ABBEY MORTGAGE BANK PLC
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ABBEY MORTGAGE BANK PLC
LAGOS, NIGERIA

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

ABBEY MORTGAGE BANK PLC

REPORT OF DIRECTORS AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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ABBEY MORTGAGE BANK PLC

CORPORATE INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2019

DIRECTORS

Names	**Post Held**
Chief Ifeanyichukwu Boniface Ochonogor **	Chairman (Retired effective 28 February 2020)
Mazi Emmanuel Kanu O.Ivi **	Chairman (Appointed Effective 28 February 2020)
Mrs. Rose Ada Okwechime	Managing Director/CEO
Mr. Madu Hamman	Executive Director
Mr. Andrew Nwosisi	Executive Director
Air Vice Marshal Olufemi Soewu (Retired)	Non-Executive Director
Mr. Bernard Okumagba	Non-Executive Director (Resigned with effect from 24th January, 2020)
High Chief Samuel Oni	Independent Director
Mr. Uzochukwu Odunukwe	Independent Director
Geoff Amaghereonu Esq	Company Secretary.
Registered Office	23 Karimu Kotun Street Victoria Island Lagos
Registered No:	RC 172093
License No:	26
Tax Identification Number	C-433068
Auditors:	Ernst & Young 10th & 13th Floors UBA House 57 Marina, Lagos
Registrars:	Africa Prudential Plc 220B, Ikorodu Road Palmgrove Lagos Nigeria

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

ABBEY MORTGAGE BANK PLC

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their report together with the audited financial statements of Abbey Mortgage Bank ("the Bank") for the year ended 31 December 2019.

The Bank applied the 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:

	2019	2018
	₦'000	₦'000
Loss before income tax	(51,943)	(636,480)
Income tax expense	(10,693)	(29,039)
Loss after income tax	(62,636)	(665,519)
Other comprehensive income	-	-
Loss for the year	(62,636)	(665,519)
Less: appropriations:		
Transfer to regulatory risk reserve	(706,678)	(466,006)
Net effect of operations on accomulated losses	(769,314)	(1,131,525)

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.

ABBEY MORTGAGE BANK PLC

REPORT OF THE DIRECTORS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019 are as follows:

S/N	Name of Directors	As at 31 December 2019 (Shares)	Percentage Holding [%]	As at 31 December 2018 (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	Mr. Andrew Nwosisi	660,278	0.01	660,278	0.01
5	Mazi Emmanuel Kanu O. Ivi	86,442,341	2.06	86,442,341	2.06
6	Air Vice Marshal Olufemi Soewu (Retired)	50,717,076	1.21	50,717,076	1.21
7*	Mr. Bernard Okumagba	8,723,720	0.21	8,723,720	0.21
8	High Chief Samuel Oni	NIL		NIL	NIL
9	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.

7* 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 2019 (2018: 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) Air Vice Marshal Olufemi Soewu (Rtd)
(b) Mr. Madu Hamman

6) RECORD OF DIRECTORS' ATTENDANCE

In accordance with Section 258 (2) of the Companies and Allied Matters Act CAP C20 Laws of the Federation of Nigeria (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.

9.1) ANALYSIS OF SHAREHOLDERS AS AT 31 DECEMBER 2019

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

9.2) 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

7) SUBSTANTIAL INTEREST IN SHARES

Nigerian citizens and associations held all the ordinary shares of the Bank as at 31 December 2019. No individual shareholder held more than 5% of the issued and paid up share capital of the Bank as at 31 December 2019 except the following:

As at 31 December 2019

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

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

HISTORY OF CAPITALIZATION

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

DATE	AUTHORISED		ISSUED AND FULLY PAID		CONSIDERATION
	INCREASE (₦)	CUMMULATIVE (₦)	INCREASE (₦)	CUMMULATIVE (₦)	
1991		5,000,000		5,000,000	CASH
1992	10,000,000	15,000,000	10,000,000	15,000,000	CASH
1992	15,000,000	30,000,000	NIL	15,000,000	
1994	20,000,000	50,000,000	15,000,000	30,000,000	CASH
1996	NIL	50,000,000	20,000,000	50,000,000	CASH
1997	50,000,000	100,000,000	NIL	50,000,000	
1999	NIL	100,000,000	20,000,000	70,000,000	CASH
1999	NIL	100,000,000	8,000,000	78,000,000	BONUS
2000	100,000,000	200,000,000	22,000,000	100,000,000	BONUS
2001	NIL	200,000,000	85,000,000	185,000,000	CASH
2001	NIL	200,000,000	15,000,000	200,000,000	BONUS
2002	300,000,000	500,000,000	40,000,000	240,000,000	BONUS
2003	NIL	500,000,000	25,000,000	265,000,000	BONUS
2004	300,000,000	800,000,000	50,000,000	315,000,000	CASH
2004	NIL	800,000,000	20,000,000	335,000,000	BONUS
2005	200,000,000	1,000,000,000	25,000,000	360,000,000	BONUS
2006	500,000,000	1,500,000,000	140,000,000	500,000,000	CASH
2006	NIL	1,500,000,000	18,000,000	518,000,000	BONUS
2007	NIL	1,500,000,000	501,935,000	1,019,935,000	CASH
2007	2,000,000,000	3,500,000,000	1,080,065,000	2,100,000,000	CASH

10) **DONATIONS**

Donations made during the period amounted to N480,000. (2018: N40,000). No donation was made to any political organization. The beneficiaries are:

	2019	2018
	₦'000	**₦'000**
Cedec International School	60	40
Gestor Nursery and Primary School	20	-
Bishop Alfred Adewale Martins	400	
Total	480	40

11) **PROPERTY AND EQUIPMENT**

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

12) **DIVIDEND**

No dividends were declared and paid in 2019 (2018: 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 2019 no physically challenged person was employed by the Bank (2018: Nil).

Employee's involvement and training

The Bank is committed to keeping employees as fully informed as possible regarding its performance and progress and seeking their views whenever practicable on matters which particularly affect them as employees.

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

Health, safety at work and welfare of employees

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

14) **ACQUISITION OF OWN SHARES**

The Bank did not purchase its own shares during the year (2018: Nil).

15) **EVENTS AFTER REPORTING DATE**

As at the year end, the full proceeds of the private placement of N2.37 billion in respect of the increase in share capital had been received by our issuing house but the CBN completed the capital verification on 20 January 2020. If we had recognised the capital increase as at December 31, 2019, the paid up capital and share premium would have been N3.23 billion and N4.021 billion respectively.

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

See note 40 for other disclosures relating to events after reporting date.

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
*5.	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,Laws of the Federation of Nigeria (LFN) 2004.

17) AUDITOR

In accordance with Section 357(2) of the Companies and Allied Matters Act CAP C20, Laws of the Federation of Nigeria 2004, Messrs. Ernst & 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: 28 February 2020

*4. Mazi Emmanuel Kanu O. Ivi ceased to be a member of the Audit Committee on 28th February, 2020 when he became the chairman of the Bank

*5. Mr. Bernard Okumagba ceased to be a member of the Audit Committee on 24th January, 2020 when he resigned his appointment as Director.

ABBEY MORTGAGE BANK PLC

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

FOR THE YEAR ENDED 31 DECEMBER 2019

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 , CAP B3, Laws of the Federation of Nigeria 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 the International Financial Reporting Standards, the requirements of the provisions of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, the Banks and Other Financial Institution Act, CAP B3,Laws of the Federation of Nigeria 2004, the Financial Reporting Council of Nigeria Act No. 6, 2011 and relevent Central Bank of Nigeria Circulars & Guidelines for the Operations of Primary Mortgage Banks in Nigeria;

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

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

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

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with the International Financial Reporting Standards, the requirements of the provisions of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, the Banks and Other Financial Institution Act, CAP B3, Laws of the Federation of Nigeria 2004, the Financial Reporting Council of Nigeria Act No. 6, 2011, and relevent Central Bank of Nigeria Circulars & Guidelines for the Operations of Primary Mortgage Banks in Nigeria.

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

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

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

BY ORDER OF THE BOARD OF DIRECTORS

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ROSE ADA OKWECHIME (MRS.)	**MADU HAMMAN**
FRC/2013/CIBN/00000003444	**FRC/2013/CIBN/000000011355**
Managing Director/CEO	**Executive Director**
Date: 28 February 2020	**Date: 28 February 2020**

ABBEY MORTGAGE BANK PLC

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

FOR THE YEAR ENDED 31 DECEMBER 2019

We the undersigned hereby certify the following with regard to the audited financial statements for the year ended 31 December 2019:

a. We have reviewed the report;
b. To the best of our knowledge, the report does not contain:
   i. Any untrue statement of a material fact, or
   ii. Omit to state a material fact, which would make the statements, misleading in the light of the circumstances under which such financial statements were made;
c. To the best of our knowledge, the financial statements and other financial information included in the report fairly present in all material respects the financial condition and results of operation of the Bank as of, and for the years presented in the report.

d. We:
   i. Are responsible for establishing and maintaining internal controls.
   ii. Have designed such internal controls to ensure that material information relating to the Bank is made known to officers within the Bank particularly during the period in which the periodic reports are being prepared;
   iii. Have evaluated the effectiveness of the Bank's internal controls as of date within 90 days prior to the report;
   iv. Have presented in the report of the Audit Committee our conclusions about the effectiveness of the Bank's internal controls based on our evaluation as of that date;

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

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

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

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ROSE ADA OKWECHIME	IDOWU O. SANNI
FRC/2013/CIBN/00000003444	FRC/2018/ICAN/00000017717
Managing Director/CEO	Financial Controller
Date: 28 February 2020	Date: 28 February 2020

ABBEY MORTGAGE BANK PLC

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 DECEMBER 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 Financial Reporting Council of Nigeria Code of Corporate Governance of Public Interest Entities, 2018, the Post Listing requirements of Nigerian Stock Exchange together with the amendments thereto, our internal Code of Corporate Governance and international best practices.

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

Abbey's corporate ethos include accountability, transparency, integrity, fairness, discipline, communication, social and environmental responsibility, service excellence, responsible lending and stakeholder-rights' recognition. Directors and employees are expected to act honestly, in good faith and in the best interest of the bank in all transactions.
The governance structure of the Bank is driven principally by the Board of Directors, whose members are equipped with the requisite academic qualifications and relevant industry experience and tools to discharge their roles in the Bank. The governance policies adopted by the Board are designed to ensure long-term shareholder value. It is the primary responsibility of the Board to deliver sustainable shareholders' wealth through its oversight functions.

Meetings of Shareholders
The general meeting of the Bank remains the highest decision-making organ and the primary avenue for interaction between the shareholders, Management and the Board. Annual General Meetings are conducted in an open manner allowing for free discussions on all issues on the agenda and in accordance with the provisions of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, 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

* Mazi Emmanuel Kanu O. Ivi ceased to be a member of the Audit Committee on 28th February, 2020 when he became the chairman of the Bank

* Mr. Bernard Okumagba ceased to be a member of the Audit Committee on 24th January, 2020 when he resigned his appointment as Director.

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 (Ceased to be a member on 28th February, 2020 when he became the chairman of the Bank)
AVM Olufemi Soewu (Rtd)	Member
*Mr. Bernard Okumagba	Member (Ceased to be a member on 24th January, 2020 when he resigned his appointment as Director)

Board Strategy & Financial Analysis Committee

*Mr. Bernard Okumagba	Chairman (Ceased to be a member on 24th January, 2020 when he resigned his appointment as Director)
Air Vice Marshal Olufemi Soewu (Retired)	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 (Ceased to be a member on 28th February, 2020 when he became the chairman of the Bank)
*Mr. Bernard Okumagba	Member (ceased to be a member on 24th January, 2020 when he resigned his appointment as Director)
Mr. Uzochukwu Odunukwe	Member

Board Audit & Compliance Committee

* Mazi Emmanuel Kanu O. Ivi	Chairman (Ceased to be a member on 28th February, 2020 when he became the chairman of the Bank)
High Chief Samuel Oni	Member
Mr. Uzochukwu Odunukwe	Member

ABBEY MORTGAGE BANK PLC

CORPORATE GOVERNANCE REPORT- Continued

FOR THE YEAR ENDED 31 DECEMBER 2019

FREQUENCY OF BOARD AND BOARD COMMITTEE MEETINGS

Provided below are details of Board and Board Committee meetings held in 2019 showing the frequency of the meetings and attendance of members.

