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ABBEY MORTGAGE BANK PLC
LAGOS, NIGERIA

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

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CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2018

Directors

Names	**Post Held**
Chief Ifeanyichukwu Boniface Ochonogor	Chairman
Mrs. Rose Ada Okwechime	Managing Director/CEO
Mr. Madu Hamman	Executive Director
Mazi Emmanuel Kanu O.Ivi	Non-Executive Director
Air Vice Marshal Olufemi Soewu	Non-Executive Director
Mr. Bernard Okumagba	Non-Executive Director
High Chief Samuel Oni	Non-Executive Director
Mr. Uzochukwu Odunukwe	Non-Executive Director
Geoff Amaghereonu Esq	Company Secretary.

Registered Office	23 Karimu Kotun Street Victoria Island Lagos
Registered No:	RC 172093
License No:	000026
Auditors:	Ernst & Young 10th & 13th Floors UBA House 57 Marina, Lagos
Registrar:	Africa Prudential Plc 220B, Ikorodu Road Palmgrove Lagos Nigeria

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their report together with the audited financial statements of Abbey Mortgage Bank ("the Bank") for the year ended 31 December 2018.

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

1) RESULT

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

	2018 ₦'000	2017 ₦'000
Loss before income tax	(636,480)	(177,907)
Income tax expense	(29,039)	(34,468)
Loss after income tax	(665,519)	(212,375)
Other comprehensive income	-	-
Loss for the year	(665,519)	(212,375)
Less: appropriations:		
Transfer to regulatory risk reserve	(466,006)	(172,797)
Net effect of operations on retained earnings	(1,131,525)	(385,172)

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 2018 are as follows:

S/N	Name of Directors	As at 31 December 2018 (Shares)	Percentage Holding [%]	As at 31 December 2017 (Shares)	Percentage Holding [%]
1	Chief Ifeanyichukwu Boniface Ochonogor	275,198,488	6.55	275,198,488	6.55
2	Mrs. Rose Ada Okwechime	204,356,780	4.87	204,356,780	4.87
3	Mr. Madu Hamman	839,170	0.02	839,170	0.02
4	Mazi Emmanuel Kanu O. Ivi	86,442,341	2.06	86,442,341	2.06
5	AVM Olufemi Soewu (Retired)	50,717,076	1.21	50,717,076	1.21
6	Mr. Bernard Okumagba	8,723,720	0.21	8,723,720	0.21
7	High Chief Samuel Oni	NIL		NIL	NIL
8	Mr. Uzochukwu Odunukwe	NIL		NIL	NIL

INDIRECT HOLDING

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

None of the Directors notified the Bank of any disclosable interest in contracts with which the Bank was involved as at 31 December 2018 (2017: None).

5) ELECTION/RE-ELECTION OF DIRECTORS

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

(a) High Chief Samuel Oni
(b) Mr Uzochukwu Odunukwe

6) RECORD OF DIRECTORS' ATTENDANCE

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

7) SUBSTANTIAL INTEREST IN SHARES

Nigerian citizens and associations held all the ordinary shares of the Bank as at 31 December 2018. No individual shareholder held more than 5% of the issued and paid up share capital of the Bank as at 31 December 2018 except the following:

As at 31 December 2018

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

As at 31 December 2017

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

8) HISTORY OF CAPITALIZATION

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

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

9.1) ANALYSIS OF SHAREHOLDERS AS AT 31 DECEMBER 2018

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

9.2) ANALYSIS OF SHAREHOLDERS AS AT 31 DECEMBER 2017

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

10) DONATIONS

Donations made during the period amounted to ₦40,000. (2017: ₦900,000). No donation was made to any political organization. The beneficiaries are:

	2018	2017
	₦'000	₦'000
Cedec International School	40	40
Sacred Heart School, Lagos	-	300
Clarentian Missionaries	-	150
Our Mother of Perpetual Church	-	100
Catholic Church of Annunciation	-	100
McLilies School	-	50
Radiance School,Lagos	-	30
Ripe Int'l School	-	20
Gwell School	-	30
Milliue Haven School	-	20
Spring School	-	15
Millbank & Kristobel	-	20
Others	-	25
Total	40	900

11) PROPERTY AND EQUIPMENT

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

12) DIVIDEND

No dividends were declared and paid in 2018 (2017: 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 2018 no physically challenged person was employed by the Bank.

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 (2017: Nil).

15) EVENTS AFTER REPORTING DATE

There are no events after the reporting date which could have had a material effect on the state of affairs of the Bank as at 31 December 2018 and its net loss and total comprehensive loss for the year ended, that have not been adequately adjusted for, or which require specific disclosures.

16) AUDIT COMMITTEE

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

1.	Mr. Adekunle Alli	-	Chairman
2.	Prince (Engr.) MOT. O. Tobun	-	Member
3.	Mr. Gbadebo Ajeigbe	-	Member
4.	Mazi Emmanuel Kanu O. Ivi	–	Member

5.	AVM Olufemi Soewu (Rtd)	–	Member
6.	Mr. Bernard Okumagba	-	Member

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

17) AUDITORS

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

BY ORDER OF THE BOARD OF DIRECTORS

GEOFF O. AMAGHEREONU ESQ
FRC/2013/NBA/00000002815
Company Secretary/Legal Adviser
23 Karimu Kotun Street,
Victoria Island, Lagos.
Date: 23 March 2019

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 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 behavior 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.

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

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

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

Shareholders	**Directors**
Mr. Adekunle Alli	Mazi Emmanuel Kanu O. Ivi
Prince (Engr.) MOT O. Tobun	AVM Olufemi Soewu (Rtd)
Mr. Gbadebo Ajeigbe	Mr. Bernard Okumagba

Board of Directors

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

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

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

The Committees of the Board are constituted as follows:

Board Credit & Risk Management Committee

High Chief Samuel Oni	Chairman
Mazi Emmanuel Kanu O. Ivi	Member
AVM Olufemi Soewu (Rtd)	Member
Mr. Bernard Okumagba	Member

Board Strategy & Financial Analysis Committee

Mr. Bernard Okumagba	Chairman
AVM Olufemi Soewu (rtd)	Member
High Chief Samuel Oni	Member
Mr. Uzochukwu Odunukwe	Member

Board Governance & Remuneration Committee

AVM Olufemi Soewu (Rtd)	Chairman
Mazi Emmanuel Kanu O. Ivi	Member
Mr. Bernard Okumagba	Member
Mr. Uzochukwu Odunukwe	Member

Board Audit & Compliance Committee

Mazi Emmanuel Kanu O. Ivi	Chairman
High Chief Samuel Oni	Member
Mr. Uzochukwu Odunukwe	Member

ABBEY MORTGAGE BANK PLC

CORPORATE GOVERNANCE REPORT- Continued
FOR THE YEAR ENDED 31 DECEMBER 2018

FREQUENCY OF BOARD AND BOARD COMMITTEE MEETINGS

Provided below are details of Board and Board Committee meetings held in 2018 showing the frequency of the meetings and attendance of members.

KEY: P = Present
AWA = Absent with Apology

BOARD MEETINGS

S/N	MEMBERS	08/03/2018	23/07/2018	23/10/2018	13/12/2018
1	Chief Boniface Ochonogor	P	P	P	P
2	Mrs. Ada Rose kwechime	P	P	P	P
3	Mr. Madu Hamman	P	P	P	P
4	Mazi Emmanuel Kanu Ivi	AWA	P	P	P
5	AVM Olufemi Soewu	P	P	P	P
6	Bernard Okumagba	P	P	P	P
7	High Chief Samuel Oni	P	P	P	P
8	Mr.Uzochukwu dunukwe	P	P	AWA	P

CREDIT & RISK MANAGEMENT COMMITTEE

S/N	MEMBERS	30/01/2018	12/06/2018	09/10/2018	10/12/2018
1	High Chief Samuel Oni	P	P	P	P
2	Mazi Emmanuel Kanu Ivi	P	AWA	P	P
3	AVM Olufemi Soewu	P	P	P	P
4	Bernard Okumagba	P	P	P	P

AUDIT & COMPLIANCE

S/N	MEMBERS	30/01/2018	16/04/2018	19/07/18	16/10/2018	04/12/2018
1	Mazi Emmanuel Kanu Ivi	P	P	P	P	P
2	High Chief Samuel Oni	P	AWA	P	P	AWA
3	Mr. Uzochukwu Odunukwe	AWA	P	P	AWA	P

GOVERNANCE & REMUNERATION

S/N	MEMBERS	14/02/2018	26/06/2018	16/10/2018	21/11/2018
1	AVM Olufemi Soewu	P	P	P	P
2	Mazi Emmanuel Kanu Ivi	P	AWA	P	AWA
3	Mr. Bernard Okumagba	P	AWA	P	P
4	Mr. Uzochukwu Odunukwe	AWA	P	AWA	P

STRATEGY & FINANCIAL ANALYSIS

S/N	MEMBERS	16/01/2018	14/02/2018	23/04/2018	09/10/2018	11/10/2018	10/12/2018
1	Mr. Bernard Okumagba	P	P	P	p	P	P
2	AVM Olufemi Soewu	P	P	P	P	P	P
3	High Chief Samuel Oni	AWA	P	P	P	AWA	P
4	Mr. Uzochukwu Odunukwe	P	AWA	P	AWA	AWA	P

STATUTORY AUDIT

S/N	MEMBERS	07/03/18	14/08/2018	29/10/2018	04/12/2018
1	Mr. Adekunle Alli	P	P	P	P
2	Eng. M.O.T. Tobun	P	P	AWA	P
3	Mr. Gbadebo Ajeigbe	P	P	P	AWA
4	Mazi Emmanuel Kanu Ivi	AWA	P	P	P
5	AVM Olufemi Soewu	P	P	P	P
6	Mr. Bernard Okumagba	P	P	P	P

Election/Re-election of Directors
High Chief Oni and **Uzochukwu Odunukwe** shall retire by rotation at this Annual General Meeting. Being eligible they have offered themselves for re-election.

Biographical Notes on Persons for Re-election as Directors

High Chief Samuel Oni

High Chief Oni is a Fellow of both the Association of Certified and Chartered Accountants London and the Institute of Chartered Accountants of Nigeria. He holds an MBA degree from the University of Ilorin.

He started his professional career as Principal Accountant at Defence Industries Corporation of Nigeria in 1979. In 1982, he joined Kwara Breweries as Chief Accountant, from where he joined a World Bank Project-Kwara State Agricultural Programme 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 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. In his interaction with the Committee.

Mr. Uzochukwu Odunukwe

Mr. Odunukwe is an accomplished leader with wide multidisciplinary exposures and successful track record in governance and strategic levels of management with over 20 years' cognate experience. He is a Fellow of the Institute of Chartered Accountants of Nigeria and holds an MBA from Manchester Business School UK. He held various offices in Akintola Williams Deloitte from 1980 to 2010 including Managing Partner South East, Coporate Services Partner, Technology Partner and Functional Risk Leader Audit & Assurance, West and Central Africa. His last role was Regional Chief Finance Officer, West and Central Africa. His core competences include risk management, information technology, credit and risk information systems, taxation, consulting and business strategy formulation/implementation.

He is a Board member of various bodies of the accounting profession including Faculty of Consulting & Information Technology, Institute of Chartered Accountants of Nigeria. He also serves as Chief Examiner of some certification exams of ICAN and the Information and Branding Systems & Audit Control Association. He is currently the Chairman of UGN Consulting Services Ltd.

Executive Management Committee

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

Its membership comprises the following:

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

Human Resources

Abbey strives to be an employer of choice. The 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 behaviors, 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.

