RESORT SAVINGS & LOANS PLC
[RC:198901]

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2016

RESORT SAVINGS & LOANS PLC

BBC PROFESSIONALS
CHARTERED ACCOUNTANTS

RESORT SAVINGS AND LOANS PLC
[RC:198901]

ANNUAL REPORT AND FINANCIAL STATEMENTS - 2016

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RESORT SAVINGS AND LOANS PLC

[RC: 198901]
FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED 31 DECEMBER, 2016

	2 0 1 6 **N'000**	2 0 1 5 N'000	***Increase/ (decrease)*** %
Gross earnings	**883,993**	1,583,325	(44)
Loss before taxation	**(677,022)**	(447,926)	51
Loss after taxation	**(691,648)**	(463,415)	49
Total assets	**7,653,126**	6,896,045	11
Shareholders' fund	**(2,131,099)**	(1,439,451)	48
Total liabilities	**9,784,225**	8,335,495	17
Issued and fully paid share capital	**5,664,866**	5,664,866	-
Market capitalization at 31 December	**5,664,866**	5,664,866	-
Per 50k share data			
	kobo	**kobo**	**kobo**
Loss	**(6.10)**	(4.09)	(2.01)
Proposed Dividend	**0.00**	0.00	-
Net assets	**(18.81)**	(12.71)	(6.10)
Stock Exchange quotation at 31 December (Naira)	**0.50**	0.50	-

DIRECTORS AND OTHER CORPORATE INFORMATION

BOARD OF DIRECTORS

Senator Sunday Olawale Fajimi	-	Chairman
Chief Babatunde Adefarati	-	Non - Executive Director (resigned with effect from 19 September, 2016)
Mr. Olayemi Rabiu	-	Executive Director
Mr. Abimbola Olayinka		Managing Director/CEO (resigned with effect from 14 October, 2016)
Barrister Joseph O.J. Chukwuocha	-	Non - Executive Director
Arc. Usman Karaye Umaru	-	Non - Executive Director
Mr. Danladi Tijo Baido		Non - Executive Director (resigned with effect from 14 December, 2016)
Mr. Kolawole Adesina	-	Executive Director
Mr. Aliu Oshoke	-	Executive Director

REGISTERED OFFICE
5th Floor, St. Nicholas House
6, Catholic Mission Street
Lagos

HEAD OFFICE
25 Olowu Street
Ikeja
Lagos

REGISTRARS
Africa Prudential Registrar
268 Ikorodu Road
Lagos

SECRETARY
S.E Nomuoja & Co
(Chartered Secretaries)
Ogba - Ikeja
Lagos

INDEPENDENT AUDITORS
BBC PROFESSIONALS
(Chartered Accountants)
Charter House
7, McNeil Road, Sabo-Yaba
Lagos

The Directors have pleasure in submitting to members their annual report together with the audited financial statements for the year ended 31 December, 2016.

Legal Form

Resort Savings & Loans Plc was incorporated in Nigeria on June 17 1992 under the Companies & Allied Matters Act, 2004 as a private Limited Liability Company, with its corporate office at 5th Floor, St. Nicholas House, 6 Catholic Mission Street, Lagos, Nigeria. The Bank was granted licence on September 10 1993 to carry on Mortgage banking. The bank in readiness for listing on the Nigeria Stock Exchange (NSE) converted to a public liability company on April 1, 2008 and was listed on the floor of the Nigerian Stock Exchange (NSE) by way of introduction in November 23, 2009.

Principal Activities

Resort Savings & Loans Plc is duly licensed to carry on Mortgage banking business. It is a primary Mortgage Bank (PMB) authorised to receive deposits and maintain accounts for their customers for the purpose of providing service, creating mortgage assets and other credit facilities. By this function Resort Savings & Loans Plc is a financial intermediary that reviews the creditworthiness of a borrower, provides the funds for the loan and quickly sells mortgages into the secondary mortage market.

Mortgage Services

The Bank has been actively involved in the provision of retail Mortgage Banking Services to variety of customers to own their own houses. The Bank is actively involved in the National Housing Fund loan disbursement and the monthly NHF remittance collection.

Property Acquisition Management

The Bank acts as an intermediary between sellers and buyers wishing to consumate transactions in the acquisition of Real Estate Properties by offering financial advisory and management services for properties.

Fund Management

The Bank is also engaged in the provision of liability management through its product range. Some of these includes Resort Insurance-Linked Mortgage Fund (RILMFUND), Resort Asset and Liquidity Jewel, Current Account, Savings and Tenor Deposits.

The Bank's fully owned subsidiary; Resort Developers Limited carries on the business of real estate development, management and loan syndication and consulting services.

Result For the Year

	2016	2015
	N'000	N'000
Gross earnings	**883,993**	1,583,324
Loss before taxation	**(677,022)**	(447,926)
Taxation	**(14,626)**	(15,489)
Loss after taxation	**(691,648)**	(463,415)

Dividend

The directors do not recommend the declaration of any dividend in view of the loss sustained during the year.

Going Concern

The Directors assess the Bank's future performance and financial position on an ongoing basis and have no reason to believe that the Bank will not be a going concern in the next twelve (12) months from the date of this report. For this reason, these financial statements are prepared on a going-concern basis.

Directors' Interest In Shares

The direct and indirect interests of Directors in the Issued Share Capital of the Company as recorded in the Register of Directors Shareholdings and/or as notified by the Directors for the purposes of Sections 275 and 276 of the Companies and Allied Matters Act, CAP C20 LFN 2004 and the listing requirements of the Nigerian Stock Exchange is as stated hereunder:

		At 31 December, 2016		At 31 December, 2015	
		Direct Unit Holdings	**Indirect Unit Holdings**	Direct Unit Holdings	Indirect Unit Holdings
*	Chief Babatunde Adefarati	**48,094,340**	**60,000,000**	48,094,340	60,000,000
**	Mr. Abimbola Olayinka	**60,456,000**	**44,600,000**	60,456,000	44,600,000
***	Barrister Joseph O.J. Chukwuocha	**1,000,000**	**400,000,000**	1,000,000	400,000,000
*****	Senator Sunday Olawale Fajinmi	**6,978,000**	**2,222,548**	6,978,000	2,222,548
******	Arc. Usman Karaye Umaru	**1,000,000**	**50,000,000**	1,000,000	50,000,000
*******	Mr. Danladi Tijo Baido	**3,885,000**	**21,509,434**	3,885,000	21,509,434
	Mr. Olayemi Rabiu	**25,000,000**	**-**	-	-

* The indirect shares held by Chief Babatunde Adefarati are in respect of Falcon Chemicals Limited.

** The indirect shares held by Mr. Abimbola Olayinka are in respect of Wisknol Options Limited.

*** The indirect shares held by Barrister Jideofor Chukwuocha are in respect of Mr. Obazee Sunny.

***** The indirect shares held by Senator Sunday Olawale Fajinmi are in respect of several shareholders.

****** The indirect shares held by Arc. Usman Karaye Umaru are in respect of several shareholders.

******* The indirect shares held by Mr. Danladi Tijo Baido are in respect of several shareholders.

Directors' Interest In Contracts

None of the Directors have notified the Company for the purpose of Section 227 of the Companies and Allied Matters Act, CAP C20 LFN 2004 of any disclosable interest in contracts with which the Company was involved during the year ended 31 December, 2016.

Shareholding Analysis

The shareholding structure of the company as at 31 December, 2016 is as stated below:

Share range	**No of holders**	**% of holders**	**No of holdings**	**% of holdings**
1 - 1,000	270	2.10	214,773	-
1,001 - 5,000	91	0.71	276,013	-
5,001 - 10,000	75	0.58	644,288	0.01
10,001 -	123	0.96	3,932,740	0.03
50,001 -	148	1.15	13,660,416	0.12
100,001 -	10,067	78.27	2,404,954,632	21.23
500,001 -	1,004	7.81	836,705,478	7.39
1,000,001 -	1,083	8.42	8,069,344,064	71.22
	12,861	100.00	11,329,732,404	100.00

Substantial Interest In Shares

According to the register of members, the following shareholders of the Bank held more than 5 percent of the Issued Share Capital of the Company at 31 December, 2016:

Shareholders	2016		2015	
	Number	%	Number	%
Vicad Securities Limited	660,000,000	5.83	660,000,000	5.83
FCUS/AMCON/Zenith Bank Plc/DEAP Capital Mgt. & Trust Plc	641,853,258	5.67	641,853,258	5.67

Donations, Sponsorship and Charitable Contributions

The Bank has not given out any donations and charitable contributions during the period under review.

In compliance with section 38(2) of the Companies and Allied Matters Act, 2014, the Bank did not make any donation or gift to any political party, political association or for any political purpose during the year.

Free Float

Based on the information that is publicly available to the Bank and within the knowledge of the Directors as at the date of this report, the Bank has maintained in excess of the prescribed free float (20%) under the Listing Rules of the Nigerian Stock Exchange throughout the financial year ended 31 December, 2016.

Contractual Arrangements

The Bank's business operations utilize many suppliers/service providers and necessary measures are in place to ensure that the business is not totally reliant on a single supplier for key materials or components. The terms of payment are agreed upon before the commencement of any contractual agreement with a supplier and the Bank abides by those terms on the timely submission of satisfactory invoices.

Property, Plant and Equipment

Information relating to change in the assets is given in Note 21 to the financial statements. In the Directors' opinion, the market value of the Bank's assets is not less than the value shown in the financial statements.

Employment and Employee

(i) **Employment policy**

It is the policy of the Bank that there should be no discrimination in considering applications for employment including those from physically challenged persons. However, there was no physically challenged person in the employment of the company during the year. The Bank ensures that the most qualified and experienced persons are recruited for appropriate job levels irrespective of an applicant's nationality, state of origin, ethnicity, sex, religion or physical condition.

(ii) **Training and development**

The Bank encourages participation of its employees in arriving at decision on matters affecting their well being. To this end, the Bank provides opportunity where employees deliberate on issues affecting the Bank and employees' interests with a view to making inputs to decision thereon.

The Bank places a high premium on the development of its manpowers. It recognizes that its employees remain a key asset indispensable for its sustainability and growth as an organization. Consquently, some employees were sponsored for various training courses in the period under review. These were complemented by on-the-job training.

