ABBEY MORTGAGE BANK PLC
LAGOS, NIGERIA

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

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

FOR THE YEAR ENDED 31 DECEMBER 2016

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CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016

Directors

Names	Post Held
Chief Ifeanyichukwu Boniface Ochonogor	Chairman
Mrs. Rose Ada Okwechime	Managing Director/CEO
Mr. Madu Hamman	Executive Director
Mazi Emmanuel Kanu O.Ivi	Non - Executive Director
Air Vice Marshal Olufemi Soewu (Retired)	Non - Executive Director
Mr. Bernard Okumagba	Non - Executive Director
Mr. Emile E.H. Groot	Independent Non-Executive Director - resigned 15 September 2016
High Chief Samuel Oni	Independent Non-Executive Director - approved on 19 August 2016
Mr. Uzochukwu Odunukwe	Independent Non-Executive Director - approved on 19 August 2016

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

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors present their report together with the audited financial statements of Abbey Mortgage Bank Plc (the "Bank") for the year ended 31 December 2016.

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

1) RESULT

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

	2016 ₦'000	2015 ₦'000
Loss before income tax	(134,443)	(227,272)
Income tax (expense) / benefit	(33,554)	282,766
	-------------	-------------
(Loss) / profit after income tax	(167,997)	55,494
Other comprehensive income	-	-
	-------------	-------------
(Loss) / profit for the year	(167,997)	55,494
Less: appropriations:		
Transfer from regulatory risk reserve	(164,953)	(81,554)
	-------------	-------------
Net effect of operations on retained earnings	(332,950)	(26,060)
	========	========

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 (CBN) on 17 September 2013, and the approval of the Corporate Affairs Commission of Nigeria on 16 January 2014, the Bank changed its name from Abbey Building Society Plc to Abbey Mortgage Bank Plc.

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 2016 are as follows:

		Direct Holdings			
S/N	Name of Directors	As at 31 December 2016 (Shares)	Percentage Holding [%]	As at 31 December 2015 (Shares)	Percentage Holding [%]
1	Chief Ifeanyichukwu Boniface Ochonogor	275,198,488	6.55	275,198,488	6.55
2	Mrs. Rose Ada Okwechime	204,356,780	4.87	204,356,780	4.87
3	Mr .Madu Hamman	839,170	0.02	839,170	0.02
4	Mazi Emmanuel Kanu O. Ivi	86,642,341	2.06	86,642,341	2.06
5	AVM Olufemi Soewu Retired)	50,717,076	1.21	50,717,076	1.21
6	Mr. Bernard Okumagba	8,723,720	0.21	8,723,720	0.21

Indirect Holdings

- 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.
- 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.
- 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 2016 (2015: Nil).

5) ELECTION/RE-ELECTION OF DIRECTORS

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

(a) Avm. Olufemi Soewu
(b) High Chief Samuel Oni
(c) Mr. Uzochukwu Odunukwe

None of the Directors have direct or indirect interest in the Bank's contracts as at 31 December 2016 and 2015.

6) RECORD OF DIRECTORS' ATTENDANCE

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

REPORT OF THE DIRECTORS - *Continued*
FOR THE YEAR ENDED 31 DECEMBER 2016

7) CHANGES IN THE DIRECTORATE

- Mr. Emile E.H. Groot resigned from the Board as an Independent Non-Executive Director on 15 September 2016.
- High Chief Samuel Oni's appointment as an Independent Non-Executive Director was approved by the CBN on 19 August 2016.
- Mr. Uzochukwu Odunukwe's appointment as an Independent Non-Executive Director was approved by the CBN on 19 August 2016.

8) SUBSTANTIAL INTEREST IN SHARES

Nigerian citizens and associations held all the ordinary shares of the Bank as at 31 December 2016 and 2015. No individual shareholder directly held more than 5% of the issued and paid up share capital of the Bank except the following:

As at 31 December 2016

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

As at 31 December 2015

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

9) HISTORY OF CAPITALIZATION

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

DATE	AUTHORISED		ISSUED AND FULLY PAID		CONSIDERATION
	INCREASE (₦)	CUMMULATIVE (₦)	INCREASE (₦)	CUMMULATIVE (₦)	
1991		5,000,000		5,000,000	CASH
1992	10,000,000	15,000,000	10,000,000	15,000,000	CASH
1992	15,000,000	30,000,000		15,000,000	
1994	20,000,000	50,000,000	15,000,000	30,000,000	CASH
1996		50,000,000	20,000,000	50,000,000	CASH
1997	50,000,000	100,000,000		50,000,000	
1999		100,000,000	20,000,000	70,000,000	CASH
1999		100,000,000	8,000,000	78,000,000	BONUS
2000	100,000,000	200,000,000	22,000,000	100,000,000	BONUS
2001		200,000,000	85,000,000	185,000,000	CASH
2001		200,000,000	15,000,000	200,000,000	BONUS
2002	300,000,000	500,000,000	40,000,000	240,000,000	BONUS
2003		500,000,000	25,000,000	265,000,000	BONUS
2004	300,000,000	800,000,000	50,000,000	315,000,000	CASH
2005	200,000,000	1,000,000,000	25,000,000	360,000,000	BONUS
2005			140,000,000	500,000,000	CASH
2006	500,000,000	1,500,000,000		500,000,000	
2006			18,000,000	518,000,000	BONUS
2006			224,500,000	742,500,000	CASH
2007			277,435,000	1,019,935,000	CASH
2007	2,000,000,000	3,500,000,000	1,080,065,000	2,100,000,000	CASH

10.1) ANALYSIS OF SHAREHOLDERS AS AT 31 DECEMBER 2016

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

10.2) ANALYSIS OF SHAREHOLDERS AS AT 31 DECEMBER 2015

Range	Number of Shareholders	Shares Held	Percentage of shareholding %
1 - 100,000	590	23,133,074	0.55
100,001 - 500,000	124	30,666,640	0.73
500,001 - 1,000,000	20	18,257,148	0.43
1,000,001 - 50,000,000	33	270,540,179	6.44
50,000,001 - 500,000,000	14	1,767,169,272	42.08
500,000,001 - 2,000,000,000	2	2,090,233,687	49.77
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	783	4,200,000,000	100.00
	====	===========	=====

11) DONATIONS

Donations made during the year amounted to ₦0.430 million (2015: N2.401 million). No donation was made to any political organization. The beneficiaries are:

	2016 ₦'000	2015 ₦'000
Sacred Heart School, Lagos	150	400
Radiance School, Lagos	80	100
Nazareth School	50	-
St Judes School, Lagos	50	-
Down syndrome Foundation of Nigeria	50	-
National Handicap Association, Lagos	30	-
Baze University, Abuja	-	1,500
Cedec School	-	250
Loral International School	-	60
Others	20	91
	---------	-------
Total	430	2,401
	=====	====

12) PROPERTY AND EQUIPMENT

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

13) DIVIDEND

No dividends were declared and paid in 2016 (2015: nil).

14) 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 2016 one physically challenged person was employed by the Bank.

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

The Bank places a high premium on the development of its manpower. The Bank's expanding skill base has been extended by a range of training programs 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.

15) ACQUISITION OF OWN SHARES

The Bank did not purchase its own shares during the year (2015: Nil).

16) EVENTS AFTER REPORTING DATE

There are no events after the reporting date which could have had a material effect on the state of affairs of the Bank as at 31 December 2016 and loss for the year ended on that date, that have not been adequately adjusted for, or which require specific disclosures.

17) AUDIT COMMITTEE

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

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

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

18) AUDITORS

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

BY ORDER OF THE BOARD OF DIRECTORS

GEOFF O. AMAGHEREONU ESQ
FRC/2013/NBA/00000002815
Company Secretary/Legal Adviser
23 Karimu Kotun Street,
Victoria Island, Lagos.
Date: 15 March 2017

CORPORATE GOVERNANCE REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

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

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

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

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

The membership of the Committee is as follows:

Shareholders
Mr. Matthias Menyelum Adaba
Prince (Engr.) MOT O. Tobun
Mr. Gbadebo Ajeigbe

Directors
Mazi Emmanuel Kanu O. Ivi
AVM Olufemi Soewu (Rtd)
Mr. Bernard Okumagba

Board of Directors

The Board is made up of a Non-Executive Chairman, four (4) Non-Executive Directors and three (3) Executive Directors. Appointment to the Board is made by the shareholders at the Annual General Meeting upon recommendation by the Board of Directors.

The Board is accountable and responsible for the affairs of the Bank by ensuring that its operations at all times are carried out within the legal and regulatory framework. The Board's responsibilities and duties include, but are not limited to, defining the Bank's business strategic goals, formulating effective risk management policies, leadership, enterprise, integrity and judgment in directing the Bank so as to achieve continuing prosperity and to act in its best interest in a manner based on transparency, accountability, good corporate governance and equity.

The Board meets at least once every quarter but may hold other sessions to address urgent matters requiring its attention. Its oversight functions are performed through the following Committees:

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

The Committees of the Board are constituted as follows:

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

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

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

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

Frequency of Meetings

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

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

Board of Directors

Name	Number of Meetings held	Number of Meetings attended
Chief Ifeanyichukwu B. Ochonogor	7	7
Mrs. Rose Ada Okwechime	7	7
Mazi Emmanuel Kanu O. Ivi	7	7
AVM Olufemi Soewu (Rtd)	7	7
Mr. Madu Hamman	7	7
Mr. Bernard Okumagba	7	7
Mr. Emile Hubert Groot	7	*3
*High Chief Samuel Oni	7	*2
*Mr. Uzochukwu Odunukwe	7	*2

*Mr. Emile E.H Groot	Resigned on 15 September 2016.
*High Chief Samuel Oni	Appointment as Independent Non-Executive Director approved by CBN on 19 August 2016.
*MR. Uzochukwu Odunukwe	Appointment as Independent Non-Executive Director approved by CBN on 19 August 2016.

Credit and Risk Management Committee

Name	Number of Meetings held	Number of Meetings attended
*High Chief Samuel Oni	4	*1
Mazi Emmanuel Kanu O. Ivi	4	4
AVM Olufemi Soewu (Rtd)	4	4
Mr. Bernard Okumagba	4	3
Mr. Madu Hamman	4	4

* High Chief Samuel Oni	Appointed a member of the Committee on 14 October 2016.

