment reporting

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 based on geography and are splited between the north and the south of the Country

4.2 Geographical segment revenues and results

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

Year ended 31 December, 2020	North ₦'000	South ₦'000	Total ₦'000
Interest income calculated using the effective interest rate	199,690	1,199,748	1,399,438
Interest expense calculated using the effective interest rate	(54,550)	(484,828)	(539,378)
Net interest income	145,140	714,920	860,060
Fees and commision income	13	588	601
Loss on disposal of non-current asset held for sale	-	(860)	(860)
Other operating income	3,811	116,455	120,266
Total operating income	148,964	831,103	980,067
Credit loss expense	-	(3,887,927)	(3,887,927)
Net operating income	**148,964**	**(3,056,824)**	**(2,907,860)**
Personnel expenses	(41,806)	(372,635)	(414,441)
Depreciation	(5,662)	(52,016)	(57,678)
Amortisation	-	(6,502)	(6,502)
Other operating expenses	(27,077)	(884,314)	(911,391)
Total operating expenses	**(74,545)**	**(1,315,467)**	**(1,390,012)**
Segment loss	74,419	(4,372,291)	(4,297,872)
Income tax expense	-	(3,747)	(3,747)
Loss for the year	74,419	(4,376,038)	(4,301,619)

Assets	**North ₦'000**	**South ₦'000**	**Total ₦'000**
As at December 31, 2020			
Cash on hand	(43)	(1,977)	(2,020)
Cash balances with central bank	-	(289,774)	(289,774)
Due from banks	-	(8,793,209)	(8,793,209)
Loans and advances	(955,176)	(3,832,916)	(4,788,092)
Financial investments - equity instrument at FVTPL	-	(329,334)	(329,334)
Financial Investments- securities at amortised cost	-	(2,826,364)	(2,826,364)
Other assets	(877)	(116,865)	(117,742)
Property and equipment	(172,875)	(919,640)	(1,092,515)
Intangible assets	-	(16,619)	(16,619)
Non-current assets held for sale	-	(264,681)	(264,681)
	(1,128,971)	(17,391,379)	(18,520,350)
Liabilities			
Deposits from customers	1,977,392	12,652,048	14,629,440
Other liabilities	9,748	235,215	244,963
Current income tax payable	-	21,606	21,606
Due to National Housing Fund	263,505	5,795	269,300
	2,250,645	12,914,664	15,165,309

Year ended 31 December, 2019	**North ₦'000**	**South ₦'000**	**Total ₦'000**
Interest income calculated using the effective interest rate method	87,809	1,036,936	1,124,745
Interest expense calculated using the effective interest rate method	(31,185)	(456,472)	(487,657)
Net interest income	56,624	580,464	637,088
Fees and commision income	3,800	232,186	235,986
Loss on disposal of non-current asset held for sale	-	(13,796)	(13,796)
Other operating income	6,356	21,088	27,444
Total operating income	66,780	819,942	886,722
Credit loss expense	(8,775)	(70,783)	(79,558)
Net operating income	**58,005**	**749,159**	**807,164**
Personnel expenses	(37,450)	(295,642)	(333,092)
Depreciation	(7,315)	(31,938)	(39,253)
Amortisation	-	(13,151)	(13,151)
Other operating expenses	(29,068)	(444,543)	(473,611)
Total operating expenses	**(73,833)**	**(785,274)**	**(859,107)**
Segment loss	(15,828)	(36,115)	(51,943)
Income tax expense	(835)	(9,858)	(10,693)
Loss for the year	(16,663)	(45,973)	(62,636)

Assets	North ₦'000	South ₦'000	Total ₦'000
As at December 31, 2019			
Cash on hand	120	665	785
Cash balances with central bank	-	128,463	128,463
Due from banks	-	1,831,405	1,831,405
Loans and advances	1,664,690	6,073,451	7,738,141
Financial investments - equity instrument at FVTPL	-	258,778	258,778
Financial Investments- securities at amortised cost	-	648,316	648,316
Other assets	1,953	211,235	213,188
Property and equipment	174,930	919,590	1,094,520
Intangible assets	-	11,515	11,515
Non-current assets held for sale	-	334,681	334,681
	1,841,693	10,418,099	12,259,792
Liabilities			
Deposits from customers	463,156	5,877,441	6,340,597
Other liabilities	17,374	153,264	170,638
Current income tax payable	835	27,147	27,982
Due to National Housing Fund	312,767	13,068	325,835
	794,132	6,070,920	6,865,052

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

* All assets are allocated to reportable segments.

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

The Bank's operations are geographically divided into two segments (North and South) based on its operations within the nothern and southern Nigeria. The bank does not have operations outside the country.

		2020	2019
5	**Interest income calculated using the effective interest rate method**	₦'000	₦'000
	Loans and advances	758,194	1,019,670
	Cash and short term funds	616,357	86,760
	Investment securities at amortized cost	24,887	18,315
		1,399,438	1,124,745

		2020	2019
6	**Interest expense calculated using the effective interest rate method**	₦'000	₦'000
	Due to customers	526,954	474,162
	Due to NHF	12,424	13,434
	Borrowings	-	61
		539,378	487,657

The interest on borrowings relates to loans obtained from Netherlands Development Finance Company (FMO) and Nigeria Mortgage Refinancing Company which have been fully settled in 2019.

		2020	2019
7	**Fees and commission income**	₦'000	₦'000
	Mortgage fees	601	235,972
	Legal fees	-	14
		601	235,986

Fees and commission were earned from services provided overtime. The portion of the fee income earned over time in the course of the year amounted to N601,193 (2019: N235,986,189). The portion of the fee income earned at a point in time is nil (2019: nil).

		2020	2019
8	**Other operating income**	₦'000	₦'000
	Rental income	10,940	11,057
	Other income	36,692	13,195
	Profit on disposal of property, plant and equipment	2,005	3,192
	Fair value gain or loss on financial investments at FVTPL	70,556	-
	Foreign exchange gain	73	-
		120,266	27,444

Other income includes dividend income earned on equity investments, card maintenance fees, e-charges fees etc.

		2020	2019
9	**Credit loss expense**	₦'000	₦'000
	Credit loss expense- Loans and advances	3,806,463	79,216
	Credit loss expense- balances due from CBN	1,435	193
	Credit loss expense- balances due from banks	54,346	149
	Credit loss expense- other assets	1,630	-
	Credit loss expense- Financial assets at amortised cost	24,053	-
		3,887,927	79,558

During the year, the bank got an approval from the board to write off N4.42billion worth of loans.