KEY: P = Present

AWA = Absent with Apology

BOARD MEETINGS

S/N	MEMBERS	14/3/2019	3/4/2019	30/4/2019	11/7/2019	7/8/2019	21/10/2019	14/11/2019	16/12/2019
1	Chief Boniface Ochonogor	P	P	P	P	P	P	P	P
2	Mrs. Ada Rose Okwechime	P	P	P	P	P	P	P	P
3	Mr. Madu Hamman	P	P	P	P	P	P	AWA	P
4	*Mr. Andrew Nwosisi	X	X	P	P	P	P	P	P
5	Mazi Emmanuel Kanu Ivi	P	P	P	P	P	P	P	P
6	AVM Olufemi Soewu (Retired)	P	P	P	AWA	P	P	P	P
7	Bernard Okumagba	P	P	P	P	AWA	AWA	AWA	AWA
8	High Chief Samuel Oni	P	P	P	P	P	P	AWA	P
9	Mr.Uzochukwu Odunukwe	P	P	P	P	P	P	P	AWA

* Mr. Andrew Nwosisi's appointment took effect from 11th April, 2019.

STRATEGY & FINANCIAL ANALYSIS COMMITTEE

S/N	MEMBERS	20/2/2019	24/4/2019	3/5/2019	6/6/2019	23/9/2019	11/12/2019
1	Mr. Bernard Okumagba	P	P	P	AWA	AWA	AWA
2	AVM Olufemi Soewu (Retired)	AWA	P	P	P	P	P
3	High Chief Samuel Oni	P	P	P	AWA	AWA	AWA
4	Mr. Uzochukwu Odunukwe	P	P	P	P	P	AWA
5	Mr. Madu Hamman	P	P	P	P	P	P
6	*Mr. Andrew Nwosisi	X	P	P	P	P	P

GOVERNANCE & REMUNERATION COMMITTEE

S/N	MEMBERS	13/02/2019	15/5/2019	22/7/2019	8/10/2019	11/12/2019
1	AVM Olufemi Soewu (Retired)	P	P	P	P	P
2	Mazi Emmanuel Kanu Ivi	P	P	P	P	P
3	Mr. Bernard Okumagba	P	AWA	AWA	AWA	AWA
4	Mr. Uzochukwu Odunukwe	P	P	P	P	AWA

CREDIT & RISK MANAGEMENT COMMITTEE

S/N	MEMBERS	20/2/2019	6/8/2019	8/10/2019	9/12/2019
1	High Chief Samuel Oni	P	P	P	P
2	Mazi Emmanuel Kanu Ivi	P	P	P	P
3	Bernard Okumagba	P	AWA	AWA	P
4	Mr. Madu Hamman	P	P	P	P
5	*Mr. Andrew Nwosisi	X	P	P	P
6	AVM Olufemi Soewu (Retired)	AWA	AWA	P	P

AUDIT & COMPLIANCE COMMITTEE

S/N	MEMBERS	7/2/2019	31/7/2019	14/10/19	9/12/2019
1	Mazi Emmanuel Kanu Ivi	P	P	P	P
2	High Chief Samuel Oni	AWA	P	P	P
3	Mr. Uzochukwu Odunukwe	P	P	P	P
3	Bernard Okumagba	AWA	AWA	AWA	AWA

STATUTORY AUDIT COMMITTEE

S/N	MEMBERS	26/3/2019	9/8/2019	29/10/2019	18/12/2019
1	Mr. Adekunle Alli	P	P	P	P
2	Eng. M.O.T. Tobun	P	P	P	P
3	Mr. Gbadebo Ajeigbe	P	P	P	P
4	Mazi Emmanuel Kanu Ivi	P	P	P	P
5	AVM Olufemi Soewu (Retired)	P	P	P	P
6	Mr. Bernard Okumagba	AWA	AWA	AWA	AWA

Election/Re-election of Directors

Madu Hamman and AVM Olufemi Soewu (Rtd) 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

Madu Hamman

He holds both a Bachelor's degree and Masters of Business Administration (MBA). He is a Senior Honorary member of the Chartered Institute of Bankers of Nigeria. He has over 30years banking experience in mortgage and credit analysis, banking operations, business development, business support services and human resource management.

He has anchored and directed the planning, integration and implementation of mission critical projects in the Bank.

He has attended several courses in Management, Strategy, Leadership and Corporate Governance both locally and offshore. He is an alumnus of the IMD Lusanne Switzerland and IDI Dublin Ireland.

AVM Olufemi Soewu (Rtd)

He graduated from the Nigerian Defence Academy and the Royal Air Force College, UK in 1973 and 1976 respectively. He also attended the Administrative Staff College (ASCON), Badagry and University of Ibadan where he graduated with a Certificate in Personnel Management and Masters in Strategic Studies in 1982 and 2001 respectively.

He had a distinguished working career in the Nigerian Air Force. He is a Fellow of the National War College, Abuja and the Command and Staff College, Jaji, Kaduna State, He retired as Air Secretary, Nigerian Air Force Headquarters, Abuja. He is a versatile administrator per excellence and sits on the Boards of several companies.

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	Executive Director, Operations
4	Geoff O. Amaghereonu, Esq.	Company Secretary/Legal Adviser
5	Mr. Oneyogor S. Igwala	Head of Treasury
6	Mrs. Lolita Ejiofor	Head of Compliance & Business Review
7	Mr. Emmanuel Alagbe	Head, Assets and Liability Management & Head, Risk Management
8	Mrs. Henrietta Okafor	Branch Manager, Festac
9	Mr. Abiodun Lasisi	Head, Debt Recovery

Human Resources

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

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

Corporate Social Responsibility

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

Sustainable and Environmental Issues

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

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

We are committed to:

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

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

Employment and Labour Relations

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

Human Rights

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

Forced or Compulsory Labour

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

Whistle Blowing Policy

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

Disclosure may be made through:

Email: whistleblowing@abbeymortgagebank.com
Dedicated telephone line: 019035717

Bribery and Corruption Policy

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

Security Trading Policy

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

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.

ABBEY MORTGAGE BANK PLC

ENTERPRISE RISK MANAGEMENT POLICY

FOR THE YEAR ENDED 31 DECEMBER 2019

Enterprise Risk Review

Abbey Mortgage Bank Plc (the "Bank") has clear risk management objectives and a well-established strategy to deliver them, through core risk management processes and procedures. The evolving nature of risk management practices and the dynamic character of the mortgage banking industry necessitate regular review of the effectiveness of each enterprise risk management component.

The Bank operates an "Enterprise-wide" Risk Management Framework with the objective of managing all aspects of risk within the organisation. The Bank's operations require identification, measurement, aggregation and effective management of risks and efficient utilisation of capital to derive an optimal risk and return ratio. Risk management is at the core of the operating structure of the Bank.

The most important risk categories the Bank is exposed to are credit, liquidity, operational, regulatory, reputational, legal and strategic risks. The Bank has developed an effective enterprise risk management framework that allows us to balance the level of risk taken with our business objectives to achieve sustainable and consistent performance over the long term.

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

i. The Bank believes that risk management is the basis of a long lasting financial institution.

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

The Bank's approach is to provide direction on:

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

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

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

2 Risk Appetite

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

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

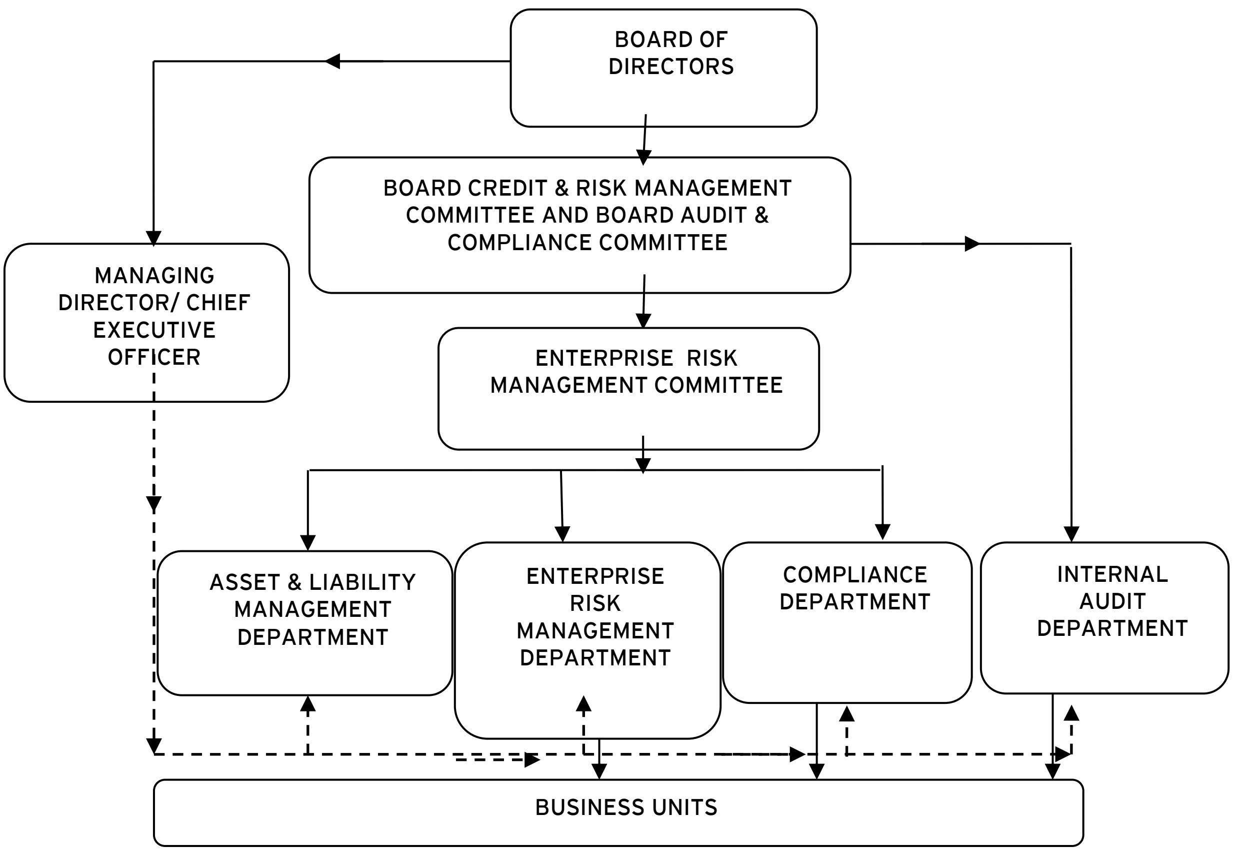
3 The Bank Risks Scope

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

4 Risk Management Approach

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

Risk Management Control Structure



ENTERPRISE RISK MANAGEMENT POLICY- Continued

FOR THE YEAR ENDED 31 DECEMBER 2019

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

The Bank distributes these responsibilities so that risk/return decisions are taken at the most appropriate level; as close as possible to the business, and subject to robust and effective review and challenge. The responsibilities for effective review and challenges reside with senior managers, risk oversight committees, internal audit, the independent risk function, the Board Audit & Risk Committee and, ultimately, the Board of Directors.

The Board is responsible for approving risk appetite, which is the level of risk it has chosen to take in pursuit of its business objectives. The Head of Risk regularly presents a report to the Board Audit & Risk Committee summarising developments in the risk environment and performance trends in the key portfolios. The Board is also responsible for the Internal Control and Assurance Framework (Control Framework). It oversees the management of the most significant risks through the regular review of risk exposures and related key controls. Executive management responsibilities relating to this are set via the Risk Policy.