Strategy and Financial Analysis Committee

Name	Number of Meetings held	Number of Meetings attended
Mr. Bernard Okumagba	4	3
*Mazi Emmanuel Kanu O. Ivi	4	3
AVM Olufemi Soewu (Rtd)	4	4
*High Chief Samuel Oni	4	*1
*Mr. Uzochukwu Odunukwe	4	*1
Mr. Madu Hamman	4	4

*Mazi Emmanuel Kanu O. Ivi	Ceased being a member of the Committee on 14 October2016.
*High Chief Samuel Oni	Appointed a member of the Committee on 14 October 2016.
*Mr. Uzochukwu Odunukwe	Appointed a member of the Committee on 14 October 2016.

Governance and Remuneration Committee

Name	Number of Meetings held	Number of Meetings attended
AVM Olufemi Soewu (Rtd)	4	4
Mazi Emmanuel Kanu O. Ivi	4	3
Mr. Bernard Okumagba	4	4
*Mr. Uzochukwu Odunukwe	4	*1

*Mr. Uzochukwu Odunukwe Appointed a member of the Committee on 14 October 2016.

Audit and Compliance Committee

Name	Number of Meetings held	Number of Meetings attended
Mazi Emmanuel Kanu O. Ivi	4	4
AVM Olufemi Soewu (Rtd)	4	3
Mr. Bernard Okumagba	4	3
*High Chief Samuel Oni	4	*1
*Mr. Uzochukwu Odunukwe	4	*1
Mr. Madu Hamman	4	4

*High Chief Samuel Oni Appointed a member of the Committee on 14 October 2016.
*Mr. Uzochukwu Odunukwe Appointed a member of the Committee on 14 October 2016

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

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

RESIGNATION OF DIRECTORS
Mr. Emile E.H Groot resigned his appointment on 15 September, 2016.

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

(a) Air Vice Marshal Olufemi Soewu (Retired) shall retire by rotation at this Annual General Meeting. Being eligible, he has offered themselves for re-election.

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

Air Vice Marshal Olufemi Soewu (Retired)
AVM Soewu (Rtd) 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 occupied very prominent military positions including Instructor at the Nigerian Defence Academy, Military Assistant to the Lagos State Military Governor (1984 – 1986), Project Coordinator, Nigerian Air Force Computerization Project (1989-1990), Commander Nigerian Air Force Base, Makurdi (2001-2003) amongst others.

A Fellow of the National War College, Abuja and the Command and Staff College, Jaji, Kaduna State, AVM Soewu (Rtd) retired as Air Secretary, Nigerian Air Force. A versatile administrator per excellence, AVM Soewu (Rtd) sits on the Board of many other companies.

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

He started his professional career as Principal Accountant at Defence Industries Corporation of Nigeria in 1979. In 1982, he joined Kwara Breweries as Chief Accountant, from where he joined a World Bank Project- Kwara State Agricultural Programme as Financial Controller. He transferred his services to the Central Bank of Nigeria in 1993 as Assistant Director. Upon the completion of several on- the -job training sessions in and outside Nigeria, he was given the role of Team Leader for on-site examination of both commercial and merchant banks. He successfully led many teams to various banks for routine, maiden and special examinations. His reports received several commendations from the Management of CBN. In recognition of his hard work and diligence he was promoted to Deputy Director in 1998. In April 2004 he was appointed Director of Bank Examination a position he held till 2009 when he was appointed Director of Banking Supervision. He was also Chairman of the Committee set up by the CBN to midwife the establishment of Asset Management Corporation of Nigeria (AMCON).

High Chief Oni retired from CBN in 2011. Since then he has been in private and consultancy services. He also sits on the Board of United Bank for Africa Plc.

His core competences include risk management, audit, regulatory compliance and corporate governance.

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

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

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

Its membership comprises the following:

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

Human Resources
The Bank 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
The Bank 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 to own their own homes, stems from our dream to fulfil this social responsibility. We continuously engage in charitable acts to help the less privileged, such as sponsoring events of those afflicted with Down syndrome.

Sustainable and Environmental Issues
The Bank 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 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.

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 company's securities by related parties. This policy is being adhered to.

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

1. 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.

2. Risk Management Strategy

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

3. 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.

4. The Bank Risks Scope

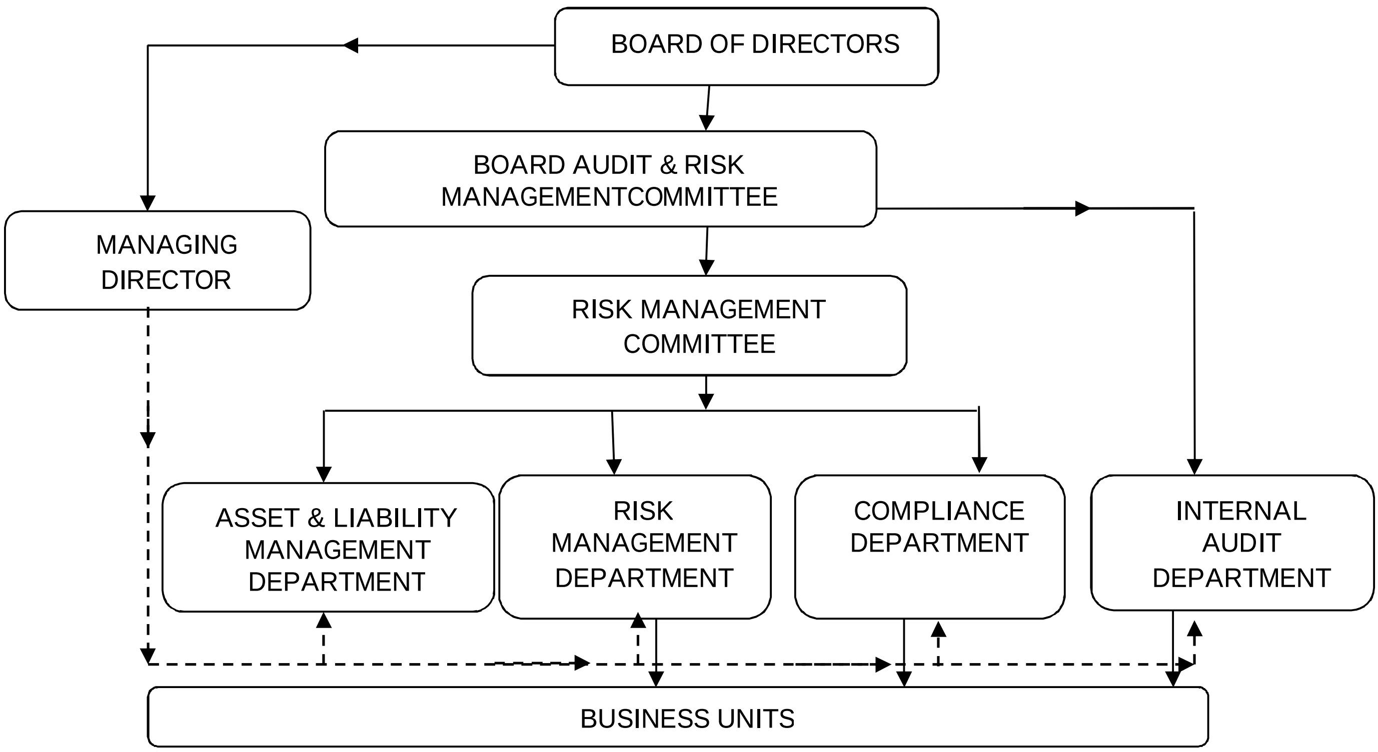
The risks that are managed by the Bank are as follows:

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

5. Risk Management Approach

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

Risk Management Control Structure



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

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

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

Responsibilities of Board Committees involved with risk governance include:

- 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.
- 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.
- Develop specific strategies that will help the Bank achieve its vision of being the number one Primary Mortgage Bank in Nigeria.
- Ensure that governance principles are well communicated and internalised by all in the Bank.

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

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

Responsibilities:

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

Asset and Liability Management Committee (ALCO)
Responsibilities:

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

- § Non-earning assets
- § Market and Liquidity Management.
- § Capital Management

Compliance
Responsibilities:

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

Business Units
Responsibilities

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

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

Internal Audit
Responsibilities

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

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

ABBEY MORTGAGE BANK PLC

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

FOR THE YEAR ENDED 31 DECEMBER 2016

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

The responsibilities include ensuring that:

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

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

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

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

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

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

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

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

BY ORDER OF THE BOARD OF DIRECTORS

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

15 March 2017

ABBEY MORTGAGE BANK PLC

CERTIFICATION
Pursuant to Section 60(2) of the Investments and Securities Act No. 29 of 2007
FOR THE YEAR ENDED 31 DECEMBER 2016

We the undersigned hereby certify the following with regard to the audited financial statements for the year ended 31 December 2016:

a. We have reviewed the report;

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

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

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

d. We:

   i. Are responsible for establishing and maintaining internal controls.

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

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

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

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

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

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

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

ROSE ADA OKWECHIME	**OLABISI AJEIGBE**
FRC/2013/CIBN/00000003444	**FRC/2013/ICAN/00000002814**
Managing Director/CEO	**Financial Controller**

15 March 2017

ABBEY MORTGAGE BANK PLC

REPORT OF THE AUDIT COMMITTEE
FOR THE YEAR ENDED 31 DECEMBER 2016

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 2016 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 2016 were satisfactory and complied with the Bank's system and internal control.

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

- As required by the provisions of the Central Bank of Nigeria Circular 851D/2004 dated 18 February 2004 on "Disclosures of Insider-Related Credits in Financial Statements" we reviewed the insider-related credits of the Bank and found them to be as analysed on in the financial statements as at 31 December 2016.

Mazi E.K.O. IVI
FRC/2014/ICAN/00000008160
For: Chairman, Audit Committee

Members of the Audit Committee
Mr. Matthias Menyelum Adaba
Prince (Engr.) MOT O. Tobun
Mr. Gbadebo Ajeigbe
Mazi Emmanuel Kanu O. Ivi
AVM Olufemi Soewu (Rtd)
Mr. Bernard Okumagba

15 March 2017

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion
We have audited the financial statements of Abbey Mortgage Bank Plc (the "Bank") which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the relevant provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Banks and Other Financial Institutions Act, CAP B3, Laws of the Federation of Nigeria 2004, the Financial Reporting Council of Nigeria ("FRCN") Act No. 6, 2011 and Central Bank of Nigeria circulars.

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* and other independence requirements applicable to performing audits in Nigeria. 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 in Nigeria. 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 in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements.