Training is carried out at various level through both in-house and external courses. Incentive schemes designed to encourage the involvement of employees in the Bank's performance are implemented whenever appropriate.

(iii) **Health, Safety and welfare of employees**

The Bank accords high priority to the health, safety and welfare of its employees. In furtherance of this, the Bank's operations and business premises are designed with a view to guaranteeing the safety and healthy living conditions of its employees and visitors alike. Employees are adequately insured against occupational hazards. The Bank is committed to maintaining the highest standards of safety by enforcing strict health and safety rules and practices.

Fire prevention and fire-fighting equipment are installed in strategic locations within the Bank's premises.

(iv) **Staff Strenght**

The Bank had a total number of 131 employees on its payroll as at 31 December, 2016.

Events After the Reporting Date

The events have no material effect on the state of affairs of the Bank as at 31 December, 2016 or the profit or loss for the year ended on that date.

Fraud and Forgeries

One of the Directors of the Company raised a whisle blowing petitions to regulators during the financial year bodering on perceived fraud. However, the matter is still under investigation by regulatory agencies.

Independent Auditors

Messrs BBC Professionals have indicated their willingness to continue in office as independent auditors to the Bank in accordance with Section 357(2) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004. A resolution will be passed at the Annual General Meeting to authorize the Directors to fix the remuneration of the auditors.

Dated 25th May, 2018

BY ORDER OF THE BOARD

……………………………………

Mrs. Benedicta Ovoke Sadare
For**: S. E. Nomuoja & Co**
Company Secretary
FRC/2018/ICSAN/00000018398

CORPORATE GOVERNANCE

The Bank is committed to the best practices and procedures in Corporate Governance. Its business is conducted in a fair, honest and transparent manner which conforms to the Code of Best Practices on Corporate Governance in Nigeria. Examples of the Bank's compliance with these Corporate Governance requirements during the year under review are as follows:

i. Board Composition

The Board consists of a non-executive chairman, four (4) non-executive Directors, and four (4) executive Director, all bringing high level of competence and expertise. They are professionals and entrepreneurs with vast business management experience and credible track records. The non-executive Directors are independent of the management and are free from constraints which may materially affect their judgment as Directors of the Company.

ii. Role of the Board

The Board has the responsibility for ensuring that the Bank is appropriately managed and achieves its strategic objectives with the aim of creating a sustainable long term value to the Shareholders.

iii. Record of Directors Attendance at Meetings

Members of the Board of Directors hold periodic meetings to decide on policy matters and to direct the affairs of the Bank, review its operations, finances and formulate growth strategy.The Board meets at least once in every quarter and additional meetings are convened as required. Board agenda and reports are provided ahead of meetings.

Further to the provision of Section 258(2) of the Companies and Allied Matters Act, CAP C20 LFN 2004, the records of the Directors' attendance at Board meetings during the year under review is available at the Bank Company Secretary's Office for inspection. In line with Corporate Governance principles, details of attendance of the current Directors at the Board meetings during the year are as follows:

Names of Directors	No. of Meetings held	No. of Meetings attended
Chief Babatunde Adefarati	12	12
Mr. Abimbola Olayinka	12	7
Barrister Joseph O.J. Chukwu	12	12
Senator Sunday Olawale Faji	12	12
Arc. Usman Karaye Umaru	12	12
Mr. Danladi Tijo Baido	12	12
Mr. Olayemi Rabiu	12	9

Board meetings were held on 7 June, 2016, 21 June, 2016, 05 July, 2016, 19 July, 2016, 2 August, 2016, 16 August, 2016, 30 August, 2016, 13 September, 2016, 27 September, 2016, 17 October, 2016, 25 October, 2016 and 14 December, 2016.

iv. Board Changes

Mr. Abimbola Olayinka was removed by Securities and Exchange Commission (SEC) with effect from 1 September, 2016 while Chief Adefarati resigned at the directive of SEC. Also, Mr. Olayemi Rabiu was appointed to the Board on 19th July, 2016.

iv. Board Changes (Cont'd)

In line with Section 259 of the Companies and Allied Matters Act and the Company's Articles of Associations, the following Directors namely, Senator S. O. Fajinmi and Arch Umaru Karaye retire by rotation at the Annual General Meeting and being eligible, offer themselves for re-election.

v. Performance Evaluation of the Board

The Board has established a system to undertake a formal and rigorous annual evaluation of its own performance, that of its Committees, the Chairman and individual Directors. The evaluation system includes the criteria and key performance indicators and targets for the Board, its Committees and each individual Committee member. The Board did not engage any consultant in this respect during the year under review.

vi. Committees

In conformity with the Code of Best Practice in Corporate Governance, the Company has in place the following Committees:

a) Corporate Governance/Nomination Committee

The Nominations Committee is empowered to bring to the board recommendations regarding the appointment of any Executive or Non-Executive Director. The Committee ensures that a review of Board candidates is undertaken in a disciplined and objective manner.

The Committee ensures promotion of corporate governance and compliance with governance practices established by the Bank's regulatory authorities with particular reference to the Central Bank of Nigeria Revised Guidelines for Primary Mortgage Banks.

The Committee also ensures succession planning and the Bank's compliance with various legal and regulatory requirements. The Committee is also tasked with the responsibility of setting remuneration policy for directors and management staff. Details of attendance at the Nominations Committee meeting during the year are as follows:

	Names of	Designation	No. of Meetings held	No. of Meetings attended
1.	Senator Sunday O. Fajinmi	Chairman	7	7
2.	Mr. Abimbola Olayinka	MD/CEO	7	7
3.	Barr. Joseph O. J. Chukwuocha	Director	7	7
4.	Mr. Danladi Tijo Baido	Director	7	7

Corporate Governance/Nomination Committee meetings were held on 1 February, 2016, 2 May, 2016, 23 May, 2016, 19 July, 2016, 2 August, 2016, 16 August, 2016 and 30 August, 2016.

b) Tenders Committee

The Tenders Committee is responsible for obtaining the most favourable terms for acquisition of goods, work and services that are required for the Bank's activities on the principles of competitiveness, transparency and team decision making.

The Committee is also responsible for reducing budget expenses and securing the corporate interests of the Bank.

	Names of		No. of Meetings held	No. of Meetings attended
1.	Mr. Danladi Tijo Baido	Chairman	Nil	Nil
2.	Mr. Abimbola Olayinka	MD/CEO	Nil	Nil
3.	Barr. Joseph O. J. Chukwuoc	Director	Nil	Nil

Tenders Committee did not meet during the financial year

c) Finance & General Purpose Committee

The committee comprising of three Non-Executive Directors is responsible for strategic planning, periodic budgeting and performance monitoring, financial accounting and statutory returns, supervision of assets, human resource matters and general administration.

	Names of		No. of Meetings held	No. of Meetings attended
1.	Mr. Abimbola Olayinka	MD/CEO	2	2
2.	Senator Sunday O. Fajinmi	Director	2	2
3.	Arc. Usman Karaye Umaru	Director	2	2

Finance and General Purpose Committee meetings were held on 1 April, 2016 and 21 June, 2016.

d) Credit and Project Committee

The Credit and Projects Committee assists the Board in approving specific loans that are above Management's limit and conduct, periodical review of credits granted by the Bank to ensure compliance with the Bank's Internal control system. The committee has the following responsibilities:

* Notify the Board of top debtors to the Bank and formulate policies on recoveries;
* review asset and liability management of the Bank;
* conduct periodical review of loans granted by the Bank to ensure compliance with the Bank's internal control system;
* ensure that the Bank's internal control policy is sufficient to safeguard the quality of the Bank's risk asset; and
* ensure tha Bank complies with regulatory requirements as it relates to the granting of loans.

	Names of Members		No. of Meetings held	No. of Meetings attended
1.	Arc. Usman Karaye Umaru	Chairman	Nil	Nil
2.	Mr. Abimbola Olayinka	MD/CEO	Nil	Nil
3.	Mr. Danladi Tijo Baido	Director	Nil	Nil

Credit and Project Committee did not meet during the financial year.

e) Statutory Audit Committee

In compliance with section 359 (4) of the Companies and Allied Matters Act CAP C20 Laws of the Federation of Nigeria 2004, members of the Audit Committee were elected at the Annual General Meeting. The Committee is constituted by six (6) members comprising of three (3) shareholders and three (3) Non-Executive Directors and form part of the internal audit mechanism created by the Company to ensure financial regulatory and risk management compliance to financial laws and practices. Members that served on the Committee during the year comprise:

Dr Adelani K. Oniwinde	Chairman	Shareholder
Alhaja Ayodele Kudaisi	Member	Shareholder
Chief Godwin Anono	Member	Shareholder
Barr. Joseph O.J Chukwuocha	Member	Director
Senator Sunday O Fajinmi	Member	Director

The Committee in the conduct of its affairs review the Company's overall risk management and control systems, financial reporting arrangements and standard of business conduct. Members of the Audit Committee have direct access to the Internal Audit Department and Independent Auditors. The statutory functions of the Committee are provided for in section 359(6) of the Companies and Allied Matters Act, Cap.C20, Law of the Federation of Nigeria, 2004.The details attendance of meeting of the Committee during the year are as follows:

Names of Members	Designation	No. of Meetings held	No. of Meetings attended
Dr Adelani K. Oniwinde	Chairman	5	5
Alhaja Ayodele Kudaisi	Member	5	5
Chief Godwin Anono	Member	5	5
Barr. Joseph O.J Chukwuocha	Director	5	5
Senator Sunday O Fajinmi	Director	5	5

Audit Committee meetings were held on 1 February, 2016, 1 April, 2016, 2 May, 2016, 23 May, 2016 and 22 July, 2016.

f) Board Audit & Risk Management Committee

The Board Audit & Risk Management Committee has the oversight responsibility of reviewing the Bank's risk policies, overseeing management's process for risk identification and ensure that adequate policies are in place for risk prevention, identification and reporting, and ensuring that the best practices are incorporated.

The Chief Risk Officer of the Bank presents regular updates to the Committee at its meetings.