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

Enterprise Risk Review

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

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

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

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

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

1. Risk Management Strategy

i. The Bank believes that risk management is the basis of a long lasting financial institution
ii. The Bank will continue to adopt an enterprise-wide and integrated approach to risk management
The Bank's risk profile will be managed to ensure that specific financial deliverables remain possible under a range of adverse business conditions
Risk management is governed by well-defined policies and shared responsibilities which are clearly communicated across the Bank
There is clear segregation of duties between market facing business units and risk management functions

The Bank will optimise risk/return decisions by taking them as closely as possible to the business, while establishing strong and independent review and challenge structures;

The Bank's approach is to provide direction on:

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

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

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

2. Risk Appetite

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

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

3. The Bank Risks Scope

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

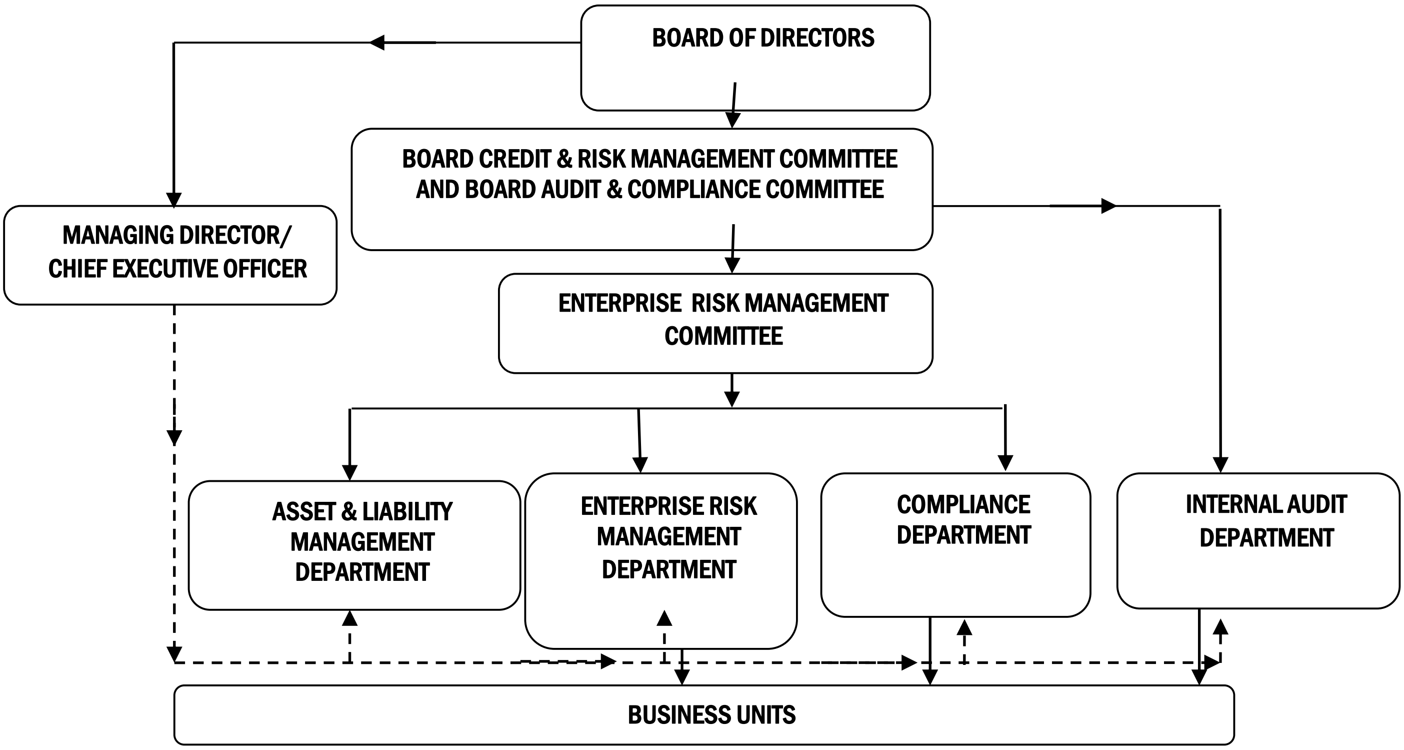
i. Credit Risk

- 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 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

Responsibilities:

1. Develop and review anti-money laundering ("AML") compliance policy/manual
2. Regular review and approval of customers' accounts opening/reactivation to ensure it meets Know Your Client ("KYC") requirements.
3. Monitoring of regulations, laws, circulars and policies issued by regulators for banks and other financial institutions to ensure compliance.
4. Rendition of money laundering reports such as Currency Transaction Report (CTR), Suspicious Transaction Report (STR) and Politically Exposed Persons Transaction Report (PEP) to CBN and Nigerian Financial Intelligence Unit ("NFIU") monitoring the Bank's activities to ensure compliance to prudential requirements stipulated in CBN prudential guidelines.
5. Conducting investigation into customer complaints on service issues, transaction errors and other irregularities and prompt resolution of these complaints.
6. Monthly rendition of customers' complaints report to Central Bank of Nigeria.
7. Ensuring that the Bank's regulatory returns are sent promptly to CBN, NDIC, CAC, SEC, NSE and other relevant regulatory bodies.
8. Coordinating the training of staff in AML/Counter Terrorism Financing awareness, detection method and reporting requirements

Business Units
Responsibilities

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

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

Internal Audit
Responsibilities

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

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

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

FOR THE YEAR ENDED 31 DECEMBER 2018

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

The responsibilities include ensuring that:

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

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

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

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

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

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

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal control.
Nothing has come to the attention of the Directors to indicate that the Bank will not remain as a going concern for at least twelve months from the date of this statement.

BY ORDER OF THE BOARD OF DIRECTORS

CHIEF IFEANYICHUKWU BONIFACE OCHONOGOR	**ROSE ADA OKWECHIME (MRS.)**
FRC/2013/ICAN/00000003485	**FRC/2013/CIBN/00000003444**
Chairman, Board of Directors	**Managing Director/CEO**

14 March 2019

CERTIFICATION
Pursuant to Section 60(2) of the Investments and Securities Act No. 29 of 2007
FOR THE YEAR ENDED 31 DECEMBER 2018

We the undersigned hereby certify the following with regard to the audited financial statements for the year ended 31 December 2018:

a. We have reviewed the report;

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

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

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

d. We:

   i. Are responsible for establishing and maintaining internal controls.

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

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

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

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

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

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

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

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

OLABISI AJEIGBE
FRC/2013/ICAN/00000002814
Financial Controller

14 March 2019

ABBEY MORTGAGE BANK PLC

REPORT OF AUDIT COMMITTEE

In accordance with the provisions of Section 359 (6) of the Companies and Allied Matters Act CAP C20 Laws of the Federation of Nigeria 2004, we have reviewed the financial statements for the year ended 31 December 2018 as follows:

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

- We are of the opinion that the accounting and reporting policies of the Bank are in accordance with legal requirements and agreed ethical practices and that the scope of planning of both the external and internal audits for the year ended 31 December 2018 were satisfactory and complied with the Bank’s system and internal control.

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

- As required by the provisions of the Central Bank of Nigeria Circular 851D/2004 dated 18 February 2004 on “Disclosures of Insider-Related Credits in Financial Statements” we reviewed the insider-related credits of the Bank and found them to be as analysed on in the financial statements as at 31 December 2018.

Mr Adekunle Alli
Chairman, Audit Committee

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

14 March 2019

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Abbey Mortgage Bank Plc (the "Bank") which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the relevant provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Banks and Other Financial Institutions Act, CAP B3, Laws of the Federation of Nigeria 2004, the Financial Reporting Council of Nigeria ("FRCN") Act No. 6, 2011 and relevant Central Bank of Nigeria circulars.

Basis for Opinion

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

Key Audit Matters

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

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

Key Audit Matter	How the matter was addressed in the audit
Impairment of loans and advances to customers Loans and advances to customers make up a significant portion of the total assets of the Bank, and the impairment charges is also significant. The impairment is a key area of judgement due to the level of subjectivity inherent in estimating the impact of key assumptions on the recoverable amount of the loan balances.	Our audit approach with respect to the audit for the year ended 31 December 2018. 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.

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Key Audit Matter	How the matter was addressed in the audit
The Bank adopted the new accounting standard International Financial Reporting Standards (IFRS 9) – Financial Instruments recognition and measurement effective 1 January 2018 which introduced expected credit loss model (ECL) for recognising the impairment for financial instruments which is different from the incurred loss model under IAS 39. The use of the ECL model for the computation of impairment allowance requires the application of certain parameter which are estimated from historical financial data within and outside the Bank, this includes; - The determination of criteria for significant increase in credit risk (SICR) for staging purpose. (At origination, loan is classified as stage 1, when there is significant increase in credit risk the loan is migrated to stage 2 and subsequently to stage 3 when there is a default) - Assessing the relationship between the quantitative factors incorporated in determining the Probability of Default(PD), the Loss Given Default (LGD), the Recovery Rate and the Exposure at Default (EAD) - factors considered in cash flow estimation including timing and amount - factors considered in collateral valuation Adopting IFRS9 for the first time also requires some judgements in taking certain key decisions which will impact the transitional disclosures as at 01 January 2018. Given the level of complexity and judgement involved in the determination of the ECL, and the material balance of the provision, we considered the impairment of loans 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 16 to the financial statements.	(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 assessed 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; (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 assessed 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

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Key Audit Matter	How the matter was addressed in the audit
	increase in credit risk, the recalculation was based on the losses expected to result from default events within a year. We assessed the transition adjustment that was recognized in the opening retained earnings at 1 January 2018.

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 Report, Report of the Audit Committee and the Investment and Securities Act Certificate, Statement of Value Added and Five-Year Financial Summary which we obtained prior to the date of this report. Other information does not include the financial statements and our auditor's report thereon.
Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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

If, based on the work we have performed on the other information obtained prior to the date of this Auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.
When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

Auditors 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 auditors report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise

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

from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Bank audit. We remain solely responsible for our audit opinion.

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

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

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

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

expected to outweigh the public interest benefits of such communication.

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

i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

ii. In our opinion, proper books of account have been kept by the Bank, in so far as it appears from our examination of those books;

iii. The Bank's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

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

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

ii. As disclosed in Note 38 to the financial statements, no contravention of the provisions of the Bank and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004 and CBN circulars was brought to our attention during the audit of the financial statements for the year ended 31 December 2018.

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

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
ACCURACY & INTEGRITY
36/ICAN
0892961

03 **April 2019**

ABBEY MORTGAGE BANK PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 ₦'000	2017 ₦'000
Interest and similar income	5	1,150,382	1,255,698
Interest and similar expense	6	(485,456)	(490,754)
Net Interest Income		**664,926**	**764,944**
Fees and commission income	7	139,576	121,212
Net gains on financial assets at fair value through profit or loss		26,000	-
Profit on disposals of non-current assets held for sale		6,009	1,902
Other operating income	8	67,072	31,157
Total operating income		903,583	919,215
Credit loss expense	9	(566,743)	-
Impairment charge	9.1	-	(167,938)
Net operating income		**336,840**	**751,277**
Personnel expenses	10	(334,294)	(353,506)
Depreciation	19	(43,058)	(51,749)
Amortisation	20	(16,010)	(17,807)
Other operating expenses	11	(579,958)	(506,122)
Total operating expenses		**(973,320)**	**(929,184)**
Loss before income tax		**(636,480)**	**(177,907)**
Income tax expense	12	(29,039)	(34,468)
Loss for the year		**(665,519)**	**(212,375)**
Other comprehensive income		-	-
Total comprehensive loss for the year, net of tax		(665,519)	(212,375)
Loss per share attributable to ordinary equity holders (Kobo) - Basic and Diluted	13	**(15.85)**	**(5.06)**

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

ABBEY MORTGAGE BANK PLC

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	31 December **2018** **₦'000**	31 December **2017** **₦'000**
Assets			
Cash on hand	14	986	2,687
Due from banks	15	766,997	782,007
Cash balances with central bank	14.1	116,337	115,507
Loans and advances	16	7,288,241	7,458,506
Financial investments - available-for-sale	17.1	-	207,500
Financial investments - equity instrument at FVTPL	17.2	258,778	-
Other assets	18	81,834	64,128
Property and equipment	19	1,060,278	1,084,748
Intangible assets	20	21,466	32,176
		9,594,917	9,747,259
Non-current assets held for sale	21	2,368,626	2,493,564
Total assets		**11,963,543**	**12,240,823**
Liabilities			
Due to customers	22	5,898,319	5,356,098
Current income tax payable	12.3	32,289	37,434
Other liabilities	23	216,320	232,492
Borrowings	24	5,712	14,670
Due to the National Housing Fund	25	353,527	374,237
Total liabilities		**6,506,167**	**6,014,931**
Equity			
Share capital	27.2	2,100,000	2,100,000
Share premium	28	2,877,126	2,877,126
Accumulated losses	29	(1,328,039)	(191,496)
Statutory reserve	30	298,440	298,440
Regulatory risk reserve		1,509,849	1,141,822
Total equity		**5,457,376**	**6,225,892**
Total liabilities and equity		**11,963,543**	**12,240,823**