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ABBEY MORTGAGE BANK PLC - Continued

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS - Continued

The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How the matter was addressed in the audit
Impairment of loans and advances to customers Loans and advances to customers make up a significant portion of the total assets of the Bank. The impairment thereof is a key area of judgement for management. The identification of impairment and the determination of the recoverable amount are an inherently uncertain process involving various assumptions including the financial condition of the counterparty, expected future cash flows, and collateral valuation, particularly on individually significant exposures that either continued to be, have become, or were at risk of being impaired. Due to the significance of loans and advances which represent 53% (2015: 42%) of total assets of the Bank and the related estimation process, this is considered a key audit matter. Impairment of loans and advances to customers are disclosed in Note 16 to the financial statements. The policies, credit risks and details relating to impairment of loans and advances to customers are provided in Notes 2.1, 3.3 and 16 to the financial statements.	We assessed the effectiveness of key controls over the impairment calculation process. We evaluated the accuracy of underlying data that was drawn from the Bank's systems. For loan loss provisions calculated on an individual basis we tested the assumptions underlying the impairment identification and quantification, including the financial condition of the borrower, expected future cash flows, and valuation of underlying collateral. For loan loss provisions calculated on a collective basis we tested the underlying model for appropriateness of the model approval and validation process. We also considered the reasonability of the assumptions included in these models such as recovery and default rates. We further focused on the adequacy of the Bank's disclosure regarding the loan provisions and the related risks such as credit risk, liquidity risk and the aging of the loans to bank customers

Other Information

The Directors are responsible for the other information. The other information comprises the Report of the Directors, Corporate Governance Report, Enterprise Risk Management Policy, Report of the Audit Committee and the Certificate in Pursuant of Section 60(2) of the Investment and Securities Act No. 29 of 2007, which we obtained prior to the date of this report. Other information does not include the financial statements and our auditors' 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ABBEY MORTGAGE BANK PLC - Continued

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS - Continued

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

If, based on the work we have performed on the other information obtained prior to the date of this auditors' 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 relevant 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 Central Bank of Nigeria circulars, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise 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:

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS - Continued

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

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

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

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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 auditors' 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

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ABBEY MORTGAGE BANK PLC - Continued

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS - Continued

consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

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

ii. As disclosed in Note 38 to the financial statements, 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 2016.

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

24 March 2017

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
36/ICAN
0125202

ABBEY MORTGAGE BANK PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 ₦'000	2015 ₦'000
Interest and similar income	5	960,867	1,099,676
Interest and similar expense	6	(344,405)	(436,519)
Net Interest Income		**616,462**	**663,157**
Fees and commission income	7	213,148	160,185
Profit on disposals of non-current assets held for sale		13,494	24,507
Other operating income	8	31,412	30,462
Total operating income		874,516	878,311
Impairment charge on loans and advances	9	(67,121)	(48,411)
Impairment charge on other assets	9.1	(34,665)	(5,758)
Net operating income		**772,730**	**824,142**
Personnel expenses	10	(387,431)	(412,461)
Depreciation	19	(61,693)	(65,900)
Amortisation	20	(22,096)	(18,956)
Other operating expenses	11	(435,953)	(554,097)
Total operating expenses		(907,173)	(1,051,414)
Loss before income tax		**(134,443)**	**(227,272)**
Income tax (expense) / benefit	12	(33,554)	282,766
(Loss) / profit for the year		**(167,997)**	**55,494**
Other comprehensive Income		-	-
Total comprehensive (loss) / income for the year, net of tax		(167,997)	55,494
(Loss) / profit attributable to ordinary equity holders of the Bank		(167,997)	55,494
Total comprehensive (loss) / income attributable to equity holders of the Bank		(167,997)	55,494
(Loss) / earnings per share attributable to ordinary equity holders (Kobo) - Basic and Diluted	13	(4.00)	1.32

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016 ₦'000	2015 ₦'000
Assets			
Cash on hand	14	11,037	3,671
Due from banks	15	896,009	1,304,714
Loans and advances	16	6,900,080	7,103,478
Financial investments - available-for-sale	17	207,500	202,500
Financial investments - held-to-maturity	17.3	336,163	-
Other assets	18	417,906	285,573
Cash balances with central bank	14.1	101,046	101,046
Property and equipment	19	1,133,787	1,178,750
Intangible assets	20	45,583	59,823
Non-current assets held for sale	21	2,403,663	2,539,761
Total assets		**12,452,774**	**12,779,316**
Liabilities			
Due to customers	22	5,328,649	5,361,393
Current income tax payable	12.3	57,720	87,326
Other liabilities	23	205,352	188,020
Borrowings	24	24,245	112,049
Due to the National Housing Fund	25	398,541	424,264
Total liabilities		**6,014,507**	**6,173,052**
Equity			
Share capital	27.2	2,100,000	2,100,000
Share premium	28	2,877,126	2,877,126
Retained earnings	29	193,676	526,626
Statutory reserve	30	298,440	298,440
Regulatory risk reserve		969,025	804,072
Total equity		**6,438,267**	**6,606,264**
Total liabilities and equity		**12,452,774**	**12,779,316**

The financial statements were approved by the Board of Directors on 15 March 2017, and signed on its behalf by:

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

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

Ms. Olabisi Ajeigbe
Financial Controller
FRC/2013/ICAN/00000002814

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital ₦'000	Share premium ₦'000	Statutory reserve ₦'000	Regulatory risk reserve ₦'000	Retained earnings ₦'000	Total equity ₦'000
Balance as at 1 January 2015	2,100,000	2,877,126	298,440	722,518	552,686	6,550,770
Profit for the year/total comprehensive income for the year attributable to equity holders	-	-	-	-	55,494	55,494
Transfer from retained earnings (Note 29)	-	-	-	81,554	(81,554)	-
Balance as at 31 December 2015 / 1 January 2016	2,100,000	2,877,126	298,440	804,072	526,626	6,606,264
Loss for the year/total comprehensive loss for the year attributable to equity holders	-	-	-	-	(167,997)	(167,997)
Transfer from retained earnings (Note 29)	-	-	-	164,953	(164,953)	-
Balance as at 31 December 2016	2,100,000	2,877,126	298,440	969,025	193,676	6,438,267

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

ABBEY MORTGAGE BANK PLC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 ₦'000	2015 ₦'000
Cash flows from operating activities			
Loss before income tax		(134,443)	(227,272)
Change in operating assets	32.1	(16,056)	(626,832)
Change in operating liabilities	32.2	(41,135)	175,195
Other non-cash items included in loss before income tax	32.3	136,931	133,217
Gain from investing activities	32.4	(14,094)	(24,507)
Income tax paid	12.3	(49,659)	(37,163)
Net cash flows used in operating activities		(118,456)	(607,362)
Cash flows from investing activities			
Purchase of intangible assets	20	(7,855)	(11,766)
Proceeds on disposal of non-current asset held for sale		151,091	547,900
Proceeds on disposal of property and equipment		600	-
Purchase of property and equipment	19	(16,733)	(8,849)
Purchase of held to maturity investments	17.3	(322,368)	-
Net cash flows (used in) / from investing activities		(195,265)	527,285
Cash flows from financing activities			
Repayments of borrowings		(109,576)	(468,967)
Proceeds from additional borrowings		21,774	-
Net cash flows used in financing activities		(87,802)	(468,967)
Net decrease in cash and cash equivalents		(401,523)	(549,044)
Net foreign exchange difference on cash and cash equivalents		184	49
Cash and cash equivalents at beginning of year		1,308,135	1,857,130
Cash and cash equivalents at end of year	32	906,796	1,308,135

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

ABBEY MORTGAGE BANK PLC

STATEMENT OF REGULATORY RISK RESERVE
FOR THE YEAR ENDED 31 DECEMBER 2016

The Regulatory Body Central Bank of Nigeria (CBN) /National Deposit Insurance Commission (NDIC), 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.

	2016	2015
	₦'000	₦'000
Regulatory risk reserve:		
Balance at beginning of the year	804,072	722,518
Transfer from retained earnings	164,953	81,554
	969,025	804,072

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

STATEMENT OF PRUDENTIAL ADJUSTMENTS

	2016	2015
	₦'000	₦'000
PRUDENTIAL GUIDELINES PROVISION:		
General	38,473	48,560
Specific	1,766,596	1,526,579
Total	1,805,069	1,575,139
IFRS PROVISIONS:		
Specific Impairment	563,750	527,616
Collective Impairment	272,294	243,451
	836,044	771,067
IFRS impairment allowance lower than prudential provision	969,025	804,072

1 General information

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

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

For the earlier years of its operations, the Bank specialized in funding small and medium size businesses. In the last few years, the Bank has started to implement a mortgage financing strategy in line with its strategic vision to become “the number one mortgage service provider in Nigeria”. The Bank currently has 117 (2015: 128) staff in ten (10) branches and the Head Office.

The financial statements for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Directors on 15 March 2017.

2.1 *Basis of preparation*

A Statement of Compliance

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

B Basis of Measurement

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

C Functional and Presentation Currency

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

D Use of Estimates and Judgments

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

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

Key sources of estimation uncertainty

(i) Allowances for loan impairment

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

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

A collective component of the total allowance is established for:

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

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

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

(ii) Determining fair values

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

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

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

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

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

(v) Valuation of financial instruments

The Bank's accounting policy on fair value measurements is discussed under note 2.2(F) (ix)

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

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

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

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

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

(vi) *Deferred tax assets*

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

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

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

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different to those at which they were initially recognized or included in a previous financial report, are recognized in the profit or loss in the period in which they arise.

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

Translation differences on non-monetary items measured at fair value through equity, such as equities classified as available-for-sale financial assets, are included in the available-for-sale reserve in equity.

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

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

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

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

C Fees and commission

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

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

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

D Other operating income

Rental income

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

E Income tax expense

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

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

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

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

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

F Financial assets and Financial Liabilities

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

i Recognition of financial assets

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

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

ii Classification and initial recognition of financial assets

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

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

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

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

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

Financial investments - held-to-maturity
Held-to-maturity financial investments are non–derivative financial assets with fixed or determinable payments and fixed maturities that the Bank has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently

measured at amortised cost using the EIR less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in interest and similar income in the profit or loss. The losses arising from impairment of such investments are recognised in the profit or loss within credit loss expense.