	Names of Members		No. of Meetings held	No. of Meetings attended
1.	Barr. Josep O. J. Chukwuocha	Chairman	6	6
2.	Mr. Abimbola Olayinka	MD/CEO	6	6
3.	Senator Sunday Olawale Fajinmi	Director	6	6

Board Audit and Risk Management Committee meetings were held on 1 February, 2016, 2 May, 2016, 23 May, 2016, 22 July, 2016, 2 August, 2016 and 16 August, 2016.

vii. Directors' Continuous Professional Development

The Bank has a policy to ensure that newly appointed Directors receive comprehensive and formal induction which may include meeting with Senior Management staff of the Bank and external advisers for proper understanding of the Bank business and operations environment. They receive briefings on the Bank's financial, strategic, operational and management position, the Bank's culture and value, key developments in the Bank and industry, and environment in which it operates. The induction process is to fully equip them to perform their roles effectively on the board.

viii. Information and Support

Executive management on the instruction of the Board has the responsibility of ensuring that the Board gets adequate and timely information on the bank's business and operations to enable the Board carry out its responsibilities and make well informed decisions. Management ensures that this information is of high quality in terms of accuracy, clarity, appropriateness, comprehensiveness and relevancy. The Board may seek clarification or amplification from Management or consultants and advisers where necessary.

ix. Independent Professional Advice

Directors have access to independent professional advice at the expense of the Bank when necessary for the discharge of particular responsibilities and performance of their duties in relation to the Bank's affairs. The services of the Company Secretary is also available to the Board at all times to provide advice to the Board on all corporate governance matters.

x. Accountability and Audit

Financial Reporting

It is the directors' responsibility to prepare the financial statements of the Bank and ensure that the financial statements are prepared in accordance with statutory requirements and applicable accounting standards. The Board also ensures timely publication of the financial statements to enhance accurate and continuous disclosures of information to all shareholders, stakeholders, regulatory bodies and the general public.

Management provides the Board with regular financial updates to enable the Board give an informed and comprehensive assessment of the Bank's position.

The respective responsibilities of the Directors, Audit Committee and the External Auditors in connection with the financial statements are set out in the Statement of Directors' Responsibilities, the Report of the Audit Committee and the Report of the External Auditors on pages 14 to 18 of the annual report.

Internal Control and Risk Management

The Board is responsible for reviewing the effectiveness of the Bank's internal controls and ensuring that the controls are effective to protect investors' interests. The Bank has a Risk Management Policy, which lays down a vigorous and active process for identification and mitigation of risks.

In view of the above, the Board, with the support of the Board Audit and Risk Management Committee had reviewed the adequacy of resources, qualifications and experience of members of staff of the accounting and reporting department within the reviewed period.

x. Accountability and Audit (Continued)

Whistle-Blowing Policy
The Bank has adopted the Whistle Blower policy pursuant to which employees can raise their concerns relating to fraud, malpractice or any other activity or event which is against the Bank's interest. Employees of the Bank also have access to the Audit Committee in this regard.

The purpose of the whistle-blowing policy is to ensure that there is a process whereby genuine concerns about the Bank that are reported for investigation without any fear of dismissal or retaliation.

xi. Company Secretary
The Company Secretary guides the Board in the discharge of its regulatory responsibilities. The Board has unlimited access to the services of the Company Secretary and has the responsibility of appointing and removing the Company Secretary.

xii. Shareholders participation
Shareholders influence the corporate governance practice of the Bank through exercising influence on fundamental matters such as the composition of the Board, amendments to the Bank's roles, and approving transactions. This is achieved primarily through voting at and/or attending general meetings. The principle that shareholders should be given the opportunity to participate effectively and vote at general meetings is adopted by the Bank as a key component of a good corporate governance framework.

All Shareholders are treated equally regardless of their shareholding. The Bank has an active website (www.resort.ng.com)

xiii. Protection of Shareholders Right
The Board ensures the protection of the statutory and general rights of shareholders at all times particularly their right to vote at general meetings being the highest policy making body of the Bank. The Annual General Meeting is conducted in a transparent and fair manner and it is an opportunity for shareholders to express their views on all matters relating to the Bank.

xiv. Declaration of Interests
Directors are required to take all reasonable steps to avoid actual, potential or perceived conflict of interest. The Companies and Allied Matters Act, 2004, and SEC's Code require directors to disclose any conflict of interest. If a director believes that he or she may have a conflict of interest or material personal interest in a matter, the director is required to disclose the matter in accordance with the requirements of SEC's Code and follow the procedures set out to deal with such circumstances.

xv. Quality Policy
The Bank is committed to the continuous achievement of business success by maintaining its quality leadership in the Banking Industry.

This is driven by a quality management system designed to ensure that customers are always provided with high quality services that meet International Standards. Such standards are in full compliance with all statutory and regulatory requirements and are set out in writing for adherence by all staff at all times.

Resort Savings And Loans Plc

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE PREPARATION OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2016

The directors accept responsibility for the preparation of the annual financial statements that give a true and fair view of the statement of financial position as at 31 December, 2016 and of its comprehensive income in the manner required by the Companies and Allied Matters Act CAP C20 LFN 2004. The responsibilities include ensuring that the Bank:

(i). Keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company and comply with the requirements of the Companies and Allied Matters Act;

(ii). establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and

(iii). prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates, that are consistently applied.

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in compliance with:

(a) International Financial Reporting Standards (IFRS);
(b) the requirements of the Investment and Securities Act;
(c) relevant guidelines and circulars issued by the Nigerian Stock Exchange (NSE);
(d) revised prudential guidelines and relevant circulars issued by the Central Bank of Nigeria (CBN);
(e) the requirements of the Companies and Allied Matters Act;
(f) the requirements of the Bank and Other Financial Institutions Act.

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 company and of the profit or loss for the year. 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.

The Directors have made assessment of the company's ability to continue as a going concern and have no reason to believe that the company will not remain a going concern in the year ahead.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY :

……………………………………
Senator Sunday O Fajinmi
Chairman
FRC/2018/CPN/00000018225

…………………………………
Mr. Kola Adesina
Chief Finance Officer
FRC/2013/ICAN/00000001652

Resort Savings And Loans Plc

REPORT OF THE STATUTORY AUDIT COMMITTEE
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER, 2016

TO THE MEMBERS OF RESORT SAVINGS & LOANS PLC

In compliance with the provisions of Section 359(6) of the Companies and Allied Matters Act CAP C20 LFN 2004, we the members of the Audit Committee of **Resort Savings & Loans Plc** received the Audited Financial Statements for the year ended 31 December, 2016 together with Management Control Report from the external auditors and management response thereto at duly convened meeting of the committee and hereby report as follows:

We confirm that:

(a) We reviewed the scope and planning of the audit requirements;

(b) We reviewed the external auditors' Management Control Report together with Management Responses; and

(c) We have ascertained the accounting and reporting policies of the Bank for the year ended 31 December, 2016 are in accordance with legal requirements and agreed with ethical practices.

In our opinion, the scope and planning of the audit for the year ended 31 December, 2016 was adequate and Management Responses to the auditors' findings were satisfactory

We confirm that the internal control system was being consistently and effectively monitored through effective Internal Audit

The External Auditors confirm that they received full co-operation from the management during the course of the statutory audit

The Committee therefore recommended that the Audited Financial Statements for the year ended 31 December, 2016 and the External Auditors' Report thereon be presented for adoption at the Annual General Meeting.

Dated 25th May, 2018

……..…………………………
Senator Sunday O. Fajinmi
FRC/2018/CPN/00000018225
For: Chairman, Statutory Audit Committee

Members of the Statutory Audit Committee

Chief Godwin Anono	-	Chairman/Shareholder
Dr. Adelani K. Oniwinde	-	Shareholder
Alhaja Ayodele Sarat Kudaisi	-	Shareholder
Barr. Joseph O. J. Chukwuocha	-	Director
Senator Sunday O. Fajinmi	-	Director
Dr. Nosike Agokei	-	Director

BBC

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RESORT SAVINGS AND LOANS PLC

Opinion

We have audited the accompanying financial statements of **Resort Savings and Loans Plc** as set out on pages 19 to 60 which comprise the statement of financial position as at 31 December 2016, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, explanatory notes to the financial statements including a summary of significant accounting policies .

In our opinion, the financial statements give a true and fair view of the financial position of **Resort Savings and Loans Plc** as at 31 December, 2016 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards and relevant provisions of the Companies and Allied Matters Act, CAP C20 LFN 2004, the Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004, the Financial Reporting Council 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 Auditor's Responsibilties for the Audit of the Financial Statements section of our report.

We are independent of the Bank in accordance with the International Ethics Standard Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audit of Resort Savings and Loans Plc. We have fulfilled our other ethical responsibilities in accordance with IESBA Code and in accordance with other ethical requirements applicable to performing the audit of Resort Savings and Loans Plc.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

The key audit matters apply to the audit of the financial statements.

Directors/Sister's Company non-performing loan

The total sum of **N666,397,717.72** was due to the Bank from related parties without movement as at 31 December, 2016. Our review of the risk assets revealed that only **N4,146,854** of the total loans to related parties was performing.

The matter is considered key audit matter due to the significance of loans and advances to the operations of the Bank.

Procedures
We evaluated and tested the effectiveness of design and implementation of key controls related to the credit approval process to related parties of the bank including testing of relevant data quality and information system. We adopted a risk-based sampling approach to related parties' loans. We assessed the capacity of the related parties in repaying the loan to the bank. Furthermore, We evaluated and tested the operating effectiveness and design of the internal controls related to disclosures of credit risk of loans to relating parties.

Other information than the Financial Statements and Audit Report thereon
The directors are responsible for the other information. The other information comprises the Directors' Report which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, if 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.

Responsibility of the directors for the Financial Statements
The Bank's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act CAP C20 LFN 2004, the Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004, the Financial Reporting Council Act No. 6, 2011 and Central Bank of Nigeria circulars. These responsibilities include: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

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

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

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

Auditor's Responsibility for the Audit of the Financial Statements (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectivemenss of the Company'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 relating to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

Report on other Legal and Regulatory Requirements

In accordance with Schedule 6 of the Companies and Allied Matters Act CAP C20 LFN, 2004 we expressly state 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, so far as it appears from our examination of those books; and

(iii) The Bank's statement of financial position and statement of comprehensive income are in agreement with the books of account and returns.