Responsibilities of Board Committees involved with risk governance include:

i. Monitor the organisation's risk profile against the agreed appetite. Where actual performance differs from expectations. The actions being taken by the management are reviewed.

ii. Review the system in place for monitoring risk, internal controls and compliance with applicable regulations and also review the integrity, reliability and accuracy of accounting and financial reporting systems in the Bank.

iii Develop specific strategies that will help the Bank achieve its vision of being the number one Primary Mortgage Bank in Nigeria.

iv Ensure that governance principles are well communicated and internalised by all in the Bank.

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

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

Responsibilities
- Review risk limits, policies and management framework and recommend amendments (where appropriate) to the Board Risk Management Committee.
- Recommend that the Board approve the methodology of calculating the level of risk and allocation of limits based on recommendations of Risk Management.
- To review and approve the Risk Framework on an annual basis.
- Receive and review monthly reports on the Bank's Risk Profile, including the Top 20 Inherent Risks, the Top 20 Residual Risk after Controls, and the associated management actions resulting from the review.
- Receive and review half yearly reports on Business Continuity Management and Disaster Recovery Planning, including internal and external benchmarking, and test preparation results,
- Receive and review monthly Risk Reports covering losses, near misses, abnormal gains/profits, reputation risk, quantification of operational risk and capital.
- Act as a coordinating body for capturing and controlling organisational risks and making recommendations to the Board Risk Committee for the allocation of resources (financial or otherwise).

Asset and Liability Management Committee (ALCO)
Responsibilities:

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

6 Balance Sheet growth:
- Deposits, Advances and Investments;
- Non-earning assets
- Market and Liquidity Management.
- Capital Management Compliance

Compliance Department
Responsibilities:

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

2 Regular review and approval of customers' accounts opening/reactivation to ensure it meets Know Your Client ("KYC") requirements.

3 Monitoring of regulations, laws, circulars and policies issued by regulators for banks and other financial institutions to ensure compliance.

4 Rendition of money laundering reports such as Currency Transaction Report (CTR), Suspicious Transaction Report (STR) and Politically Exposed Persons Transaction Report (PEP) to Central Bank of Nigeria (CBN) and Nigerian Financial Intelligence Unit ("NFIU") monitoring the Bank's activities to ensure compliance to prudential requirements stipulated in CBN prudential guidelines.

5 Conducting investigation into customer complaints on service issues, transaction errors and other irregularities and prompt resolution of these complaints.

6 Monthly rendition of customers' complaints report to Central Bank of Nigeria.

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

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

Business Units
Responsibilities

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

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

Internal Audit
Responsibilities

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

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

ABBEY MORTGAGE BANK PLC

REPORT OF THE AUDIT COMMITTEE

FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019 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 2019 were satisfactory and complied with the Bank's system and internal control.

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

- As required by the provisions of the Central Bank of Nigeria Circular BSD/1/2004 dated 18 February 2004 on "Disclosures of Insider-Related Credits in Financial Statements" we reviewed the insider-related credits of the Bank and found them to be as analysed on in the financial statements as at 31 December 2019.

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

27th February, 2019

* Mazi Emmanuel Kanu O. Ivi ceased to be a member of the Audit Committee on 28th February, 2020 when he became the chairman of the Bank

* Mr. Bernard Okumagba ceased to be a member of the Audit Committee on 24th January, 2020 when he resigned his appointment as Director.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ABBEY MORTGAGE BANK PLC

Report on the Audit of 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 2019, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with the 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 the 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ABBEY MORTGAGE BANK PLC – Continued

Key Audit Matter - Continued

Key Audit Matter	How 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 provision are 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. The use of the ECL model for the computation of impairment allowance requires the application of certain indices which are estimated from historical financial data within and outside the Bank, this includes; - the determination of criteria for significant increase in credit risk (SICR) for staging purpose. - assessing the relationship between the quantitative and qualitative factors incorporated in determining the Probability of Default (PD), the Loss Given Default (LGD), and the Exposure at Default (EAD). - forward looking information and the probability weighting used in the ECL Model - factors considered in cash flow estimation including timing and amount. - factors considered in collateral valuation including hair-cut and time to realisation.	**Our audit approach with respect to the audit for the year ended 31 December 2019:** We checked and understood the key data sources and assumptions used in the Expected Credit Loss model used by the Bank to determine impairment provisions. (i) We checked the reasonableness of the Bank's ECL methodology by considering whether it reflects unbiased and probability-weighted amounts that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information at the reporting date about past events, current conditions and forecasts of the future economic condition, information considered include: industry historical default rates, foreign exchange rate and Gross Domestic Product (GDP) growth rates; (ii) For forward looking assumptions used by the Bank in its ECL calculations, we held meetings with management and corroborated the assumptions using public available information comprising foreign exchange rate and Gross Domestic Product (GDP) growth rate. (iii) We evaluated the appropriateness of the basis of determining Exposure at Default, including the contractual cash flows, outstanding loan balance, loan repayment type, loan tenor and effective interest rate; (iv) For Probability of Default (PD) used in the ECL calculations, we checked the historical movement in the balances of facilities between default and non-default categories for each other;

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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ABBEY MORTGAGE BANK PLC – Continued

Other information - Continued

"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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ABBEY MORTGAGE BANK PLC – Continued

Other information - Continued

- 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 expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ABBEY MORTGAGE BANK PLC – Continued

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 38 to the financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.

ii. As disclosed in Note 42 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 2019.

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

30 March 2020

ABBEY MORTGAGE BANK PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 ₦'000	2018 ₦'000
Interest revenue calculated using the effective interest rate method	5	1,124,745	1,150,382
Interest expense calculated using the effective interest rate method	6	(487,657)	(485,456)
Net interest income		637,088	664,926
Fees and commision income	7	235,986	139,576
Net gains on financial assets at fair value through profit or loss		-	26,000
(Loss)/profit on disposal of non-current assets held for sale		(13,796)	6,009
Other operating income	8	27,444	67,072
Total operating income		886,722	903,583
Credit loss expense	9	(79,558)	(566,743)
Net operating income		**807,164**	**336,840**
Personnel expenses	10	(309,319)	(334,294)
Depreciation	11	(47,060)	(43,058)
Amortisation	23	(13,151)	(16,010)
Other operating expenses	12	(489,577)	(579,958)
Total operating expenses		**(859,107)**	**(973,320)**
Loss before income tax expense		**(51,943)**	**(636,480)**
Income tax expense	13	(10,693)	(29,039)
Loss for the year		**(62,636)**	**(665,519)**
Other comprehensive Income		-	-
Total comprehensive Income for the year net of tax		**(62,636)**	**(665,519)**
Loss per share attributable to ordinary equity holders (Kobo) - Basic and Diluted	14	**(1.49)**	**(15.85)**

The accompanying notes form part of these financial statements.

ABBEY MORTGAGE BANK PLC

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	December 31 2019 ₦'000	December 31 2018 ₦'000
Assets			
Cash on hand	15	785	986
Cash balances with central bank	16	128,463	116,337
Due from banks	17	1,831,405	766,997
Loans and advances	18	7,738,141	7,288,241
Financial investments - equity instrument at FVTPL	19	258,778	258,778
Financial Investments- securities at amortised cost	20	648,316	-
Other assets	21	213,188	81,834
Property and equipment	22	1,094,520	1,060,278
Intangible assets	23	11,515	21,466
		11,925,111	9,594,917
Non-current assets held for sale	25	334,681	2,368,626
Total Assets		**12,259,792**	**11,963,543**
Liabilities and equity			
Deposits from customers	26	6,340,597	5,898,319
Current income tax payable	13.3	27,982	32,289
Other liabilities	27	170,638	216,320
Borrowings	28	-	5,712
Due to National Housing Fund	29	325,835	353,527
		6,865,052	**6,506,167**
Equity			
Share capital	31	2,100,000	2,100,000
Share premium	32	2,877,126	2,877,126
Accumulated losses	33	(2,097,353)	(1,328,039)
Statutory reserve	34	298,440	298,440
Regulatory risk reserve		2,216,527	1,509,849
Total Equity		**5,394,740**	**5,457,376**
Total liabilities and equity		**12,259,792**	**11,963,543**

The financial statements were approved by the Board of Directors on 28 February 2020, and signed on its behalf by:

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

Madu Hamman
Executive Director Finance & Admin
FRC/2013/CIBN/000000011355

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

The accompanying notes form part of these financial statements.

ABBEY MORTGAGE BANK PLC

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital ₦'000	Share Premium ₦'000	Statutory Reserve ₦'000	Regulatory risk reserve ₦'000	Accumulated Losses ₦'000	Total Equity ₦'000
Restated opening balance as at 1 January 2018	2,100,000	2,877,126	298,440	1,043,843	(196,514)	**6,122,895**
Loss for the year	-	-	-	-	(665,519)	**(665,519)**
Transfer to regulatory risk reserve	-	-	-	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**
Loss for the year	-	-	-	-	(62,636)	**(62,636)**
Transfer to regulatory risk reserve	-	-	-	706,678	(706,678)	**-**
Balance as at 31 December 2019	**2,100,000**	**2,877,126**	**298,440**	**2,216,527**	**(2,097,353)**	**5,394,740**

ABBEY MORTGAGE BANK PLC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 ₦'000	2018 ₦'000
Cash flows from operating activities:			
Loss before income tax		(51,943)	(636,480)
Adjustment for non-cash items	35.3	121,305	627,164
Cash flows from operating activities before changes in working capital		69,362	(9,316)
Change in operating assets	35.1	(674,327)	(519,404)
Change in operating liabilities	35.2	368,904	505,339
Loss/(gain) from investing activities	35.4	10,604	(60,064)
Income tax paid	13.3	(15,000)	(29,729)
Net cash flows used in operating activities		(240,457)	(113,174)
Cash flows from investing activities:			
Purchase of intangible assets	23	(3,200)	(5,300)
Proceeds on disposal of non-current asset held for sale		2,065,400	130,947
Refund to customer for returning non-current asset formerly sold		(45,251)	-
Proceeds on disposal of property and equipment		3,192	55,648
Purchase of property and equipment	22	(73,495)	(71,459)
Acquisition of right of use assets		(6,269)	-
Purchase financial assets desginated at amortised cost	24	(630,001)	-
Net cash flows generated from investing activities		1,310,376	109,836
Cash flows from financing activities:			
Repayments of borrowings		(5,712)	(8,958)
Net cash flows used in financing activities		(5,712)	(8,958)
Net increase/(decrease) in cash and cash equivalents		1,064,207	(12,296)
Cash and cash equivalents at beginning of year		767,733	780,029
Cash and cash equivalents at end of year	35	**1,831,940**	**767,733**

The accompanying notes form part of these financial statements.

ABBEY MORTGAGE BANK PLC

STATEMENT OF REGULATORY RISK RESERVE

FOR THE YEAR ENDED 31 DECEMBER 2019

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.

	2019	**2018**
	₦'000	₦'000
Regulatory risk reserve:		
Balance at beginning of the year	1,509,849	1,043,843
Transfer from retained earnings	706,678	466,006
	2,216,527	1,509,849

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

	2019	**2018**
	₦'000	₦'000
PRUDENTIAL GUIDELINES PROVISION:		
General	26,448	37,212
Specific	3,647,277	2,995,659
Total	3,673,725	3,032,871
IFRS PROVISIONS:		
Expected credit loss allowance	1,457,198	1,523,022
	1,457,198	1,523,022
IFRS impairment allowance lower than prudential provision	2,216,527	1,509,849

1 General information

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

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

For the earlier years of its operations, the Bank specialized in funding small and medium size businesses. In the last few years, the Bank has started to implement a mortgage financing strategy in line with its strategic vision to become "the number one mortgage service provider in Nigeria". The Bank currently has 109 (2018: 111) staff in ten (10) branches and the Head Office.