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

iii De-recognition of financial assets

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

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

iv Classification and initial recognition of financial liabilities

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

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

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

v De-recognition of financial liabilities

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

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

vi Identification and measurement of impairment for loans and advances

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

Objective evidence that financial assets are impaired can include:

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

· National or local economic conditions that correlate with defaults on the assets in the portfolio

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

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

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

vii Measurement of impairment loss for available for sale securities

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

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

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

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

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

viii Collateral and Netting

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

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

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

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

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

ix Valuation of financial Instruments

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

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

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

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

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

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

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

Fair value measurement

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

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

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

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

G Cash and cash equivalents

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

H Property, plant and equipment

i Recognition and measurement

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

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

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

ii Subsequent costs

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

iii Depreciation

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

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

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

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

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

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

iv De-recognition

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

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

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

l Intangible assets

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

J Impairment of tangible and intangible assets excluding goodwill

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

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

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

K Contingent liabilities

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

L Financial guarantees

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

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

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

M Employee benefits

i Post employment benefits

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

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

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

ii Short term employee benefits

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

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

N Share Capital

Share issue costs

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

Share premium

Premiums from the issue of shares are reported in share premium

Dividends on ordinary shares.

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

O Equity reserve

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

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

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

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

P Earnings per share

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

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

Q Leasing

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

Bank as a lessee

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

Bank as a lessor

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

R Non-current assets held for sale

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

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

2.3 ADOPTION OF NEW AND REVISED STANDARDS

(i) New and amended standards adopted by the Bank

Below are the IFRSs and IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2016 that would be expected to have an impact on the Bank.

IAS 1 Disclosure Initiative – Amendments to IAS 1 – effective on or after 1 January 2016
The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:
• The materiality requirements in IAS 1
• That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
• That entities have flexibility as to the order in which they present the notes to financial statements
• That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss
Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. This does not have a significant impact on the Bank.

Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation - effective on or after 1 January 2016.

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

These amendments does not have any impact to the Bank given that the Bank has not used a revenue-based method to depreciate its non-current assets.
IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations - effective 1 January 2016
Changes in methods of disposal
Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment had no impact on the Bank during the year.

IFRS 7 Financial Instruments - effective on or after 1 January 2016

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required.

The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.
The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. The Bank is still assessing the impact of this amendment.

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

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

The intention is to improve disclosures of financing activities and help users better understand changes in an entity's liquidity positions.
Under the new requirements, entities will need to disclose changes in their financial liabilities arising from financing activities, including both changes arising from cash flows and non-cash items (e.g., gains and losses due to foreign currency movements).
The standard is not expected to have a significant impact on the Bank as it already makes these disclosures.

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

The IASB clarified the accounting treatment of deferred tax assets of debt instruments measured at fair value for accounting, but measured at cost for tax purposes.
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.
The standard is not expected to have a significant impact on the Bank as it currently does not have any recognised deferred tax assets.

Clarifications to IFRS 15 - effective on or after 1 January 2018

The amendments is to address several implementation issues discussed by the Joint Transition Resource Group for Revenue Recognition. The amendments are intended to clarify the requirements in IFRS 15, not to change the standard.
Entities are required to apply these amendments retrospectively. Entities can choose to apply the standard using either a full retrospective approach or a modified retrospective approach, with some limited relief provided under either approach.
This new standard is not expected to have a significant impact on the Bank.

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

The amendments is in relation to the classification and measurement of share-based payment transactions.

The amendments address three main areas:

- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations; and
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled

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

IFRS 9 Financial instruments - effective on or after 1 January 2018.

Classification and measurement of financial assets

All financial assets are measured at fair value on initial recognition, adjusted for transaction costs, if the instrument is not accounted for at fair value through profit or loss (FVTPL).

There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch.

Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.

Classification and measurement of financial liabilities

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.

All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

Impairment

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to debt instruments accounted for at amortised cost or at FVOCI, most loan commitments, financial guarantee contracts, contract assets under IFRS 15 and lease receivables under IAS 17 Leases.

Entities are generally required to recognise 12-month ECL on initial recognition (or when the commitment or guarantee was entered into) and thereafter as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognise lifetime ECL. For trade receivables, a simplified approach may be applied whereby the lifetime ECL are always recognised.

The application of IFRS 9 may change the measurement and presentation of many financial instruments, depending on their contractual cash flows and the business model under which they are held. The impairment requirements will generally result in earlier recognition of credit losses.

assessment, this standard is not expected to have a significant impact on the classification and measurement of the Bank's financial instruments, given the nature of the Bank's operations. The Bank has therefore concluded as follows:

• The majority of loans and advances to customers, that are classified as loans and receivables under IAS 39 are expected to be measured at amortised cost under IFRS 9;

• Debt securities classified as held-to-maturity are expected to continue to be measured at amortised cost;

• In particular, impairment of financial instruments on an expected credit loss basis is expected to result in an increase in the overall level of impairment allowances.

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

IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as IAS 17. Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, equipment and intangible assets.

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are Identification of the contract with the customer, identification of the performance obligations in the contract, determination of the transaction price, allocation of the transaction price to the performance obligations in the contracts, and recognition of revenue when (or as) the entity satisfies a performance obligation. The adoption of IFRS 15 may have impact on processing and commission fees. The Bank is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

IFRS 16 Leases - effective on or after 1 January 2019

IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases. The Bank is currently assessing the impact of the standard.

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

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

First-time adopters of IFRS are also permitted to apply the interpretation prospectively to all assets, expenses and income initially recognised on or after the date of transition to IFRS.

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

Other amendments to standards, which currently do not apply to the Bank are listed below;

- Amendments to IAS 16: Property, Plant and Equipment and IAS 41: Agriculture - Bearer Plants
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IAS 40: Transfers of Investment Property
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IFRSs Annual Improvements to IFRSs 2012-2014 Cycle:
  - IAS 19: Employee Benefits
  - IAS 34: Interim Financial Reporting
- Amendments to IFRSs Annual Improvements to IFRSs 2014-2016 Cycle:
  - IFRS 1 First-time Adoption of International Financial Reporting Standards
  - IAS 28 Investments in Associates and Joint Ventures
  - IFRS 12 Disclosure of Interests in Other Entities

3 Financial risk management

3.1 Introduction and overview

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

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

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

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

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

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

3.3 Credit risk

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

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

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

- The character and capacity to pay of the client or counterparty on its contractual obligations;
- Credit history of the counterparty; and
- The likely recovery ratio in case of default obligations – value of collateral and other ways out.

The Bank's rating scale reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are reviewed and upgraded when necessary. The Bank regularly validates the performance of the rating and their predictive power with regard to default events.

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

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

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

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

3.3.2 Risk limit control and mitigation policies

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

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

Portfolio limits

The process of setting the limits is as follows:

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

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

Single obligor limits

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

- Product programmes contain guidelines on single obligor limits.

- Except with the approval of the Board of Directors, the Bank shall not lend more than:
– 20% of the Bank's shareholders' funds to any Bank. Only companies rated 'A' or better may qualify for this level of exposure.

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

The Bank also controls and mitigates risk through collateral

Collateral

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

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

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

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

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

	2016	2015
	₦'000	₦'000
Against individually impaired	509,520	1,229,989
Against neither past due nor impaired	15,155,686	18,226,711
Against past due but not impaired	6,056,210	4,136,793
Total	21,721,416	23,593,493
Against individually impaired		
Property	508,000	1,226,589
Equities	1,520	3,400
Total	509,520	1,229,989
Against neither past due nor impaired		
Property	14,521,036	17,512,411
Cash	249,400	214,300
Equities	385,250	500,000
	15,155,686	18,226,711
Against past due but not impaired		
Property	6,056,210	4,126,793
Cash	-	10,000
	6,056,210	4,136,793

3.3.3 Impairment and provisioning policies

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

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

The Bank's maximum exposure to credit risk at 31 December 2016 and 31 December 2015 respectively is represented by the net carrying amounts of the financial assets in the Statement of Financial Position excluding cash in hand.

3.3.5 Concentration of risks of financial assets with credit risk exposure

	2016	2015
	₦'000	₦'000
Cash with central bank	101,046	101,046
Due from banks	896,009	1,304,714
Loans and advances	6,900,080	7,103,478
	7,897,135	8,509,238

(a) Geographical sectors

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

	2016	2015
	₦'000	₦'000
Cash with central bank – Head office	101,046	101,046
Due from banks – Head office	896,009	1,304,714
Loans and advances:		
Head Office	5,395,231	4,828,136
Apapa	205,216	233,502
Festac	38,538	102,413
Okota	95,221	131,040
LasuOjo	47,713	53,228
Asaba	49,346	92,225
Agbara	14,618	26,636
Abuja 1	501,422	510,864
Abuja 2	913,282	1,213,808
Victoria Island	475,537	682,693
Total loans and advances	7,736,124	7,874,545
Impairment allowances for uncollectibility	(836,044)	(771,067)
Net loans and advances	6,900,080	7,103,478
Total financial assets	7,897,135	8,509,238

(b) Industry sectors

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

	2016	2015
	₦'000	₦'000
Government:		
Cash with central bank	101,046	101,046
Financial Services:		
Due from banks	896,009	1,304,714
Loans and advances		
Construction Loans	717,036	801,136
Loan and Advances	221,385	374,258
Mortgage FMBN bonds	5,254	10,361
Mortgage Home Loans	5,497,308	5,286,618
NHF Loans	408,473	462,604
School Loans	301,332	315,985
Staff Mortgage Loans	78,168	85,895
Staff Personal Loans	590	6,805
Staff Share Loan	506,578	530,883
Total loans and advances	7,736,124	7,874,545
Impairment allowances for uncollectibility	(836,044)	(771,067)
Net loans and advances	6,900,080	7,103,478
Total financial assets	7,897,135	8,509,238

3.3.6 Credit quality of financial assets

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

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

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

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

(a) Financial assets neither past due nor impaired

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

Grades:	2016	2015
Loans and advances	₦'000	₦'000
AAA	3,842	112,605
AA	12,100	793,831
A	337,384	218,984
BBB	2,545,257	1,644,851
BB	205,612	1,592,855
B	715,024	632,200
	3,819,219	4,995,326

	2016	2015
(b) Financial assets past due but not impaired	₦'000	₦'000
Past due up to 90 days	923,438	967,775
Past due by 91- 180 days	2,073	25,303
Past due 181-360 days	326,230	41,546
Past due 361 days - beyond	1,580,819	843,675
	2,832,560	1,878,299

(c) Financial assets individually impaired		
Impaired	1,084,345	1,000,920
Total Loans and advances	7,736,124	7,874,545