CONTRAVENTIONS

The Bank paid the sum of N3,990,000 as penalty to the Central Bank of Nigeria (CBN) for late submission of 2015 audited financial statements. The CBN revised Guidelines for Primary Mortgage Banks in Nigeria with respect to the submission of audited financial statements was also contravened in 2016.

Egwuenu Gloria, FCA
FRC/2013/ICAN/00000002607

For: BBC PROFESSIONALS
Charterered Accountants

Lagos, Nigeria

26 September 2018

................................, 2018

Statement Of Comprehensive Income

for the year ended 31 December, 2016

	Notes	2016 N'000	2015 N'000
Interest income	5	**538,858**	716,960
Interest expense	6	**(424,658)**	(414,573)
Net interest income		**114,200**	302,387
Fee and commission income	7	**107,225**	768,241
Fee and commission expense	8	**(13,231)**	(136,430)
Net fee and commission income		**93,994**	631,811
Investment income	9	**15,561**	31,417
Other income	10	**222,349**	66,706
		237,910	98,123
Net operating income		**446,104**	1,032,321
Allowance and impairment loss	11	**(279,218)**	(334,016)
Net operating income/(loss) after allowance & impairment loss		**166,886**	698,305
Personnel expenses	12	**(420,677)**	(428,574)
Other operating expenses	13	**(366,990)**	(628,377)
Depreciation and amortisation	14	**(56,241)**	(89,280)
Total expenses		**(843,908)**	(1,146,231)
Loss before income tax		**(677,022)**	(447,926)
Income tax expenses	23 (ii)	**(14,626)**	(15,489)
Loss for the year		**(691,648)**	(463,415)
Other comprehensive income, net of income tax		**-**	-
Total comprehensive income/(loss) for the year		**(691,648)**	(463,415)
Loss per share			
Loss per share (kobo)		**(6.10)**	(4.09)

The notes on pages 23 to 60 form an integral part of these financial statements.

Statement of Financial Position
for the year ended 31 December, 2016

	Notes	2016 N'000	2015 N'000
Assets			
Cash and cash equivalents	15	**113,202**	111,638
Loans and advances	16	**3,473,814**	2,662,328
Investment securities	17	**426,206**	662,004
Non-current assets held for sale	18	**1,659,117**	1,749,884
Other assets	19	**1,857,230**	1,531,242
Intangible assets	20	**396**	443
Property, plant and equipment	21	**123,161**	178,506
Total assets		**7,653,126**	6,896,045
Liabilities and Equity			
Liabilities			
Deposits from customers	22	**4,208,204**	4,014,406
Income tax liabilities	23(i)	**87,044**	72,518
Other liabilities	24	**2,939,073**	2,137,450
Long-term borrowings	25	**2,549,904**	2,111,121
Total liabilities		**9,784,225**	8,335,495
Equity			
Ordinary share capital	26	**5,664,866**	5,664,866
Retained earnings		**(14,000,781)**	(9,557,067)
Statutory reserve		**97,754**	97,754
Non-distributable regulatory risk reserve		**6,107,062**	2,354,996
Total equity		**(2,131,099)**	(1,439,451)
Total liabilities and equity		**7,653,126**	6,896,045

The notes on pages 23 to 60 form an integral part of these financial statements.

The financial statements and notes on pages 19 to 60 were approved by the Board of Directors on 31 May, 2018 and signed on its behalf by:

Ola;yemi Rabiu
Managing Director/CEO
FRC /2013/ICAN/0000000/1648

....
Mr. Kola Adesina
Chief Finance Officer
FRC/2013/ICAN/00000001652

Statement of Changes in Equity
for the year ended 31 December, 2016

	Share capital N'000	Statutory reserve N'000	Regulatory risk reserve N'000	Retained earnings N'000	Total equity N'000
Year Ended 31 December, 2016					
At 1 January, 2016	5,664,866	97,754	2,354,996	(9,557,067)	(1,439,451)
Loss for the year	-	-	-	(691,648)	(691,648)
Transfer for the year	-	-	3,752,066	(3,752,066)	-
At 31 December, 2016	**5,664,866**	**97,754**	**6,107,062**	**(14,000,781)**	**(2,131,099)**
Year Ended 31 December, 2015					
At 1 January, 2015	5,664,866	97,754	2,778,216	(9,516,872)	(976,036)
Loss for the year	-	-	-	(463,415)	(463,415)
Transfers for the year:	-	-	(423,220)	423,220	-
At 31 December, 2015	**5,664,866**	**97,754**	**2,354,996**	**(9,557,067)**	**(1,439,451)**

The notes on pages 23 to 60 form an integral part of these financial statements.

Statements of Cash Flows

for the year ended 31 December, 2016

	Notes	2016 N'000	2015 N'000
Cash flows from operating activities			
Loss before income tax		**(677,022)**	(447,926)
Adjustment for:			
Allowance and impairment loss		**279,218**	334,016
Depreciation of property, plant and equipment	21	**56,193**	89,038
Amortization of intangible assets	20	**47**	242
		(341,564)	(24,630)
Changes in investment securities		**100,000**	2,347
Changes in value of Non-current Assets Held for Sale		**90,768**	(351,304)
Changes in loans and advances		**(954,906)**	(683,163)
Changes in other assets		**(325,990)**	(1,337,689)
Changes in deposit from customers		**193,798**	(273,143)
Changes in other liabilities		**801,624**	1,190,956
Changes in Long-term borrowings		**438,782**	977,386
Income tax paid		**(100)**	-
Net cash flows generated from/(used) operating activities		**2,412**	(499,240)
Cash flows from investing activities			
Acquisition of property, plant and equipment	21	**(847)**	(19,895)
Acquisition of Intangible assets	20	**-**	(80)
Net cash flows used in investing activities		**(847)**	(19,975)
Net increase/(decrease) in cash and cash equivalents		**1,565**	(519,215)
Cash and cash equivalents at 1 January		**111,638**	630,853
Cash and cash equivalents at 31 December	15	**113,203**	111,638

The notes on pages 23 to 60 form an integral part of these financial statements.

Notes to the Financial Statements
for the year ended 31 December, 2016

1 REPORTING ENTITY

Resort Savings & Loans Plc was incorporated in Nigeria on 17 June, 1992 under the Companies & Allied Matters Act, 2004 as a private Limited Liability Company, with its corporate office at 5th Floor, St. Nicholas House, 6 Catholic Mission Street, Lagos, Nigeria. The Bank was granted licence on September 10 1993 to carry on Mortgage banking. The bank in readiness for listing on the Nigeria Stock Exchange (NSE) converted to a public liability company on 1 April, 2008 and was listed on the floor of the Nigerian Stock Exchange (NSE) by way of introduction on 23 November, 2009.

Resort Savings & Loans Plc is duly licensed to carry on Mortgage banking business and has operated for fifteen years. It is a primary Mortgage Bank (PMB) authorised to receive deposits and maintain accounts for their customers for the purpose of providing service, creating mortgage assets and other credit facilities. By this function Resort Savings & Loans Plc is a financial intermediary that reviews the creditworthiness of a borrower, provides the funds for the loan and quickly sells mortgages into the secondary mortage market. The financial statements is for the year ended 31 December, 2016.

2 BASIS OF PREPARATION

(a) Statement of compliance

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").

The Financial Statements were authorized for issue by the Board of Directors of Resort Savings and Loans Plc on 31 May, 2018.

(b) Basis of measurement

The Financial Statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Available-for-sale financial assets are measured at fair value.
- Investment Properties are measured at cost.

(c) Functional and presentation currency

These Financial Statements are presented in Nigerian Naira which is the Bank's functional currency. Except otherwise indicated, financial information presented in Nigeria Naira has been rounded to the nearest thousand.

(d) Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed in an on-going basis. Revision to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

New standards and interpretation not yet adopted

New standards have been issued but are not yet effective for the year ended 31 December 2016; thus, it has not been applied in preparing these financial statements. The Bank intends to adopt the standards below when they become effective.

IFRS 15 Revenue from contracts with Customers

IFRS 15 Revenue from contracts with Customers replaces IAS 11 Construction Contracts, IAS 18 Revenue and related intepretations. IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers. It applies to all entities that enter into contracts to provide goods or services to their customers, unless the contracts are in the scope of other IFRSs, such as IAS 17 Leases. The standard also provides a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets, such as property or equipment. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligation; changes in contract asset and liability account balances between periods; and key judgements and estimates. This will be effective from 1 January 2018. The Bank is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 14 Regulatory Deferral Accounts

The International Accounting Standards Board (IASB) issued IFRS 14 Regulatory Deferral Accounts to ease the adoption of International Financial Reporting Standards(IFRS) for rate regulated entities. The standard allows an entity to continue applying most of its existing accounting policies for regulatory deferral account balances upon adoption of IFRS. This standard provides first-time adopters of IFRS with relief from derecognising rate regulated assets and liabilities until a comprehensive project on accounting for such assets and liabilities is completed by the IASB. The effective date is 1 January 2016. This standard will not have impact on the Bank since it is an existing IFRS [illegible]

IFRS 9 Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous version of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Bank's financial assets, but no impact on the classification and measurement of the Bank's financial liabilities. The application of IFRS 9 may change the measurement and presentation of many financial instruments, depending on their contractual cash flows and business model under which they are held. The impairment requirements will generally result in earlier recognition of credit loses. The new hedging model may lead to more economic hedging strategies meeting the requirements for hedge accounting

IFRS 16 leases

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

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, IFRS 15 Revenue from contracts with customers, has been applied or is applied at the same date as IFRS 16. It is not expected that this amendment would be relevant to the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in the financial statements.

(a) Interest

Interest income and expenses are recognised in profit or loss using 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 assets or liability (or, where appropriate, a shorter period) to 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 transaction costs and fees and points paid or received that are integral parts 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 statement of comprehensive income include interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.

b) 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 project management fee and processing 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.

(c) **Employee Benefits**

(i) **Pension fund obligations**

A defined contribution plan is a pension plan under which the bank pays fixed contributions into a separate entity - Pension Fund Administrators (PFA) and has no legal or constructive obligations to pay further contributions. Obligations for contribution plans are recognised as personnel expenses in profit or loss in the periods during which related expenses are rendered. Contributions to a defined contribution plan that are due for more than 12 months after the end of the reporting period in which the employees render the service are discounted to their present value.