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Directors on 28th February, 2020.

2.1 *Basis of preparation*

A Statement of Compliance

These financial statements of the Bank are general purpose financial statements which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). Additional information required by the provisions of the Companies and Allied Matters Act, 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

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several other amendments and interpretations are applied for the first time in 2019, but do not have an impact on the financial statements of the Bank.

IFRS 16 Leases

IFRS 16 supersedes 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. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Bank is the lessor.

The Bank adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. The Bank elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Bank also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

Assets	N'000
Right -of- use assets	1,538
Prepayments	(1,538)

Total assets	-
Total adjustements to equity (retained earnings)	-
	=======

The adoption of IFRS 16 does not give rise to a lease liability as the Bank does not have an enforceable right to renew or extend its leases as at the end of the reporting period and the non-cancellable periods have been fully paid.

2.2.1 Nature of the effect of adoption of IFRS 16

The Bank has lease contracts for various buildings used as branches. Before the adoption of IFRS 16, the Bank classified each of its leases (as lessee) at the inception date as either an operating lease. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Other assets and Other liabilities, respectively.

At the date of initial application of IFRS 16, the Bank does not have any lease classified as a finance lease (as lessee)

Upon adoption of IFRS 16, the Bank applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Bank.

Leases previously accounted for as operating leases

The Bank recognised right-of-use assets for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. In all leases, the right-of-use assets were recognised based on the amount equal to the related prepaid and accrued lease payments previously recognised.

The Bank also applied the available practical expedients wherein it:

* Used a single discount rate to a portfolio of leases with reasonably similar characteristics
* Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
* Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
* Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

2.2.2 Summary of new accounting policies

Set out below are the new accounting policies of the Bank upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities (if any). The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of- use assets are subject to impairment.

Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases (i.e., below N1,530,000). Lease payments on short term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2.2.3 Amounts recognised in the statement of financial position and profit or loss

Set out below, are the carrying amounts of the Bank’s right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets	
	Building	**Total**
	N'000	**N'000**
As at 1 January 2019	-	-
Transfer from prepayment	1,538	1,538
Additions during the year (Note 24)	6,269	6,269
Depreciation expense (Noted 24)	(7,807)	(7,807)
As at 31 December 2019	-	-

2.2.4 Below is a list of other interpretations and amendment that were effective for the first time in 2019 but do not have a significant impact on the Bank:

i IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

ii Amendments to IFRS 9: Prepayment Features with Negative Compensation

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

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

v Annual Improvements 2015-2017 Cycle :

(a) IFRS 3 Business Combinations

(b) IFRS 11 Joint Arrangements

(c) IAS 12 Income Taxes

(d) IAS 23 Borrowing Costs

2.3 Standards issued but not yet effective

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

a IFRS 17 Insurance Contracts

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

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

* A specific adaptation for contracts with direct participation features (the variable fee approach)

*A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, 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.

Proposed amendments to IFRS 17

In June 2019, the IASB issued an exposure draft (ED) on proposed amendments to IFRS 17. The Board considered 25 concerns and implementation challenges raised by stakeholders and assessed whether to propose changes to the standard. The Board selected only those changes that, in its estimation, would not lead to a significant loss of useful information for investors, nor unduly disrupt implementation processes under way, nor risk undue delays in the effective date of IFRS 17.

The IASB proposes in the ED 12 targeted amendments to the standard in eight areas and asks stakeholders whether they agree with the proposed amendments. The eight areas of IFRS 17 subject to proposed changes are:

• Deferral of the effective date of IFRS 17 for one year,including an additional year of deferral for the application of IFRS 9 to qualifying insurance entities (i.e., qualifying insurers can apply IFRS 17 and IFRS 9 for the first time in reporting periods beginning on or after 1 January 2022)
• Additional scope exclusions
• Expected recovery of insurance acquisition cash flows from insurance contract renewals
• CSM relating to investment activities
• Applicability of the risk mitigation option for contracts with direct participation features
• Reinsurance contracts held - expected recovery of losses on underlying contracts
• Simplified presentation of insurance contracts in the statement of financial position
• Transition modifications and reliefs

IFRS 17 will have no impact on the Bank, as it does not issue insurance contract.

b Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 Financial Instruments: Disclosures, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting.

The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR).

These amendments is effective annual periods beginning on or after 1 January 2020

The amendments to IFRS 9
The amendments include a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

Application of the reliefs is mandatory. The first three reliefs provide for:
• The assessment of whether a forecast transaction (or component thereof) is highly probable
• Assessing when to reclassify the amount in the cash flow hedge reserve to profit and loss
• The assessment of the economic relationship between the hedged item and the hedging instrument

For each of these reliefs, it is assumed that the benchmark on which the hedged cash flows are based (whether or not contractually specified) and/or, for relief three, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform

A fourth relief provides that, for a benchmark component of interest rate risk that is affected by IBOR reform, the requirement that the risk component is separately identifiable need be met only at the inception of the hedging relationship. Where hedging instruments and hedged items may be added to or removed from an open portfolio in a continuous hedging strategy, the separately identifiable requirement need only be met when hedged items are initially designated within the hedging relationship.

To the extent that a hedging instrument is altered so that its cash flows are based on an RFR, but the hedged item is still based on IBOR (or vice versa), there is no relief from measuring and recording any ineffectiveness that arises due to differences in their changes in fair value.

The reliefs continue indefinitely in the absence of any of the events described in the amendments. When an entity designates a group of items as the hedged item, the requirements for when the reliefs cease are applied separately to each individual item within the designated group of items.

The amendments also introduce specific disclosure requirements for hedging relationships to which the reliefs are applied.
These amendment will not have significant impact on the bank's financial statements when they become effective.

The amendments to IAS 39
The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. These amendments will currently have no impact on the financial statements of the Bank.

c Definition of a Business - Amendments to IFRS 3
The corresponding amendments are consistent with those for IFRS 9, but with the following differences:
• For the prospective assessment of hedge effectiveness, it is assumed that the benchmark on which the hedged cash flows are based (whether or not it is contractually specified) and/or the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform.
• For the retrospective assessment of hedge effectiveness, to allow the hedge to pass the assessment even if the actual results of the hedge are temporarily outside the 80%-125% range, during the period of uncertainty arising from IBOR reform.
• For a hedge of a benchmark portion (rather than a risk component under IFRS 9) of interest rate risk that is affected by IBOR reform, the requirement that the portion is separately identifiable need be met only at the inception of the hedge.

d The Conceptual Framework for Financial Reporting

The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:
• Chapter 1 – The objective of financial reporting
• Chapter 2 – Qualitative characteristics of useful financial information
• Chapter 3 – Financial statements and the reporting entity
• Chapter 4 – The elements of financial statements
• Chapter 5 – Recognition and derecognition
• Chapter 6 – Measurement
• Chapter 7 – Presentation and disclosure
• Chapter 8 – Concepts of capital and capital maintenance

The Conceptual Framework is accompanied by a Basis for Conclusions. The Board has also issued a separate Banking document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the Conceptual Framework. In most cases, the standard references are updated to refer to the Conceptual Framework. There are exemptions in developing accounting policies for regulatory account balances for two standards, namely, IFRS 3 and for those applying IAS 8. The new framework will have no significant impact on the financial statements of the Bank.

e Definition of Material - Amendments to IAS 1 and IAS 8

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The Bank will apply this amendment when it becomes effective on 1 January 2020.

2.4 Significant accounting judgements, estimates and assumptions

In the application of the Bank's accounting policies, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying the Bank's accounting policies

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

Going Concern

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

Estimates and assumptions

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

(i) Determination of collateral Value

Management monitors market value of collateral on a regular basis. Management uses experienced judgement 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 22 and 23.

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

Management is required to make judgments concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. The Bank applies the impairment assessment to its separate cash generating units. This requires management to make significant judgments and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgment is also required when assessing whether a previously recognised impairment loss should be reversed. No property and equipment, and intangible asset was impaired at the year end- See Note 22 and 23.

(iv) Fair value measurement of financial instruments

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

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

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

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

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

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

These inputs are generally determined based on inputs of a similar nature, historic observations on the level of the input or analytical techniques. This category includes 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 13). Unrelieved tax losses can be used indefinitely.

(vi) ***Owner-occupied properties***

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

(vii) ***Impairment under IFRS 9***

The impairment requirements of IFRS 9 apply to all debt instruments that are measured at amortised cost.
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 Bank does not originate or purchase credit impaired loans or receivables.

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

For financial assets considered to be credit impaired, the ECL allowance covers the amount of loss the Bank is expected to suffer. The estimation of ECLs is done on a case by case basis for non-homogenous portfolios, or by applying portfolio based parameters to individual financial assets in this portfolios by the Bank's ECL model for homogenous portfolios.
Forecast of future economic conditions when calculating ECLs are considered. The lifetime expected losses are estimated based on the probability – weighted present value of the difference between:
1) The contractual cash flows that are due to the Bank under the contract; and
2) The cash flows that the Bank expects to receive.

Elements of ECL models that are considered accounting judgements and estimates include:
• The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment
• The development 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 Bank measures expected credit losses considering the risk of default over the maximum contractual period (including any borrower's extension option) over which it is exposed to credit risk.

Summary of significant accounting policies
The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied by the Bank and to all periods presented in the financial report.

2.5 Foreign currency transactions

(a) Functional and presentation currency

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

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

(b) Transactions and balances

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

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

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

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

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 2.7.1

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability. Recoveries of interest that was previously not recognized needs to be recognized as a gain in the credit loss expense.

2.6.2 Financial assets - Classification of financial instruments

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

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

2.6.3 Financial assets - Subsequent measurement

a) Debt instruments

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

Amortised cost: Financial assets such as loans and advances that are held within a business model whose objective is collection of contractual cash flows and where such cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss due to impairment or upon derecognition of a debt investment that is subsequently measured at amortised cost is recognised in profit or loss. Interest income from these financial assets is included in "Interest 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 Bank reclassifies all affected financial assets in accordance with the new business model. Reclassification is applied prospectively from the 'reclassification date'. Reclassification date is 'the first day of the first reporting period following the change in business model. Gains, losses or interest previously recognised are not restated when reclassification occurs.

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

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

2.6.5 Modifications

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

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

2.6.6 Impairment of financial assets

Overview of the ECL principles

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

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

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

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

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

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

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

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

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

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 3.3.3.

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

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

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

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

The mechanics of the ECL method are summarised below:

Stage 1

• The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date.

• These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2

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

Stage 3

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

POCI

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

Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The Bank's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same as 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 Bank. Credit write-off approval is documented in writing and properly initialed by the Board Credit and Risk Committee. The gross carrying amount of an asset is written off (either fully or partially) to the extent that there is no realistic prospect of recovery. This is generally the case when the Bank determines that the counterparty does not have assets or sources of income that could generate sufficient cashflows to repay the amount subject to write off. However, the financial assets that are subjected to write off could still be subject to enforcement activities in other to comply with the Bank's procedures for recovery of amount due.

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

Forward looking information

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

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

Derecognition of financial assets

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in such derecognised 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.

2.7.1 Income and expenses

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

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

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

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

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

2.7.2 Fees and commission

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

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

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

2.7.3 Other operating income

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

2.7.4 Income tax expense

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

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

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

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

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

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.

2.7.5 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.

2.7.6 Property and equipment

i Recognition and measurement

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

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

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

ii Subsequent costs

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

iii Depreciation

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

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

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

Land is not depreciated. Depreciation rates, methods and the residual values underlying the calculation of depreciation of items of property, plant and equipment are kept under review to take account of any change in circumstances.

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

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

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.

2.7.7 Intangible assets

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

Impairment of tangible and intangible assets excluding goodwill

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

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

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

2.8.1 Employee benefits

i Post employment benefits

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

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

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

ii Short term employee benefits

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

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

2.8.2 Share Capital

Share issue costs

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

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

At the commencement date, the Bank recognises a right-of-use asset at cost and a lease liability, where applicable, at the present value of the lease payments that are not paid at that date.

The cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

After the commencement date, the Bank measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. The Bank subsequently measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications.

After the commencement date, the Bank measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. The Bank subsequently measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications.

The corresponding lease liabilities, where applicable, are included in other liabilities. The interest element of the lease liabilities is charged to the Income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Bank as a lessor

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

2.8.6 Non-current assets held for sale

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

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

3 Financial risk management

3.1 Introduction and overview

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

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

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

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

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

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

3.3 Credit risk

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

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

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

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

3.3.2 Risk limit control and mitigation policies

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

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

Portfolio limits

The process of setting the limits is as follows:

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

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

Single obligor limits

- Limits are imposed on loans to individual borrowers. The Bank as a matter of policy does not lend above its regulatory lending limit, which is 20% of its shareholders' funds unimpaired by losses. The internal guidance limit is, however, set at 20% for corporate customers and 5% for individual customers of its shareholders funds unimpaired by losses to a single borrower.

- Product programmes contain guidelines on single obligor limits.
- Except with the approval of the Board of Directors, the Bank shall not lend more than:

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

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

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

3.3.3 Impairment assessment

Definition of default and cure

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

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

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

The Bank's PD estimation process

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

PRODUCT TYPES	AVERAGE 12M UNADJUSTED PDS	
	2019	2018
Mortgage Loans	9.93%	9.20%
Advance Loans	1.47%	2.72%
NHF Loans	12.41%	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 2.6.6 Summary of significant accounting policies and in Note 2.4 Significant accounting judgements, estimates and assumptions. To ensure completeness and accuracy, the Bank obtains the data used from third party sources (Central Bank of Nigeria, Trading Economies) and a team of expert within its credit risk department verifies the accuracy of inputs to the Bank' ECL models including determining the weights attributable to the multiple scenarios. The following tables set out the key drivers of expected loss and the assumptions used for the Bank's base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios as at 31 December 2019 and 31 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 2019	Key drivers	ECL Scenario	2019
			₦
	Exchange Rate (Nigerian Naira to US Dollars) ₦		
		Best case	365
		Base case	390
		Worst case	400

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

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

31 December 2019	Due from Banks	Mortgage Home Loan	Advance Loans	NHF Loans	Total
Upside (10.83%)	301	129,774	2,001	940	133,016
Base (80,00%)	2,601	1,139,762	14,780	13,779	1,170,922
Downside (9.17%)	310	152,296	1,693	2,172	156,472
Total	3,212	1,421,832	18,475	16,891	1,460,410

31 December 2018	Due from Banks	Mortgage Home Loan	Advance Loans	NHF Loans	Total
Upside (10%)	323	123,799	5,098	196	129,415
Base (79.17%)	2,365	1,152,691	40,358	6,428	1,201,842
Downside (10.83%)	375	187,318	5,537	1,598	194,828
Total	3,063	1,463,808	50,992	8,221	1,526,085

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	2019	2018
IFRS-based impairments and credit losses:			
ECL Under IFRS 9		1,457,198	1,523,022
Total IFRS impairment allowances by the Bank (a)		1,457,198	1,523,022
Prudential provisions and credit losses:			
Specific provision on loans and advances		3,647,277	2,995,659
General provision on loans and advances		26,448	37,212
Total regulatory impairment based on prudential guidelines (b)		3,673,725	3,032,871
Required balance in regulatory risk reserves (c = b - a), where b>a		2,216,527	1,509,849

3.3.4 Collateral

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

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

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

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

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

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

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

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

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

Maximum exposure to credit risk before collateral held or credit enhancements

The Bank's maximum exposure to credit risk at 31 December 2019 and 31 December 2018 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 2019	**Maximum Exposure to credit risk**	**Total Collateral Value**	**Net Exposure**	**Associated ECLs**
In ₦'thousands				
Financial Assets				
Cash balances with central bank	128,463	-	128,463	791
Due from banks	1,831,405	-	1,831,405	3,212
Loans and advances				
Mortgage loans	6,874,944	11,926,660	(5,051,716)	1,421,832
NHF Loans	340,441	877,955	(537,514)	16,891
Advance loans	522,756	935,790	(413,034)	18,475
Securities at amortised cost	648,316	-	648,316	-
Other financial assets	117,419	-	117,419	152,292.00
Total Financial Asset at amortised cost	**10,463,744**	**13,740,405**	**(3,276,661)**	**1,613,493**

		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	116,337	-	116,337	598
Due from banks	766,997	-	766,997	3,063
Loans and advances			-	
Mortgage loans	6,361,605	37,198,635	(30,837,030)	1,463,808
NHF Loans	324,130	886,155	(562,025)	8,221
Advance loans	602,507	998,690	(396,183)	50,992
Other financial assets	55,100	-	55,100	152,292
Total Financial Asset at amortised cost	**8,226,675**	**39,083,480**	**(30,856,805)**	**1,678,975**

3.3.5 Analysis of risk concentration

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

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

3.3.5.1 Industry analysis

31 December 2019	Financial services	Government	Others	Total
In ₦'thousands				
Financial Assets				
Cash balances with central bank	-	129,254	-	129,254
Due from banks	1,834,617	-	-	1,834,617
Loans and advances				
Construction Loans (CCL)	-	-	3,500,470	3,500,470
Loan and Advances (MSCHL)	-	-	109,080	109,080
Mortgage FMBN bonds (FMBN)	-	-	3,834	3,834
Mortgage Home Loans (MHL)	-	-	4,497,273	4,497,273
NHF Loans	-	-	353,499	353,499
School Loans	-	-	274,020	274,020
Staff Mortgage Loans	-	-	25,013	25,013
Staff Personal Loans	-	-	30	30
Staff Share Loan	-	-	432,120	432,120
Total loans and advances	-	-	9,195,339	9,195,339
Securities at amortised cost	-	648,316	-	648,316
Other financial assets	-	-	269,711	269,711
Expected credit loss	(3,212)	(791)	(1,609,490)	(1,609,490)
Total Financial Assets	1,831,405	776,779	7,855,560.00	10,463,744

31 December 2018	Financial services	Government	Others	Total
In ₦'thousands				
Financial Assets				
Cash balances with central bank	-	116,935	-	116,935
Due from banks	770,060	-	-	770,060
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	-	-	8,811,263	9,698,258
Other financial assets	-	-	207,392	207,392
Expected credit loss	(3,063)	(598)	(1,675,314)	(1,678,975)
Total Financial Assets	766,997	116,337	7,343,341	8,226,675

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:

	2019	2018
	₦'000	₦'000
Cash with central bank – Head office	129,254	116,935
Due from banks – Head office	1,834,617	770,060
Expected credit loss	(4,003)	(3,661)
Net cash with central and due for banks	1,959,868	883,334
Loans and advances:		
Head Office	6,996,777	6,424,145
Apapa	129,436	198,094
Festac	22,773	34,595
Okota	18,639	53,667
LasuOjo	5,409	10,148
Asaba	4,213	18,199
Agbara	1,796	2,371
Abuja 1	481,398	472,452
Abuja 2	1,181,568	1,010,474
Victoria Island	350,409	428,855
Baze	2,921	158,263
Total loans and advances	9,195,339	8,811,263
Expected credit loss	(1,457,198)	(1,523,022)
Net loans and advances	7,738,141	7,288,241
Securities at amortised cost	648,316	-
Other financial assets	117,419	55,100
Total financial assets	10,463,744	8,226,675

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:

	2019	2018
	₦'000	₦'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		Total ₦'000
As at 31 December 2019						
Cash on hand	785	-	-	-		785
Due from banks	1,834,617	-	-	-		1,834,617
Loans and advances	4,195,146	8,499	2,920,170	2,071,524		9,195,339
Securities at amortised cost	648,316	-	-	-		648,316
Other assets	269,711	-	-	-		269,711
Cash balances with central bank	129,254	-	-	-		129,254
Total financial assets	7,077,829	8,499	2,920,170	2,071,524	-	12,078,022
Due to customers	4,984,138	594,213	32,047	730,199		6,340,597
Borrowings	-	-	-	-		-
Other financial liabilities	169,995	-	-	-		169,995
Due to the National Housing Fund	-	-	-	380,286		380,286
Total financial liabilities	5,154,133	594,213	32,047	1,110,485		6,890,878
Net financial assets (liabilities)	1,923,696	(585,714)	2,888,123	961,039		5,187,144

	Up to 3 months ₦'000	3-6 months ₦'000	7 to 12 months ₦'000	After 12 months ₦'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
Other assets	207,392	-	-	-		207,392
Cash balances with central bank	116,935	-	-	-		116,935
Total financial assets	4,520,255	69,423	238,825	5,078,133		9,906,636
Due to customers	4,014,254	827,560	585,676	487,450		5,914,940
Borrowings	1,062	4,767	-	-		5,829
Other financial liabilities	215,622	-	-	-		215,622
Due to the National Housing Fund	-	-	-	360,598		360,598
Total financial liabilities	4,230,938	832,327	585,676	848,048	-	6,496,989
Net financial assets (liabilities)	289,317	(762,904)	(346,851)	4,230,085		3,409,647

Other financial asset is made of sundry receivables, and balance with financial institution which was aleady declassified to other assets since in 2017. It excludes prepayments, stock of stationeries and WHT recoverable.

Other financial liabilities excluded rent received in advance

3.5 Market risk

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

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

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

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

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

3.5.1 Management of market risk

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

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

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

3.5.2 Market risk measurement techniques

(a) Value at risk (VAR)

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

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

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

(b) Stress tests

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

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

Stress testing is an integral part of the market risk management framework and considers both historical market events and forward-looking

scenarios.

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

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

3.5.3 Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarises the Bank exposure to foreign currency exchange rate risk at 31 December 2019 and 31 December 2018. 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 2019				
Financial assets:				
Cash and balances with central banks / due from banks	1,960,171	222	260	1,960,653
Loans and advances	7,738,141	-	-	7,738,141
Other financial assets	117,419	-	-	117,419
Equity investments at FVTPL	258,778	-	-	258,778
Securities at amortised cost	648,316	-	-	648,316
	10,722,825	222	260	10,723,307
Financial liabilities:				
Due to customers	6,340,597	-	-	6,340,597
Other financial liabilities	169,995	-	-	169,995
Due to the National Housing fund	325,835	-	-	325,835
	6,836,427	-	-	6,836,427
Net open currency position	**3,886,398**	**222**	**260**	**3,886,880**
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 financial assets	55,100	-	-	55,100
Equity investments at FVTPL	258,778			258,778
	8,485,957	222	260	8,486,439
Financial liabilities:				
Due to customers	5,898,319	-	-	5,898,319
Borrowings	5,712	-	-	5,712
Other financial liabilities	215,622	-	-	215,622
Due to the National Housing fund	325,835	-	-	325,835
	6,445,488	-	-	6,445,488
Net open currency position	**2,040,469**	**222**	**260**	**2,040,951**

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	EURO
	₦'000	₦'000
As at 31 December 2019		
Net foreign currency exposures	222	260
As at 31 December 2018		
Net foreign currency exposures	222	260

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

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

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

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)

3.5.4 Equity and commodity price risk

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

The Bank holds 5,000,000 quoted shares in Universal Insurance Plc with a market value of N1 million and 55,555,555 unquoted shares in Nigeria Mortgage Refinance Bank with carrying value of N257.78million as at year end.