3.3.7 Credit enhancement

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

	2016	2015
	₦'000	₦'000
Guaranteed facilities (NHFL)	84,651	419,233

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

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

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

3.4.2 Maturity analysis

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

	Up to 3 months ₦'000	3-6 months ₦'000	7 to 12 months ₦'000	After 12 months ₦'000	Non-interest bearing ₦'000	Total ₦'000
As at 31 December 2016						
Cash on hand	11,037	-	-	-	-	11,037
Due from banks	895,759	-	-	250	-	896,009
Loans and advances	1,433,601	223,970	451,063	4,791,446	-	6,900,080
Financial investments - available for sale	-	-	-	-	207,500	207,500
Financial investments - held-to-maturity	336,163	-	-	-	-	336,163
Other assets	290,315	-	-	-	-	290,315
Cash balances with central bank	-	-	-	-	101,046	101,046
Total financial assets	2,966,875	223,970	451,063	4,791,696	308,546	8,742,150
Due to customers	3,629,825	631,593	439,579	167,987	459,665	5,328,649
Borrowings	2,301	-	-	21,944	-	24,245
Other liabilities	200,021	5,331	-	-	-	205,352
Due to the National Housing Fund	-	-	-	398,541	-	398,541
Total financial liabilities	3,832,147	636,924	439,579	588,472	459,665	5,956,787
Net financial (liabilities)/assets	(865,272)	(412,954)	11,484	4,203,224	(151,119)	2,785,363
As at 31 December 2015						
Cash balances	3,671	-	-	-		3,671
Due from banks	1,304,464	-	-	250		1,304,714
Loans and advances	2,060,096	344,453	1,118,441	3,580,488		7,103,478
Financial investments - available for sale	-	-	-		202,500	202,500
Other assets	145,786	-	-	-		145,786
Cash balances with central bank	-	-	-	101,046		101,046
Financial guarantees	-	-	-	419,233		419,233
Total financial assets	3,514,017	344,453	1,118,441	4,101,017	202,500	9,280,428
Due to customers	1,962,757	1,437,539	1,083,715	342,121	535,261	5,361,393
Borrowings		-	112,049	-		112,049
Other liabilities	185,728	2,292	-	-		188,020
Due to the National Housing Fund	-	-	3,132	421,132		424,264
Total financial liabilities	2,148,485	1,439,831	1,198,896	763,253	535,261	6,085,726
Net financial (liabilities)/assets	1,365,532	(1,095,378)	(80,455)	3,337,764	(332,761)	3,194,702

3.4.2 Maturity analysis - *Continued*

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

	Current	Non-current	Total
	₦'000	₦'000	₦'000
As at 31 December 2016			
Cash on hand	11,037	-	11,037
Due from banks	895,759	250	896,009
Loans and advances	2,108,634	4,791,446	6,900,080
Financial investments - available for sale	-	207,500	207,500
Financial investments - held-to-maturity	336,163	-	336,163
Other assets	417,906	-	417,906
Cash balances with central bank	-	101,046	101,046
Property and equipment	-	1,133,787	1,133,787
Intangible assets	-	45,583	45,583
Non-current assets held for sale	2,403,663	-	2,403,663
Total assets	6,173,162	6,279,612	12,452,774
Due to customers	5,160,662	167,987	5,328,649
Current income tax liability	57,720	-	57,720
Borrowings	6,047	18,198	24,245
Other liabilities	205,352	-	205,352
Due to the National Housing Fund	39,976	358,565	398,541
Total liabilities	5,469,757	544,750	6,014,507
Net assets	703,405	5,734,862	6,438,267
As at 31 December 2015			
Cash on hand	3,671		3,671
Due from banks	1,304,464	250	1,304,714
Loans and advances	3,522,990	3,580,488	7,103,478
Financial investments - available for sale	-	202,500	202,500
Other assets	285,573	-	285,573
Cash balances with central bank	-	101,046	101,046
Property and equipment	-	1,178,750	1,178,750
Intangible assets	-	59,823	59,823
Non-current assets held for sale	2,539,761	-	2,539,761
Total assets	7,656,459	5,122,857	12,779,316
Due to customers	4,925,943	435,450	5,361,393
Current income tax liability	87,326	-	87,326
Borrowings	112,049	-	112,049
Other liabilities	188,020	-	188,020
Due to the National Housing Fund	35,169	389,095	424,264
Total liabilities	5,348,507	824,545	6,173,052
Net assets	2,307,952	4,298,312	6,606,264

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

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

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

3.5 Market risk

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

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

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

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

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

3.5.1 Management of market risk

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

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

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

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

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

3.5.2 Market risk measurement techniques

(a) Value at risk (VAR)

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

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

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

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

(b) Stress tests

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

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

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

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

Non-trading book: Other sensitivity analyses

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

3.5.3 Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarises the Bank exposure to foreign currency exchange rate risk at 31 December 2016 and 31 December 2015. Included in the table are the Bank financial instruments at carrying amounts, categorised by currency.

	NAIRA	US DOLLAR	EURO	TOTAL
	₦'000	₦'000	₦'000	₦'000
As at 31 December 2016				
Financial assets:				
Cash and balances with central banks / due from banks	1,007,628	238	226	1,008,092
Loans and advances	6,900,080	-	-	6,900,080
Other assets	417,906	-	-	417,906
Financial investments - available for sale	207,500	-	-	207,500
Financial investments - held-to-maturity	336,163	-	-	336,163
	8,869,277	238	226	8,869,741
Financial liabilities:				
Due to customers	5,328,649	-	-	5,328,649
Borrowings	24,245	-	-	24,245
Other liabilities	205,352	-	-	205,352
Due to the National Housing fund	398,541	-	-	398,541
	5,956,787	-	-	5,956,787
Net open currency position	2,912,490	238	226	2,912,954
As at 31 December 2015				
Financial assets:				
Cash and balances with central banks / due from banks	1,407,201	1,561	669	1,409,431
Loans and advances	7,103,478	-	-	7,103,478
Other assets	285,573	-	-	285,573
Financial Investments - Available for sale	202,500	-	-	202,500
	8,998,752	1,561	669	9,000,982
Financial liabilities:				
Due to customers	5,361,393	-	-	5,361,393
Due to the National Housing fund	424,264	-	-	424,264
Borrowings	112,049	-	-	112,049
Other liabilities	188,020	-	-	188,020
	6,085,726	-	-	6,085,726
Net open currency position	2,913,026	1,561	669	2,915,256

The Bank’s exposure to foreign currency risk is largely concentrated in the US Dollar. 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 2016		
Net foreign currency exposures	238	226
As at 31 December 2015		
Net foreign currency exposures	1,561	669

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 2016)	
Naira strengthens by 5% against the US Dollar	
Profit/ (loss)	₦12,000
Naira weakens by 5% against the US Dollar	
Profit/(loss)	₦(12,000)
Naira strengthens by 5% against the Euro	
Profit/(loss)	₦11,000
Naira weakens by 5% against the Euro	
Profit/(loss)	₦(11,000)
Foreign exchange sensitivity analysis (31 December 2015)	
Naira strengthens by 5% against the US Dollar	
Profit/ (loss)	₦78,050
Naira weakens by 5% against the US Dollar	
Profit/(loss)	₦(78,050)
Naira strengthens by 5% against the Euro	
Profit/(loss)	₦33,450
Naira weakens by 5% against the Euro	
Profit/(loss)	₦(33,450)

3.5.4 Equity and commodity price risk

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

The Bank holds 5,000,000 quoted shares in Universal Insurance Bank Plc with a market value of N2.5 million and 50,000,000 unquoted shares in Nigeria Mortgage Refinance Bank with carrying value of N200million 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

	2016	2015
Impact on total comprehensive income	₦'000	₦'000
5% increase with all other variables held constant	10,375	10,125
5% decrease with all other variables held constant	(10,375)	(10,125)

3.5.5 Interest rate risk

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

3.5.5 Interest rate risk

	Carrying Value	Variable Interest	Fixed Interest	Non-interest Bearing
As at 31 December 2016	₦'000	₦'000	₦'000	₦'000
Financial assets:				
Cash on hand	11,037	-	-	11,037
Due from banks	896,009	86,025	809,734	250
Loans and advances	6,900,080	-	6,900,080	-
Financial investments - available for sale	207,500	-	-	207,500
Financial investments - held-to-maturity	336,163	-	336,163	
Other assets	290,315	-	-	290,315
Cash balances with central bank	101,046	-	101,046	-
	8,742,150	86,025	8,147,023	509,102
Financial liabilities:				
Due to customers	5,328,649	-	4,859,000	469,649
Borrowings	24,245	-	24,245	-
Other liabilities	205,352	-	-	205,352
Due to the National Housing fund	398,541	-	398,541	-
	5,956,787	-	5,281,786	675,001
As at 31 December 2015				
Financial assets:				
Cash on hand	3,671	-	-	3,671
Due from banks	1,304,714	153,829	1,150,635	250
Loans and advances	7,103,478	-	7,103,478	-
Financial Investments - Available for sale	202,500	-	-	202,500
Other assets	145,786	-	-	145,786
Cash balances with central bank	101,046	-	101,046	-
	8,861,195	153,829	8,355,159	352,207
Financial liabilities:				
Due to customers	5,361,393	-	5,361,393	-
Borrowings	112,049	-	112,049	-
Other liabilities	188,020	-	-	188,020
Due to the National Housing fund	424,264	-	424,264	-
	6,085,726	-	5,897,706	188,020

3.5.6 Total Interest Re-pricing Gap

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

	Less than 3 months ₦'000	3-6 months ₦'000	6-12 months ₦'000	1-5years ₦'000	More than 5 years ₦'000	Total rate Sensitive ₦'000
As at 31 December 2016						
Financial assets						
Due from banks	895,759	-	-	-	-	895,759
Loans and advances	1,433,601	223,970	451,063	2,720	4,788,726	6,900,080
Financial investments - held-to-maturity	336,163	-	-	-	-	336,163
Total financial assets	2,665,523	223,970	451,063	2,720	4,788,726	8,132,002
Financial liabilities						
Due to customers	3,619,841	631,593	439,579	167,810	177	4,859,000
Borrowings	-	-	24,245	-	-	24,245
Due to the National Housing Fund	-	-	-	-	398,541	398,541
Total financial liabilities	3,619,841	631,593	463,824	167,810	398,718	5,281,786
Net gap position	(954,318)	(407,623)	(12,761)	(165,090)	4,390,008	2,850,216
As at 31 December 2015						
Financial assets						
Due from banks	1,304,464	-	-	-	-	1,304,464
Loans and advances	2,060,096	344,453	1,118,441	2,406,237	1,174,251	7,103,478
Total financial assets	3,364,560	344,453	1,118,441	2,406,237	1,174,251	8,407,942
Financial liabilities						
Due to customers	2,404,689	1,437,539	1,083,715	425,589	9,861	5,361,393
Borrowings	-	-	112,049	-	-	112,049
Due to the National Housing Fund	-	-	-	-	424,264	424,264
Total financial liabilities	2,404,689	1,437,539	1,195,764	425,589	434,125	5,897,706
Net gap position	959,871	(1,093,086)	(77,323)	1,980,648	740,126	2,510,236