For defined contribution plans, the bank pays contributions to an administered pension plans on a rule basis, however, additional voluntary contributions are allowed. The bank has no further payment obligations once the contributions have been paid. The contributions are recognised as personnel expense when they are due.

(ii) **Short-term employee benefits**

The cost of short-term employee benefits (those payable within 12 months after service is rendered) such as paid vacation, leave pay, sick leave and bonuses are recognised in the period in which the service is rendered and is not discounted. The expected cost of short-term accumulating compensated absences is recognised as an expense as the employee render service that increases their entitlement or, in the case of non-accumulating absences, when the absences occur. The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Provisions for leave pay and bonuses are recognised as a liability in the financial statements.

(d) **Tax Expense**

The tax expense represents the sum of the current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

(i) **Current Tax**

The current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible. The bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting year, and any adjustment to tax payable in respect of the previous years

(ii) **Deferred Tax**

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

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the bank expects, at the end of the reporting year, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilites and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which it can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(iii) **Tax**

In determining the amount of current and deferred tax, the bank takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that caused the bank to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the year that such a determination is made.

(e) **Cash and Cash Equivalents**

Cash and Cash Equivalents comprise of notes and coins on hand, demand deposits and other short term, highly liquid financial assets with original maturities of three months or less that are convertible to a known amount of cash which are subject to insignificant risk of changes in value, all of which are available for use by the bank unless otherwise stated. In the statement of financial position, bank overdrafts are included in current liabilities.

(f) Loans and Advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of the equipment.

Loans and advances to customers include:

Those classified as Mortgage Loans;

Those classified as Commercial Real Estate Financing;

Those classified as Others;

Those designated as at fair value through profit or loss.

Loans and advances are initially measured at cost plus incremental direct transaction cost. They are subsequently measured at cost less allowance for impairment and are recognised when cash is advanced to borrowers. When the Bank chooses to designate the loans and advances as measured at fair value through profit or loss, the face value changes are recognised immediately in profit or loss.

Allowance for impairment of Loan is made in accordance with 2011 Revised Guidelines for Primary Mortage Banks in Nigeria issued by the Central Bank of Nigeria (CBN) for each account that is not performing as follows:

Mortgage Loans:

Principal and / or Interest outstanding for over:	**Classification**	**Allowance**
3 months but less than 6 mon	Watchlist	1%
6 months but less than 1 year	Substandard	10%
1 year but less than 2 years	Doubtful	100% less 50% of the estimated net realizable value of the loan
2 years and over	Lost	100%

(f) Loans and Advances (Cont'd)

Commercial Real Estate Financing:

Principal and / or Interest oustanding for ever:		Classification	Allowance
6 months but less than 1 year and the past due is less than 40% of installment amount.		Watchlist	1%
6 months but less than 1 year and the past due is more than 40% of installment amount.		Substandard	25%
1 year but less than 2 years		Doubtful	50%
2 years but less than 3 years		Very doubtful	75%
3 years and over		Lost	100%

Other loans (neither mortgage nor real estate loans)

Principal and / for Interest outstanding for e	Classification	Allowance
3 months but less than 6 months	Substandard	10%
6 months but less than 1 year	Doubtful	50%
1 year and over	Lost	100%

Performing loans

In addition to the specific allowance on non-performing loans, a minimum allowance of 1% is made for all performing accounts to recognize losses in respect of risks inherent in the credit portfolio.

Interest in Suspense

Interest on non-performing loans is recognised to interest in suspense account. Interest suspended is recognised in profit or loss account on cash basis.

(g) **Investment Securities**

Investment securities are initially measured at the fair value plus, in case of investment securities not at fair value through profit or loss, incremental direct transaction cost, and subsequently accounted for depending on their reclassification as either held to maturity, fair value through profit or loss, or available for sale.

(i) Available-for-sale

Available-for-sale investments are non-derivative investments that are designated as available-for-sale or are not classified as another category of the financial assets. Available-for-sale investments comprise equity securities and debt securities and debt securities. Unquoted equity securities whose fair value cannot reliably be measured are carried at cost. All other available-for-sale investments are carried at fair value.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Bank becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale security investments are recognised in profit or loss. Impairment losses are recognised in profit or loss.

Other fair value changes, other than impairment losses, are recognised in other comprehensive income and presented in the fair value reserve in equity. When investment is sold, the gain or loss accumulated in equity is reclassified to profit or loss.

(ii) **Held-to-maturity**

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or a available for sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method, less any impairment losses. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available for sale, and would prevent the Bank from reclassifying investment securities as held to maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstance would not trigger a reclassification.

Sales or reclassification that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;

Sales or reclassification after the Bank has collected substantially all of the asset's original principal and;

Sales or reclassification attributable to non-recurring isolated events beyond the Bank's control that could not have been reasonably anticipated.

(iii) **Fair value through profit or loss**

The Bank designates some investments securities at fair value, with fair value changes recognised immediately in profit or loss.

(h) **Investment Property**

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or service or for administrative purposes. The Bank holds some investment property through building of estates for rental purposes and acquisition of Land from State Government. Investment property is measured using the cost model in line with IAS 40. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amont included in the revaluation reserve is transferred to retained earnings.

When the use of a property changes such that it is reclassified as property, plant and equipment, its cost at the date of reclassification becomes its cost for subsequent accounting.

i) Property, Plant and Equipment

(i) **Recognition and Measurement**

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- The cost of material and direct labour;

- Any other costs directly attributable to bringing the assets to a working condition for their intended use:

- When the Bank has an obligation to remove the asset or restore the site, an estimate of the cost of dismantling and removing the items and restoring the site on which they are located; and

- Capitalised borrowing cost.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised within other income in profit or loss.

(ii) **Subsequent Costs**

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Bank. On-going repairs and maintenance are expensed as incured.

(iii) **Depreciation**

Items of property and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the dated that the assets are completed and ready for use. Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight line basis over their estimated useful lives. Depreciation is recognised in profit or loss, Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful life for the current and comparative years of significant items of property, plant and equipment are as follows:

- Building	50 years
- Motor Vehicles	3-5 years
- Office Equipment	3-5 years
- Computer Hardware	2-5 years
- Furniture & Fittings	4-5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) **Intangible Assets**

(i) **Internally generated intangible assets - Computer software development costs.**

Expenditure on research activities is recognised as an expense in the year in which it is incurred. An internally-generated intangible asset arising from the bank's computer software program development is recognised only if all of the following conditions are met:

- An asset is created that can be identified;

- It is probable that the asset created will generate future economic benefits; and

- The development cost of the asset can be measured reliably

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

After initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

The amortisation period, amortisation method and residual value is reviewed at each financial year end. The residual value of intangible assets is assumed to be zero.

(ii) **Purchased Computer Software**

Intangible assets are measured initially at cost and are amortised on a straight-line basis over their useful lives.

After initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. The average amortisation period is as follows:

- Computer Software: 2-5 years

The residual value of intangible assets is assumed to be zero.

The asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(k) **Share Capital**

Ordinary Shares

Ordinary shares are classified as equity (share capital) and recorded at the proceeds received, net of incremental external costs directly attributable to the issue.

(l) **Financial Instrucments**

(i) **Recognition and Measurement**

Financial assets and financial liabilities are recognised in the statement of financial position when the bank becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at their fair value plus in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Purchases and sales of financial instruments are measured on a trade-date basis.

Financial liabilities and equity instruments, issued by the bank, are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the bank after deducing all of its liabilities

Financial assets are derecognised when and only when:

- The contractual rights to the cash flows from the financial assets expire; or
- The bank transfers the financial asset, including substantially all the risks and rewards of ownership of the asset.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the contract is discharged, cancelled or has expired. The difference between the carrying amount of a financial liability (or part thereof) extinguised or transferred to another party and consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss

Investments made by bank which are classified as either held at fair value through profit or loss or available-for-sale, and are measured at subsequent reporting dates at fair value.

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 values of quoted investments and unit trusts in active markets are based on current market prices. Since actual market prices are available in determinging fair values, no significant estimates or valuation models are applied in determining the fair value of quoted financial instruments.

ii **Fair Value Hierarchy**

Fair values are determined according to the following hierarchy bases on the requirements in IFRS 7 'Financial Instruments: Disclosures'':

- Level 1: Quoted market prices: financial assets and liabilities with quoted prices for identical instruments in active markets.

- Level 2 Valuation techniques using observable inputs: quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial assets and liabilities valued using models where all significant inputs are observable.

- Level 3: Valuation techniques using signifiacant unobservable inputs: financial assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable.

The best evidence of fair value is a quoted price in an active market. In the event that the market for a financial asset or liability is not active, a valuation technique is used.

iii De- recognition of Financial Instruments

Financial assets are derecognised when the contractual rights to receive cash flows from the investments have expired or on trade date when they have been transferred and the bank has also transferred substantially all risks and rewards of ownership. Non-cash fiancial assets pledged, where the counterparty has the right to sell or re-pledge the assets to a third party, are classified as pledged assets.

Financial liabilities are derecognised when they are extinguished, that is when the obligation is discharged, cancelled or expires.

iv Financial Assets

Management determines the classification of financial assets at initial recognition; this classification depends on the nature and purpose of the financial asstes. Financial assets are classified into the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity and
- available-for-sale financial assets.

- Financial Assets at fair value through profit or loss

This category has two components: those held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of generating a profit from short-term fluctuation in price or a security is included in a portfolio in which a pattern of short-term profit taking exists or if so designated by management at inception as held at fair value through profit or loss.

Financial assets designated at fair value through profit or loss at inception are those that are:

Held to match liabilities that are linked to changes in fair value of these assets. The designation of these assets at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistently (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising gains and losses on them on different bases; or

Managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the bank's key management personnel.

- **Loans and Receivables**

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These arise when the bank provides money, goods or services directly to a customer with no intention of trading the receivable. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment losses. The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured on initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reductions for impairment of financial assets. The carrying amount represents its fair value.

- **Available-for-sale**

  Availabe-for-sale instruments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value on the statement of financial position.