The financial statements were approved by the Board of Directors on 14 March 2019, and signed on its behalf by:

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

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

Olabisi Ajeigbe
Financial Controller
FRC/2013/ICAN/00000002814

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

ABBEY MORTGAGE BANK PLC

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital ₦'000	Share premium ₦'000	Statutory reserve ₦'000	Regulatory risk reserve ₦'000	Accumulated losses ₦'000	Total equity ₦'000
Balance as at 1 January 2017	**2,100,000**	**2,877,126**	**298,440**	**969,025**	**193,676**	**6,438,267**
Loss for the year	-	-	-	-	(212,375)	(212,375)
Other comprehensive income for the year	-	-	-	-	-	-
Transfer from retained earnings to regulatory reserve (Note 29)	-	-	-	172,797	(172,797)	-
Balance as at 31 December 2017 / 1 January 2018	**2,100,000**	**2,877,126**	**298,440**	**1,141,822**	**(191,496)**	**6,225,892**
Impact of adopting IFRS 9 (Note 2.90)	**-**	**-**	**-**	**-**	**(102,997)**	(102,997)
Transfer between reserve (Note 2.90)	**-**	**-**	**-**	**(97,979)**	**97,979**	-
Restated opening balance	**2,100,000**	**2,877,126**	**298,440**	**1,043,843**	**(196,514)**	**6,122,895**
Loss for the year	-	-	-	-	(665,519)	(665,519)
Other comprehensive income for the year	-	-	-	-	-	-
Transfer to Regulatory Risk reserve **(Note 29)**	-	-	-	466,006	(466,006)	-
Balance as at 31 December 2018	**2,100,000**	**2,877,126**	**298,440**	**1,509,849**	**(1,328,039)**	**5,457,376**

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

ABBEY MORTGAGE BANK PLC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 ₦'000	2017 ₦'000
Cash flows from operating activities			
Loss before income tax		(636,480)	(177,907)
Adjustment for non-cash items	32.3	605,727	259,032
Cash flows from operating activities before changes in working capital		(30,753)	81,125
Change in operating assets	32.1	(497,967)	(562,030)
Change in operating liabilities	32.2	505,339	30,285
Gain from investing activities	32.4	(60,064)	(2,102)
Income tax paid	12.3	(29,729)	(43,777)
Net cash flows used in operating activities		(113,174)	(496,499)
Cash flows from investing activities			
Purchase of intangible assets	20	(5,300)	(4,400)
Proceeds on disposal of non-current asset held for sale		130,947	22,000
Proceeds on disposal of property and equipment		55,648	202
Purchase of property and equipment	19	(71,459)	(2,712)
Proceeds on disposal of held to maturity investments		-	368,632
Net cash flows generated from investing activities		109,836	383,722
Cash flows from financing activities			
Repayments of borrowings	24	(8,958)	(9,575)
Net cash flows used in financing activities		(8,958)	(9,575)
Net decrease in cash and cash equivalents		(12,296)	(122,352)
Cash and cash equivalents at beginning of year	32	780,029	906,796
Cash and cash equivalents at end of year	32	**767,733**	**784,444**

STATEMENT OF REGULATORY RISK RESERVE
FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

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

	2018 ₦'000	2017 ₦'000
Regulatory risk reserve:		
Balance at beginning of the year	1,141,822	969,025
Impact of adopting IFRS9	(97,979)	-
Transfer from retained earnings	466,006	172,797
	1,509,849	1,141,822

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

	2018 ₦'000	2017 ₦'000
PRUDENTIAL GUIDELINES PROVISION:		
General	37,212	42,497
Specific	2,995,659	1,977,706
Total	3,032,871	2,020,203
IFRS PROVISIONS:		
Expected credit loss allowance	1,523,022	-
Specific Impairment	-	589,840
Collective Impairment	-	288,541
	1,523,022	878,381
IFRS impairment allowance lower than prudential provision	1,509,849	1,141,822

1 General information

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

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

For the earlier years of its operations, the Bank specialized in funding small and medium size businesses. In the last few years, the Bank has started to implement a mortgage financing strategy in line with its strategic vision to become “the number one mortgage service provider in Nigeria”. The Bank currently has 111 (2017: 110) staff in ten (10) branches and the Head Office.

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Directors on 14 March 2019.

2.1 *Basis of preparation*

A Statement of Compliance

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

B Basis of Measurement

The financial statements have been prepared on the historical cost basis except for equity financial assets which are carried at fair value.

C Functional and Presentation Currency

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

D Use of Estimates and Judgments

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

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

2.2 Changes in accounting policies and disclosures

New and amended standards and interpretations

In these financial statements, the Bank has applied IFRS 9, IFRS 7R (Revised) and IFRS 15, effective for annual periods beginning on or after 1 January 2018, for the first time. 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 apply for the first time in 2018, but do not have an impact on the financial statements of the Bank.

a ***IFRS 9 Financial instruments***

The Bank has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. IFRS 9 replaces IAS 39 for annual periods on or after 1 January 2018.

As permitted by the transitional provisions of IFRS 9, the Bank has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings as at 1 January 2018 and are disclosed in Note 2.9 (i.e. Transitional disclosures). Consequently, for notes disclosures, the amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

Changes to classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVPL)), available for sale (AFS), held-to-maturity and loans and receivables) have been replaced by:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Financial assets FVPL

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements are presented in OCI with no subsequent reclassification to the profit or loss.

The Bank's classification of its financial assets and liabilities is explained in Notes 2.9. The quantitative impact of applying IFRS 9 as

Changes to the impairment calculation

The adoption of IFRS 9 has fundamentally changed the Bank's accounting for loan loss impairments by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Bank to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

Details of the Bank's impairment method are disclosed in Note 3.3.3. The quantitative impact of applying IFRS 9 as at 1 January 2018 is disclosed in Note 2.9.

b **IFRS 7 Revised (IFRS 7R)**

To reflect the differences between IFRS 9 and IAS 39, IFRS 7 Financial Instruments: Disclosures was updated and the Bank has adopted it, together with IFRS 9, for the year beginning 1 January 2018. Changes include transition disclosures as shown in Note 2.90, detailed qualitative and quantitative information about the ECL calculations such as the assumptions and inputs used are set out in Note 3.3.3.

Reconciliations from opening to closing ECL allowances are presented in Notes 15.1 and 16.1.

c IFRS 15 Revenue from Contracts with Customers

The Bank adopted IFRS 15 Revenue from Contracts with Customers on its effective date of 1 January 2018. IFRS 15 replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. It applies to all contracts with customers except leases, financial instruments and insurance contracts. The standard establishes a more systematic approach for revenue measurement and recognition by introducing a five-step model governing revenue recognition. The five-step model requires the Bank to (i) identify the contract with the customer, (ii) identify each of the performance obligations included in the contract, (iii) determine the amount of consideration in the contract, (iv) allocate the consideration to each of the identified performance obligations and (v) recognise revenue as each performance obligation is satisfied.

There are no significant impacts from the adoption of IFRS 15 in relation to the timing of when the Bank recognises revenues or when revenue should be recognised gross as a principal or net as an agent. Therefore, the Bank will continue to recognise fee and commission income charged for services provided by the Bank as the services are provided (for example on completion of the underlying transaction). Revenue recognition for interest income are recognised based on requirements of IFRS 9. In addition, guidance on interest and dividend income have been moved from IAS 18 to IFRS 9 without significant changes to the requirement.

The Bank adopted the IFRS 15 standard using the modified retrospective approach.

d IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Bank's financial statements.

e Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Bank as it has already adopted IFRS in 2018.

f Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Bank's financial statements.

g Other standards that became effective during the year but have no impact on the Bank's financial statements

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

AIP IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters

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 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lesses will be required to separately recognise the interest expense on the lease liabi[illegible]

Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In applying IFRS 16 for the first time, the Company will use the following practical expedients permitted by the standard:
• the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2018 as short-term leases.

The Bank plans to adopt IFRS 16 using modified retrospective approach. The Bank has also elected not to apply IFRS 16 to contracts that were not identified as containing a lease under IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease. Thus, the adoption of IFRS 16 in 2019 will not have material impact on the Bank.

b 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 (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short- duration which typically applies to certain non-life insurance contracts.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2022, 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. Retrospective application is required.

However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach. The Bank does not expect this interpretation to have material impact on the financial statements.

c Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the financial statements of the Bank.

d Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. These amendments have no impact on the financial statements of the company as the company has neither Associate nor Joint Venture.

e Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

• Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event

• Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments have no impact on the financial statements of the Bank.

f Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Bank does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its financial statements.

g Annual Improvements 2015-2017 Cycle (issued in December 2017)

These imporvements include:

• IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments will not have an impact on the Bank's financial statements.

• IFRS 11 Joint Arrangements

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Company but may apply to future transactions.

• IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Bank's current practice is in line with these amendments, the Bank does not expect any effect on its financial statements.

• IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Bank's current practice is in line with these amendments, the Bank does not expect any effect on its financial statements.

• Other standards, interpretations and amendments that are issued, but not yet effective, include:

Definition of a Business - Amendments to IFRS 3, Definition of Material - Amendments to IAS 1 and IAS 8, The Conceptual Framework for Financial Reporting and IFRIC Interpretation 23 Uncertainty over Income Tax Treatments.

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 Company 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 Company. 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 on independent opinion 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 19 and 20

(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 19 and 20.

(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 2.2(F) (ix) and 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.

(iv) Fair value measurement of financial instruments - continued

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

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

(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 12). 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 19)

(vii) *Impairment under IFRS 9*

The impairment requirements of IFRS 9 apply to all debt instruments that are measured at amortised cost.
The determination of impairment loss and allowance moves from the incurred credit loss model whereby credit losses are recognised when a defined loss event occurs under IAS 39, to expected credit loss model under IFRS 9, where 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 Company 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 Company considers the obligor is unlikely to pay its credit obligations to the company. 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 Company 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 Company'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 Company under the contract; and
2) The cash flows that the Company expects to receive.

Elements of ECL models that are considered accounting judgements and estimates include:
• The Company'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 o+B205f 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 company 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.

In the case of changes in the fair value of monetary assets denominated in foreign currency classified as fair value through other comprehensive income (FVOCI), a distinction is made between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount, except impairment, are recognised in other comprehensive income.

Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as FVOCI financial assets, are included in other comprehensive income.

2.6 Financial assets and liabilities (Policy applicable for financial instruments from 1 January 2018)

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

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 2.6.7

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.

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

The Company 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 Company’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 Company 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 and similar income" 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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and 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 and unquoted financial investments.

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 Company 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
Company changes its business model for managing financial assets that are debt instruments. A change in the objective of the Company’s business occurs only when the Company 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 as.

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 Company 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.

Impairment of financial assets- continued

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.

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 follows:

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 3.2.3.

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 3.2.3.

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. The Bank's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same is it was under IAS 39. 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.

Collateral repossessed

The Bank’s accounting policy under IFRS 9 remains the same as it was under IAS 39. 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 Company. 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 Company 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 Company'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 Company'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 asset 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.

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 Accounting policy applicable for financial instruments before 1 January 2018

2.7.1 Financial assets and liabilities

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

a Recognition of financial assets

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

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

b Classification and initial recognition of financial assets

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

i) Loans and receivables

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

ii) Available-for-sale investments

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

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

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

iii) Financial investments - held-to-maturity

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

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

c De-recognition of financial assets

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

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

d Classification and initial recognition of financial liabilities

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

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

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

e De-recognition of financial liabilities

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

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

f Identification and measurement of impairment for loans and advances

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

Objective evidence that financial assets are impaired can include:

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

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

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

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

g Measurement of impairment loss for available for sale securities

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

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

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

Impairment losses for available-for-sale equity securities are recognised within 'Net operating income' in the profit or loss.

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

h Collateral and Netting

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

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

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

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

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

2.7.2 Income and expenses

(i) Policy applicable from 1 January 2018

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 Company 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 Company 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 Company 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 Company 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 Company reverts to calculating interest income on a gross basis.

b **Interest (Policy applicable prior to 1 January 2018)**

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

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

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

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

2.7.3 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.