The table below shows the ECL charges on financial instruments for the year ended 31 December 2020:

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Balances with Central Bank of Nigeria	1,435	-	-	1,435
Due from banks	54,346	-	-	54,346
Other assets	1,630	-	-	1,630
Loans and advances	(139,216)	(22,543)	3,968,222	3,806,463
Financial assests at amortised cost	24,053	-	-	24,053
Total impairment loss	(57,752)	(22,543)	3,968,222	3,887,927

The table below shows the ECL charges on financial instruments for the year ended 31 December 2019:

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Balances with Central Bank of Nigeria	193	-	-	193
Due from banks	149	-	-	149
Loans and advances	105,168	7,474	(33,426)	79,216
Total impairment loss	105,510	7,474	(33,426)	79,558

		2020	2019
10	**Personnel expenses**	**₦'000**	**₦'000**
	Wages, salaries and other staff costs	361,416	288,830
	Retirement contribution plan	24,119	20,489
	Medical expenses	28,906	23,773
		414,441	333,092

		2020	2019
11	**Depreciation**	**₦'000**	**₦'000**
	Depreciation of property, plant and equipment (Note 22)	57,678	39,253
		57,678	39,253

		2020	2019
12	**Other operating expenses**	**₦'000**	**₦'000**
	Directors remuneration	108,090	92,159
	Subscriptions, publications, stationeries and communications	106,090	76,291
	Property and equipment repairs and maintenance	38,429	39,495
	Insurance expenses	29,677	29,552
	Electricity and gas	26,578	23,682
	Deposit insurance commission	27,741	25,218
	Auditors remuneration	12,000	12,000
	Professional fees	30,052	24,311
	Security costs	7,148	7,466
	Advertisement	3,722	4,907
	Bank charges	1,543	2,657
	Donation	397	480
	Lease charges - short term	7,807	7,807
	Directors related expenses	368,959	3,614
	Other expenses	143,158	123,972
		911,391	**473,611**

Other expenses is made up of rates, service charges, staff training, travelling expenses, lunch costs and general expenses.

		2020	2019
13	**Income tax expense**	**₦'000**	**₦'000**
13.1	**Current income tax for the year**		
	Income tax	3,747	6,941
	Education tax	-	3,182
	Capital gains tax	-	570
	Total current income tax expense	3,747	10,693
	Deferred tax (Net)		
	Deferred Tax - Current origination and revesal	-	-
	Income tax expense	3,747	10,693

13.2 Reconciliation of effective tax rate

The effective income tax rate for 2020 is 0.1% (2019: 21%).

The Bank is assessed on minimum tax for 2020 in compliance with the provision of the Finance Act 2020.

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. In compliance with Finance Act 2020, the rate shall be reduced to 0.25% for tax returns filed in respect of any year of assessment that is due on any date between 1st January 2020 and 31st December 2021.

		2020	2019
13.2	**Reconciliation of effective tax rate**	**₦'000**	**₦'000**
	Loss before income tax	(4,297,872)	(51,943)
	Income tax using the domestic		
	Corporation tax rate 30% (2019: 30%)	(1,289,362)	(15,583)
	Income not subject to tax	(176,166)	(2,669)
	Non-deductible expenses	552,846	60,126
	Education tax	-	3,182
	Capital gains tax	-	570
	Unrecognised tax losses*	912,682	(41,874)
	Effect of minimum tax floor	3,747	6,941
		3,747	**10,693**

		2020	2019
		₦'000	₦'000
13.3	**Current income tax payable**		
	At beginning of the year	27,982	32,289
	Income tax expense	3,747	10,693
	Payments during the year	(10,123)	(15,000)
	At end of the year	21,606	27,982

*Unrecognised tax losses have been disclosed in the reconciliation along with prior year.

14 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 6,337,619 at year end (2019: 4,200,000,000)

	2020	2019
Loss after income tax attributable to the shareholders (₦'000)	(4,301,619)	(62,636)
Issued share capital (Unit '000)	4,200,000	4,200,000
Add: Additional share issued during the year	2,137,619	-
Weighted average number of shares ('000)	6,337,619	4,200,000
(in kobo)	**(67.87)**	**(1.49)**

Diluted

There was no diluting instruments as at the reporting date. Hence, diluted loss per share is the same as basic loss per share.

		2020	2019
15	**Cash on hand**	₦'000	₦'000
	Cash	2,020	785
		2,020	785
16	**Cash balances with central bank**		
	Deposits with CBN	292,000	129,254
	Allowances for impairment on Deposits with CBN	(2,226)	(791)
		289,774	128,463

See Note 17 for nature of deposits with CBN.

16.1 Impairment allowance on cash balances with CBN

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	2020			
Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	N '000	N '000	N '000
Performing	-	-	-	-
Standard grade	292,000	-	-	292,000
Sub-standard grade	-	-	-	-
Non- performing	-	-	-	-
Individually impaired	-	-	-	-
Total	**292,000**	**-**	**-**	**292,000**

	2019			
Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	N '000	N '000	N '000
Performing	-	-	-	-
Standard grade	129,254	-	-	129,254
Sub-standard grade	-	-	-	-
Non- performing	-	-	-	-
Individually impaired	-	-	-	-
Total	**129,254**	**-**	**-**	**129,254**

An analysis of changes in the gross carrying amount and the corresponding ECL allowance is, as follows:

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	**N '000**	**N '000**	**N '000**
Gross carrying amount as at 1 January 2020	129,254	-	-	129,254
New assets originated or purchased	162,746	-	-	162,746
Assets derecognised or repaid (excluding write-offs)	-	-	-	-
Change in fair value	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not derecognised	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2020	292,000	-	-	292,000

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	**N '000**	**N '000**	**N '000**
Gross carrying amount as at 1 January 2019	116,935	-	-	116,935
New assets originated or purchased	12,319	-	-	12,319
Assets derecognised or repaid (excluding write-offs)	-	-	-	-
Change in fair value	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not derecognised	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2019	129,254	-	-	129,254

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	**N '000**	**N '000**	**N '000**
ECL allowance as at 1 January 2020	791	-	-	791
New assets originated or purchased	1,435	-	-	1,435
Assets derecognised or repaid (excluding write offs)	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the	-	-	-	-
Unwind of discount (recognised in interest income)	-	-	-	-
Changes due to modifications not resulting in	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
At 31 December 2020	2,226	-	-	2,226

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	**N '000**	**N '000**	**N '000**
ECL allowance as at 1 January 2019	598	-	-	598
New assets originated or purchased	193	-	-	193
Assets derecognised or repaid (excluding write offs)	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the	-	-	-	-
Unwind of discount (recognised in interest income)	-	-	-	-
Changes due to modifications not resulting in	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
At 31 December 2019	791	-	-	791

		2020	2019
17	**Due from banks**	**₦'000**	**₦'000**
	Balances with FMBN	250	250
	Balances with other banks	493,453	273,106
	Fixed placement with banks	8,357,064	1,561,261
		8,850,767	1,834,617
	Allowances for impairment on Balances due from other banks	(57,558)	(3,212)
		8,793,209	1,831,405

Rate range analysis:

	2020	2019
Balances with other banks		
Fixed placements with banks	3.0%-15.0%	6.0%-15.0%

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.