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

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

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

Equity price sensitivity analysis

	2019	2018
Impact on total comprehensive income	₦'000	₦'000
5% increase with all other variables held constant	12,939	12,939
5% decrease with all other variables held constant	(12,939)	(12,939)

3.5.5 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Bank manages this risk by ensuring significant portion of its loans are contracted on fixed interest rate. The bank does not have any variable rate instrument at the end of the year (2018: Nil)

3.6 Fair value of financial assets and liabilities

(a) Financial instruments measured at fair value

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

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

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

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

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

	Level 1	Level 2	Level 3	Total
	₦'000	₦'000	₦'000	₦'000
AS AT 31 DECEMBER 2019				
Assets measured at fair value				
Equity investments at FVTPL	258,778	-	-	258,778
Assets for which fair value is disclosed				
Cash balances with central bank	-	-	128,463	128,463
Due from banks	-	-	1,862,267	1,862,267
Loans and advances	-	-	8,318,502	8,318,502
Securities at amortised cost	-	-	651,558	651,558
Other financial assets	-	-	117,419	117,419
	258,778	-	11,078,208	11,336,986
Liabilities for which fair value is disclosed				
Deposits from customers	-	-	6,375,157	6,375,157
Other financial liabilities	-	-	171,667	171,667
Due to the National Housing Fund	-	-	334,600	334,600
	-	-	6,881,424	6,881,424

	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				
Cash balances with central bank	-	-	116,337	116,337
Due from banks	-	-	790,003	790,003
Loans and advances	-	-	7,871,300	7,871,300
Other financial assets	-	-	55,100	55,100
	258,778	-	8,832,740	9,091,518
Liabilities for which fair value is disclosed				
Deposits from customers	-	-	5,954,802	5,954,802
Other financial liabilities	-	-	215,622	215,622
Borrowings	-	-	5,742	5,742
Due to the National Housing Fund	-	-	353,527	353,527
	517,556	-	6,529,693	6,529,693

Quoted equity instrument

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

The fair value of the loans and advances 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 Bank's financial instruments that are carried in the financial statements.

	Carrying value		Fair value	
	2019	2018	2019	2018
	₦'000	₦'000	₦'000	₦'000
Due from banks	1,831,405	766,997	1,862,267	790,003
Loans and advances	7,738,141	7,288,241	8,318,502	7,871,300
Equity investments at FVTPL	258,778	258,778	258,778	258,778
Securities at amortised cost	648,316	-	651,558	-
Other financial assets	117,419	55,100	117,419	55,100
Cash balances with central bank	128,463	116,337	128,463	116,337
	10,722,522	8,485,453	11,336,986	9,068,512
Deposits from customers	6,340,597	5,898,319	6,375,157	5,954,802
Other financial liabilities	169,995	215,622	171,667	215,622
Borrowings	-	5,712	-	5,742
Due to the National Housing Fund	325,835	353,527	334,600	353,527
	6,836,427	6,473,878	6,881,424	6,473,878

(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.

(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.

The table below summarises the composition of regulatory capital and the ratios of the Bank for the year ended 31 December 2019. During the year, the Bank complied with all of the externally imposed capital requirements to which it is subject.

	2019	2018
Tier 1 capital	₦'000	₦'000
Share capital	2,100,000	2,100,000
Share premium	2,877,126	2,877,126
Retained earnings	(2,097,353)	(1,328,039)
Statutory reserve	298,440	298,440
Regulatory reserve	-	-
Total regulatory capital	3,178,213	3,947,527

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

Risk-weighted assets		
On statement of financial position	8,337,963	9,360,169
Off statement of financial position	33,442	33,442
	8,371,405	9,393,611
Risk-weighted Capital Adequacy Ratio (CAR)	38%	42%
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 Segment reporting

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

4.1 Services from which reportable segments derive their revenues

Information reported to the chief operating decision maker (the CEO) for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Bank's reportable segments under IFRS 8 are based on geography and are splited between the north and the south of the Country

4.2 Geographical segment revenues and results

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

Year ended 31 December, 2019	North ₦'000	South ₦'000	Total ₦'000
Interest revenue calculated using the effective interest rate method	87,809	1,036,936	1,124,745
Interest expense calculated using the effective interest rate method	(31,185)	(456,472)	(487,657)
Net interest income	56,624	580,464	637,088
Fees and commision income	3,800	232,186	235,986
Loss on disposal of non-current asset held for sale	-	(13,796)	(13,796)
Other operating income	6,356	21,088	27,444
Total operating income	66,780	819,942	886,722
Credit loss expense	(8,775)	(70,783)	(79,558)
Net operating income	**58,005**	**749,159**	**807,164**
Personnel expenses	(37,450)	(271,869)	(309,319)
Depreciation	(7,315)	(39,745)	(47,060)
Amortisation	-	(13,151)	(13,151)
Other operating expenses	(29,068)	(460,509)	(489,577)
Total operating expenses	**(73,833)**	**(785,274)**	**(859,107)**
Segment loss	(15,828)	(36,115)	(51,943)
Income tax expense	(835)	(9,858)	(10,693)
Loss for the year	(16,663)	(45,973)	(62,636)

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

Year ended 31 December, 2018	North ₦'000	South ₦'000	Total ₦'000
Interest revenue calculated using the effective interest rate method	98,483	1,051,899	1,150,382
Interest expense calculated using the effective interest rate method	(25,738)	(459,718)	(485,456)
Net interest income	72,745	592,181	664,926
Fees and commision income	6,507	133,069	139,576
Net gains on financial assets at fair value through profit or los	-	26,000.00	26,000.00
Profit on disposal of non-current asset held for sale	-	6,009	6,009
Other operating income	6,603	60,469	67,072
Total operating income	85,855	817,728	903,583
Credit loss expense	(101,350)	(465,393)	(566,743)
Net operating income	**(15,495)**	**352,335**	**336,840**
Personnel expenses	(37,639)	(296,655)	(334,294)
Depreciation	(5,790)	(37,268)	(43,058)
Amortisation	-	(16,010)	(16,010)
Other operating expenses	(27,129)	(552,829)	(579,958)
Total operating expenses	**(70,558)**	**(902,762)**	**(973,320)**
Segment loss	(86,053)	(550,427)	(636,480)
Income tax expense	(2,486)	(26,553)	(29,039)
Loss for the year	(88,539)	(576,980)	(665,519)

Assets	North ₦'000	South ₦'000	Total ₦'000
As at December 31, 2018			
Cash on hand	216	770	986
Cash balances with central bank	-	116,337	116,337
Due from banks	100	766,897	766,997
Loans and advances	1,678,044	5,610,197	7,288,241
Financial investments - equity instrument at FVTPL	-	258,778	258,778
Financial Investments- securities at amortised cost	-	-	-
Other assets	2,105	79,729	81,834
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
	1,680,465	10,283,078	11,963,543
Liabilities			
Deposits from customers	430,416	5,467,903	5,898,319
Other liabilities	5,433	210,887	216,320
Current income tax payable	2,486	29,803	32,289
Borrowings	-	5,712	5,712
Due to National Housing Fund	337,660	15,867	353,527
	775,995	5,730,172	6,506,167

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

* All assets are allocated to reportable segments.

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

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

		2019	2018
5	**Interest revenue calculated using the effective interest rate method**	₦'000	₦'000
	Loans and advances	1,019,670	1,061,288
	Cash and short term funds	86,760	89,094
	Investment Securities- at amortised cost	18,315	-
		1,124,745	1,150,382

		2019	2018
6	**Interest expense calculated using the effective interest rate method**	₦'000	₦'000
	Due to customers	487,596	484,049
	Borrowings	61	1,407
		487,657	485,456

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

		2019	2018
7	**Fees and commission income**	₦'000	₦'000
	Mortgage fees	235,972	139,544
	Legal fees	14	32
		235,986	139,576

Fees and commission were earned from services provided overtime. The portion of the fee income earned over time in the course of the year amounted to N235,986,189 (2018: N139,576,250). The portion of the fee income earned at a point in time is nil (2018: nil).

		2019	2018
8	**Other Operating income**	₦'000	₦'000
	Rental Income	11,057	10,150
	Other income	13,195	54,145
	Profit on sale of property, plant and equipment	3,192	2,777
		27,444	67,072

		2019	2018
9	**Credit loss expense**	₦'000	₦'000
	Credit loss expense/(write back)- balances due from CBN	193	(4)
	Credit loss expense/(write back)- balances due from banks	149	(1,353)
	Credit loss expense- loans and advances (Note 18.1)	79,216	568,100
	Credit loss expense- securities at amortised cost	-	-
		79,558	566,743

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

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

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

	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

		2019	2018
10	**Personnel expenses**	**₦'000**	**₦'000**
	Wages, salaries and other staff costs	288,830	313,050
	Retirement contribution plan	20,489	21,244
		309,319	334,294

		2019	2018
11	**Depreciation**	**₦'000**	**₦'000**
	Depreciation of property plant and equipment (Note 22)	39,253	43,058
	Depreciation of right of use assets (Note 24)	7,807	-
		47,060	43,058

		2019	2018
12	**Other operating expenses**	**₦'000**	**₦'000**
	Directors remuneration	92,159	80,741
	Subscriptions, publications, stationeries, and communications	76,291	75,805
	Property and equipment repairs and maintenance	39,495	34,332
	Insurance expenses	29,552	31,711
	Electricity and gas	23,682	25,083
	Deposit insurance commission	25,218	23,522
	Auditors remuneration	12,000	12,000
	Lease payments recognised as an operating lease expense	-	7,807
	Security costs	7,466	7,831
	Advertising expenses	4,907	5,108
	Bank charges	2,657	6,548
	Medical expenses	23,773	23,634
	Fine	-	700
	Donation	480	40
	Other expenses	151,897	245,096
		489,577	**579,958**

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

		2019	2018
13	**Income tax expense**	**₦'000**	**₦'000**
13.1	**Current income tax for the year**		
	Income tax	6,941	29,039
	Education tax	3,182	-
	Capital gains tax	570	-
	Total current income tax expense	10,693	29,039
	Deferred tax (Net)		
	Relating to origination and reversal of temporal differences (Note 30)	-	-
	Income tax expense	10,693	29,039

13.2 Reconciliation of effective tax rate

The effective income tax rate for 2019 is 4.8% (2018: 5%).

The Bank is assessed on minimum tax for 2019 in compliance with the provision of the Company Income Tax Act CAP 21 CAP C21 LFN 2004 as amended, while Education tax charge is based on the provisions of the Education Tax Act CAP E4 LFN 2004 as amended.

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

		2019	2018
13.2	**Reconciliation of effective tax rate**	**₦'000**	**₦'000**
	Loss before income tax	(51,943)	(636,480)
	Income tax using the domestic		
	Corporation tax rate 30% (2018: 30%)	(15,583)	(190,944)
	Income not subject to tax	(2,669)	(5,396)
	Non-deductible expenses	60,126	50,574
	Education tax	3,182	-
	Capital gains tax	570	-
	Unrecognised tax losses*	(41,874)	145,766
	Effect of minimum tax floor	6,941	29,039
		10,693	29,039

13.3 Current income tax payable

At beginning of the year	32,289	37,434
Income tax expense	10,693	29,039
Withholding tax credit received	-	(4,455)
Payments during the year	(15,000)	(29,729)
At end of the year	27,982	32,289

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

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

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

	2019	2018
Loss after income tax attributable to the shareholders (₦'000)	(62,636)	(665,519)
Weighted average number of shares ('000)	4,200,000	4,200,000
(in kobo)	**(1.49)**	**(15.85)**

Diluted

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

	2019	2018
15 Cash on hand	**₦'000**	**₦'000**
Cash	785	986
	785	986

16 Cash balances with central bank

Deposits with CBN	129,254	116,935
Allowance for impairment on cash balances with CBN	(791)	(598)
	128,463	116,337

See Note 17 for nature of deposits with CBN.