2.7.4 Other operating income

Included in other operating income are other income, profit on sale of property and equipment and rental income.

Rental income

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

2.7.5 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.

i Valuation of Financial Instruments

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

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

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

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

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

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

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

Fair value measurement

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

- 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, plant and equipment

i Recognition and measurement

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

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

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

ii Subsequent costs

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

iii Depreciation

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

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

Motor vehicles	4 years
Office and residential equipment	10 years
Office furnitures	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.

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 an personnel expense in profit or loss in the periods during which services are rendered by employees.

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

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

ii Short term employee benefits

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

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

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.

Share premium

Premiums from the issue of shares are reported in share premium.

Dividends on ordinary shares.

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

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 reserves 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 Earnings per share

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

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

2.8.5 Leasing

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

Bank as a lessee

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

Bank as a lessor

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

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.

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2.9 TRANSITION DISCLOSURES

The following pages set out the impact of adopting IFRS 9 on the statement of financial position, and retained earnings including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's ECLs. A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of 1 January 2018 is, as follows:

			IAS 39 measurement			Re-measurement		IFRS 9	
		Notes	Category	Amount	Reclassification	ECL	Other	Amount	Category
	Financial assets			**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	
1	**Total Financial assets measured at amortised cost**								
	Cash on hand	a,	Loans and receivables	2,687	-	**-**	**-**	**2,687**	Amortised cost
	Due from banks	a,d	Loans and receivables	782,007	-	(4,415)	**-**	**777,592**	Amortised cost
	Cash balances with central bank	a,d	Loans and receivables	115,507	-	(603)	**-**	**114,904**	Amortised cost
	Loans and advances	a,d	Loans and receivables	7,458,506		(97,979)	**-**	**7,360,527**	Amortised cost
	Total financial assets measured at amortised cost			8,358,707	-	(102,997)	-	8,255,710	Amortised cost
2	Financial investments: Equity instruments at fair value through profit or loss (FVTPL)	b		N/A	207,500	-	-	**207,500**	Fair value through Profit or loss (FVTPL)
	From: Financial investments - Available for sale (AFS)				205,000	-	-	**205,000**	
	From: Financial investments - Available for sale (AFS)				2,500	-	-	**2,500**	
	Total equity instruments at FVTPL				207,500	-	-	**207,500**	

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2.9 TRANSITION DISCLOSURES

		Notes	IAS 39 measurement Category	Amount	Reclassification	Re-measurement ECL	Other	IFRS 9 Amount	Category
	Financial assets - continued			N'000	N'000	N'000	N'000	N'000	
3	Investment: Available for sale (AFS)		AFS	207,500	(207,500)	-	-	-	N/A
	To: Quoted equity instruments at FVTPL	b		-	(2,500)				
	To: Unquoted equity instruments at FVTPL	b		-	(205,000)				
			AFS	207,500	(207,500)	-	-	-	
	Total assets			**8,566,207**	**-**	**(102,997)**	**-**	**8,463,210**	

		Notes	IAS 39 measurement Category	Amount	Reclassification	Re-measurement ECL	Other	IFRS 9 Amount	Category
4	**Financial liabilities**			N'000	N'000	N'000	N'000	N'000	
	Due to customers	a	Financial liabilities	**5,356,098**	**-**	**-**	**-**	**5,356,098**	Amortised cost
	Other liabilities	a	Financial liabilities	**232,492**	**-**	**-**	**-**	**232,492**	Amortised cost
	Borrowings	a	Financial liabilities	**14,670**	**-**	**-**	**-**	**14,670**	Amortised cost
	Due to National Housing Fund	a	financial liabilities	**374,237**	**-**	**-**	**-**	**374,237**	Amortised cost
				5,977,497	**-**	**-**	**-**	**5,977,497**	
5	***Non-financial liabilities***								
	Deferred tax	c	N/A	-				-	N/A
	Total liabilities			5,977,497	**-**	**-**	**-**	**5,977,497**	

2.9 Transition disclosures continued

The impact of transition to IFRS 9 on reserves and retained earnings is as follows:

	Reserve and Retained Earnngs
	N'000
Regulatory Risk Reserve	
Closing balance under IAS 39 (31 December 2017)	1,141,822
Excess charges from IFRS 9 ECLs computation (See below)	(97,979)
Opening balance under IFRS 9 (1 January 2018)	**1,043,843**
Retained earnings	
Closing balance under IAS 39 (31 December 2017)	(191,496)
Recognition of IFRS 9 ECLs on financial instruments classified as amortized cost	(102,997)
Transfer to regulatory risk reserve	97,979
Opening balance under IFRS 9 (1 January 2018)	**(196,514)**
Total change in equity due to adopting IFRS 9	**(102,997)**

The following table reconciles the aggregate opening allowance for impairment under IAS 39-Financial instruments ECL allowances under IFRS 9.

	Allowance for impairment under IAS 39 at 31 December 2017	Re-measurement	ECLs under IFRS 9 at 1 January 2018
	N'000	**N'000**	**N'000**
Impairment allowance for:			
Loans and receivables (IAS 39) / Financial assets at amortised cost (IFRS 9)			
Cash balances with central bank	-	603	603
Due from banks	-	4,415	4,415
Loans and advances	878,381	97,979	976,360
	878,381	**102,997**	**981,378**
Total	**878,381**	**102,997**	**981,378**

2.9. Transition disclosures - continued

The following explains how applying the new classification requirements of IFRS 9 led to changes in classification of certain financial assets held by the company as detailed below:

a. Reclassification from retired categories with no change in measurement

In addition to the above, the financial instrument below have been reclassified to new categories under IFRS 9, as the previous categories under IAS 39 was 'retired', with no changes to the measurement basis:

(i) Those previously classified as loans and receivables and now classified as measured at amortised cost.

(ii) Those financial liabilities previously classified as other fnancial liabilities and now classified at amortised cost

b. Equity instruments measured at FVTPL

The Company has classified all its investments in equity instrument of N207.5million to be meausred at FVTPL as permitted under IFRS 9. These securities were previously classified as available-for-sale carried at fair value. As at 1 January 2018, the fair value of the instruments remain the same.

c. Deferred Tax Implication of IFRS 9

Deferred tax have not been recognised in respect of the impact of IFRS 9 at the date of initial application; as there is no evidence that there will be sufficient taxable profits available to the Bank in future periods to utilize the asset and the Bank has a recent history of making tax losses, and there are no other tax planning opportunities or other evidence of recoverability in the near future. If the Bank were able to recognise all deferred tax assets related to the impact of transition, the Bank’s equity would increase by N33.3 million.

d. ECL Computation on cash balances with central bank, due from banks and loans and advances under IFRS 9

Impairment allowance on loans and advances was previously determined in accordance with the incurred loss model of IAS 39 Financial Instruments - Recognition and measurement. In addition, there has been no impairment charges on cash balances with central bank and due from banks under IAS 39. Effective 1 January 2018, the impairment computation for loans and advances, cash balances with central bank and due from banks is now done in accordance with the expected credit loss model under IFRS 9. As at 1 January 2018, the Bank adopted the general approach for all these instruments in accordance with IFRS 9 and recognised an additional impairment of N104 million.

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 (Policy applicable from 1 January 2018)

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
Mortgage Loans	9.20%
Advance Loans	2.72%
NHF Loans	13.14%

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 3.3.6 Summary of significant accounting policies and in Note 5 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 2017 and 30 December 2018.

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 2018	Key drivers	ECL Scenario	2018 %
	Inflation rate %		
		Best case	4.04
		Base case	7.31
		Worst case	11.57

1 January 2018	Key drivers	ECL Scenario	2018 %
	Inflation rate %		
		Best case	7.44
		Base case	10.71
		Worst case	14.97

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

31 December 2018	**Due from Banks**	**Mortgage Home Loan**	**Advance Loans**	**NHF Loans**	**Total**
Upside (10%)	323	123,798	5,098	196	129,414
Base (79.17%)	2,366	1,152,691	40,357	6,428	1,201,842
Downside (10.83%)	375	187,318	5,537	1,598	194,827
Total	3,063	1,463,808	50,992	8,221	1,526,083

1 January 2018	**Due from Banks**	**Mortgage Home Loan**	**Advance Loans**	**NHF Loans**	**Total**
Upside (10%)	433	73,083	5,299	119	78,934
Base (79.17%)	3,480	725,906	42,037	3,685	775,108
Downside (10.83%)	502	119,345	5,766	1,120	126,733
Total	4,415	918,334	53,102	4,924	980,775

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		**30 December**	**31 December**
In thousands of Naira	**Note**	**2018**	**2017**
IFRS-based impairments and credit losses:			
ECL Under IFRS 9		1,523,022	-
Individual impairment allowances on loans and advances		-	589,840
Collective impairment allowances on loans and advances		-	288,541
Total IFRS impairment allowances by the Bank (a)		1,523,022	878,381
Prudential provisions and credit losses:			
Specific provision on loans and advances		2,995,659	1,977,706
General provision on loans and advances		37,212	42,497
Total regulatory impairment based on prudential guidelines (b)		3,032,871	2,020,203
Required balance in regulatory risk reserves (c = b - a), where b>a		1,509,849	1,141,822

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

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

Maximum exposure to credit risk before collateral held or credit enhancements

The Bank's maximum exposure to credit risk at 31 December 2018 and 31 December 2017 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 2018	**Maximum Exposure to credit risk**	**Total Collateral Value**	**Net Exposure**	**Associated ECLs**
In ₦'thousands				
Financial Assets				
Cash balances with central bank	116,935	-	116,935	598
Due from banks	770,060	-	770,060	3,063
Loans and advances				
Mortgage loans	7,825,413	37,198,635	(29,373,222)	1,463,808
NHF Loans	653,499	886,155	(232,656)	8,221
Advance loans	332,351	998,690	(666,339)	50,992
Total Financial Asset at amortised cost	**9,698,258**	**39,083,480**	**(29,385,222)**	**1,526,683**

		Fair Value of collateral and credit enhancements held	
31 December 2017	**Maximum Exposure to credit risk**	**Total Collateral Value**	**Net Exposure**
In ₦'thousands			
Financial Assets			
Cash balances with central bank	115,507	-	115,507
Due from banks	782,007	-	782,007
Loans and advances			
Mortgage loans	7,200,258	27,723,971	(20,523,713)
NHF Loans	763,961	1,003,155	(239,194)
Advance loans	372,668	894,490	(521,822)
Total loans and receivables	**9,234,401**	**29,621,616**	(20,387,215)
Financial investments - available for sale	207,500	-	2,500
Total Financial Investments-Available for sale	**207,500**	-	2,500

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 maximum credit exposure to any client or counterparty. The maximum credit exposure to any client or counterparty as of 31 December 2018 was N 9,693,677 (2017: N 9,234,401) before taking into account collateral or other credit enhancements.

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 2018	**Financial services**	**Government**	**Others**	**Total**
In ₦'thousands				
Financial Assets				
Cash balances with central bank	116,935	-	-	116,935
Due from banks	766,997	-	-	766,997
Loans and advances				
Construction Loans (CCL)			1,128,180	1,128,180
Loan and Advances (MSCHL)			272,230	272,230
Mortgage FMBN bonds (FMBN)			4,310	4,310
Mortgage Home Loans (MHL)			6,380,943	6,380,943
NHF Loans			328,042	328,042
School Loans			193,449	193,449
Staff Mortgage Loans			44,061	44,061
Staff Personal Loans			1,363	1,363
Staff Share Loan			458,685	458,685
Total loans and advances	883,932	-	8,811,263	**9,695,195**
Expected credit loss				(1,523,022)
				8,172,173
Total Financial Assets				**9,056,105**

31 December 2017	**Financial services**	**Government**	**Others**	Total
In ₦'thousands				
Financial Assets				
Cash balances with central bank	115,507	0	0	115,507
Due from banks	782,007	0	0	782,007
Loans and advances				
Construction Loans			976,736	976,736
Loan and Advances			281,334	281,334
Mortgage FMBN bonds			4,295	4,295
Mortgage Home Loans			5,848,819	5,848,819
NHF Loans			400,611	400,611
School Loans			278,443	278,443
Staff Mortgage Loans			63,996	63,996
Staff Personal Loans			501	501
Staff Share Loan			482,152	482,152
Total loans and advances	897,514	0	8,336,887	8,336,887
Impairment allowances				(878,381)
Net loans and advances				7,458,506
Total financial assets				**8,356,020**

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:

	2018 ₦'000	2017 ₦'000
Cash with central bank – Head office	116,337	115,507
Due from banks – Head office	766,997	782,007
Loans and advances:		
Head Office	6,424,145	5,746,894
Apapa	198,094	258,390
Festac	34,595	65,400
Okota	53,667	66,554
LasuOjo	10,148	19,494
Asaba	18,199	21,439
Agbara	2,371	5,143
Abuja 1	472,452	503,703
Abuja 2	1,010,474	975,432
Victoria Island	428,855	460,816
Baze	158,265	213,622
Total loans and advances	8,811,265	8,336,887
Impairment allowances	(1,523,022)	(878,381)
Net loans and advances	7,288,243	7,458,506
Total financial assets	8,171,577	8,356,020

3.3.6 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:

	2018 ₦'000	2017 ₦'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.