17.1 **Impairment allowance on due from banks**

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	2020			
Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	N '000		N '000
Performing				
Standard grade	8,850,767	-	-	8,850,767
Sub-standard grade	-	-	-	-
Non- performing	-	-	-	-
Individually impaired	-	-	-	-
Total	**8,850,767**	**-**	**-**	**8,850,767**

	2019			
Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	N '000		N '000
Performing				
Standard grade	1,834,617	-	-	1,834,617
Sub-standard grade	-	-	-	-
Non- performing	-	-	-	-
Individually impaired	-	-	-	-
Total	**1,834,617**	**-**	**-**	**1,834,617**

An analysis of changes in the gross carrying amount and the corresponding ECL allowance is, as follows:

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	N '000	N '000	N '000
Gross carrying amount as at 1 January 2020	1,834,617	-	-	1,834,617
New assets originated or purchased	8,850,767	-	-	8,850,767
Assets derecognised or repaid (excluding write-offs)	(1,834,617)	-	-	(1,834,617)
Change in fair value	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not derecognised	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2020	8,850,767	-	-	8,850,767

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	N '000	N '000	N '000
Gross carrying amount as at 1 January 2019	770,060	-	-	770,060
New assets originated or purchased	1,325,891	-	-	1,325,891
Assets derecognised or repaid (excluding write-offs)	(261,334)	-	-	(261,334)
Change in fair value	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not derecognised	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2019	1,834,617	-	-	1,834,617

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	N '000	N '000	N '000
ECL allowance as at 1 January 2020	3,212	-	-	3,212
New assets originated or purchased	57,558	-	-	57,558
Assets derecognised or repaid (excluding write offs)	(3,212)	-	-	(3,212)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between	-	-	-	-
Unwind of discount (recognised in interest income)	-	-	-	-
Changes due to modifications not resulting in	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
At 31 December 2020	57,558	-	-	57,558

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	N '000	N '000	N '000
ECL allowance as at 1 January 2019	3,063	-	-	3,063
New assets originated or purchased	1,261	-	-	1,261
Assets derecognised or repaid (excluding write offs)	(1,112)	-	-	(1,112)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between	-	-	-	-
Unwind of discount (recognised in interest income)	-	-	-	-
Changes due to modifications not resulting in	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
At 31 December 2019	3,212	-	-	3,212

		2020	2019
18	**Loans and advances**	**₦'000**	**₦'000**
	Mortgages	4,807,300	8,296,776
	Advances	582,838	541,231
	National Housing Fund	235,485	357,332
		5,625,623	9,195,339
	ECL allowance- Mortgages	(787,260)	(1,421,832)
	- Advance	(20,417)	(18,475)
	- National Housing Fund	(29,854)	(16,891)
	ECL Allowance- Loans and Advances	(837,531)	(1,457,198)
	Total	4,788,092	7,738,141

18.1 Impairment allowances on Loans and advances

18.1.1 *Mortgages*

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	2020			
Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	N '000	N '000	N '000
Performing				
Standard grade	2,259,834	-	-	2,259,834
Sub-standard grade	-	15,024	-	15,024
Non- performing				
Individually impaired	-	-	2,532,442	2,532,442
Total	2,259,834	15,024	2,532,442	4,807,300

	2019			
Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	N '000	N '000	N '000
Performing				
Standard grade	2,620,110	-	-	2,620,110
Sub-standard grade	-	391,073	-	391,073
Non- performing				
Individually impaired	-	-	5,285,593	5,285,593
Total	2,620,110	391,073	5,285,593	8,296,776

An analysis of changes in the gross carrying amount and the corresponding ECL allowance in relation to mortgage loan is, as follows:

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	N '000	N '000	N '000
Gross carrying amount as at 1 January 2020	2,620,110	391,073	5,285,593	8,296,776
New assets originated or purchased	5,261,890	-	-	5,261,890
Assets derecognised or repaid (excluding write-offs)	(562,038)	(376,235)	(3,435,808)	(4,374,081)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(186)	186	-	-
Transfers to Stage 3	(5,059,942)	-	5,059,942	-
Changes due to modifications not derecognised	-	-	-	-
Amounts written off	-	-	(4,377,285)	(4,377,285)
Foreign exchange adjustments	-	-	-	-
At 31 December 2020	2,259,834	15,024	2,532,442	4,807,300

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	N '000	N '000	N '000
Gross carrying amount as at 1 January 2019	2,614,447	423,143	4,787,823	7,825,413
New assets originated or purchased	1,200,582	-	-	1,200,582
Assets derecognised or repaid (excluding write-offs)	(607,614)	(14,143)	-	(621,757)
Transfers to Stage 1	17,927	(17,927)	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	(605,232)	-	605,232	-
Changes due to modifications not derecognised	-	-	-	-
Amounts written off	-	-	(107,462)	(107,462)
Foreign exchange adjustments	-	-	-	-
At 31 December 2019	2,620,110	391,073	5,285,593	8,296,776

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	N '000	N '000	N '000
ECL allowance as at 1 January 2020	152,992	22,280	1,246,560	1,421,832
New assets originated or purchased	2,576,865	-	-	2,576,865
Assets derecognised or repaid (excluding write offs)	(9,111)	(22,280)	(204,760)	(236,151)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	(2,706,564)	-	2,706,564	-
Impact on year end ECL of exposures transferred between	-	-	1,401,999	1,401,999
Unwind of discount (recognised in interest income)	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	(4,377,285)	(4,377,285)
At 31 December 2020	14,182	0	773,078	787,260

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	N '000	N '000	N '000
ECL allowance as at 1 January 2019	113,208	15,008	1,335,592	1,463,808
New assets originated or purchased	81,911	-	-	81,911
Assets derecognised or repaid (excluding write offs)	(13,030)	-	(3,395)	(16,425)
Transfers to Stage 1	3,156	(3,156)	-	-
Transfers to Stage 2	(10,428)	10,428	-	-
Transfers to Stage 3	(21,825)		21,825	-
Impact on year end ECL of exposures transferred between	-	-	-	-
Unwind of discount (recognised in interest income)	-	-	-	-
Changes due to modifications not resulting in	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	(107,462)	(107,462)
At 31 December 2019	152,992	22,280	1,246,560	1,421,832

The decrease in ECLs of the mortgage portfolio was driven by a reduction in the gross carrying amount of the portfolio and movements between stages as a result of increases in credit risk and a deterioration in economic condition.