3.5.7 Interest Rate Sensitivity

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

	Plus 5	Plus 10	Minus 5	Minus 10
	Basic Points	Basic Points	Basic Points	Basic Points
	Sensitivity of profit or loss & equity			
As at 31 December 2016	₦'000	₦'000	₦'000	₦'000
Rate Sensitive Assets				
Bank placements	5,706	11,412	(5,706)	(11,412)
Loans and advances	41,648	83,295	(41,648)	(83,295)
Rate Sensitive Liabilities				
Deposits	16,614	33,228	(16,614)	(33,228)
Borrowings	606	1,212	(606)	(1,212)
As at 31 December 2015				
Rate Sensitive Assets				
Bank placements	11,086	22,172	(11,086)	(22,172)
Loans and advances	43,898	87,796	(43,898)	(87,796)
Rate Sensitive Liabilities				
Deposits	18,830	37,660	(18,830)	(37,660)
Borrowings	2,996	5,992	(2,996)	(5,992)

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)

(a) Financial instruments measured at fair value - Continued
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

	Level 1	Level 2	Level 3	Total
As at 31 December 2016	₦'000	₦'000	₦'000	₦'000
Assets measured at fair value				
Investment securities - quoted equity	-	2,500	-	2,500
Assets for which fair value is disclosed				
Loans and advances			3,095,627	3,095,627
Financial investments - held-to-maturity	-	-	336,853	336,853
	-	2,500	3,432,480	3,434,980
Liabilities for which fair value is disclosed				
As at 31 December 2015				
Assets measured at fair value				
Investment securities - quoted equity	-	2,500	-	2,500
Assets for which fair value is disclosed				
Loans and advances	-	-	4,679,021	4,679,021
	-	2,500	4,679,021	4,681,521

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

There have been no transfer between the levels.

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

	Carrying value		Fair value	
	2,016	2,015	2,016	2,015
	₦'000	₦'000	₦'000	₦'000
Due from banks	896,009	1,304,714	896,009	1,304,714
Loans and advances	6,900,080	7,103,478	3,095,627	4,679,021
Financial investments - available-for-sale	207,500	202,500	207,500	202,500
Financial investments - held-to-maturity	336,163	-	336,853	-
Other assets	331,830	177,835	331,830	177,835
Cash balances with central bank	101,046	101,046	101,046	101,046
	8,772,628	8,889,573	4,968,865	6,465,116
Due to customers	5,328,649	5,361,393	5,328,649	5,361,393
Other liabilities	205,352	188,020	205,352	188,020
Borrowings	24,245	112,049	24,245	112,049
Due to the National Housing Fund	398,541	424,264	398,541	424,264
	5,956,787	6,085,726	5,956,787	6,085,726

(c) Fair valuation methods and assumptions

(i) Cash and balances with central banks

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

(ii) Equity securities

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

(iii) Loans and advances

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

(iv) Other assets

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

(vi) Held-to-maturity financial investments

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

(vi) Due to customers, other liabilities and borrowings

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

3.7 Capital management

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

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

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

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

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

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

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

	2,016	2,015
Tier 1 capital	₦'000	₦'000
Share capital	2,100,000	2,100,000
Share premium	2,877,126	2,877,126
Retained earnings	193,676	552,686
Statutory reserve	298,440	298,440
Regulatory reserve	-	-
Total regulatory capital	5,469,242	5,828,252

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

Risk-weighted assets		
On statement of financial position	9,160,582	9,394,025
Off statement of financial position	36,930	103,847
	9,197,512	9,497,872
Risk-weighted Capital Adequacy Ratio (CAR)	59%	61%

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

4 Operating Segments

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

4.1 Services from which reportable segments derive their revenues

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

Mortgage banking
Investment banking
Retail banking

4.2 Segment revenues and results

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

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

	Mortgage banking ₦'000	Investment banking ₦'000	Retail banking ₦'000	Unallocated ₦'000	Total ₦'000
As at 31 December 2015					
Gross earnings					
Derived from external customers	1,037,797	221,721	27,333	3,472	1,290,323
Interest and similar expense	(59,918)	(369,751)	(6,850)	-	(436,519)
Profit on disposals of non-current assets held for sale	-	-	-	24,507	24,507
Total operating income / (loss)	977,879	(148,030)	20,483	27,979	878,311
Expenses:					
Impairement charge	48,411	5,758	-	-	54,169
Personnel expenses	309,346	61,869	41,246	-	412,461
Depreciation	49,425	9,885	6,590	-	65,900
Amortisation	14,217	2,843	1,896	-	18,956
Other operating expenses	415,573	83,115	55,410	-	554,097
Total expenses	836,972	163,470	105,141	-	1,105,583
Segment profit / (loss)	140,908	(311,500)	(84,658)	27,979	(227,272)
Income tax benefit				282,766	282,766
Profit for the year					55,494
Total assets	10,042,069	2,341,764	395,483	-	12,779,316
Total liabilities	658,932	4,218,148	1,099,488	87,326	6,063,895

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

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

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

4.3 Geographical information

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

		2016	2015
5	Interest and similar income	₦'000	₦'000
	Loans and advances	832,950	877,955
	Cash and short term funds	114,122	218,016
	Financial investments - held-to-maturity	13,795	3,705
		960,867	1,099,676

Interest income on loans and advances to customers includes interest income on impaired financial assets, recognised using the rate of effective interest used to discount the future cash flows for the purpose of measuring the impairment charge. This amounted to ₦107,069,000 for 2016 (2015: ₦162,716,000).

		2016	2015
6	Interest and similar expense	₦'000	₦'000
	Due to customers	332,283	376,601
	Borrowings	12,122	59,918
		344,405	436,519

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

		2016	2015
7	Fees and commission income	₦'000	₦'000
	Mortgage fees	212,333	159,842
	Legal Fees	815	343
		213,148	160,185

8	Other Operating income		
	Rental income (Note 34)	1,304	3,129
	Foreign exchange gain	184	49
	Other income	29,324	27,284
	Profit on sale of property and equipment	600	-
		31,412	30,462

Other income consists of income from e-payments, commission on turnover (COT) and other operational income.

		2016	2015
9	Impairment charge on loans and advances	₦'000	₦'000
	The net impairment charge for loans and advances comprises:		
	Collective impairment (Note 16.1)	28,843	84,915
	Individual impairment (Note 16.1)	56,177	232,380
	Provision no longer required (Note 16.1)	(17,899)	(268,884)
	At the end of the year	67,121	48,411

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

		2016	2015
9.1	Impairment charge on other assets	₦'000	₦'000
	Impairment on other assets - (note 18.1)	34,665	5,758
10	Personnel expenses		
	Wages, salaries and other staff costs	363,385	386,916
	Retirement contribution plan	24,046	25,545
		387,431	412,461
11	Other operating expenses		
	Directors remuneration	78,354	77,821
	Subscriptions, publications, stationeries, and communications	65,755	57,155
	Property and equipment repairs and maintenance	38,547	42,621
	Other assets written off	-	37,068
	Insurance expenses	32,555	32,882
	Electricity and gas	27,715	32,232
	Net foreign exchange loss	-	23,549
	Deposit insurance commission	21,906	21,007
	Auditors remuneration	12,000	12,000
	Lease payments recognised as an operating lease expense	7,808	7,808
	Security costs	8,775	7,194
	Advertising expenses	7,345	6,525
	Bank charges	4,476	7,857
	Bad debt written off	681	-
	Medical expenses	24,401	24,620
	Other expenses	105,635	163,758
		435,953	554,097

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

		2016	2015
12	Taxation		
12.1	Current income tax for the year	₦'000	₦'000
	Income tax	33,554	35,297
	Tax assessment of prior year		40,853
	Total current income tax expense	33,554	76,150
	Deferred tax (net)		
	Relating to origination and reversal of temporary differences	-	(358,916)
	Income tax (expense) / benefit	33,554	(282,766)

12.2 Reconciliation of effective tax rate

The effective income tax rate for 2016 is -25% (2015: -38%).

The Bank is assessed on minimum tax for 2016 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.

	2016	2015
	₦'000	₦'000
Loss before income tax	(134,443)	(227,272)
Income tax using the domestic Corporation tax rate 30% (2015: 30%)	(40,333)	(68,182)
Income not subject to tax	(53,011)	(7,352)
Non-deductible expenses	46,349	52,339
Tax assessment of prior year	-	40,853
Capital gains tax	-	2,510
Reversal of temporary difference	-	(358,916)
Effect of minimum tax floor	80,549	55,981
	33,554	(282,767)

		2016	2015
12.3	The movement in the current income tax payable is as follows:		
	At beginning of the year	87,326	55,723
	Income tax expense	33,554	76,150
	Capital gains tax payable	1,499	-
	Withholding tax credit received	(15,000)	(7,384)
	Payments during the year	(49,659)	(37,163)
	At end of the year	57,720	87,326

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

Basic

Basic (loss) / earnings per share has been calculated based on (loss)/ profit 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.

	2016	2015
(Loss) / profit after income tax attributable to the shareholders (₦'000)	(167,997)	55,494
Weighted average number of shares ('000)	4,200,000	4,200,000
(in kobo)	(4.00)	1.32

Diluted

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

		2016	2015
14	Cash on hand	₦'000	₦'000
	Cash	11,037	3,671
14.1	Cash balances with central bank		
	Deposits with CBN	101,046	101,046

See Note 15 for nature of deposits with CBN.