16.1 Impairment allowance on cash balances with CBN

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

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

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

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

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

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	N '000	N '000	N '000
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

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

	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 during the	-	-	-	-
Unwind of discount (recognised in interest income)	-	-	-	-
Changes due to modifications not resulting in	-	-	-	-
Changes to models and inputs used for ECL calculations	(5)	-	-	(5)
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
At 31 December 2018	598	-	-	598

			2019	2018
17	**Due from banks**		**₦'000**	**₦'000**
	Balances with Federal Mortgage Bank of Nigeria ("FMBN")		250	250
	Balances with other banks		273,106	220,107
	Fixed placements with banks		1,561,261	549,703
			1,834,617	770,060
	Allowance for impairment on due from Banks	Note 17.1	(3,212)	(3,063)
			1,831,405	766,997

Rate range analysis:

	2019	2018
Balances with other banks		
Fixed placements with banks	6.0%-15.0%	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.

17.1 Impairment allowance on due from banks

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

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

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

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

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

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	N '000	N '000	N '000
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 2019	3,063	-	-	3,063
New assets originated or purchased	1,261	-	-	1,261
Assets derecognised or repaid (excluding write offs)	(1,112)	-	-	(1,112)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between 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 2019	3,212	-	-	3,212

	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

18	Loans and advances	2019 ₦'000	2018 ₦'000
	Mortgages	8,296,776	7,825,413
	Advances	541,231	653,499
	National Housing Fund	357,332	332,351
		9,195,339	8,811,263
	Less ECL allowance	(1,457,198)	(1,523,022)
	Total	**7,738,141**	**7,288,241**

18.1 The movement in ECL allowance on loans and advances was as follows:

Expected credit loss allowance	2019 ₦'000	2018 ₦'000
At beginning of the year	1,523,022	976,359
Charged for the year (Note 9)	79,216	568,100
Bad debt written off	(145,040)	(21,437)
At end of the period	1,457,198	1,523,022

18.2 **Impairment allowances on Loans and advances**

18.2.1 ***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.

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

	2018			
Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	N '000	N '000	N '000
Performing				
Standard grade	2,614,447	-	-	2,614,447
Sub-standard grade	-	423,143	-	423,143
Non- performing				
Individually impaired			4,787,823	4,787,823
Total	2,614,447	423,143	4,787,823	7,825,413

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

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

	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	-	-	-	-
Unwind of discount (recognised in interest income)	-	-	-	-
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

18.2.2 *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.

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

	2018			
Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	N '000	N '000	N '000
Performing				
Standard grade	600,317	-	-	600,317
Sub-standard grade	-	-	-	-
Non- performing	-	-	-	-
Individually impaired	-	-	53182	53,182
Total	600,317	-	53,182	653,499

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

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N '000	N '000	N '000	N '000
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

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

	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

18.2.3 *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.

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

	2018			
Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total
	N '000	N '000		N '000
Performing			-	
Standard grade	165,338	-	-	165,338
Sub-standard grade	-	14,995	-	14,995
Non- performing	-	-	-	-
Individually impaired	-	-	152,018	152,018
Total	165,338	14,995	152,018	332,351

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

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

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

	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

18.3 Analysis by sector (Gross)

	2019	2018
	₦'000	₦'000
Construction Loans	3,500,470	1,128,180
Loan and Advances	109,080	272,230
Mortgage FMBN bonds	3,834	4,310
Mortgage Home Loans	4,497,273	6,380,943
NHF Loans	353,499	328,042
School Loans	274,020	193,449
Staff Mortgage Loans	25,013	44,061
Staff Personal Loans	30	1,363
Staff Share Loan	432,120	458,685
	9,195,339	8,811,263

18.4 Analysis by security (gross)

	2019	2018
	₦'000	₦'000
Secured against real estate	8,420,763	8,552,514
Other security	755,589	170,277
Unsecured	18,987	88,472
	9,195,339	8,811,263

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

18.5 Loans and advances general terms and conditions

	2019		2018	
	Rate	₦'000	Rate	₦'000
Tenor				
1 to 5years	14	6,759,958	14	5,389,069
6 to 10 years	12	1,076,865	12	1,871,800
11 to 15years	8	686,483	8	211,503
Above 15years	7	672,033	7	1,338,891
		9,195,339		8,811,263

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

	2019	2018
19 Financial investments - equity instrument at FVTPL	₦'000	₦'000
Quoted equities	**258,778**	**258,778**

Equity investment represents shares in Universal Insurance Plc and the Nigeria Mortgage Refinancing Company (NMRC). These shares are quoted on the Nigerian Stock Exchange and the NASD

	2019	2018
	₦'000	₦'000
20 Financial Investments- securities at amortised cost		
Securities at amortised cost	648,316	-
Expected credit loss	-	
	648,316	-

The securities measured at amortised cost as disclosed here consist of investment in government securities (treasury bills which is intended to be held till maturity)

20.1 Movement in securities at amortised cost

	2019	2018
	₦'000	₦'000
Balance at the beginning of year	-	-
Addition during the year	630,001	
Accrued interest	18,315	-
End of the year	648,316	-

21 Other assets

	2019	2018
	₦'000	₦'000
Financial assets:		
Sundry receivables	118,167	55,848
Balance with other financial institution	151,544	151,544
Non financial assets:		
Prepayments	89,500	20,411
Stationery and stocks	6,269	6,323
	365,480	234,126
Allowance for impairment of other assets - (note 21.1)	(152,292)	(152,292)
	213,188	81,834

As at 31 December 2019 balance with other financial

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.

21.1 Movement of allowance for impairment of other assets

	2019	2018
	₦'000	₦'000
Balance at the beginning of year	152,292	152,292
End of the year	152,292	152,292

There was no mevement in allowance for impairment of other assets during the year

22 Property and Equipment

	Land and building ₦'000	Office furniture and equipment ₦'000	Computer equipment ₦'000	Motor vehicles ₦'000	Total ₦'000
Cost					
At 1 January 2019	1,156,972	184,232	106,461	209,988	1,657,653
Additions	-	1,141	854	71,500	73,495
Disposal	-	-	-	(27,779)	(27,779)
At 31 December 2019	1,156,972	185,373	107,315	253,709	1,703,369
Accumulated depreciation					
At 1 January 2019	149,596	139,569	102,285	205,925	597,375
Charge for the year	22,923	11,101	1,479	3,750	39,253
Disposals	-	-	-	(27,779)	(27,779)
At 31 December 2019	172,519	150,670	103,764	181,896	608,849.00
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
NBV at 31 December 2019	**984,453**	**34,703**	**3,551**	**71,813**	**1,094,520**
NBV at 31 December 2018	**1,007,376**	**44,663**	**4,176**	**4,063**	**1,060,278**

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

23 Intangible assets

	2019		2018	
	Computer Software	**Total**	**Computer Software**	**Total**
	₦'000	**₦'000**	**₦'000**	**₦'000**
Cost				
At 1 January	120,831	120,831	115,531	115,531
Addition	3,200	3,200	5,300	5,300
At 31 December	124,031	124,031	120,831	120,831
Accumulated Amortisation				
At 1 January	99,365	99,365	83,355	83,355
Amortisation charge	13,151	13,151	16,010	16,010
At 31 December	112,516	112,516	99,365	99,365
Carrying amount	**11,515**	**11,515**	**21,466**	**21,466**

The intangible assets consist wholly of the Bank's computer software.
The Bank performed its annual impairment test as at 31 December 2019 and 2018, and there were no indicators of impairment of assets held as at these dates.

24 Right of Use Assets	**2019**
	₦'000
At 1 January	1,538
Addition/ renewal during the year	6,269
	7,807
Less depreciation	7,807
At 31 December	-

The bank's right of used -assets represents the efforceable right which it can exercise under the lease agreement. Based on Nigeria law, the efforceable right can only be exercise to the extent of the amount paid.

25 Non-current assets-held for sale

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

	2019	**2018**
	₦'000	**₦'000**
As at 1 January	2,368,626	2,493,564
Returned assets	45,251	-
Disposal	(2,079,196)	(124,938)
As at 31 December	334,681	2,368,626

No asset was repossessed from customers that defaulted on loans and advances during the year (2018: nil). However, one of the properties sold in 2016 was returned by the buyer in the current year because of litigation issues and full refund was made to the buyer accordingly. The returned property amounted to N45,251,000 (2018: nil). The terms of the contract of sale does not include a return clause.

		2019	2018
		₦'000	₦'000
26	**Due to Customers**		
	Demand Deposits	762,688	741,596
	Savings Deposits	1,274,514	1,217,156
	Term Deposits	4,303,395	3,939,567
		6,340,597	5,898,319
	Within one year	6,257,214	5,804,922
	More than one year	83,383	93,397
		6,340,597	5,898,319

		2019	2018
27	**Other liabilities**		
	Accounts payable	146,392	205,964
	Rent payable	-	917
	Lease liability	1,686	-
	Information technology levy	2,412	2,412
	Other liabilities	15,902	5,814
	Staff pension contribution	3,603	515
	Rent received in advance	643	698
		170,638	216,320

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.
Unclaimed dividend represents dividend yet to be claimed by investors in relation to dividend declared in the past. These are due on demand.

Lease liability is in respect of lease of office space for some of the bank's branches. The bank's enforceable right under the Nigerian law is to the extent of the amount paid.

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.

	2019	2018
Defined contribution scheme	₦'000	₦'000
Pension liability	3,603	515

		2019	2018
28	**Borrowings**	₦'000	₦'000
	Nigeria Mortgage Refinancing Company	-	5,712
		-	5,712
	Current	-	3,747
	Non-current	-	1,965
		-	5,712

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 as at December 31, 2018 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. As at December 31, 2019, the loan had been fully repaid.

		2019	2018
28.1		₦'000	₦'000
	Balance as at beginning of the year	5,712	14,670
	Repayments during the year	(5,712)	(8,958)
	Balance as at end of the year	-	5,712

		2019	2018
		₦'000	₦'000
29	**Due to National Housing Fund**		
	On -lending Funds	325,835	353,527

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.

30 Deferred tax liabilities

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2018: 30%).

		2019	2018
		₦'000	₦'000
30.1	**Deferred tax liabilities are attributable to the following:**		
	Accelerated tax depreciation	227,658	193,999
	Non-current assets held for sale	203,416	203,986
	Allowances for loan losses	(57,634)	(42,889)
	Other assets	45,688	45,688
	Net fair value gain on financial asset	920	920
	Unutilised capitalised allowance	(274,228)	(225,045)
	Tax loss carried forward	(300,825)	(352,542)
	Unrecognised deferred tax assets	155,005	175,883
		-	-

30.2 Movements in temporary differences during the year:

	At beginning of year	Recognised in equity 1 January 2018	Recognised in profit or loss	At end of year
	₦'000	₦'000	₦'000	₦'000
Accelerated depreciation	193,999	-	33,659	227,658
Investments properties	203,986	-	(570)	203,416
Allowances for loan losses	(42,889)	-	(14,745)	(57,634)
Other assets	45,688	-	-	45,688
Net fair value gain on financial asset	920	-	-	920
Unutilised capitalised allowance	(225,045)	-	(49,183)	(274,228)
Tax loss carried forward	(352,542)	-	51,717	(300,825)
Unrecognised deferred tax assets	175,883	-	(20,878)	155,005
	-	-	-	-

		2019	2018
31	**Share capital**	₦'000	₦'000
31.1	**Authorised**		
	Ordinary shares of 50 kobo each	6,000,000	3,500,000

The authorised share capital is made up of twelve billion ordinanry shares of 50 kobo each (2018: Seven billion ordinanry shares of 50 kobo each)

31.2	**Issued and fully paid**		
	4.2 billion ordinary shares of 50k each	2,100,000	2,100,000
32	**Share premium**		
	Balance as at 31 December	2,877,126	2,877,126

There was no movement in share premium during 2019 and 2018.

33	**Accumulated losses:**		
	Balance at beginning of year	(1,328,039)	(196,514)
	Loss for the year	(62,636)	(665,519)
	Transfer to regulatory risk reserve	(706,678)	(466,006)
	Balance at end of year	(2,097,353)	(1,328,039)

34 Statutory Reserve:

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

	2019	2018
	₦'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 (2018: Nil).