18.1.2 *Advance loans*

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	2020			
Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	N '000	N '000	N '000
Performing				-
Standard grade	560,653	-	-	**560,653**
Sub-standard grade	-	-	-	-
Non- performing	-	-	-	-
Individually impaired	-	-	22,185	**22,185**
Total	**560,653**	**-**	**22,185**	**582,838**

	2019			
Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	N '000	N '000	N '000
Performing				
Standard grade	521,087	-	-	521,087
Sub-standard grade	-	-	-	-
Non- performing	-	-	-	-
Individually impaired	-	-	20,144	20,144
Total	521,087	-	20,144	541,231

An analysis of changes in the gross carrying amount and the corresponding ECL allowance in relation to Advance loan is, as follows:

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	N '000	N '000	N '000
Gross carrying amount as at 1 January 2020	521,087	-	20,144	541,231
New assets originated or purchased	113,879	-	-	113,879
Assets derecognised or repaid (excluding write-offs)	(72,259)	-	(13)	(72,272)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	(2,054)	-	2,054	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2020	560,653	-	22,185	582,838

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	N '000	N '000	N '000
Gross carrying amount as at 1 January 2019	600,317	-	53,182	653,499
New assets originated or purchased	22,241	-	-	22,241
Assets derecognised or repaid (excluding write-offs)	(62,159)	-	-	(62,159)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	(39,312)	-	39,312	-
Amounts written off	-	-	(72,350)	(72,350)
Foreign exchange adjustments	-	-	-	-
At 31 December 2019	521,087	-	20,144	541,231

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	N '000	N '000	N '000
ECL allowance as at 1 January 2020	-	-	18,475	18,475
New assets originated or purchased	2,464	-	-	2,464
Assets derecognised or repaid (excluding write offs)	(1,930)	-	-	(1,930)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	(523)	-	523	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	1,408	1,408
Unwind of discount (recognised in interest income)	-	-	-	-
Changes due to modifications not resulting in	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Amounts written off	-	-	-	-
At 31 December 2020	11	-	20,406	20,417

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	N '000	N '000	N '000
ECL allowance as at 1 January 2019	16	-	50,976	50,992
New assets originated or purchased	5,077	-	-	5,077
Assets derecognised or repaid (excluding write offs)	(16)	-	-	(16)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	(5,077)	-	5,077	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount (recognised in interest income)	-	-	-	-
Changes due to modifications not resulting in	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Amounts written off	-	-	(37,578)	(37,578)
At 31 December 2019	-	-	18,475	18,475

The increase in ECLs of the advance portfolio was driven by an increase in the gross carrying amount of the portfolio and movements between stages as a result of increases in credit risk and a deterioration in economic condition.

18.1.3 *National Housing Fund*

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	2020			
Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total
	N '000	N '000		N '000
Performing				
Standard grade	160,906	-	-	160,906
Sub-standard grade	-	10,307	-	10,307
Non- performing	-	-	-	-
Individually impaired	-	-	64,272	64,272
Total	**160,906**	**10,307**	**64,272**	**235,485**

	2019			
Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total
	N '000	N '000		N '000
Performing				
Standard grade	187,045	-	-	187,045
Sub-standard grade	-	11,704	-	11,704
Non- performing	-	-	-	-
Individually impaired	-	-	158,583	158,583
Total	187,045	11,704	158,583	357,332

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to National Housing Fund is, as follows:

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	N '000	N '000	N '000
Gross carrying amount as at 1 January 2020	187,045	11,704	158,583	357,332
New assets originated or purchased	59,659	-	-	59,659
Assets derecognised or repaid (excluding write-offs)	(26,047)	(1,397)	(105,218)	(132,662)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	(59,644)	-	59,644	-
Changes due to modifications not derecognised	-	-	-	-
Amounts written off	(107)	-	(48,737)	- 48,844
Foreign exchange adjustments	-	-	-	-
At 31 December 2020	160,906	10,307	64,272	235,485

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	N '000	N '000	N '000
Gross carrying amount as at 1 January 2019	165,338	14,995	152,017	332,350
New assets originated or purchased	30,909	-	-	30,909
Assets derecognised or repaid (excluding write-offs)	- 5,927	-	-	(5,927)
Change in fair value	-	-	-	-
Transfers to Stage 1	20,433	(4,571)	(15,862)	-
Transfers to Stage 2	-	1,280	(1,280)	-
Transfers to Stage 3	(23,708)	-	23,708	-
Changes due to modifications not derecognised	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2019	187,045	11,704	158,583	357,332

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	N '000	N '000	N '000
ECL allowance as at 1 January 2020	568	263	16,060	16,891
New assets originated or purchased	29,842	-	-	29,842
Assets derecognised or repaid (excluding write offs)	(449)	(263)	(5,345)	(6,057)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	(29,810)	-	29,810	-
Impact on year end ECL of exposures transferred between	-	-	16,438	16,438
Unwind of discount (recognised in interest income)	-	-	-	-
Changes due to modifications not resulting in	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	21,584	21,584
Amounts written off	(107)	-	(48,737)	(48,844)
At 31 December 2020	44	-	29,810	29,854

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	N '000	N '000	N '000
ECL allowance as at 1 January 2019	539	61	7,621	8,221
New assets originated or purchased	8,759	-	-	8,759
Assets derecognised or repaid (excluding write offs)	(89)	-	-	(89)
Transfers to Stage 1	160	(115)	(45)	-
Transfers to Stage 2	-	317	(317)	-
Transfers to Stage 3	(8,801)	-	8,801	-
Impact on year end ECL of exposures transferred between	-	-	-	-
Unwind of discount (recognised in interest income)	-	-	-	-
Changes due to modifications not resulting in	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Amounts written off	-	-	-	-
At 31 December 2019	568	263	16,060	16,891

The increase in ECLs of the NHF portfolio was driven by a reduction in the collateral values attached to the NHF portfolios.