3.4 Liquidity risk

3.4.1 Liquidity risk

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

Management of liquidity risk

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

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

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

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

3.4.2 Maturity analysis

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

	Up to 3 months ₦'000	3-6 months ₦'000	7 to 12 months ₦'000	After 12 months ₦'000	Non-interest bearing ₦'000	Total ₦'000
As at 31 December 2018						
Cash on hand	986	-	-	-	-	986
Due from banks	770,060	-	-	-	-	770,060
Loans and advances	3,424,882	69,423	238,825	5,078,133	-	8,811,263
Equity Instrument at FVPL	-	-	-	-	258,778	258,778
Other assets	182,261	-	-	-	-	182,261
Cash balances with central bank	116,935	-	-	-	-	116,935
Total financial assets	4,495,124	69,423	238,825	5,078,133	258,778	10,140,283
Due to customers	4,014,254	827,560	585,676	93,397	394,053	5,914,940
Borrowings	1,062	-	-	4,767	-	5,829
Other liabilities	218,255	254	-	-	-	218,509
Due to the National Housing Fund	-	-	-	360,598	-	360,598
Total financial liabilities	4,233,571	827,814	585,676	458,762	394,053	6,499,876
Net financial (liabilities)/assets	261,553	(758,391)	(346,851)	4,619,371	(135,275)	3,640,407
As at 31 December 2017						
Cash on hand	2,687	-	-	-	-	2,687
Due from banks	781,757	-	-	250	-	782,007
Loans and advances	2,943,779	33,392	239,463	4,241,872	-	7,458,506
Financial investments - available for sale	-	-	-	-	207,500	207,500
Other assets	7,702	-	-	-		7,702
Cash balances with central bank	-	-	-	-	115,507	115,507
Total financial assets	3,735,925	33,392	239,463	4,242,122	323,007	8,573,909
Due to customers	3,655,503	753,602	518,199	85,050	358,837	5,371,191
Borrowings	2,451	-	-	12,369	-	14,820
Other liabilities	234,538	276	-	-	-	234,814
Due to the National Housing Fund	-	-	-	381,722	-	381,722
Total financial liabilities	3,892,492	753,878	518,199	479,141	358,837	6,002,547
Net financial (liabilities)/assets	(156,567)	(720,486)	(278,736)	3,762,981	(35,830)	2,571,362

Financial liabilities disclosed in prior year have been adjusted to reflect their future undiscounted cashflows.

3.4.2 Maturity analysis - *Continued*

The table below analyses 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.

	Current ₦'000	Non-current ₦'000	Total ₦'000
As at 31 December 2018			
Cash on hand	986		986
Due from banks	770,060		770,060
Loans and advances	3,733,130	5,078,133	8,811,263
Equity investments at FVTPL	258,778		258,778
Other assets	182,261		182,261
Cash balances with central bank		116,935	116,935
Property and equipment		1,060,278	1,060,278
Intangible assets		21,466	21,466
Non-current assets held for sale		2,368,626	2,368,626
Total assets	4,945,215	8,645,438	13,590,653
Due to customers	5,821,543	93,397	5,914,940
Current income tax liability	32,289		32,289
Borrowings	2,354	3,358	5,712
Other liabilities	216,320		216,320
Due to the National Housing Fund		353,527	353,527
Total liabilities	6,072,506	450,282	6,522,788
Net assets	**(1,127,291)**	**8,195,156**	**7,067,865**
As at 31 December 2017			
Cash on hand	2,687		2,687
Due from banks	781,757	250	782,007
Loans and advances	3,216,364	4,241,872	7,458,506
Financial Investments- Available for sale	207,500		207,500
Other assets	64,128	-	64,128
Cash balances with central bank	-	115,507	115,507
Property and equipment	-	1,084,748	1,084,748
Intangible assets	-	32,176	32,176
Non-current assets held for sale		2,493,564	2,493,564
Total assets	4,272,436	7,968,117	12,240,823
Due to customers	5,271,048	85,050	5,356,098
Current income tax liability	37,434	-	37,434
Borrowings	6,047	8,623	14,670
Other liabilities	232,492	-	232,492
Due to the National Housing Fund	39,976	334,261	374,237
Deferred tax liabilities	-	-	-
Total liabilities	**5,586,997**	**427,934**	**6,014,931**
Net assets	**(1,314,561)**	**7,540,183**	**6,225,892**

Maturity analysis - *Continued*

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

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

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

3.5 Market risk

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

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

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

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

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

3.5.1 Management of market risk

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

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

i. Product diversification which involves trading, application and investment in a wide range and class of products such as corporate securities and government securities;
ii. Risk taking within well-defined limits with the sole purpose of creating and enhancing shareholder value and competitive advantage;
iii. Effective utilisation of risk capital;
iv. Continuous re-evaluation of risk appetite and communication of same through market risk limits;
v. Independent market risk management function that reports directly to Management;
vi. Robust market risk management infrastructure reinforced by a strong automated system for controlling, monitoring and reporting market risk
vii. Deployment of a variety of tools to monitor and restrict market risk exposures such as position limits, sensitivity analysis, ratio analysis and management action triggers;

Management of market risk- continued

viii Setting the internal Open Position Limit (OPL) lower than the CBN prescribed limit (currently 5% of shareholders' funds). The Bank has put in place an approval process for exceeding the internal OPL limit. However, any trading above the CBN regulated OPL limit must be approved by the Central Bank; and

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

3.5.2 Market risk measurement techniques

(a) Value at risk (VAR)

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

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

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

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

(b) Stress tests

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

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

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

(b) Stress tests- continued

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 2018 and 31 December 2017. Included in the table are the Bank financial instruments at carrying amounts, categorised by currency.

	NAIRA ₦'000	US DOLLAR ₦'000	EURO ₦'000	TOTAL ₦'000
AS AT 31 DECEMBER 2018				
Financial assets:				
Cash and balances with central banks / due from banks	883,838	222	260	884,320
Loans and advances	7,288,241	-	-	7,288,241
Other assets	81,834	-	-	81,834
Financial investments - available for sale	-	-	-	-
Equity investments at FVTPL	258,778			258,778
	8,512,691	222	260	8,513,173
Financial liabilities:				
Due to customers	5,898,319	-	-	5,898,319
Borrowings	5,712	-	-	5,712
Other liabilities	216,320	-	-	216,320
Due to the National Housing fund	353,527	-	-	353,527
	6,473,878	-	-	6,473,878
Net open currency position	**2,038,813**	**222**	**260**	**2,039,295**
As at 31 December 2017				
Financial assets:				
Cash and balances with central banks / due from banks	899,757	208	236	900,201
Loans and advances	7,458,506	-	-	7,458,506
Other assets	64,128	-	-	64,128
Financial Investments - Available for sale	207,500	-	-	207,500
	8,629,891	208	236	8,630,335
Financial liabilities:				
Due to customers	5,356,098	-	-	5,356,098
Due to the National Housing fund	374,237	-	-	374,237
Borrowings	14,670	-	-	14,670
Other liabilities	232,492	-	-	232,492
	5,977,497	-	-	5,977,497
Net open currency position	**2,652,394**	**208**	**236**	**2,652,838**

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

Foreign exchange sensitivity analysis

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

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

	US DOLLAR ₦'000	EURO ₦'000
As at 31 December 2018		
Net foreign currency exposures	222	260
As at 31 December 2017		
Net foreign currency exposures	208	226

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

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

Foreign exchange sensitivity analysis (31 December 2018)	
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)
Foreign exchange sensitivity analysis (31 December 2017)	
Naira strengthens by 5% against the US Dollar	
Profit/ (loss)	₦10,000
Naira weakens by 5% against the US Dollar	
Profit/(loss)	₦(10,000)
Naira strengthens by 5% against the Euro	
Profit/(loss)	₦12,000
Naira weakens by 5% against the Euro	
Profit/(loss)	₦(12,000)

3.5.4 Equity and commodity price risk

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

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

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

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

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

Equity price sensitivity analysis

	2018	**2017**
Impact on total comprehensive income	**₦'000**	**₦'000**
5% increase with all other variables held constant	12,939	10,375
5% decrease with all other variables held constant	(12,939)	(10,375)

3.5.5 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Bank manages this risk by ensuring significant portion of its loans are contracted on fixed interest rate. The bank does nt have any variable rate instrument at the end of the year (2017: 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
AS AT 31 DECEMBER 2018	₦'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		-	7,871,300	7,871,300
	-	258,778	7,871,300	8,130,078
AS AT 31 DECEMBER 2017				
Assets measured at fair value				
Investment securities - quoted equity	-	2,500	-	2,500
Assets for which fair value is disclosed				
Loans and advances	-	-	8,017,894	8,017,894
	-	2,500	8,017,894	8,020,394

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

Unquoted equity instrument
Level 3 equity securities relate to investment in a newly set-up unquoted company.

The fair value of the loans and advances 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.
There have been no transfer between the levels.

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

	Carrying value		Fair value	
	2018	**2017**	**2018**	**2017**
	₦'000	**₦'000**	**₦'000**	**₦'000**
Due from banks	766,997	782,007	766,997	782,007
Loans and advances	7,288,241	7,458,506	7,871,300	8,017,894
Financial investments - available-for-sale	-	207,500	-	207,500
Equity investments at FVTPL	258,778	-	258,778	-
Other assets	55,100	31,650	55,100	31,650
Cash balances with central bank	116,337	115,507	116,337	115,507
	8,485,453	8,595,170	9,068,512	9,154,558
Due to customers	5,898,319	5,356,098	5,898,319	5,356,098
Other liabilities	216,320	232,492	216,320	232,492
Borrowings	5,712	14,670	5,712	14,670
Due to the National Housing Fund	353,527	374,237	353,527	374,237

	6,473,878	5,977,497	6,473,878	5,977,497

(c) Fair valuation methods and assumptions

(i) Cash and balances with central banks

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

(ii) Equity securities

The fair value of quoted and unquoted 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 net 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 effective interest rate to determine fair value.

(iv) Other assets

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

Fair valuation methods and assumptions- continued

(v) Due to customers, other liabilities and borrowings

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

3.7 Capital management

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

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

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

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

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

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

Capital management- continued

The table below summarises the composition of regulatory capital and the ratios of the Bank for the year ended 31 December 2017. During the year, the Bank complied with all of the externally imposed capital requirements to which it is subject.

	2018	2017
Tier 1 capital	₦'000	₦'000
Share capital	2,100,000	2,100,000
Share premium	2,877,126	2,877,126
Retained earnings	(1,328,039)	(191,496)
Statutory reserve	298,440	298,440
Regulatory reserve	-	-
Total regulatory capital	3,947,527	5,084,070

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

	2018	2017
Risk-weighted assets		
On statement of financial position	9,360,169	9,361,098
Off statement of financial position	33,442	33,442
	9,393,611	9,394,540
Risk-weighted Capital Adequacy Ratio (CAR)	42%	54%
Minimum Capital Adequacy Ratio (CAR)	10%	10%

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

4 Operating Segments

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

4.1 Services from which reportable segments derive their revenues

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

Mortgage banking

This business segment provides risk management solutions and advisory services to both individual and institutional customers

Investment banking

This business segment provides innovative financing solutions and advisory services to the bank's corporate and institutional customers.The segment is also responsible for formulation and implementation of finacial market products for the bank's customers

Retail banking

This business segment provides banking products and advisoryservices to the middle and retail segments of the market.