		2019	2018
35	Additional cash flow information	₦'000	₦'000
	Cash and cash equivalents		
	Cash on hand (note 15)	785	986
	Due from banks (note 17)	1,831,155	766,747
		1,831,940	767,733

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

		2019	2018
35.1	**Change in Operating assets**	₦'000	₦'000
	Net change in loans and advances to customers	(529,116)	(495,813)
	Net change in other assets	(132,892)	(22,163)
	Net change in cash reserve with CBN	(12,319)	(1,428)
		(674,327)	(519,404)

		2019	2018
35.2	**Change in operating liabilities**	**₦'000**	**₦'000**
	Net change in due to customers	442,278	542,221
	Net change in due to National Housing Fund	(27,692)	(20,710)
	Net change in other liabilities	(45,682)	(16,172)
		368,904	505,339

35.3	**Adjustment for non-cash items**		
	Depreciation of property and equipment	39,253	43,058
	Depreciation of right of use assets	7,807	-
	Amortisation of other intangible assets	13,151	16,010
	Impairment charge on loans and advances	79,216	568,100
	Impairment charge/(reversal) on cash balances with central bank	193	(4)
	Accrued interest on financial assets designated at amortised cost	(18,315)	-
		121,305	627,164

35.4	**Loss/(gains) 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	(3,192)	(2,777)
	Loss/(profit) on sale of non-current assets held for sale	13,796	(6,009)
		10,604	**(60,064)**

35.5	**Operational cashflows from interest***		
	Interest paid	488,118	487,281
	Interest received	978,697	1,187,495

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

36 Contingencies and commitments

36.1 Guarantees and other commitments

The Bank has no guarantees and other commitments as at 31 December 2019 (2018:Nil)

36.2 Capital commitments

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

36.3 Claims and litigations

The Bank in the ordinary course of business is presently involved in four (2018:four) claims and litigations relating to customer disputes. Maximum exposure for the Bank is ₦₦150,400,000 (2018: ₦216,400,000). Management does not believe these claims and litigations will be successful.

37 Operating leases

Bank as lessee

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

	2019	2018
	₦'000	₦'000
Due within 1 year	7,807	5,500
Due 2-5 years	-	2,308
Due greater than 5 years	-	-
	7,807	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.

	2019	2018
	₦'000	₦'000
Due within one year	9,943	8,850
Due within two-five years	-	360
	9,943	9,210

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 ₦643,000 (2018: ₦698,000).

The total rent recognised as income during the year is ₦11.057million (2018: ₦10.150million).
The properties are occupied by the Bank for its business operations with insignificant space being rented to third parties.

38 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 ₦249.1 million (2018: ₦315.3 million).

Name of Borrower	Relationship to Bank	Amount outstanding 2019	Amount outstanding 2018	Interest paid 2019	Interest paid 2018	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	36,955	60,049	11,225	14,690	Working capital	Performing	Equitable mortgage/Cash
Infant Jesus Academy	Bank's MD/CEO is a Director of the School	194,800	233,900	29,899	34,917	Mortgage loan	Performing	Legal mortgage
Chike Chiemeke	A brother to the Bank's MD/CEO	17,417	17,689	3,160	3,456	Mortgage loan	Performing	Legal mortgage
Mr. Madu Hamman	Bank's Executive Director	-	3,688	6	184	Housing loan	Performing	Legal mortgage
Nwosisi Andrew***	Bank's Executive Director	-	5,000	58	-	Housing loan	Performing	Legal mortgage
		249,172	**320,326**	**44,348**	**53,247**			

The Bank rents properties from the Chairman for two of its branches. The rental charge for the current year is ₦5,500,000 (2018: ₦5,500,000) and the amount payable at the year end is ₦416,686.68 (2018: ₦5,499,996).

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 2019 and 2018, all related party facilities were performing at year end and as such there were no amounts provided for.

***Andrew Nwosisi was appointed executive Director on 11 April 2019.

		2019	2018
38.1	**Key management compensation**	**₦'000**	**₦'000**
	Salaries and other short term employee benefits	70,379	53,881
	Post -employment benefits	4,026	3,595
		74,405	57,476

38.2	**Directors emoluments**		
	Fees and sitting allowances	14,750	14,750
	Executive Compensation	70,379	57,476
	Defined contribution scheme	4,026	3,595
	Other directors expenses	7,030	4,920
		96,185	80,741

39 Maturity analysis of assets and liabilities

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

	Current	Non-current	Total
	₦'000	₦'000	₦'000
As at 31 December 2019			
Assets			
Cash on hand	785	-	785
Cash balances with central bank	-	128,463	128,463
Due from banks	1,831,405		1,831,405
Loans and advances	5,958,369	1,779,772	7,738,141
Equity investments at FVTPL	-	258,778	258,778
Securities at amortised cost	648,316	-	648,316
Other assets	213,188	-	213,188
Property and equipment	-	1,094,520	1,094,520
Intangible assets	11,515		11,515
Non-current assets held for sale	334,681	-	334,681
Total assets	8,998,259	3,261,533	12,259,792
Liabilities			
Due to customers	5,610,398	730,199	6,340,597
Current income tax payable	27,982		27,982
Other liabilities	170,638	-	170,638
Due to the National Housing Fund	-	325,835	325,835
Total liabilities	5,809,018	1,056,034	6,865,052
As at 31 December 2018			
Assets			
Cash on hand	986	-	986
Cash balances with central bank	-	116,337	116,337
Due from banks	766,997	-	766,997
Loans and advances	3,061,061	4,227,180	7,288,241
Equity investments at FVTPL	258,778	-	258,778
Other assets	81,834	-	81,834
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	6,538,282	5,425,261	11,963,543
Liabilities			
Due to customers	5,427,490	470,829	5,898,319
Current income tax payable	32,289	-	32,289
Borrowings	5,712	-	5,712
Other liabilities	216,320	-	216,320
Due to the National Housing Fund	-	353,527	353,527
Total liabilities	5,681,811	824,356	6,506,167

40 Events after reporting date

As at the year end, the full proceeds of the private placement of N2.37 billion in respect of the increase in share capital had been received by our issuing house but the CBN completed the capital verification on January 20, 2020. If we had recognised the capital increase as at December 31, 2019, the paid up capital and share premium would have been N3.23 billion and N4.021 billion respectively.
Chief Ifeanyichukwu Boniface Ochonogor retired effective February 28, 2020 and a new chairman (Mazi Emmanuel Kanu O.Ivi) replaced him on the same date.

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

Funding and Liquidity

The pandemic is expected to impact liquidity risk, exchange rate risk and interest rate risk faced by the bank. The Bank has a robust liquidity management framework and contingency funding plan that builds in adequate buffers to support liquidity run-off in a stress scenario. The liquidity ratio of the bank as at December 31 2019 was 41% and projects that it will remain above the the regulatory limit 20% during the crisis period. Also the Bank' will be less impacted by foreign exchange risk as its exposure to foreign assets is insignificant.

Analysis of balance sheet

The Bank as performed a line-by-line analysis of its balance sheet and has done an assessment of whether the current uncertainty may impact any of the amounts presented at 31 December 2019. The Bank has assessed that the coronavirus may affects the business of the Bank's borrowing customers. The Bank has performed an analysis and reviewed the portfolio and the impact the spread would have on the Bank's credit portfolio. Management has concluded however that the amounts recognised in the financial statement do not require further adjustment but will continue to monitor situation as new information becomes available and adjustment thereof will be reflected in the appropriate reporting period.

41 Dividend payable

No dividend was paid or proposed for the year (2018: Nil).

42 Compliance with banking regulations

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

Other National Disclosures

ABBEY MORTGAGE BANK PLC

STATEMENT OF VALUE ADDED

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019		2018	
	₦'000	%	₦'000	%
Gross income	1,374,379		1,389,039	
Interest expense	(487,657)		(485,456)	
	886,722		903,583	
Impairment charge	(79,558)		(566,743)	
Brought-in-materials and services-local	(489,577)		(579,958)	
Value added/ (consumed)	317,587	100	(243,118)	100
Applied to pay:				
Employee as wages, salaries and pensions	309,319	97	334,294	138
Income tax	10,693	3	29,039	12
Retained in business:				
Depreciation and amortisation	60,211	19	59,068	24
Loss for the year	(62,636)	(20)	(665,519)	(274)
	-			
Value added/ (consumed)	317,587	100	(243,118)	(100)

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

This information is presented for the purpose of the requirements of the Companies and Allied Matters Acts, CAP C20, Laws of the Federation of Nigeria, 2004

ABBEY MORTGAGE BANK PLC

FIVE-YEAR FINANCIAL SUMMARY

STATEMENT OF FINANCIAL POSITION

AS AT			**31 DECEMBER**		
	2019	**2018**	**2017**	**2016**	**2015**
Assets	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Cash on hand	785	986	2,687	11,037	3,671
Due from banks	1,831,405	766,997	782,007	896,009	1,304,714
Cash balances with central bank	128,463	116,337	115,507	101,046	101,046
Loans and advances	7,738,141	7,288,241	7,458,506	6,900,080	7,103,478
Financial Investments - available for sale	-	-	207,500	207,500	202,500
Financial Investments -held to maturity	-	-	-	336,163	-
Financial investments - equity instrument at FVTPL	258,778	258,778	-	-	-
Financial Investments- securities at amortised cost	648,316	-	-	-	-
Other assets	213,188	81,834	64,128	417,906	285,573
Property and equipment	1,094,520	1,060,278	1,084,748	1,133,787	1,178,750
Intangible assets	11,515	21,466	32,176	45,583	59,823
Non-current assets held for sale	334,681	2,368,626	2,493,564	2,403,663	2,539,761
Total Assets	**12,259,792**	**11,963,543**	**12,240,823**	**12,452,774**	**12,779,316**
Liabilities and equity					
Deposits from customers	6,340,597	5,898,319	5,356,098	5,328,649	5,361,393
Current income tax liability	27,982	32,289	37,434	57,720	87,326
Other liabilities	170,638	216,320	232,492	205,352	188,020
Borrowings	-	5,712	14,670	24,245	112,049
Due to National Housing Fund	325,835	353,527	374,237	398,541	424,264
	6,865,052	6,506,167	6,014,931	6,014,507	6,173,052
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	(2,097,353)	(1,328,039)	(191,496)	193,676	526,626
Statutory reserve	298,440	298,440	298,440	298,440	298,440
Regulatory risk reserve	2,216,527	1,509,849	1,141,822	969,025	804,072
Total equity	**5,394,740**	**5,457,376**	**6,225,892**	**6,438,267**	**6,606,264**
Total liabilities and equity	**12,259,792**	**11,963,543**	**12,240,823**	**12,452,774**	**12,779,316**

ABBEY MORTGAGE BANK PLC

FIVE-YEAR FINANCIAL SUMMARY

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED			**31 DECEMBER**		
	2019	**2018**	**2017**	**2016**	**2015**
	₦'000	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Net operating income	886,722	903,583	919,215	772,730	878,311
Allowances for loans and other assets	(79,558)	(566,743)	(167,938)	(101,786)	(54,169)
Operating expenses	(859,107)	(973,320)	(929,184)	(907,173)	(1,051,414)
(Loss) / profit before income tax	**(51,943)**	**(636,480)**	**(177,907)**	**(134,443)**	**(227,272)**
Income tax benefit / (expense)	(10,693)	(29,039)	(34,468)	(33,554)	282,766
(Loss) / profit for the year	**(62,636)**	**(665,519)**	**(212,375)**	**(167,997)**	**55,494**
Other comprehensive income					
Other comprehensive income that will not be reclassified to profit or loss in subsequent period:					
Reclassification of net loss to income statement	-	-	-	-	-
	-	-	-	-	-
Total comprehensive (loss) / income for the year	**(62,636)**	**(665,519)**	**(212,375)**	**(167,997)**	**55,494**
(Loss) / earnings per share (Kobo) - Basic and diluted	**(1.49)**	**(15.85)**	**(5.06)**	**(4.00)**	**1.32**

(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.