18.2 **Analysis by sector (Gross)**

	2020	2019
	₦'000	₦'000
Construction Loans	2,327,500	3,500,470
Mortgage FMBN bonds	3,664	3,834
Mortgage Home Loans	2,251,063	4,497,273
NHF Loans	231,821	353,499
School Loans	208,845	274,020
Staff Mortgage Loan	14,071	25,013
Staff Personal Loan	10,801	30
Staff Share Loan	406,816	432,120
Other Loans	171,042	109,080
	5,625,623	9,195,339

18.3 Analysis by security (gross)

	2020	2019
	₦'000	₦'000
Secured against real estate	4,848,464	8,420,763
Other security	756,315	755,589
Unsecured	20,844	18,987
	5,625,623	9,195,339

Other security consists of assets with other securities such as equities, salary domiciliation, third party guarantee and cash in lien.

18.4 Loans and advances general terms and conditions

	2020		2019	
	Interest rate	₦'000	Interest rate	₦'000
Tenor				
1 to 5 years	10.1	4,077,746	14	6,759,958
6 to 10 years	7.8	957,195	12	1,076,865
11 to 15years	6.3	560,224	8	686,483
Above 15years	6	30,459	7	672,033
		5,625,623		9,195,339

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

	2020	2019
19 Financial investments - securities at FVTPL	₦'000	₦'000
Quoted equity investments	258,778	258,778
Fair value gain or loss on financial investments at FVTPL	70,556	-
	329,334	**258,778**

Equity investment represents shares in Universal Insurance Plc and the Nigeria Mortgage Refinancing Company (NMRC). These shares are quoted on the National Association of Securities Dealer.

	2020	2019
	₦'000	₦'000
20 Financial Investments- securities at amortised cost		
Treasury bills	-	648,316
FGN Bonds	1,825,936	-
Corporate bonds	1,024,481	-
	2,850,417	648,316
Allowance for impairment on Investment Securities at amortised cost	(24,053)	-
	2,826,364	**648,316**

The securities measured at amortised cost as disclosed here consist of investment in federal government bonds and corporate bond. The outstanding balance above includes interest accrued.

For the purpose of cashflows statement, actual cash outflow for the purchase of financial investment at amortised cost is N2,825,530 (2019: N630,001).

20.1 Impairment allowance on securities at amortised cost

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	2020			
Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	**N '000**	**N '000**	**N '000**
Performing	-	-	-	-
Standard grade	2,850,417	-	-	2,850,417
Sub-standard grade	-	-	-	-
Non- performing	-	-	-	-
Individually impaired	-	-	-	-
Total	**2,850,417**	**-**	**-**	**2,850,417**

	2019			
Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	**N '000**	**N '000**	**N '000**
Performing	-	-	-	-
Standard grade	648,316	-	-	648,316
Sub-standard grade	-	-	-	-
Non- performing	-	-	-	-
Individually impaired	-	-	-	-
Total	**648,316**	**-**	**-**	**648,316**

An analysis of changes in the gross carrying amount and the corresponding ECL allowance is, as follows:

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	**N '000**	**N '000**	**N '000**
Gross carrying amount as at 1 January 2020	648,316	-	-	648,316
New assets originated or purchased	2,825,530	-	-	2,825,530
Assets derecognised or repaid (excluding write-offs)	(648,316)	-	-	(648,316)
Accrued interest	24,887	-	-	24,887
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not derecognised	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2020	2,850,417	-	-	2,850,417

An analysis of changes in the gross carrying amount and the corresponding ECL allowance is, as follows:

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	**N '000**	**N '000**	**N '000**
Gross carrying amount as at 1 January 2019	-	-	-	-
New assets originated or purchased	630,001	-	-	630,001
Assets derecognised or repaid (excluding write-offs)	-	-	-	-
Accrued interest	18,315	-	-	18,315
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not derecognised	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2019	648,316	-	-	648,316

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	**N '000**	**N '000**	**N '000**
ECL allowance as at 1 January 2020	-	-	-	-
New assets originated or purchased	24,053	-	-	24,053
Assets derecognised or repaid (excluding write offs)	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
At 31 December 2020	24,053	-	-	24,053

21 Other assets

	2020	2019
	₦'000	₦'000
Financial assets:		
Sundry receivables	30,375	89,469
Balance with other financial institutions	151,544	151,544
	181,919	241,013
Non financial assets:		
Prepayments	14,059	89,500
Witholding tax receivable	65,949	28,698
Stationery and stocks	9,738	6,269
	89,746	124,467
Total Gross amount	271,665	365,480
Allowance for impairment of other assets - (note 21.1)	(153,923)	(152,292)
	117,742	213,188

Sundry receivables is made up of fees receivable and the resultant provision for the year is detailed in Note 21.1 .

Balance with other financial institutions had been being fully provided for in the prior year.

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

21.1 Movement of allowance for impairment of other assets

	2020	2019
	₦'000	₦'000
Balance at the beginning of year	152,292	152,292
Provision for the year	1,630	-
End of the year	153,923	152,292

22 Property and Equipment

	Land and building ₦'000	Office furniture and equipment ₦'000	Computer equipment ₦'000	Motor vehicles ₦'000	Total ₦'000
Cost					
At 1 January 2020	1,156,972	185,373	107,315	253,709	1,703,369
Additions	-	19,573	22,100	14,000	55,673
Disposal	-	(3,426)	-	(71,490)	(74,916)
At 31 December 2020	1,156,972	201,520	129,415	196,219	1,684,126
Accumulated depreciation					
At 1 January 2020	172,519	150,670	103,764	181,896	608,849
Charge for the year	22,898	11,759	3,375	19,646	57,678
Disposals	-	(3,426)	-	(71,490)	(74,916)
At 31 December 2020	195,417	159,003	107,139	130,052	591,611
Cost					
At 1 January 2019	1,156,972	184,232	106,461	209,988	1,657,653
Additions	-	1,141	854	71,500	73,495
Disposal	-	-	-	(27,779)	(27,779)
At 31 December 2019	1,156,972	185,373	107,315	253,709	1,703,369
Accumulated depreciation					
At 1 January 2019	149,596	139,569	102,285	205,925	597,375
Charge for the year	22,923	11,101	1,479	3,750	39,253
Disposals	-	-	-	(27,779)	(27,779)
At 31 December 2019	172,519	150,670	103,764	181,896	608,849
NBV at 31 December 2020	**961,555**	**42,517**	**22,276**	**66,167**	**1,092,515**
NBV at 31 December 2019	**984,453**	**34,703**	**3,551**	**71,813**	**1,094,520**

There were no restrictions on title ,no asset pledge as security for liabilities and no contractual commitment to purchase PPE during the year.