- **Held-to-Maturity**

  Held-to-Maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has both the positive intent and ability to hold to maturity. Held-to-maturity investments are carried at amortised cost, using the effective interest method, less any impairment losses.

v Financial Liabilities

Financial Liabilities are recognised initially at fair value, generally being their issue proceeds net of transaction costs incurred. Financial liabilities are subsequently stated at amortised cost and interest is recognised over the period of the borrowing using the effective interest method.

The bank classifies certain liabilities at fair value through profit or loss, mainly to match the accounting classification of assets with similar risks. Such liabilities are accounted for at fair value with changes in fair value recognised in profit or loss.

vi Gains and Losses

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss'category are included in profit or loss in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in comprehensive income, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in comprehensive income is recognised in profit or loss. Interest income, calculated using the effective interest method, is recognised in profir or loss except for short term receivables where the recognition of interest would be immaterial. Dividends on available-for-sale equity instruments are recognised in the profit or loss when the bank's right to receive payment is established.

vii Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

viii Offsetting of Financial Instruments

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

ix Impairment of Financial Assets

(i) Assets Carried at Amortised Cost

At each reporting date, the bank assesses whether there is objective evidence that a financial assets or group of financial assets are impaired. A financial asset or a group of financial assets is impaired and impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more events that occured after the initial recognition of the asset (a 'loss event') and that loss event(s) has an impact on the estimated future cash flows of the financial asset or groupof financial assets that can be reliably estimated.

The bank first assesses whether objective evidence of impairment exists individually for financial asset 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 then 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 the collective assessment of impairment. If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset'carrying amount and the present value of estimated future cash flows discounted at the financial assets'original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occuring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The reverse 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 is recognised in profit or loss.

(ii) Assets Carried at Fair Value

At each reporting date, the bank assesses whether there is objective evidence thast a financial asset or a group of financial assets is impaired. In the case of investments classifed as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquision cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from comprehensive income and recognised in profit or loss.

Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not subsequently reversed through profit or loss, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income. However, if in a subsequent period the fair value of a debt instrument classified as available-for-sale increase and the increase can be objectively related to an event occuring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

m) Provisions

Provisions are liabilities of uncertain timing or amount, and are recognised when the bank has a present obligation as result of a past event, and it is probable that the bank will be required to settle that obligation. Provisions are measured at the director's estimate of the expenditure required to settle taht obligation at the end of each reporting period, and are discounted (at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability) to present value where the effect is material.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect of any item included in the same class of obligations may be small.

n) Foreign Currency Transactions and Balances

Foreign Currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. The functional currency is the currency of the primary economic environment in which the entity operates, which is the Nigeria Naira.

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

At the end of each reporting year, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items of historical cost in a foreign currency are not retranslated.

4. **Financial Risk Management**

(a) Introduction

The bank uses its financial skills to provide competitive mortgage banking services to a broad range of customer - Local and Foreign.

Risk Management is essential to help ensure business sustainability thereby providing customers and the shareholders with a long-term value proposition.

Key elements of risk management are:

- Strong corporate governance including relevant and reliable management information and internal processess;

- Ensuring significant and relevant skills and services are available consistently to the bank;

- Influencing the business and environment by being active participants in the relevant regulatory and business forums; and

- Keeping abreast of technology and consumer trends and investing capital and resources where required.

The overall bank focus within an appropriate risk framework is to give value to the customers through effective and efficient execution of transactions.

The board of directors acknowledges its responsibility for establishing, monitoring and communicating

(b) Significant risks

The bank has exposure to significant risks which are categorised as follows:

(i) Regulatory (capital adequacy, legal, accounting and taxation);

(ii) Business environment (reputation and strategic);

(iii) Operational (people, information technology and internal control processes);

(iv) Market (equity prices, interest rate and currency); and

(v) Liquidity

(c) Detailed Discussion of significant risks

(i) Regulatory Risk

Regulatory risk is the risk arising from a change in regulations in any legal, taxation and accounting pronouncements or specific industry that pertain to the business of the Company. In order to manage this risk, the Company is an active participant in industry and preferred bodies, such as the Chartered Institute of Stockbrokers, Nigerian Stock Exchange, Securities and Exchange Commission and Central Bank of Nigeria and engages in discussions with policy makers and regulators.

Regulatory Capital Risk

Regulatory Capital Risk is the risk that the company does not have sufficient capital to meet either minimum regulatory or internal amounts.

The Central Bank of Nigeria (CBN) sets and monitors capital requirements for the bank to protect its customer deposit and counterparties. The bank is required to maintain a prescribed minimum level of risk adjusted capital of N2.5billion (Two Billion Five Hundred Million Naira only) calculated in accordance with such requirements as Central Bank of Nigeria (CBN) may from time to time prescribe.

The bank's objectives in managing capital are:

- To safeguard the bank's ability to continue as a going concern so that it can continue to provide returns for the shareholder and benefits for other stakeholders; and

- To provide an adequate return to the shareholder commensurately with the level of risk.

The table below summaries the minimum required capital and the regulatory capital held.

	2016	2015
Regulatory minimum capital requirement (N'000)	5,000,000	5,000,000
Actual qualifying capital (N'000)	0	0
Actual Capital Ratio (times)	0	0

Based on the revised guidelines for Primary Mortgage Banks (PMB) in Nigeria issued by Central Bank of Nigeria (CBN), the new minimum capital requirement shall be N5,000,000,000 (Five Billion Naira Only) for National PMB and N2,500,000,000 (Two Billion and Five Hundred Million Naira Only) for State PMB.

Legal Risk
Legal risk is the risk that the company will be exposed to contractual obligations which have not been provided for

The bank has a policy of ensuring all contractual obligations are documented and appropriately evidenced to agreements with the relevant parties to the contract.

All significant contracted claims are reviewed by independent legal resources and amounts are provided for if there is consensus as to any possible exposure. At 31 December 2016, the directors are not aware of any significant obligation not provided for.

Taxation Risk
Taxation risk is the risk of suffering a loss, financial or otherwise, as a result of an incorrect interpretation and application of taxation legislation or due to the impact of new taxation legislation on existing products.

Taxation risk occurs in the following key areas;
- Transactional risks;
- Operational risk;
- Compliance risk; and
- Financial accounting risk.

- Transactional Risks;
The risk which concerns specific transactions entered into by the bank, including restructuring projects and reorganizations.

- Operational Risks;
The underlying risks of applying tax laws, regulations and decisions to the day-to-day business operations of the bank.

- Compliance Risks;
The risk associated with meeting the company's statutory obligations.

- Financial Accounting Risk

The risk relates to the inadequacy of proper internal controls over financial reporting, including tax provisioning.

In managing the bank's taxation risk, the bank tax policy is as follows:

The bank will fulfil its responsibilities under tax law in each of the jurisdictions in which it operates, whether in relation to compliance, planning or client service matters.Tax law includes all responsibilities which the bank may have in relation to company taxes, personal taxes, capital gains taxes, indirect taxes and tax administration.

Compliance with this policy is aimed at ensuring that:

- All taxes due by the company are correctly identified, calculated, paid and accounted for in accordance with the relevant tax legislation;

- The bank continually reviews its existing operations and planned operations in this context; and

- The bank ensures that, where clients participate in company products, these clients are either aware of the probably tax consequences, or are advised to consult with independent professionals to assess these consequences, or both.

The identification and management of tax risk is the primary objective of the company tax function, and this objective is achieved through the application of a formulated tax risk approach, which measures the fulfilment of tax responsibilities against the specific requirements of each category of tax to which the company is exposed, in the context of the various types of activities the company conducts.

Accounting Risk
Accounting Risk is the risk that the company fails to explain the current events of the business in the financial statements.

Accounting risk can arise from the failure of management to:
- Maintain proper books and records, accouting system and to have proper accounting policies;
- Establish proper internal accounting controls;
- Prepare periodic fiancial statements that reflect an accurate financial position; and
- Be transparent and fully disclose all important and relevant matters.

Measures to control accounting risk are the use of proper accounting systems, books and records based on proper accounting policies as well as the establishment of proper internal accounting controls. Proposed accounting changes are researched by accounting resources, and if required external resources, to identify and advise on any material impact on the bank.

Financial statements are prepared in a transparent manner that fully disclose all important and relevant matters as well as accurately reflecting the financial position, results and cash flows of the bank.

(ii) Business Environment

Reputational Risk
Reputational Risk is the risk of loss caused by a decline in the reputation of the bank or any of its specific business units from the perspective of its stakeholders, shareholders, customers, staff, business partners or the general public.

Reputational risk can both cause and result from losses in all risk categories such as market or credit risk.

Strategic Risk
Strategic Risk is the risk of an unexpected negative change in the bank value, arising from the adverse effect of executive decisions on both business strategies and their implementation.

This risk is a function of the compatibility between strategic goals, the business strategies developed to achieve those goals and the resources deployed to achieve those goals. Strategic risk also includes the ability of management to effectively analyse and react to external factors, which could impact the future direction of the relevant business units.

Company Risk identifies and assesses both those risks qualitatively as part of a quartely evaluation. On the basis of this evaluation, company risk creates an overview of local and global risks which also includes reputational risks, analyses the risk profile of the bank and regularly informs directors and management.

(iii) Operational Risk

Operational Risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.

The initiation of all transactions and their administration is conducted on the foundation of segregation of duties that has been designated to ensure materially the completeness, accuracy and validity of all transactions. These controls are augmented by management and executive review of control accounts and systems, electronic and manual checks and controls, back-up facilities and contingency planning. The internal control systems and procedures are also subjected to regular internal audit reviews.

(iv) Market Risk

Market Risk includes asset liability matching risk, currency risk, interest rate risk and equity price risk.

The bank is exposed to market risk through its financial assets and financial liabilities. The most important components of this risk are interest rate risk and market risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

Interest Rate and Market Price Risk

These risks have very different impacts on the various categories of business used in the bank's Assets and Liabilities Management framework. Interest rate and market price risk have been discussed together since they interact on certain types of liabilities.

Interest Rate Risk

Interest rate risk is the risk that the value and cash flow of a financial instrument will fluctuate due to changes in market interest rates.

Equity Price Risk

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

Foreign Currency Risk
In respect of other monetary assets and liabilities held in currencies other than the Naira, the company ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates, where necessary, to address short-term imbalances.

Credit Risk
Credit risk is the risk that one party to a financial instrument will cause a loss to the other party by failing to discharge an obligation.