		2016	2015
15	Due from banks		
	Balances with Federal Mortgage Bank of Nigeria ("FMBN")	250	250
	Balances with other banks	86,025	153,829
	Fixed placements with banks	809,734	1,150,635
		896,009	1,304,714

Rate range analysis:

	2016	2015
Fixed placements with banks	3.5% to 17.5%	3.5% to 15%

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

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

		2016	2015
16	Loans and advances	₦'000	₦'000
	Mortgages	6,615,921	6,337,372
	Advances	729,323	892,896
	National Housing Fund	390,880	644,277
		7,736,124	7,874,545
	Collective impairment allowance	272,294	243,451
	Specific impairment allowance	563,750	527,616
	Total impairment allowance	836,044	771,067
	Total	6,900,080	7,103,478
16.1	The movement of allowance for impairment:		
	Collective impairment allowance		
	At beginning of the year	243,451	158,536
	Charge for the year (Note 9)	28,843	84,915
	At end of the year	272,294	243,451
	Specific impairment allowance		
	At the beginning of the year	527,616	598,643
	Write off	- 2,144	- 34,523
	Allowance no longer required (Note 9)	- 17,899	- 268,884
	Charge for the year (Note 9)	56,177	232,380
	At the end of the year	563,750	527,616
	Total impairment allowance	836,044	771,067
16.2	Analysis by sector (gross)		
	Construction loans	717,036	801,136
	Loans and advances	221,385	374,258
	Mortgage FMBN loan	5,254	10,361
	Mortgage loans	5,497,308	5,286,618
	NHF loans	408,473	462,604
	School loans	301,332	315,985
	Staff mortgage loans	78,168	85,895
	Staff personal loans	590	6,805
	Staff share loans	506,578	530,883
		7,736,124	7,874,545
16.3	Analysis by security (gross)		
	Secured against real estate	6,668,649	6,425,900
	Other security	658,910	714,149
	Unsecured	408,565	734,496
	Total	7,736,124	7,874,545

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

16.4 Loans and advances general terms and conditions

	2016		2015	
Tenor	Rate	₦'000	Rate	₦'000
1 to 5 years	14	5,563,310	16	5,894,067
6 to 10 years	10	720,733	10	788,317
11 to 15 years	8	767,207	8	453,873
> 15 years	6	684,874	6	738,288
		7,736,124		7,874,545

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

		2016	2015
17	Financial investments - available-for-sale ("AFS")	₦'000	₦'000
	Quoted investments		
	Quoted equities	19,298	19,298
	Specific impairment allowance	(16,798)	(16,798)
	Unquoted investments		
	Unquoted equities - (note 17.2)	205,000	200,000
		207,500	202,500

Quoted investments are stated at fair value. The unquoted equity are measured at cost as their fair value cannot be measured reliably.

		2016	2015
17.1	Specific allowances for impairment on AFS	₦'000	₦'000
	Quoted equities	16,798	16,798
		16,798	16,798
	Balance at beginning of year	16,798	22,102
	Written off	-	(5,304)
	Balance at end of year	16,798	16,798

17.2	Movements in available for sale investment (unquoted)		
	Balance at beginning of year	200,000	205,304
	Investment write-off	-	(5,304)
	Additions	5,000	-
	Balance at end of year	205,000	200,000

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

The Bank derecognised its investments in Abbey Real Estate Construct Limited amounting to N5,304,000 in 2015. The Bank has written off this investment as it does not expect future econmic benefit from it.

		2016	2015
17.3	Financial investments - held-to-maturity	₦'000	₦'000
	Treasury bills	336,163	-
17.4	Movements in held-to-maturity		
	Balance at beginning of year	-	-
	Additions	322,368	-
	Interest income	13,795	
		336,163	-
18	Other assets		
	Prepayments	86,076	107,738
	Balance with other financial institutions	330,738	151,544
	Stationery and stocks	5,313	7,595
	Sundry receivables	36,202	24,454
	Allowance for impairment of other assets - (note 18.1)	(40,423)	(5,758)
		417,906	285,573

As at 31 December 2016 and 2015, the impairment loss relates to the balance with other financial institutions. See note 18.1 below.
Sundry receivable is mainly made up of witholding tax receivable and fees receivable.

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

18.1	Movement of allowance for impairment of other assets		
	Balance at the beginning of year	5,758	19,503
	Written off	-	(17,123)
	Recovered	-	(2,380)
	Provision for the year (Note 9.1)	34,665	5,758
		40,423	5,758

19 Property and equipment

	Land and building ₦'000	Furniture and equipment ₦'000	Computer equipment ₦'000	Motor vehicles ₦'000	Total ₦'000
Cost					
At 1 January 2016	1,145,620	185,936	101,505	216,348	1,649,409
Additions	-	433	1,300	15,000	16,733
Disposals	-	-	-	(8,290)	(8,290)
At 31 December 2016	1,145,620	186,369	102,805	223,058	1,657,852
Accumulated depreciation					
At 1 January 2016	84,672	104,389	90,180	191,418	470,659
Charge for the year	22,685	14,333	6,089	18,586	61,693
Disposals	-	-	-	(8,290)	(8,290)
At 31 December 2016	107,357	118,724	96,270	201,714	524,065
Net book value at 31 December 2016	1,038,263	67,645	6,535	21,344	1,133,787
Net book value at 31 December 2015	1,060,948	81,547	11,325	24,930	1,178,750

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

Included in property and equipment are assets subject to operating leases where the Bank is a lessor. At 31 December 2016, the net carrying amount of this asset was ₦855million (2015: ₦85million), on which the accumulated depreciation as at 31 December 2016 was ₦75million (2015: ₦10million).

19 Property and equipment - *Continued*

	Leasehold improvements ₦'000	Land and building ₦'000	Furniture and equipment ₦'000	Computer equipment ₦'000	Motor vehicles ₦'000	Total ₦'000
Cost						
At 1 January 2015	697	1,145,620	177,966	100,626	228,248	1,653,157
Additions	-	-	7,970	879	-	8,849
Disposal	-	-	-	-	(11,900)	(11,900)
At 31 December 2015	697	1,145,620	185,936	101,505	216,348	1,650,106
Accumulated depreciation						
At 1 January 2015	697	61,986	89,706	83,233	181,734	417,356
Charge for the year	-	22,686	14,683	6,947	21,584	65,900
Disposals	-	-	-	-	(11,900)	(11,900)
At 31 December 2015	697	84,672	104,389	90,180	191,418	471,356
Net book value at 31 December 2015	-	1,060,948	81,547	11,325	24,930	1,178,750
Net book value at 31 December 2014	-	1,083,635	88,260	17,392	46,514	1,235,801

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

Included in property and equipment are assets subject to operating leases where the Bank is a lessor. At 31 December 2015, the net carrying amount of this asset was ₦85million (2014: ₦87million), on which the accumulated depreciation as at 31 December 2015 was ₦10million (2014: ₦8million).

20 Intangible assets

	2016			2015		
	Computer software	Work-in progress	Total	Computer software	Work-in progress	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cost						
At 1 January	98,866	4,410	103,276	73,818	26,442	100,260
Additions	7,855	-	7,855	5,200	6,566	11,766
Write off	-	-	-	(8,750)	-	(8,750)
Transfer	2,513	(2,513)	-	28,598	(28,598)	-
At 31 December	109,234	1,897	111,131	98,866	4,410	103,276
Accumulated amortisation						
At 1 January	43,452	-	43,452	33,247	-	33,247
Amortisation	22,096	-	22,096	18,956	-	18,956
Write off	-	-	-	(8,750)	-	(8,750)
At 31 December	65,548	-	65,548	43,453	-	43,453
Carrying amount	43,686	1,897	45,583	55,413	4,410	59,823

The intangible assets consist wholly of the Bank's computer software. The assets which are material include: Finnone Software with carrying amount of ₦Nil (2015:₦4.7million). E-banking Software with carrying amount of ₦2.3million (2015: ₦4.7million) and remaining amortisation period of 2 years. EazyBank with carrying amount of ₦27.2 million (2015: ₦23.5million) and remaining amortisation period of 3 years.

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

The Bank performed its annual impairment test as at 31 December 2016 and 2015 and there were no indicators of impairment of assets held as at these dates.

21 Non-current assets held for sale

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

	2016	2015
	₦'000	₦'000
As at 1 January	2,539,761	3,040,150
Repossessed assets	-	23,004
Disposal	(136,098)	(523,393)
	2,403,663	2,539,761

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

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

	2016	2015
22 Due to customers	₦'000	₦'000
Demand deposits	539,686	361,819
Savings deposits	1,001,087	1,025,399
Term deposits	3,787,876	3,974,175
	5,328,649	5,361,393
Within one year	5,160,662	4,925,943
More than one year	167,987	435,450
	5,328,649	5,361,393

		2016	2015
23	Other liabilities	₦'000	₦'000
	Accounts payable	176,412	158,385
	Rent payable	917	17,167
	Information technology levy	2,412	2,412
	Other liabilities	5,331	8,796
	Staff pension contribution	722	967
	Rent received in advance (Note 34)	19,558	293
		205,352	188,020

Terms and Conditions of other liabilities

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

The rent payable is due on demand.

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

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

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

	2016	2015
Defined contribution scheme	₦'000	₦'000
Pension liability	722	967

		2016	2015
24	Borrowings		
	Nigeria Mortgage Refinancing Company	21,944	-
	Netherlands Development Finance Company	2,301	112,049
	Netherlands Development Finance Company	24,245	112,049
	Current	2,301	112,049
	Non-current	21,944	-
		24,245	112,049

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

The principal of ₦21,718,235 (2015: ₦nil) 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.

The principal of ₦nil (2015: ₦112,049,000) relates to outstanding balance on the two tranches of Naira & Dollar denominated facilities granted by Netherlands Development Finance Company (FMO) between March 2010 and April 2011. The principal amount is repayable quarterly in 20 equal instalments commencing from 15 December 2011 while the interest is payable quarterly on the 15th of March, June, September and December every year at 8.87% and 17.7% per annum, respectively. The naira denominated loan was fully settled in 2016 and the outstanding balance of ₦2,301,000 balance relates to interest payable.

		2016	2015
25	Due to the National Housing Fund	₦'000	₦'000
	On -lending funds	398,541	424,264

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

26 Deferred tax liabilities

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2015: 30%).

	2016	2015
	₦'000	₦'000
At beginning of year	-	358,916
Arising during the year (Note 12.1)	-	(358,916)
	-	-

26.1 Deferred tax liabilities are attributable to the following:

	2016	2015
Accelerated tax depreciation	152,747	137,750
Investments properties	204,777	206,276
Allowances for loan losses	(87,134)	(77,904)
Other assets	12,127	9,150
Unutilised capitalised allowance	(137,638)	(89,359)
Tax loss carried forward	(235,838)	(237,687)
Unrecognised deferred tax assets	90,959	51,774
	-	-

26.2 Movements in temporary differences during the year:

	At beginning of year	Recognised in profit or loss	At end of year
	₦'000	₦'000	₦'000
Accelerated depreciation	137,750	14,997	152,747
Investments properties	206,276	(1,499)	204,777
Allowances for loan losses	(77,904)	(9,230)	(87,134)
Other assets	9,150	2,977	12,127
Unutilised capitalised allowance	(89,359)	(48,279)	(137,638)
Tax loss carried forward	(237,687)	1,849	(235,838)
Unrecognised Deferred tax asset	51,774	39,185	90,959
	-	-	-

		2016	2015
27	Share capital	₦'000	₦'000
	Authorised		
27.1	7 billion ordinary shares of 50 kobo each	3,500,000	3,500,000
27.2	Issued and fully paid		
	4.2 billion ordinary shares of 50k each	2,100,000	2,100,000

28 Share premium

There was no movement in share premium during 2016 and 2015.