23 Intangible assets

	2020		2019	
	Computer Software	**Total**	**Computer Software**	**Total**
	₦'000	**₦'000**	**₦'000**	**₦'000**
Cost				
At 1 January	124,031	124,031	120,831	120,831
Addition	11,606	11,606	3,200	3,200
At 31 December	135,637	135,637	124,031	124,031
Accumulated Amortisation				
At 1 January	112,516	112,516	99,365	99,365
Amortisation charge	6,502	6,502	13,151	13,151
At 31 December	119,018	119,018	112,516	112,516
Carrying amount	**16,619**	**16,619**	**11,515**	**11,515**

The intangible assets consist wholly of the Bank's computer software.
The Bank performed its annual impairment test as at 31 December 2020 and 2019, and there were no indicators of impairment of assets held as at these dates.

24 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 its 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, however significant portion of the assets have been sold and the Bank is committed to dispose -off the remaining assets within the next 12 months.

	2020	**2019**
	₦'000	**₦'000**
As at 1 January	334,681	2,368,626
Returned assets	-	45,251
Disposal	(70,000)	(2,079,196)
As at 31 December	264,681	334,681

No asset was repossessed from customers that defaulted on loans and advances during the year (2019: nil)

		2020	2019
		₦'000	₦'000
25	**Deposits from customers**		
	Demand Deposits	3,581,097	762,688
	Savings Deposits	2,084,120	1,274,514
	Term Deposits	8,964,223	4,303,395
		14,629,440	6,340,597
	Within one year	14,542,607	6,257,214
	More than one year	86,833	83,383
		14,629,440	6,340,597
26	**Other liabilities**		
	Financial Liabilities		
	Accounts payable	200,194	146,392
	Lease liability	7,186	1,686
		207,380	148,078
	Non- Financial Liabilities		
	Other liabilities	34,240	15,902
	Information technology levy	1,487	2,412
	Staff pension contribution	1,394	3,603
	Rent received in advance	462	643
		37,583	22,560
		244,963	170,638

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.

Lease liability is in respect of lease of office space for some of the Bank's branches. The Bank's enforceable right under the Nigerian law is to the extent of the amount paid. The lease liability relates to accruals of the short term leases and this will expire within the next 12 months.

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 or loss of the year in which they become payable. Payments are made to pension fund administration companies who are financially independent of the Bank.

	2020	2019
Defined contribution scheme	₦'000	₦'000
Pension liability	1,394	3,603

		2020	2019
		₦'000	₦'000
27	**Due to National Housing Fund**		
	Due to National Housing Fund	269,300	325,835

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.

28 Deferred tax liabilities

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2019: 30%).

		2020	2019
		₦'000	₦'000
28.1	**Deferred tax liabilities are attributable to the following:**		
	Accelerated tax depreciation	251,667	227,658
	Non-current assets held for sale	2,633	203,416
	Allowances for loan losses	(31,384)	(57,634)
	Other assets	46,210	45,688
	Net fair value gain on financial asset	-	920
	Unutilised capitalised allowance	(318,419)	(274,228)
	Tax loss carried forward	(1,554,965)	(300,825)
	Unrecognised deferred tax assets	1,604,258	155,005
		-	-

28.2 Movements in temporary differences during the year:

	At beginning of year	Recognised in equity 1 January 2020	Recognised in profit or loss	At end of year
	₦'000	₦'000	₦'000	₦'000
Accelerated depreciation	227,658	-	24,009	251,667
Non-current assets held for sale	203,416	-	(200,783)	2,633
Allowances for loan losses	(57,634)	-	26,250	(31,384)
Other assets	45,688	-	522	46,210
Net fair value gain on financial asset	920	-	(920)	-
Unutilised capitalised allowance	(274,228)	-	(44,191)	(318,419)
Tax loss carried forward	(300,825)	-	(1,254,140)	(1,554,965)
Unrecognised deferred tax assets	155,005	-	1,449,253	1,604,258
	-	-	-	-

		2020	2019
29	**Share capital**	₦'000	₦'000
29.1	**Authorised**		
	Ordinary shares of 50 kobo each	6,000,000	6,000,000

There is no movement in the authorised share capital during the year.

		2020	2019
29.2	**Issued and fully paid**	Unit'000	Unit'000
	Ordinary shares of 50k each	6,461,538	4,200,000
		₦'000	₦'000
	Issued and fully paid	3,230,769	2,100,000

		2020	2020	2019	2019
30.2.1	Movement in share capital	Unit'000	₦'000	Unit'000	₦'000
	At 1 January	4,200,000	2,100,000	4,200,000	2,100,000
	Share issued at 50kobo each	2,261,538	1,130,769	-	-
	At 31 December	6,461,538	3,230,769	4,200,000	2,100,000

During the year, the Bank increased its issued share capital by 2.26billion shares at 50 kobo each.

		2020	2019
30	**Share premium**	₦'000	₦'000
	Balance as at 31 December	4,008,277	2,877,126

		2020	2019
31.1	Movement in share premium	₦'000	₦'000
	At 1 January	2,877,126	2,877,126
	Share premium on issued shares at 55k each	1,243,846	-
	Transaction costs on share issue	(112,695)	-
	At 31 December	4,008,277	2,877,126

Share premium reserves represents the excess of share issued price over the nominal value per share. The movement in share premium is as a result of the additional shares issued.

		2020
31.2	For cashflow purposes,	₦'000
	Proceeds from share issue	2,374,615
	Transaction costs on share issue	(112,695)

		2020	2019
		₦'000	₦'000
31	**Accumulated losses:**		
	Balance at beginning of year	(2,093,350)	(1,328,039)
	Loss for the year	(4,301,619)	(62,636)
	Transfer from/ (to) regulatory risk reserve	1,365,226	(702,675)
	Balance at end of year	(5,029,743)	(2,093,350)

32 Statutory reserve:

Undistributable earnings required to be kept in line with the central bank of Nigeria's Prudential guideline.

	2020	2019
	₦'000	₦'000
At the beginning of the year	298,440	298,440
Transfer from profit or 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 (2019: Nil).

	2020	2019
33 Additional cash flow information	₦'000	₦'000
Cash and cash equivalents		
Cash on hand (note 15)	2,020	785
Balances with other banks	493,453	273,106
Fixed placement with banks	8,357,064	1,561,261
	8,852,537	1,835,152

The deposits with the Central Bank and FMBN (see Notes 16 and 17) are not available to finance the Bank's day–to–day operations and, therefore, are not part of cash and cash equivalents.