Key areas where the bank is exposed to credit risk are:

** Certain classes of financial assets such as bonds, term deposits and cash and cash equivalents and*

* Certain accounts within trade and other receivables.

Financial Assets
Various debt instruments are entered into by the company in order to invest surplus shareholder funds. The company is exposed to the issuer's credit standing on these instruments.

The following policy and procedure is in place to mitigate the bank's exposure to this credit risk:

* Exposure to outside financial institutions concerning financial instrument is monitored in accordance with parameters which have been approved by the bank's Audit Committee and the bank's board.

Other Receivables
Investment sale debtors are protected by the security of the underlying investment not being transferred to the purchaser prior to payment.

Liquidity Risk
Liquidity risk is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The bank is registered mortgage banker and is required to hold minimum liquid capital. The Central Bank of Nigeria (CBN) is the regulatory authority that regularly reviews compliance with these minimum capital requirements.

Sensitivities

Management applies a number of sensitivity tests to the earnings of the bank to better understand the exposure to and importance of each of the main drivers of profitability.

IFRS 7 requires management to report on the changes in the net income after tax following "reasonable possible" changes in each of the factors to which the bank is exposed. Management has set the upside and downside movements for each factor at a level which represents the amount by which management believes that factor could reasonable change over the year following the valuation date. These opinions have been informed by an analysis of historical one year changes in those factors. The upper and lower limits have been set the 75th and 25th percentiles of observed changes as these bound and interval which may be expected to contain 50% of the changes in the coming year. Management believes this represents in some sense what is "reasonably possible", though it is important to note that this opinion is based on past experience and the tested range is not sensitive to all the relevant information in the market at the reporting date.

Management has considered the impact of upside and downside movements in foreign exchange rates. In relation to these sensitivities:

* The earnings are sensitive to changes in both the shape and level of the yield curve. Management has not considered changes in the shape of the yield curve due to several costraints although this may be reviewed in the following year.

* The foreign exchange movements have been considered together in the same sensitivity. Observed historic negative correlations between factors would tend to dampen the effects presented. These correlations are not very large and they have not been adjusted for. This treatment has resulted in the presentation of a slightly more extreme view of what could reasonably occur over the following year.

Future rates of expense inflation, catastrophes and tax assumptions were considered but no sensitivities are presented as it is unlikely, in management's opinion that, these assumptions will change over the following year.

It should be noted that each impact on profit after tax is shown individually for each sensitivity being changed, keeping all other assumptions constant. In practice this is unlikely to occur, as changes in some of the variables mav be correlated.

		2016 ₦'000	2015 ₦'000
5	**INTEREST INCOME**		
	Cash and cash equivalent	**652**	3,290
	Loans and advances to customers	**252,075**	389,106
	Treasury Bills and Investment Securities	**16,451**	1,098
	Others	**269,680**	323,466
		538,858	716,960
6	**INTEREST EXPENSE**		
	Deposit from customers	**336,700**	330,036
	Others	**87,958**	84,537
		424,658	414,573
	Net Interest Income	**114,200**	302,387

Interest expenses were primarily incurred from various customers deposit accounts which attracts different interest rates based on the amount, tenure and deposit type.

		2016 ₦'000	2015 ₦'000
7	**FEE AND COMMISSION INCOME**		
	Credit related fees	**105,431**	579,038
	Commission on turnover	**688**	8,195
	Asset Management Fee	**306**	179,931
	Others	**800**	1,077
		107,225	768,241
8	**FEE AND COMMISSION EXPENSE**		
	Credit related expenses	**5,671**	126,981
	Asset Management expenses	**7,560**	9,449
	Others	**-**	-
		13,231	136,430
	Net Fee and Commission Income	**93,994**	631,811

i. Fees and commission income were earned from credit related fees, commission on turnover and asset management fees. Other income comprises professional fees, draft commission, returned cheque commission, commitment fees, extension fees, redacos commission and standing order charges.

i. Fee and commission expenses were incured on credit products, NHF processing expenses and project management expenses.

		2016 ₦'000	2015 ₦'000
9	**INVESTMENT INCOME**		
	Dividend income	**1,486**	1,567
	Rental income	**14,075**	29,850
		15,561	31,417

Investment income were rentals mainly derived from investment properties.

		2016 ₦'000	2015 ₦'000
10	**OTHER INCOME**		
	Penalty charges	**286**	558
	Search fees	**77**	1,689
	Cheque book charges	**216**	803
	Saving Passbook/Slips charges	**225**	604
	Account closure charges	**40**	52
	Commission received	**-**	10,904
	SMS income account	**645**	1,699
	E-Business NEFT and Commission Income Account	**-**	10,046
	Debit Card Income Account (RSL)	**1,045**	12,971
	Corresponding ATM Income Account	**7**	10,072
	Other income	**219,808**	17,309
		222,349	66,706
11	**ALLOWANCE AND IMPAIRMENT LOSS**		
	Investment securities	**135,798**	151,695
	Loans and advances to customers	**143,420**	182,321
		279,218	334,016

Impairment loss has been provided based on the recoverability of the asset being less than the carrying value of the Bank's assets. Allowance for impairment of loan is made in accordance with the 2011 Revised Guideline for Primary Mortgage Banks in Nigeria issued by the Central Bank of Nigeria (CBN).

		2016 ₦'000	2015 ₦'000
12	**PERSONNEL EXPENSES**		
	Salaries and wages	**194,454**	275,119
	Gratuity and Productivity Incentive	**176,107**	153,202
	Pension contribution	**50,116**	253
		420,677	428,574

12 **PERSONNEL EXPENSES (CONT'D)**

Average number of personnel employed (including directors):

	2016	2015
	Number	Number
Directors	7	4
Management	8	8
Others	116	153
	131	165

Key Management includes the Bank's Managing Director, the General Manager and Assistant General Manager, Managers and or Heads of Units, Departments and Branches.

13 **OTHER OPERATING EXPENSES**

	2016 ₦'000	2015 ₦'000
Auditors' Remuneration		
Audit fee	**4,000**	4,000
	4,000	4,000
Professional Fees	**43,551**	98,242
* **Other Expenses**	**292,129**	487,088
Directors' Emoluments		
Non-Executive Directors' Emolument	**-**	12,311
Executive Directors' Emolument	**27,310**	26,736
	27,310	39,047
Total Other Operating Expenses	**366,990**	628,377

* Other expenses comprised of rent and rates, advert and promotions, business development, transport cost, motor running, Bank/Financial charges, statutory charges, printing and stationery, fuel and lubricants.

14 **DEPRECIATION AND AMORTISATION**

	2016 ₦'000	2015 ₦'000
Depreciation		
Building	**12,321**	20,045
Office equipment	**5,248**	7,736
IT Equipment	**4,528**	22,835
Furniture and Fittings	**1,973**	4,016
Motor vehicle	**32,123**	34,406
	56,193	89,039

	2016 ₦'000	2015 ₦'000
14 DEPRECIATION AND AMORTISATION (CONT'D)		
Amortisation		
Computer Software	**47**	242
	47	242
Total depreciation and amortisation	**56,241**	89,280

The Bank's depreciation policy is consistent with prior year and the applicable rates have been applied on property, plant and equipment. Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the assets are completed and ready for use. Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight line basis over their estimated useful lives. Depreciation is recognised in profit or loss.

	2016 ₦'000	2015 ₦'000
15 CASH AND CASH EQUIVALENTS		
Cash on hand	**5,988**	5,912
Cash and balances with other Banks	**105,612**	104,188
Money Market Placements	**1,602**	1,538
	113,202	111,638

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

	2016 ₦'000	2015 ₦'000
16 LOANS AND ADVANCES		
(a) Analysis of Loans and Advances by Nature		
Mortgage loans	**2,865,800**	2,047,610
Commercial Real Estate Financing	**1,137,205**	1,216,715
Others	**251,837**	35,611
Gross loans	**4,254,842**	3,299,936
Collective impairment (Note 16 (c)	**(41,243)**	(39,599)
Specific impairment (Note 16 (c)	**(739,785)**	(598,009)
	(781,028)	(637,608)
Net Loans	**3,473,814**	2,662,328

(b) **Loans and Advances to customers at amortised cost**
As at 31 December, 2016

	Gross Amount ₦'000	Impairment Allowance ₦'000	Carrying Amount ₦'000
Mortgage loans	2,865,800	443,245	2,422,555
Commercial Real Estate Financing	1,137,205	237,673	899,532
Others	251,837	100,110	151,727
	4,254,842	781,028	3,473,814

(b) Loans and Advances to customers at amortised cost
As at 31 December, 2015

	Gross Amount ₦'000	Impairment Allowance ₦'000	Carrying Amount ₦'000
Mortgage loans	2,047,610	286,198	1,761,412
Commercial Real Estate Financing	1,216,715	351,310	865,405
Others	35,611	100	35,511
	3,299,936	**637,608**	**2,662,328**

(c) **Impairment allowance on loans and advances**

	2016 ₦'000	2015 ₦'000
Collective Impairment		
As at 1 January	**39,599**	38,330
Impairment Loss for the year:		
Charge for the year	**1,644**	1,269
As at 31 December	**41,243**	39,599
Specific Impairment		
As at 1 January	**598,009**	416,957
Impairment Loss for the year:		
Charge for the year	**141,776**	181,052
As at 31 December	**739,785**	598,009

(d) **Analysis of Loans and Advances by Security:**

	2016	2015
Secured against Real estate estate	**3,411,877**	2,047,610
Otherwise secured	**842,965**	1,252,326
	4,254,842	3,299,936

(e) The regulatory body, Central Bank of Nigeria (CBN)/Nigeria Deposit Insurance Corporation (NDIC), stipulates that impairment charges recognized in the profit or loss account shall be determined based on the requirements of IFRS. The IFRS impairment should be compared with impairment determined under the 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 general reserve to a non-distributable regulatory reserve.