4.2 Segment revenues and results

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

	Mortgage banking ₦'000	Investment banking ₦'000	Retail banking ₦'000	Unallocated ₦'000	Total ₦'000
As at 31 December 2018					
Gross earnings					
Derived from external customers	1,193,264	117,433	72,330		1,383,027
Interest and similar expense	(72,818)	(364,091)	(48,546)		(485,455)
Profit on disposals of non-current assets held for sale				6,009	6,009
Total operating income / (loss)	1,120,446	(246,658)	23,784	6,009	903,581
Expenses:					
Impairment charges	(566,743)				(566,743)
Personnel expenses	(250,721)	(50,144)	(33,429)		(334,294)
Depreciation	(32,269)	(6,474)	(4,316)		(43,059)
Amortisation	(12,008)	(2,402)	(1,601)		(16,010)
Other operating expenses	(433,179)	(88,067)	(58,712)		(579,958)
Total expenses	(1,294,919)	(147,086)	(98,058)		(1,540,064)
Segment profit / (loss)	(174,474)	(393,745)	(74,274)	6,009	(636,483)
Income tax expense				(29,039)	(29,039)
Loss for the year					(665,522)
Total assets	8,880,805	1,849,091	1,232,727	-	11,962,624
Total liabilities	468,184	4,017,219	1,990,009	1,715	6,477,127

	Mortgage banking	Investment banking	Retail banking	Unallocated	Total
	₦'000	₦'000	₦'000	₦'000	₦'000
As at 31 December 2017					
Gross earnings					
Derived from external customers	1,185,669	191,241	21,009	10,148	1,408,067
Interest and similar expense	(3,258)	(467,894)	(19,602)	-	(490,754)
Profit on disposals of non-current assets held for sale	-	-	-	1,902	1,902
Total operating income / (loss)	1,182,411	(276,653)	1,407	12,050	919,215
Expenses:					
Impairement charge	58,361	109,577	-	-	167,938
Personnel expenses	265,130	53,026	35,351	-	353,506
Depreciation	38,812	7,762	5,175	-	51,749
Amortisation	13,355	2,671	1,781	-	17,807
Other operating expenses	379,592	75,918	50,612	-	506,122
Total expenses	755,250	248,955	92,919	-	1,097,122
Segment profit / (loss)	427,161	(525,608)	(91,512)	12,050	(177,907)
Income tax expense				(34,468)	(34,468)
Profit for the year					(212,375)
Total assets	10,215,436	1,655,109	370,278	-	12,240,823
Total liabilities	622,990	4,288,050	1,066,457	37,434	6,014,931

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

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

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

4.2.1 IFRS 15 - Revenue from Contract with Customers

Fee and commission income is disaggregated below and includes a total fees in scope of IFRS 15, Revenues from Contracts with Customers:

	2018				2017
	Mortgage banking	Investment banking	Retail banking	Total	
	₦'000	₦'000	₦'000	₦'000	₦'000
Fees and commission income					
Mortgage fees:					
- Appraisal fees	1,252			1,252	9,562
-Processing fees	120,119			120,119	80,729
- Commitment fees	1,042			1,042	9,442
- Management fees	10,940			10,940	11,958
- Mortgage other income	6,191			6,191	9,521
	139,544			139,544	121,212
Other operating income					
Other income:					
- Account maintenance			8,148	8,148	9,268
- SMS income charges			927	927	1,555
- Commission - electronic transfer			453	453	2,401
- Prepaid card income			756	756	925
- ATM fees income			288	288	191
- Prepaid card issuance fee			227	227	276
- Prepaid card loading fee			167	167	241
Other non-contract fee income : Unallocated				43,179	6,151
				54,145	21,009

4.3 Geographical information

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

		2018	2017
5	**Interest and similar income**	**₦'000**	**₦'000**
	Loans and advances	1,061,288	1,064,457
	Cash and short term funds	89,094	158,772
	Financial investments - held-to-maturity	-	32,469
		1,150,382	1,255,698

Interest income on loans and advances to customers include interest income on impaired financial assets, recognised using the effective interest rate used to discount the future cash flows for the purpose of measuring the impairment charge as at 31 December 2018. This amounted to N101,528,000 for 2017.

		2018	2017
6	**Interest and similar expense**	**₦'000**	**₦'000**
	Due to customers	484,049	487,496
	Borrowings	1,407	3,258
		485,456	490,754

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

		2018	2017
7	**Fees and commission income**	**₦'000**	**₦'000**
	Mortgage fees	139,544	121,212
	Legal Fees	32	-
		139,576	121,212

		2018	2017
		₦'000	**₦'000**
8	**Other Operating income**		
	Rental income	10,150	9,948
	Other income	54,145	21,009
	Profit on sale of property and equipment	2,777	200
		67,072	31,157

9 Credit loss expense

The table below shows the ECL charges on financial instruments for the year ended 31 December 2018:

	Note	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Balances with Central Bank of Nigeria		(4)	-	-	(4)
Due from banks		(1,353)	-	-	(1,353)
Loans and advances		72,644	18,781	476,675	568,100
Total impairment loss		71,287	18,781	476,675	566,743

The table below shows the impairment charges recorded in profit or loss under IAS 39 for the year ended 31 December 2017:

		2017
9.1	**Impairment charge**	
	The net impairment charge for loans and advances comprises:	**₦'000**
	Collective impairment (Note 16.1)	16,247
	Individual impairment (Note 16.1)	**43,648**
	Provision no longer required (Note 16.1)	(1,534)
	Total for the year	58,361
	Impairment charge on other assets	109,577
		167,938

Credit loss expense- continued

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

		2018	2017
10	**Personnel expenses**	**₦'000**	**₦'000**
	Wages, salaries and other staff costs	313,050	331,213
	Retirement contribution plan	21,244	22,293
		334,294	353,506

			2018	2017
11	**Other operating expenses**		**₦'000**	**₦'000**
	Directors remuneration	**Note 35.2**	80,741	81,141
	Subscriptions, publications, stationeries, and communications		75,805	62,113
	Property and equipment repairs and maintenance		34,332	45,126
	Other assets written off		-	54,007
	Insurance expenses		31,711	30,047
	Electricity and gas		25,083	23,977
	Deposit insurance commission		23,522	23,596
	Auditors remuneration		12,000	12,000
	Lease payments recognised as an operating lease expense		7,807	7,808
	Security costs		7,831	7,460
	Advertising expenses		5,108	3,299
	Bank charges		6,548	2,891
	Medical expenses		23,634	24,148
	Fine		700	400
	Donation		40	900
	Other expenses		245,096	127,209
			579,958	**506,122**

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

		2018	2017
12	**Income tax expense**	**₦'000**	**₦'000**
12.1	**Current income tax for the year**		
	Income tax	29,039	32,973
	Education tax	-	1,495
	Total current income tax expense	29,039	34,468
	Deferred tax (net)		
	Relating to origination and reversal of temporal differences Note 26	-	-
	Income tax expense	29,039	34,468

12.2 Reconciliation of effective tax rate

The effective income tax rate for 2018 is 5% (2017: 19%).

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

Reconciliation of effective tax rate- continued

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

		2018	2017
12.2	**Reconciliation of effective tax rate**	**₦'000**	**₦'000**
	Loss before income tax	(636,480)	(177,907)
	Income tax using the domestic Corporation tax rate 30% (2017: 30%)	(190,944)	(53,372)
	Income not subject to tax	(5,396)	(4,733)
	Non-deductible expenses	50,574	29,360
	Education tax	-	1,495
	Unrecognised tax losses*	145,766	28,745
	Effect of minimum tax floor	29,039	32,973
		29,039	34,468

12.3	**The movement in the current income tax payable is as follows:**		
	At beginning of the year	37,434	57,720
	Income tax expense	29,039	34,468
	Withholding tax credit received	(4,455)	(10,977)
	Payments during the year	(29,729)	(43,777)
	At end of the year	32,289	37,434

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

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

Basic

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

	2018	2017
Loss after income tax attributable to the shareholders (₦'000)	(665,519)	(212,375)
Weighted average number of shares ('000)	4,200,000	4,200,000
(in kobo)	**(15.85)**	**(5.06)**

Diluted

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

		2018	2017
14	**Cash on hand**	**₦'000**	**₦'000**
	Cash	986	2,687

14.1 Cash balances with central bank

		2018	2017
Deposits with CBN		116,935	115,507
Allowance for impairment on cash balances with CBN	14.1.1	(598)	-
		116,337	115,507

See Note 15 for nature of deposits with CBN.

14.1.1 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.

	2018				**2017**
Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total
	N '000	**N '000**	**N '000**	**N '000**	**N '000**
Performing	116,935	-	-	116,935	**115,507**
Standard grade	-	-	-	-	
Sub-standard grade	-	-	-	-	
Non- performing	-	-	-	-	
Individually impaired	-	-	-	-	
Total	**116,935**	**-**	**-**	**116,935**	**115,507**

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 2018	115,507	-	-	115,507
New assets originated or purchased	1,428	-	-	1,428
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 2018	116,935	-	-	116,935

Impairment allowance on cash balances with CBN- continued

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	**N '000**	**N '000**	**N '000**
ECL allowance as at 1 January 2018	603	-	-	603
New assets originated or purchased		-	-	-
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	-	-	-	-
Unwind of discount (recognised in interest income)	-	-	-	-
Changes due to modifications not resulting in	-	-	-	-
Changes to models and inputs used for ECL calculations	(5)	-	-	(5)
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
At 31 December 2018	598	-	-	598

15 Due from banks

		2018	2017
		₦'000	**₦'000**
Balances with Federal Mortgage Bank of Nigeria ("FMBN")		250	250
Balances with other banks		220,107	62,274
Fixed placements with banks		549,703	719,483
		770,060	782,007
Allowance for impairment on due from Banks	**Note 15.1**	(3,063)	-
		766,997	782,007

Rate range analysis:

	2018	2017
Fixed placements with banks	3.5% to 17.5%	3.5% to 17.5%

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.

15.1 Impairment alowance from 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.

	2018				**2017**
Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total
	N '000	**N '000**	**N '000**	**N '000**	**N '000**
Performing	770,060	-	-	770,060	**782,007**
Standard grade	-	-	-	-	
Sub-standard grade	-	-	-	-	
Non- performing	-	-	-	-	
Individually impaired	-	-	-	-	
Total	**770,060**	**-**	**-**	**770,060**	**782,007**

Impairment alowance from Due from banks- continued

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 2018	782,007	-	-	782,007
New assets originated or purchased	770,060	-	-	770,060
Assets derecognised or repaid (excluding write-offs)	(782,007)	-	-	(782,007)
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 2018	770,060	-	-	770,060

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	N '000	N '000	N '000
ECL allowance as at 1 January 2018	4,415	-	-	4,415
New assets originated or purchased	3,272	-	-	3,272
Assets derecognised or repaid (excluding write offs)	(4,624)	-	-	(4,624)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages	-	-	-	-
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 2018	3,063	-	-	3,063

16		2018	2017
	Loans and advances	**₦'000**	**₦'000**
	Mortgages	7,825,413	7,200,258
	Advances	653,499	763,961
	National Housing Fund	332,351	372,668
		8,811,263	8,336,887
	Less: ECL allowance	(1,523,022)	-
	Collective impairment allowance	-	(288,541)
	Specific impairment allowance	-	(589,840)
		7,288,241	7,458,506

16.1 Impairment allowances on Loans and advances

16.1.1 *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.