The tenor for the fixed placements ranges between less than 90days

	2020	2019
33.1 Change in Operating assets	₦'000	₦'000
Net change in loans and advances to customers	(856,414)	(529,116)
Net change in other assets	93,816	(132,892)
Net change in cash reserve with CBN	(162,746)	(12,319)
Net change in financial instruments at amortised cost	(2,177,214)	(630,001)
	(3,102,558)	(1,304,328)

		Note	2020	2019
33.2	**Change in operating liabilities**		**₦'000**	**₦'000**
	Net change in due to customers		8,288,843	442,278
	Net change in due to National Housing Fund		(56,535)	(27,692)
	Net change in other liabilities		74,325	(45,682)
			8,306,633	368,904

		Note	2020	2019
33.3	**Adjustment for non-cash items**			
	Depreciation of property and equipment	11	57,678	39,253
	Short term lease expenses	11	-	7,807
	Amortisation of intangible assets	23	6,502	13,151
	Impairment charge on loans and advances	9	3,806,463	79,216
	Impairment charge on cash balances with central bank	9	1,435	193
	Impairment charge on due from banks	9	54,346	149
	Impairment charge on financial assets at amortised cost	9	24,053	-
	Impairment charge on other assets	9	1,630	-
	Accrued interest on financial assets designated at amortised cost	5	(24,887)	(18,315)
	Loss on sale of non-current assets held for sale		860	13,796
	Fair value gain on equity instruments at FVPL		(70,556)	-
	Dividend income received		(21,500)	-
	Profit on sale of property and equipment		(2,005)	(3,192)
			3,834,019	132,058

		2020	2019
33.4	**Operational cashflows from interest***		
	Interest paid	588,690	488,118
	Interest received	1,399,438	978,697

* Cash flows from operating interest is analysed into interest paid and received. This is also reflected for prior year.

34 Contingencies and commitments

34.1 Guarantees and other commitments

The Bank has no guarantees and other commitments as at 31 December 2020 (2019:Nil).

34.2 Capital commitments

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

34.3 Claims and litigations

The Bank in the ordinary course of business is presently involved in two (2019: four) claims and litigations relating to customer disputes. Maximum exposure for the Bank is ₦150,000,000 (2019: ₦150,400,000). Management does not believe these claims and litigations will be successful. Thus, no provision has been made.

35 Operating leases

Bank as lessee

The Bank entered into commercial leases for premises. These leases have an average life of one year but they are renewable annually. There are no restrictions placed upon the lessee by entering into these leases.

Below is the undiscounted potential future rental payments relating to periods following the lease term of a year.

	2020	2019
	₦'000	₦'000
Due within 1 year	7,808	7,808
Due 2-5 years	-	-
Due greater than 5 years	-	-
	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 acts as lessor of commercial premises. These leases have an average life of one year with no renewal option. There are no restrictions placed upon the lessee by entering into these leases.

	2020	2019
	₦'000	₦'000
Due within one year		9,943
Due within two-five years	-	-
	-	9,943

As at 31 December 2020, there are no future minimum lease payments under the non-cancellable operating leases.

The Bank has received rental income in advance for properties and has been capitalised in other liabilities as ₦462,000 (2019: ₦643,000).

The total rent recognised as income during the year is ₦10.94million (2019: ₦11.057million).

The properties are occupied by the Bank for its business operations with insignificant space being rented to third parties.

36 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 reporting date, which are all performing amounted to ₦347.8million (2019: ₦249.1million).

Name of Borrower	Relationship to Bank	Amount outstanding 2020	Amount outstanding 2019	Interest paid 2020	Interest paid 2019	Facility type	Status	Nature of security
		₦'000	₦'000	₦'000	₦'000			
Rosabon Investment Company Limited	Bank's former chairman is majority shareholder and director of the Company	8,107	36,955	5,458	11,225	Working capital	Performing	Equitable mortgage/Cash
Infant Jesus Academy	Bank'sformer MD/CEO is a Director of the School	153,700	194,800	24,171	29,899	Mortgage loan	Performing	Legal mortgage
Chike Chiemeke	A brother to the Bank's former MD/CEO	-	17,417	866	3,160	Mortgage loan	Performing	Legal mortgage
Mr. Madu Hamman	Bank's Managing Director	-	-	-	6	Housing loan	Performing	Legal mortgage
Nwosisi Andrew	Bank's former executive director	-	-	-	58	Housing loan	Performing	Legal mortgage
Osnon Capital Limited	The Bank's Director (Nonso Okpala is a Director of the Company)	185,978	-	5,557	-	Housing loan	Performing	Legal mortgage
		347,785	**249,172**	**36,052**	**44,348**			

The Bank rents properties for two of its branches from the the Bank's former chairman who retired at the end of February 2020. The rental charge for the current year is ₦5,500,000 (2019: ₦5,500,000) and the amount payable at the year end is ₦6,416,710 (2019: ₦416,686.68).

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 2020 and 2019, all related party facilities were performing at year end and as such there were no amounts provided for.

		2020	2019
36.1	**Key management compensation**	**₦'000**	**₦'000**
	Salaries and other short term employee benefits	75,832	70,379
	Post -employment benefits	4,349	4,026
		80,181	74,405

36.2	**Directors emoluments**		
	Fees	23,638	14,750
	Executive Compensation	75,832	70,379
	Defined contribution scheme	4,349	4,026
	Sitting allowances	8,620	7,030
		112,439	96,185
	The highest paid Director's compensation	21,381	29,000

37 Events after reporting date

Share issue

In addition to the private placement of N2.37 billion whose full proceeds the bank received after CBN verification in January 2020, a rights issue of 4 for 7 amounting to 3.69 billion units of ordinary shares of 50k at 82 kobo per share is in progress and had reached an advance stage as at 31 December 2020. The Acceptance List for the rights issue opened on 4 January 2021 and this has closed 11 February 2021.

Covid 19 Impact

Management has assessed the impact of the COVID-19 on the going concern of Bank and has concluded that the use of the going concern is appropriate and that the Bank will be able to recover its assets and discharge its liabilities in the foreseeable future for at least the next 12 months. Management however has noted COVID-19 as strategic and operational risks and is monitoring it closely and mitigating its impact as appropriate.

Funding and Liquidity

The pandemic is expected to impact liquidity risk, exchange rate risk and interest rate risk faced by the bank. The Bank has a robust liquidity management framework and contingency funding plan that builds in adequate buffers to support liquidity run-off in a stress scenario. The liquidity ratio of the bank as at 31 December 2020 was 61.99% and projects that it will remain above the the regulatory limit 20% during the crisis period. Also the Bank' will be less impacted by foreign exchange risk as its exposure to foreign assets is insignificant.