29	Retained earnings		
	Balance at beginning of year	526,626	552,686
	(Loss)/profit for the year	(167,997)	55,494
	Transfer to regulatory risk reserve	(164,953)	(81,554)
	Balance at end of year	193,676	526,626

30 Statutory reserve

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

	2016	2015
	₦'000	₦'000
At the beginning of the year	298,440	298,440
Transfer from profit and loss account	-	-
At the end of the year	298,440	298,440

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

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

31 Available for sale reserve

The available for sale reserve shows the movements regarding gains and losses on available for sale financial instruments. The fair value change has been reclassified to profit or loss in prior years, hence, the reserve is ₦nil at 31 December 2016 (2015: ₦nil).

		2016	2,015
32	Additional cash flow information	₦'000	₦'000
	Cash and cash equivalents		
	Cash on hand (note 14)	11,037	3,671
	Due from banks (note 15)	895,759	1,304,464
		906,796	1,308,135

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

		2016	2,015
32.1	Change in operating assets	₦'000	₦'000
	Net change in loans and advances to customers	136,277	(331,909)
	Net change in other assets	(152,333)	(186,621)
	Net change in cash reserve with CBN	-	(85,298)
	Repossessed assets	-	(23,004)
		(16,056)	(626,832)
32.2	Change in operating liabilities		
	Net change in due to customers	(32,744)	181,304
	Net change in due to NHF	(25,723)	(21,009)
	Net change in other liabilities	17,332	14,900
		(41,135)	175,195
32.3	Other non-cash items included in loss before income tax		
	Depreciation	61,693	65,900
	Amortisation	22,096	18,956
	Financial investments - held-to-maturity	(13,795)	-
	Impairment charge on loans and advances	85,020	317,294
	Provision on loans and advances no longer required	(17,899)	(268,884)
	Foreign exchange gain	(184)	(49)
		136,931	133,217
32.4	Gain from investing activities		
	Profit on sale of property and equipment	(600)	-
	Gain on sale of non-current assets held for sale	(13,494)	(24,507)
		(14,094)	(24,507)

33 Contingencies and commitments

33.1 Guarantees and other commitments

There is a lien on cash collateral of ₦100m (2015: ₦100million) invested in fixed term deposit.

The Bank has an agreement with a consultant to strategically support the Bank's 5 year transformation agenda and initiatives. The value of the contract is ₦15,000,000 (2015: ₦nil).

The Bank has settled the FMO loan. However, certain clauses within the contract are still being discussed. Based on management's assessment, no further liability will crystalize from this transaction.

33.2 Capital commitments

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

33.3 Claims and litigations

The Bank in the ordinary course of business is presently involved in four (2015: two) claims and litigations relating to customer disputes. Maximum exposure for the Bank is ₦216,400,000 (2015: ₦150,000,000). Management do not believe these claims and litigations will be successful.

34 Operating leases

Bank as lessee

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

	2016	2015
	₦'000	₦'000
Due within 1 year	2,308	1,538
Due 2-5 years	5,500	5,500
	7,808	7,038

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

Bank as lessor

The Bank has received rental income for properties which range between 1 and 2 years which have been capitalised in other liabilities as ₦19,558,000 (2015: ₦293,000) .

The total rent recognised as income during the year is ₦1,304,000 (2015: ₦3,129,000).

35 Related party disclosures

An analysis of insider related credit granted to companies and individuals with whom the key management of the Bank are related or in which the key management have related interests are as stated below. Credit facilities were provided by the Bank to related parties on commercial terms. Loans and advances to related parties at the statement of financial position date, which are all performing amounted to ₦1,240.1 million (2015: ₦1,567.9 million).

Name of Borrower	Relationship to Bank	Amount outstanding 2016	Amount outstanding 2015	Interest paid 2016	Interest paid 2015	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	-	4,374	306	1,514	Working capital	Performing	Equitable mortgage/Cash
Eruaye Investments Limited	Mr. Bernard Okumagba, Bank's Non-Executive Director is a minority shareholder and Director of the Company	-	16,424	1,799	3,801	Mortgage loan	Performing	Legal mortgage
Infant Jesus Academy	Bank's MD/CEO is a Director of the School	295,455	320,135	33,771	39,392	Mortgage loan	Performing	Legal mortgage
Chike Chiemeke	A brother to the Bank's MD/CEO	21,227	29,090	4,639	6,649	Mortgage loan	Performing	Legal mortgage
Baze University	Bank's MD/CEO is a Trustee of the University	101,778	438,164	79,132	93,175	Mortgage loan	Performing	Legal & Equitable Mortgage
Mr. Madu Hamman	Bank's Executive Director	7,967	13,597	430	776	Housing loan	Performing	Legal mortgage
White Oak Real Estate Limited	The Bank and its Directors own the Company	813,628	746,128	68,000	62,998	Mortgage loan	Watchlist	Legal & Equitable Mortgage
		1,240,055	1,567,913	188,077	208,306			

The Bank rents properties from the Chairman for two of its branches. The rental charge for the current year is ₦5,500,000 (2015: ₦5,500,000) and the amount payable at the year end is ₦916,668 (2015: ₦17,166,666).

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 2016 and 2015, all related party facilities were performing at year end and as such there were no amounts provided for.

35.1	Key management compensation	2016	2015
		₦'000	₦'000
	Salaries and other short term employee benefits	57,476	44,361
	Post -employment benefits	3,595	3,885
	Ex-gratia	-	1,150
		61,071	49,396

35.2	Directors emoluments		
	Fees and sitting allowances	13,345	10,250
	Executive compensation	57,476	63,686
	Defined contribution scheme	3,595	3,885
	Other directors expenses	4,538	27,899
		78,954	105,720

36 Events after reporting date

There were no events after reporting date which could have a material effect on the financial position of the Bank as at 31 December 2016 and profit or loss and other comprehensive inccome on that date which have not been adequately adjusted for or disclosed.

37 Dividend payable

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

38 Compliance with banking regulations

We are not aware of any instances of non-compliance with CBN regulations during the year ended 31 December 2016 and no penalties were paid in the year (2015: None).

ABBEY MORTGAGE BANK PLC

STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016		2015	
	₦'000	%	₦'000	%
Gross Income	1,218,921		1,314,830	
Interest Expense	(344,405)		(436,519)	
	874,516		878,311	
Impairment charge	(101,786)		(54,169)	
Brought-in-materials and services-local	(435,953)		(554,097)	
Value added	336,777	100	270,045	100
Applied to pay:				
Employee as wages, salaries and pensions	387,431	115%	412,461	153%
Government taxes	33,554	10%	76,150	28%
Retained in business:				
Depreciation and amortisation	83,789	25%	84,856	31%
Loss for the year	(167,997)	-50%	55,494	21%
Deferred taxation	0	0%	(358,916)	-133%
	336,777	100%	270,045	100%

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

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

ABBEY MORTGAGE BANK PLC

FIVE-YEAR FINANCIAL SUMMARY
STATEMENT OF FINANCIAL POSITION

AS AT			31 DECEMBER		
	2016	2015	2014	2013	2012
Assets	₦'000	₦'000	₦'000	₦'000	₦'000
Cash on hand	11,037	3,671	3,671	6,965	9,674
Due from banks	896,009	1,304,714	1,304,714	1,553,572	2,781,533
Loans and advances	6,900,080	7,103,478	7,103,478	7,311,080	7,127,250
Financial Investments - available for sale	207,500	202,500	202,500	2,500	2,500
Financial investments - held-to-maturity	336,163	-	-	-	-
Other assets	417,906	285,573	290,573	127,869	130,137
Cash balances with central bank	101,046	101,046	101,046	15,748	15,748
Property and equipment	1,133,787	1,178,750	1,178,750	1,236,005	1,237,005
Investment property	-	-	-	-	2,977,150
Intangible assets	45,583	59,823	67,013	26,255	34,206
Non-current assets held for sale	2,403,663	2,539,761	3,040,150	3,285,150	-
Deferred tax assets	-	-	-	-	19,493
Total assets	12,452,774	12,779,316	12,779,316	13,565,144	14,334,696
Liabilities and equity					
Due to customers	5,328,649	5,361,393	5,361,393	4,918,836	4,147,111
Current income tax liability	57,720	87,326	87,326	35,390	26,108
Other liabilities	205,352	188,020	188,020	175,174	142,398
Borrowings	24,245	112,049	112,049	825,245	1,855,782
Due to the National Housing Fund	398,541	424,264	424,264	462,773	489,146
Deferred tax liabilities	-	-	-	433,750	451,575
Total liabilities	6,014,507	6,173,052	6,173,052	6,851,168	7,112,120
Equity					
Share capital	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
Share premium	2,877,126	2,877,126	2,877,126	2,877,126	2,877,126
Retained earnings	193,676	526,626	526,626	750,821	1,680,927
Statutory reserve	298,440	298,440	298,440	298,440	298,440
Regulatory risk reserve	969,025	804,072	804,072	687,589	266,083
Total equity	6,438,267	6,606,264	6,606,264	6,713,976	7,222,576
Total liabilities and equity	12,452,774	12,779,316	12,779,316	13,565,144	14,334,696

ABBEY MORTGAGE BANK PLC

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

FOR THE YEAR ENDED	31 DECEMBER				
	2016	2015	2014	2013	2012
	₦'000	₦'000	₦'000	₦'000	₦'000
Total operating income	874,516	878,311	917,331	942,677	1,676,448
Operating expenses	(907,173)	(1,051,414)	(1,015,167)	(926,236)	(862,607)
(Loss) / profit before income tax	(134,443)	(227,272)	(182,892)	(472,577)	305,326
(Loss) / profit for the year	(167,997)	55,494	(163,206)	(508,600)	218,975
Other comprehensive Income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Net loss on financial investments	-	-	-	-	(4,040)
Reclassification of net loss to income statement	-	-	-	-	4,040
	-	-	-	-	-
Total other comprehensive (loss) / income for the year	(167,997)	55,494	(163,206)	(508,600)	218,975
(Loss) / earnings per share (Kobo) - Basic and diluted	(4.00)	1.32	(3.89)	5.21	6.25

(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.