	2018				**2017**
Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total
	N '000	**N '000**	**N '000**	**N '000**	**N '000**
Performing	2,614,447	423,143		3,037,590	**4,118,658**
Standard grade				-	
Sub-standard grade				-	
Non- performing			4,787,823	4,787,823	**3,081,600**
Individually impaired				-	
Total	2,614,447	423,143	4,787,823	7,825,413	7,200,258

Impairment allowances on Loans and advances- continued

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 2018	3,537,170	581,488	3,081,600	7,200,258
New assets originated or purchased	721,893	-	-	721,893
Assets derecognised or repaid (excluding write-offs)	(75,300)	-	-	(75,300)
Transfers to Stage 1	44,086		(44,086)	-
Transfers to Stage 2		41,958	(41,958)	-
Transfers to Stage 3	(1,613,402)	(200,303)	1,813,705	-
Changes due to modifications not derecognised		-	-	-
Amounts written off	-	-	(21,438)	(21,438)
Foreign exchange adjustments	-	-	-	-
At 31 December 2018	2,614,447	423,143	4,787,823	7,825,413

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	**N '000**	**N '000**	**N '000**
ECL allowance as at 1 January 2018	34,282	15,516	868,536	918,334
New assets originated or purchased	97,993			97,993
Assets derecognised or repaid (excluding write offs)	(1,110)		-	1,110
Transfers to Stage 1	140	-	140	-
Transfers to Stage 2		134 -	134	-
Transfers to Stage 3	(18,001)	(543)	18,544	-
Impact on year end ECL of exposures transferred between stages during the year				-
Changes due to modifications not resulting in derecognition	(96)	(99)	470,224	470,029
Changes to models and inputs used for ECL calculations				-
Recoveries				-
Amounts written off			(21,438)	(21,438)
At 31 December 2018	113,208	15,008	1,335,592	1,463,808

16.1.2 ***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.

	2018				**2017**
Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total
	N '000	**N '000**	**N '000**	**N '000**	**N '000**
Performing	600,317	-		600,317	**713,504**
Standard grade				-	
Sub-standard grade				-	
Non- performing			53,182	53,182	**50,457**
Individually impaired					
Total	600,317	-	53,182	653,499	**763,961**

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 2018	713,504	-	50,457	763,961
New assets originated or purchased	3,250	-	-	3,250
Assets derecognised or repaid (excluding write-offs)	(113,645)	-	(67)	(113,712)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	(2,792)	-	2,792	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2018	600,317	-	53,182	653,499

Impairment allowances on loans and advances- continued

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	**N '000**	**N '000**	**N '000**
ECL allowance as at 1 January 2018	3,861	-	49,241	53,102
New assets originated or purchased	35	-	-	35
Assets derecognised or repaid (excluding write offs)	(3,845)	-	-	(3,845)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	(35)	-	35	-
Impact on year end ECL of exposures transferred between stages	-	-	-	-
Unwind of discount (recognised in interest income)	-	-	-	-
Changes due to modifications not resulting in	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	1,700	1,700
Amounts written off	-	-	-	-
At 31 December 2018	16	-	50,976	50,992

16.1.3 ***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.

	2018				**2017**
Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total
	N '000	**N '000**	**N '000**	**N '000**	**N '000**
Performing	165,338	14,995		180,333	**170,063**
Standard grade				-	
Sub-standard grade				-	
Non- performing			152,018	152,018	**202,605**
Individually impaired					
Total	165,338	14,995	152,018	332,351	**372,668**

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 2018	161,668	8,395	202,605	372,668
New assets originated or purchased	-	-	-	-
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	3,670	6,600	(50,588)	(40,317)
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2018	165,338	14,995	152,017	332,351

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	**N '000**	**N '000**	**N '000**
ECL allowance as at 1 January 2018	1,161	-	3,763	4,924
New assets originated or purchased	-	-	-	-
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	-	-	-	-
Unwind of discount (recognised in interest income)	-	-	-	-
Changes due to modifications not resulting in	-	-	-	-
Changes to models and inputs used for ECL calculations	(622)	61	3,858	3,297
Amounts written off	-	-	-	-
At 31 December 2018	539	61	7,621	8,221

16.2 The movement of allowance for impairment:

An analysis of the allowance for impairment losses under IAS 39 for Loans and Advances for the year to 31 December 2017

Collective impairment allowance	**2017**
At beginning of the year	272,294
Charge for the year	16,247
At end of the year	288,541
Specific impairment allowance	
At the beginning of the year	563,750
Write off	(16,024)
Allowance no longer required	(1,534)
Charge for the year	43,648
At the end of the year	589,840
Total impairment allowance	**878,381**

16.3 Analysis by sector (Gross)

	2018	**2017**
	₦'000	**₦'000**
Construction Loans	1,128,180	976,736
Loan and Advances	272,230	281,334
Mortgage FMBN bonds	4,310	4,295
Mortgage Home Loans	6,380,943	5,848,819
NHF Loans	328,042	400,611
School Loans	193,449	278,443
Staff Mortgage Loans	44,061	63,996
Staff Personal Loans	1,363	501
Staff Share Loan	458,685	482,152
	8,811,263	**8,336,887**

16.4 Analysis by security (gross)

	2018	**2017**
	₦'000	**₦'000**
Secured against real estate	8,552,514	7,467,992
Other security	170,277	731,937
Unsecured	88,472	136,958
	8,811,263	**8,336,887**

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

16.5 Loans and advances general terms and conditions

	2018		**2017**	
Tenor				
1 to 5years	14	5,389,069	14	6,546,998
6 to 10 years	12	1,871,800	10	391,559
11 to 15years	8	211,503	8	749,478
Above 15years	7	1,338,891	6	648,852
		8,811,263		**8,336,887**

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

		2018	**2017**
17	**Financial investments**	**₦'000**	**₦'000**
17.1	**Financial investments - available-for-sale**		
	Quoted investments:		
	Quoted equities	-	19,298
	Specific impairment allowance	-	(16,798)
		-	2,500
	Unquoted investments:		
	Unquoted equities (Note 17.3)		205,000
		-	205,000
	Total financial investments - available-for-sale	-	**207,500**

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

		2018	2017
17.2	**Financial investments - equity instrument at FVTPL**	**₦'000**	**₦'000**
	Quoted equities	1,000	-
	Unquoted equities	257,778	-
	Total financial investments - equity instrument at FVTPL	**258,778**	-

17.3	**Movements in available-for-sale investment (unquoted)**		
	Balance at beginning of year		205,000
	Additions		-
			205,000

		2018	2017
18	**Other assets**	**₦'000**	**₦'000**
	Prepayments	20,411	32,478
	Balance with other financial institutions	151,544	151,001
	Stationery and stocks	6,323	6,744
	Sundry receivables	55,848	26,197
		234,126	216,420
	Allowance for impairment of other assets - (note 18.1)	(152,292)	(152,292)
		81,834	64,128

As at 31 December 2018, impairment charge was made during the year with respect to balance with other financial institutions as it has been being fully provided for in the prior year (2017: charge for the year was N110 million).

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

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

		2018	2017
18.1	Movement of allowance for impairment of other assets	**₦'000**	**₦'000**
	Balance at the beginning of year	152,292	40,423
	Reclassification		2,292
	Provision for the year		109,577
		152,292	152,292

19 Property and equipment

	Land and building ₦'000	Furniture and equipment ₦'000	Computer equipment ₦'000	Motor vehicles ₦'000	Total ₦'000
Cost					
At 1 January 2018	1,146,362	185,039	103,905	214,033	1,649,339
Additions	65,610	3,293	2,556	-	71,459
Disposal	(55,000)	(4,100)	-	(4,045)	(63,145)
At 31 December 2018	1,156,972	184,232	106,461	209,988	1,657,653
Accumulated depreciation					
At 1 January 2018	130,042	130,136	99,953	204,460	564,591
Charge for the year	22,946	12,270	2,332	5,510	43,058
Disposals	(3,392)	(2,837)	-	(4,045)	(10,274)
At 31 December 2018	149,596	139,569	102,285	205,925	597,375
Cost					
At 1 January 2017	1,145,620	186,369	102,805	223,058	1,657,852
Additions	742	870	1,100		2,712
Disposal	-	(2,200)	-	(9,025)	(11,225)
At 31 December 2017	1,146,362	185,039	103,905	214,033	1,649,339
Accumulated depreciation					
At 1 January 2017	107,357	118,723	96,269	201,717	524,065
Charge for the year	22,685	13,612	3,683	11,769	51,749
Disposals	-	(2,198)	1	(9,026)	(11,223)
At 31 December 2017	130,042	130,136	99,953	204,460	564,591
Net book value at 31 December 2018	**1,007,376**	**44,663**	**4,176**	**4,063**	**1,060,278**
Net book value at 31 December 2017	**1,016,320**	**54,903**	**3,952**	**9,573**	**1,084,748**

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

20 Intangible assets

	2018		2017		
	Computer software ₦'000	Total ₦'000	Computer software ₦'000	Work-in progress ₦'000	Total ₦'000
Cost					
At 1 January	115,531	**115,531**	109,234	1,897	**111,131**
Additions	5,300	**5,300**	4,400	-	**4,400**
Transfer	-	**-**	1,897	(1,897)	**-**
At 31 December	120,831	**120,831**	115,531	-	**115,531**
Accumulated amortisation					
At 1 January	83,355	**83,355**	65,548	-	**65,548**
Amortisation	16,010	**16,010**	17,807	-	**17,807**
At 31 December	99,365	**99,365**	83,355	-	**83,355**
Carrying amount	**21,466**	**21,466**	**32,176**	**-**	**32,176**

The intangible assets consist wholly of the Bank's computer software. EazyBank with carrying amount of ₦10.818million (2017: ₦19.5million) and remaining amortisation period of 1 year.

Work-in-progress represents cost of new computer software under installation. No amortisation has been charged on this. The transfer from work-in-progress to computer software represent software installation completed during on 2017.

The Bank performed its annual impairment test as at 31 December 2018 and there was no indicators of impairment of intangible assets held as at that date (2017:Nil).

21 Non-current assets held for sale

In the year ended 31 December 2013, the CBN stipulated that the Bank should commence disposal of all real estate developments in 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.

	2018 ₦'000	2017 ₦'000
As at 1 January	2,493,564	2,403,663
Repossessed assets	-	110,000
Disposal	(124,938)	(20,099)
	2,368,626	2,493,564

No asset was repossessed from customers that defaulted on loans and advances during the year (2017: N110 million).

22 Due to customers

	2018 ₦'000	2017 ₦'000
Demand deposits	741,596	489,730
Savings deposits	1,217,156	1,028,538
Term deposits	3,939,567	3,837,830
	5,898,319	5,356,098
Within one year	5,804,922	5,271,048
More than one year	93,397	85,050
	5,898,319	5,356,098

		2018	2017
23	**Other liabilities**	**₦'000**	**₦'000**
	Accounts payable	205,964	212,144
	Rent payable	917	6,417
	Information technology levy	2,412	2,412
	Other liabilities	5,814	276
	Staff pension contribution	515	688
	Rent received in advance	698	10,555
		216,320	232,492

Terms and Conditions of other liabilities

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

The rent payable is due on demand.

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

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

The Bank's liabilities in respect of the defined contribution scheme are charged against the profit 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.

	2018	2017
Defined contribution scheme	**₦'000**	**₦'000**
Pension liability	515	688

24	**Borrowings**		
	Nigeria Mortgage Refinancing Company	5,712	14,670
		5,712	14,670
	Current	3,747	3,747
	Non-current	1,965	10,923
		5,712	14,670

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

The principal of ₦5,712,299 (2017: ₦14,671,509) relates to outstanding balance of refinancing loan granted by Nigerian Mortgage Refinancing Company (NMRC) in November 2016. The principal and interest are rapayble over 15 years on monthly basis. The interest rate is 15.5% per annum.

		2018	2017
24	**Borrowings- continued**	**₦'000**	**₦'000**
	Balance as at beginning of the year	14,670	24,245
	Repayments during the year	(8,958)	(9,575)
	Balance as at end of the year	5,712	14,670

		2018	2017
25	**Due to the National Housing Fund**	**₦'000**	**₦'000**
	On -lending funds	353,527	374,237

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

26 Deferred tax liabilities

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30**%** (2017: 30%).