Analysis of balance sheet

The Bank as performed a line-by-line analysis of its balance sheet and has done an assessment of whether the current uncertainty may impact any of the amounts presented at 31 December 2020. The Bank has assessed that the coronavirus affects the business of the Bank's borrowing customers. The Bank has performed an analysis and reviewed the portfolio and the impact the pandemic would have on the Bank's credit portfolio. Management has concluded however that the amounts recognised in the financial statements do not require further adjustment but will continue to monitor situation as new information becomes available and adjustment thereof will be reflected in the appropriate reporting period.

38 Dividend payable

No dividend was paid or proposed for the year (2019: Nil).

39 Compliance with banking regulations

The Bank complied with all CBN regulations during the year, there were no contraventions to be reported during the period.

ABBEY MORTGAGE BANK PLC

40 REGULATORY RISK RESERVE

FOR THE YEAR ENDED 31 DECEMBER 2020

The Regulatory Body, the 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.

	2020 ₦'000	2019 ₦'000
Regulatory risk reserve:		
Balance at beginning of the year	2,212,524	1,509,849
Transfer (from) /to retained earnings	(1,365,226)	702,675
	847,298	2,212,524

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 expected credit loss model used in calculating the impairment under IFRS.

STATEMENT OF PRUDENTIAL ADJUSTMENTS

	2020 ₦'000	2019 ₦'000
PRUDENTIAL GUIDELINES PROVISION:		
General	36,523	26,448
Specific	1,732,143	3,647,277
Provision on other assets	153,923	152,292
Total	1,922,589	3,826,017
IFRS PROVISIONS:		
Expected credit loss allowance	1,075,291	1,613,493
	1,075,291	1,613,493
IFRS impairment allowance lower than prudential provision	847,298	2,212,524

Other National Disclosures

ABBEY MORTGAGE BANK PLC

STATEMENT OF VALUE ADDED

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020		2019	
	₦'000	%	₦'000	%
Gross income	1,519,445		1,374,379	
Interest expense	(539,378)		(487,657)	
	980,067		886,722	
Impairment charge	(3,887,927)		(79,558)	
Brought-in-materials and services-local	(911,391)		(473,611)	
Value (consumed)/added	(3,819,251)	100	333,553	100
Applied to pay:				
Employee as wages, salaries and pensions	414,441	(11)	333,092	(100)
Income tax	3,747	(0)	10,693	(3)
Retained in business:				
Depreciation and amortisation	64,180	(2)	52,404	(16)
Loss for the year	(4,301,619)	113	(62,636)	19
Value (consumed)/added	(3,819,251)	100	333,553	(100)

Value added / (consumed) represents the additional wealth which the company 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 Act 2020.

ABBEY MORTGAGE BANK PLC

FIVE-YEAR FINANCIAL SUMMARY

STATEMENT OF FINANCIAL POSITION

AS AT			**31 DECEMBER**		
	2020	**2019**	**2018**	**2017**	**2016**
Assets	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Cash on hand	2,020	785	986	2,687	11,037
Due from banks	8,793,209	1,831,405	766,997	782,007	896,009
Cash balances with central bank	289,774	128,463	116,337	115,507	101,046
Loans and advances	4,788,092	7,738,141	7,288,241	7,458,506	6,900,080
Financial Investments - available for sale	-	-	-	207,500	207,500
Financial Investments -held to maturity	-	-	-	-	336,163.00
Financial investments - securities at FVTPL	329,334	258,778	258,778	-	-
Financial Investments- securities at amortised cost	2,826,364	648,316	-	-	-
Other assets	117,742	213,188	81,834	64,128	417,906
Property and equipment	1,092,515	1,094,520	1,060,278	1,084,748	1,133,787
Intangible assets	16,619	11,515	21,466	32,176	45,583
Non-current assets held for sale	264,681	334,681	2,368,626	2,493,564	2,403,663
Total Assets	**18,520,350**	**12,259,792**	**11,963,543**	**12,240,823**	**12,452,774**
Liabilities and equity					
Deposits from customers	14,629,440	6,340,597	5,898,319	5,356,098	5,328,649
Current income tax liability	21,606	27,982	32,289	37,434	57,720
Other liabilities	244,963	170,638	216,320	232,492	205,352
Borrowings	-	-	5,712	14,670	24,245
Due to National Housing Fund	269,300	325,835	353,527	374,237	398,541
	15,165,309	**6,865,052**	**6,506,167**	**6,014,931**	**6,014,507**
Equity					
Share capital	3,230,769	2,100,000	2,100,000	2,100,000	2,100,000
Share premium	4,008,277	2,877,126	2,877,126	2,877,126	2,877,126
(Accumulated losses) / retained earnings	(5,029,743)	(2,097,353)	(1,328,039)	(191,496)	193,676
Statutory reserve	298,440	298,440	298,440	298,440	298,440
Regulatory risk reserve	847,298	2,216,527	1,509,849	1,141,822	969,025
Total equity	**3,355,041**	**5,394,740**	**5,457,376**	**6,225,892**	**6,438,267**
Total liabilities and equity	**18,520,350**	**12,259,792**	**11,963,543**	**12,240,823**	**12,452,774**

ABBEY MORTGAGE BANK PLC

FIVE-YEAR FINANCIAL SUMMARY

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED	31 DECEMBER				
	2020	2019	2018	2017	2016
	₦'000	₦'000	₦'000	₦'000	₦'000
Net operating income	980,067	886,722	903,583	919,215	772,730
Impairment charge for loans and other assets	(3,887,927)	(79,558)	(566,743)	(167,938)	(101,786)
Operating expenses	(1,390,012)	(859,107)	(973,320)	(929,184)	(907,173)
Loss before income tax	**(4,297,872)**	**(51,943)**	**(636,480)**	**(177,907)**	**(134,443)**
Income tax expense	(3,747)	(10,693)	(29,039)	(34,468)	(33,554)
Loss for the year	**(4,301,619)**	**(62,636)**	**(665,519)**	**(212,375)**	**(167,997)**
Other comprehensive income					
Other comprehensive income that will not be reclassified to profit or loss in subsequent period:					
Reclassification of net loss to income statement	-	-	-	-	-
	-	-	-	-	-
Total comprehensive loss for the year	**(4,301,619)**	**(62,636)**	**(665,519)**	**(212,375)**	**(167,997)**
(Loss) / earnings per share (Kobo) - Basic and diluted	**(67.87)**	**(1.49)**	**(15.85)**	**(5.06)**	**(4.00)**

(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.