The Bank has unutilised captal allowance of N225.045million (2017: N180.412million) and Unrelieved tax loss N225.045million (2017: N180.412million) for offset against future taxable profits.There is no expiry date date for the utilisation of these items. However, deferred tax asset has been recognised up to the deferred tax liabilities in current year due to uncertainties regarding the timing and amount of future taxable profits. The Bank has unrecognised deferred tax asset of N161.816million

		2018	2017
		₦'000	**₦'000**
26.1	**Deferred tax liabilities are attributable to the following:**		
	Accelerated tax depreciation	193,999	174,384
	Non-current assets held for sale	203,986	204,587
	Allowances for loan losses	(42,889)	(92,333)
	Other assets	45,688	45,688
	Net fair value gain on financial asset	920	-
	Unutilised capitalised allowance	(225,045)	(180,412)
	Tax loss carried forward	(352,542)	(211,849)
	Unrecognised deferred tax assets	175,883	59,935
		-	-

26.2 Movements in temporary differences during the year:

	At beginning of year ₦'000	Recognised in equity 1 January 2018 ₦'000	Recognised in profit or loss ₦'000	At end of year ₦'000
Accelerated depreciation	174,384		19,615	193,999
Investments properties	204,587		(601)	203,986
Allowances for loan losses	(92,333)	(32,959)	82,403	(42,889)
Other assets	45,688		0	45,688
Net fair value gain on financial asset	-		920	920
Unutilised capitalised allowance	(180,412)		(44,633)	(225,045)
Tax loss carried forward	(211,849)		(140,693)	(352,542)
Unrecognised deferred tax assets	59,935	32,959	82,989	175,883
	-	-	-	-

		2018	2017
27	**Share capital**	**₦'000**	**₦'000**
	Authorised		
27.1	7 billion ordinary shares of 50 kobo each	3,500,000	3,500,000
27.2	**Issued and fully paid**		
	4.2 billion ordinary shares of 50k each	2,100,000	2,100,000

28 Share premium

There was no movement in share premium during 2018 and 2017.

29 Accumulated losses

Balance at beginning of year	(191,496)	193,676
Impact of adopting IFRS 9 (Note 2.9)	(102,997)	-
Impact of adopting IFRS 9 (Note 2.9)	97,979	-
Loss for the year	(665,519)	(212,375)
Transfer to regulatory risk reserve	(466,006)	(172,797)
Balance at end of year	(1,328,039)	(191,496)

30 Statutory reserve

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

	2018	2017
	₦'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 (2017: Nil).

31 Available for sale reserve

The available for sale reserve shows the movements regarding gains and losses on available for sale financial instruments in prior years. The total fair value change on the instrument have been reclassified to profit or loss in prior years, hence, the reserve is ₦nil at 31 December 2017. However, due to the adoption of IFRS 9, the Bank has classified all these equity instruments to be measured at fair value through profit or loss. As such, changes in the fair value will be recognised in profit or loss in subsequent years.

		2018	2017
32	**Additional cash flow information**	**₦'000**	**₦'000**
	Cash and cash equivalents		
	Cash on hand (note 14)	986	2,687
	Due from banks (note 15)	766,747	781,757
		767,733	784,444

The deposits with the Central Bank and FMBN (see Notes 14.1 and 15) are not available to finance the Bank's day–to–day operations and, therefore, are not part of cash and cash equivalents.

			1 Jan 2018
32	Cash and cash equivalents as at 1 January 2018		₦'000
	Cash on hand (note 2.18)		2,687
	Due from banks (note 2.18)		777,342
			780,029

		Note	2018	2017
32.1	**Change in operating assets**		**₦'000**	**₦'000**
	Net change in loans and advances to customers		(474,376)	(600,761)
	Net change in other assets		(22,163)	163,192
	Net change in cash reserve with CBN		(1,428)	(14,461)
	Repossessed assets		-	(110,000)
			(497,967)	(562,030)
32.2	**Change in operating liabilities**			
	Net change in due to customers		542,221	27,449
	Net change in due to National Housing Fund		(20,710)	(24,304)
	Net change in other liabilities		(16,172)	27,140
			505,339	30,285
32.3	**Adjustment for non-cash items**			
	Depreciation	19	43,058	51,749
	Amortisation		16,010	17,807
	Financial Investments- held to maturity		-	(32,469)
	Impairment charge on loans and advances		558,376	59,895
	Impairment reversal on cash balances with central bank		(4)	-
	Provision on loans and advances no longer required		(11,713)	(1,534)
	Impairment charge on balances with other financial institution		-	109,577
	Other assets written off		-	54,007
			605,727	259,032
32.4	**Gain from investing activities**			
	Bonus shares received on equity instruments at FVPL		(25,278)	-
	Fair value gain on equity instruments at FVPL		(26,000)	-
	Profit on sale of property and equipment		(2,777)	(200)
	Gain on sale of non-current assets held for sale		(6,009)	(1,902)
			(60,064)	(2,102)
32.5	**Operational cashflows from interest***			
	Interest paid		487,281	482,192
	Interest received		1,187,495	1,181,477

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

33 Contingencies and commitments

33.1 Guarantees and other commitments

The Bank has no guarantees and other commitments as at 31 December 2018 (2017:Nil)

33.2 Capital commitments

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

33.3 Claims and litigations

The Bank in the ordinary course of business is presently involved in four (2017:four) claims and litigations relating to customer disputes. Maximum exposure for the Bank is ₦216,400,000 (2017: ₦209,000,000). Management do not believe these claims and litigations will be successful.

34 Operating leases

Bank as lessee

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

	2018	2017
	₦'000	**₦'000**
Due within 1 year	2,308	5,500
Due 2-5 years	5,500	2,308
	7,808	7,808

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

Bank as lessor

The Bank acts as lessor of commercial premises. These leases have an average life of between one and two years. There are no restrictions placed upon the lessee by entering into these leases.

	2018	2017
	₦'000	**₦'000**
Due within one year	8,850	833
Due within two-five years	360	1,217
	9,210	2,050

Bank as lessor

The Bank has received rental income for properties which range between 1 and 2 years which have been capitalised in other liabilities as ₦698,000 (2017: ₦10,555,151) .

The total rent recognised as income during the year is ₦10.150million (2017: ₦9.94million).

In the current year, there is an additional lease arrangement for 2years which payment had been made for.

35 Related party disclosures

An analysis of insider related credit granted to companies and individuals with whom the key management of the Bank are related or in which the key management have related interests are as stated below. Credit facilities were provided by the Bank to related parties on commercial terms. Loans and advances to related parties at the reporting date, which are all performing amounted to ₦315.3 million (2017: ₦372.7 million).

Name of Borrower	Relationship to Bank	Amount outstanding 2018	Amount outstanding 2017	Interest paid 2018	Interest paid 2017	Facility type	Status	Nature of security
		₦'000	₦'000	₦'000	₦'000			
Rosabon Investment Company Limited	Bank's Chairman is majority shareholder and director of the Company	60,049	81,495	14,690	14,521	Working capital	Performing	Equitable mortgage/Cash
Infant Jesus Academy	Bank's MD/CEO is a Director of the School	233,900	266,608	34,917	33,357	Mortgage loan	Performing	Legal mortgage
Chike Chiemeke	A brother to the Bank's MD/CEO	17,689	20,942	3,456	4,332	Mortgage loan	Performing	Legal mortgage
Mr. Madu Hamman	Bank's Executive Director	3,688	3,688	184	219	Housing loan	Performing	Legal mortgage
		315,326	**372,733**	**53,247**	**52,429**			

The Bank rents properties from the Chairman for two of its branches. The rental charge for the current year is ₦5,500,000 (2017: ₦5,500,000) and the amount payable at the year end is ₦5,499,996 (2017: ₦6,416,000).

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 2018 and 2017, all related party facilities were performing at year end and as such there were no amounts provided for.

		2018	2017
35.1	**Key management compensation**	**₦'000**	**₦'000**
	Salaries and other short term employee benefits	53,881	57,476
	Post -employment benefits	3,595	3,595
		57,476	61,071
35.2	**Directors emoluments**		
	Fees and sitting allowances	14,750	14,750
	Executive compensation	57,476	57,476
	Defined contribution scheme	3,595	3,595
	Other directors expenses	4,920	5,320
		80,741	81,141

36 Events after reporting date

There were no events after reporting date which could have a material effect on the financial position of the Bank as at 31 December 2018 and profit or loss and other comprehensive income on that date which have not been adequately adjusted for or disclosed.

37 Dividend payable

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

38 Compliance with banking regulations

The Company complied with all CBN regulations during the period, there were no contraventions to be reported during the period.
The sum of N700,000 was paid to The Nigeria Stock Exchange for late submission of 2017 financial statements during the year.

ABBEY MORTGAGE BANK PLC

STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 ₦'000	%	2017 ₦'000	%
Gross income	1,389,039		1,409,969	
Interest expense	(485,456)		(490,754)	
	903,583		919,215	
Impairment charge	(566,743)		(167,938)	
Brought-in-materials and services-local	(579,958)		(506,122)	
Value lost	(243,118)	100	245,155	100
Applied to pay:				
Employee as wages, salaries and pensions	334,294	(138)	353,506	144
Government taxes	29,039	(12)	34,468	14
Retained in business:				
Depreciation and amortisation	59,068	(24)	69,556	28
Loss for the year	(665,519)	274	(212,375)	(87)
Deferred taxation	-	-	-	-
Value lost	(243,118)	100	245,155	100

Value lost represents the additional wealth which the Bank has consumed in the course of its operations. This statement shows the allocation of that wealth among the employees, shareholders, government and erosion of capital.

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

ABBEY MORTGAGE BANK PLC

FIVE-YEAR FINANCIAL SUMMARY
STATEMENT OF FINANCIAL POSITION

AS AT	31 DECEMBER				
	2018	**2017**	**2016**	**2015**	**2014**
Assets	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Cash on hand	986	2,687	11,037	3,671	7,693
Due from banks	766,997	782,007	896,009	1,304,714	1,849,687
Cash balances with central bank	116,337	115,507	101,046	101,046	15,748
Loans and advances	7,288,241	7,458,506	6,900,080	7,103,478	6,819,979
Financial Investments - available for sale	-	207,500	207,500	202,500	202,500
Financial Investments -held to maturity	-	-	336,163	-	-
Financial investments - equity instrument at FVTPL	258,778	-	-	-	
Other assets	81,834	64,128	417,906	285,573	106,336
Property and equipment	1,060,278	1,084,748	1,133,787	1,178,750	1,235,801
Intangible assets	21,466	32,176	45,583	59,823	67,013
Non-current assets held for sale	2,368,626	2,493,564	2,403,663	2,539,761	3,040,150
Total Assets	**11,963,543**	**12,240,823**	**12,452,774**	**12,779,316**	**13,344,907**
Liabilities and equity					
Due to customers	5,898,319	5,356,098	5,328,649	5,361,393	5,180,089
Current income tax liability	32,289	37,434	57,720	87,326	55,723
Other liabilities	216,320	232,492	205,352	188,020	173,120
Borrowings	5,712	14,670	24,245	112,049	581,016
Due to the National Housing Fund	353,527	374,237	398,541	424,264	445,273
Deferred tax liabilities	-	-	-	-	358,916
	6,506,167	**6,014,931**	**6,014,507**	**6,173,052**	**6,794,137**
Equity					
Share capital	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
Share premium	2,877,126	2,877,126	2,877,126	2,877,126	2,877,126
(Accumulated losses) / retained earnings	(1,328,039)	(191,496)	193,676	526,626	552,686
Statutory reserve	298,440	298,440	298,440	298,440	298,440
Regulatory risk reserve	1,509,849	1,141,822	969,025	804,072	722,518
Total equity	**5,457,376**	**6,225,892**	**6,438,267**	**6,606,264**	**6,550,770**
Total liabilities and equity	**11,963,543**	**12,240,823**	**12,452,774**	**12,779,316**	**13,344,907**

ABBEY MORTGAGE BANK PLC

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

FOR THE YEAR ENDED	31 DECEMBER				
	2018	**2017**	**2016**	**2015**	**2014**
	₦'000	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Net operating income	903,583	919,215	772,730	878,311	832,275
Allowances for loans and other assets	(566,743)	(167,938)	(101,786)	(54,169)	(85,056)
Operating expenses	(973,320)	(929,184)	(907,173)	(1,051,414)	(1,015,167)
(Loss) / profit before income tax	**(636,480)**	**(177,907)**	**(134,443)**	**(227,272)**	**(182,892)**
Income tax benefit / (expense)	(29,039)	(34,468)	(33,554)	282,766	19,686
(Loss) / profit for the year	**(665,519)**	**(212,375)**	**(167,997)**	**55,494**	**(163,206)**
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 other comprehensive (loss) / income for the year	**(665,519)**	**(212,375)**	**(167,997)**	**55,494**	**(163,206)**
(Loss) / earnings per share (Kobo) - Basic and diluted	**(15.85)**	**(5.06)**	**(4.00)**	**1.32**	**(3.89)**

(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.