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

	2016 ₦'000	2015 ₦'000
Transfer to Non-distributable Regulatory Reserve		
Prudential provision		
General provision - 1%	**42,548**	32,999
Specific provision	**6,845,542**	747,495
Interest in suspense	**-**	7,502
Total pudential provision	**6,888,090**	787,996

	2016 ₦'000	2015 ₦'000
Transfer to Non-distributable Regulatory Reserve (Cont'd)		
IFRS Provision		
Collective impairment	**41,243**	39,599
Specific impairment	**739,785**	598,009
Total IFRS provision	**781,028**	637,608
Total prudential provision	**6,888,090**	2,992,604
IFRS impairment	**(781,028)**	(637,608)
	6,107,062	2,354,996
Movement in regulatory risk reserve		
At 1 January	**2,354,996**	2,778,216
Transfer	**3,752,066**	(423,220)
At 31 December	**6,107,062**	2,354,996

(f) **Analysis of Loans and Advances by Performance (Prudential Guideline)**
As at 31 December, 2016

	Gross Loans ₦'000	Principal Allowance ₦'000	Interest in Suspense ₦'000	Total Allowance ₦'000
Watch list	**36,500**	**-**	**365**	**365**
Substandard	**35,464**	**-**	**3,546**	**3,546**
Doubtful	**285,362**	**126,208**	**16,473**	**142,681**
Very doubtful	**2,286,461**	**1,644,217**	**70,629**	**1,714,846**
Lost	**698,540**	**501,183**	**197,357**	**698,540**
	3,342,327	**2,271,608**	**288,371**	**2,559,979**
Performing	**912,514**	**-**	**-**	**-**
	4,254,842	**2,271,608**	**288,371**	**2,559,979**
Other provisioning	**-**	**-**	**-**	**4,328,111**
	4,254,842	**2,271,608**	**288,371**	**6,888,090**

As at 31 December, 2015

	Gross Loans ₦'000	Principal Allowance ₦'000	Interest in Suspense ₦'000	Total Allowance ₦'000
Watch list	29,036	-	290	290
Substandard	144,935	4,784	567	5,351
Doubtful	439,679	19,840	887	20,727
Very doubtful	714,017	10,513	623	11,136
Lost	912,358	712,358	5,135	717,493
	2,240,025	747,495	7,502	754,997
Performing	1,059,911	-	-	32,999
				787,996
Other provisioning	-	-	-	2,204,608
	3,299,936	747,495	7,502	2,992,604

(g) **Analysis of Loans and Advances by Maturity**

	2016 ₦'000	2015 ₦'000
Under 1 month	**811,745**	757,475
1 - 3 months	**395,112**	394,349
3 - 6 months	**264,504**	240,553
6 - 12 months	**284,413**	288,664
Over 12 months	**2,499,068**	1,618,895
	4,254,842	3,299,936

(h) **Classification of Loans and Advances by Performance (Prudential Guideline)**
As at 31 December, 2016

	Mortgage Financing ₦'000	Real Estate Financing ₦'000	Other Loans ₦'000	Total ₦'000
Performing	711,332	176,337	24,845	912,514
Watch list	2,758	25,994	7,749	36,501
Substandard	22,984	3,220	9,260	35,464
Doubtful	199,287	73,900	12,176	285,363
Very doubtful	1,712,887	300,119	273,455	2,286,461
Lost	311,888	12,998	373,653	698,539
	2,961,136	592,568	701,138	4,254,842

As at 31 December, 2015

	Mortgage Financing ₦'000	Real Estate Financing ₦'000	Other Loans ₦'000	Total ₦'000
Performing	1,466,332	715,876	-	2,182,208
Watch list	105,661	-	-	105,661
Substandard	96,771	196,883	35,611	329,265
Doubtful	100,665	-	-	100,665
Very doubtful	154,299	119,234	-	273,533
Lost	123,882	184,722	-	308,604
	2,047,610	1,216,715	35,611	3,299,936

Loans and advances are measured at amortised cost using the effective interest methods less a provision for impairment. At each reporting period, the Bank assesses whether there is objective evidence that the loan are impaired. The criteria used to determine if objective evidence of impairment loss exists include; significant financial difficulty of the obligor, delinquency in interest or principal payment and or it becomes probable that the borrower will enter bankruptcy or other financial reorganisation. If such evidence exists, the Bank recognises an impairment loss. The loss is the difference between the cost of the loan or advance and the present value of the estimated future cash flows discounted using the instrument's original effective interest rates and or determined provision using the Central Bank Of Nigeria (CBN) specified benchmark for loan loss provision for primary mortgage banks. The carrying amount of the loan are reduced by the amount, through the use of allowance account. The impairment loss are reversed in subsequent period if the amount of the loss decreases and the decrease can be related objectively to an event occuring after the impairment was recognised.

As at 31 December, 2016, N2,549,903,696 (2015: N1,461,121,318) included in mortgage financing are FMBN loans disbursed to NHF customers.

(i) **Insider-Related Credits**

	2016 ₦'000	2015 ₦'000
Aggregate amount of insider related credits outstanding At 31 December:	574,734	666,398
Non performing (note 31)	474,480	662,251

The details of non-performing insider related credits are analysed in note 31 of these financial statements in conformity with the Central Bank of Nigeria Circular BSD/1/2004.

		2016 ₦'000	2015 ₦'000
17	**INVESTMENT SECURITIES**		
	Available for Sale Investment Securities		
	Equities securities with readily determinable fair values	**444,527**	444,527
	Unquoted Equity Securities at cost	**1,953,228**	2,053,228
		2,397,755	2,497,755
17.1	**Quoted securities with readily determinable fair values**		
	At 1 January	**-**	329,042
	Additions during the year	**-**	-
	Less: Disposal	**-**	(202,347)
		-	126,695
	Less: Impairment	**-**	(126,695)
	Carrying value	**-**	-
17.2	**Unquoted Equity Securities at fair value**		
	At 1 January	**662,004**	487,004
	Additions during the year	**-**	200,000
	Less: Disposal	**(100,000)**	-
		562,004	687,004
	Less: Impairment	**(135,798)**	(25,000)
	Carrying value	**426,206**	662,004
		426,206	662,004
17.3	**Analysis of impairments for the year**		
	Impairment on quoted securities	**-**	126,695
	Impairment on un-quoted securities	**135,798**	25,000
		135,798	151,695

The Bank's securities classified as quoted are securities listed and traded on the Nigerian Stock Exchange and the fair value of the securities have been determined using valuation techniques. The Bank has used the market value approach to value these securities, based on weighted average price of stocks purchased during the period. The market value have ascertained by reference to quoted stock prices ruling as at 31 December, 2016.

Also included in unquoted investment that have been designated at cost is the Banks equities investment in Resort Developers Limited. This investment (2016: N200 million; 2015: N200 million) represents equity holding in investee company that gives the Bank 100% voting right of the investee. The property development subsidiary is currently being managed by the Bank.

		2016 ₦'000	2015 ₦'000
18	**NON-CURRENT ASSETS HELD FOR SALE**		
	Net fair value at 1 January	**1,749,884**	1,398,580
	Additions during the year	**5,251**	1,765,879
	Disposal	**(96,018)**	(1,414,575)
	Carrying value	**1,659,117**	1,749,884

In compliance with the Central Bank of Nigeria (CBN) directive prohibiting all Primary Mortgage Banks from project management for real estate development, the Board has designated the investment properties for sale.

		2016 ₦'000	2015 ₦'000
19	**OTHER ASSETS**		
	Interest receivables	**118,417**	101,293
	Prepayments	**1,283**	344,236
	Other	**1,737,530**	1,085,713
		1,857,230	1,531,242
20	**INTANGIBLE ASSETS**		
	Purchased Software		
(a)	**Cost**		
	Balance as at 1 January	**39,192**	39,112
	Acquisitions	**-**	80
	Balance as at 31 December	**39,192**	39,192
(b)	**Accumulated amortisation and impairment losses**		
	Balance as at 1 January	**38,749**	38,507
	Amortisation for the year	**47**	242
	Balance as at 31 December	**38,796**	38,749
	Carrying Amounts	**396**	443

There were no capitalised borrowing costs related to acquisition of software in 2016 (2015: nil).

21 PROPERTY, PLANT AND EQUIPMENT

a)

COST	Land N'000	Building N'000	IT equipment N'000	Office equipment N'000	Motor vehicles N'000	Furniture & fittings N'000	Total N'000
At 1 January, 2016	60,155	176,781	169,824	117,132	212,319	74,308	810,521
Additions	-	-	587	260	-	-	847
Disposals	-	-	-	-	(22,315)	-	(22,315)
At 31 Dece	**60,155**	**176,781**	**170,411**	**117,392**	**190,004**	**74,308**	**789,053**
DEPRECIATION							
To 1 January, 2016	-	121,050	162,132	101,366	174,724	72,742	632,014
Charge for the year	-	12,321	4,528	5,248	32,123	1,973	56,193
Disposals	-	-	-	-	(22,315)	-	(22,315)
To 31 Dec	**-**	**133,371**	**166,660**	**106,614**	**184,532**	**74,715**	**665,892**
CARRYING AMOUNT							
At 31 Dec	**60,155**	**43,410**	**3,750**	**10,778**	**5,472**	**(407)**	**123,161**
At 31 Dece	60,155	55,731	7,692	15,767	37,595	1,566	178,506

There were no capitalised borrowing costs related to acquisition of property, plant and equipment during the year (2015: nil).

b)

COST	Land N'000	Building N'000	IT equipment N'000	Office equipment N'000	Motor vehicles N'000	Furniture & fittings N'000	Total N'000
At 1 Janua	60,155	175,081	165,794	106,526	215,519	70,750	793,825
Additions	-	1,700	4,030	10,606	-	3,558	19,895
Disposals	-	-	-	-	(3,200)	-	(3,200)
At 31 Dece	**60,155**	**176,781**	**169,824**	**117,132**	**212,319**	**74,308**	**810,520**
DEPRECIATION							
To 1 Janua	-	101,005	139,297	93,630	143,518	68,726	546,176
Charge for	-	20,045	22,835	7,736	34,406	4,016	89,038
Disposals	-	-	-	-	(3,200)	-	(3,200)
To 31 Janu	**-**	**121,050**	**162,132**	**101,366**	**174,724**	**72,742**	**632,014**
CARRYING AMOUNT							
At 31 Dec	**60,155**	**55,731**	**7,692**	**15,766**	**37,595**	**1,566**	**178,506**

		2016 ₦'000	2015 ₦'000
22	**DEPOSITS FROM CUSTOMERS**		
	Retail customers:		
	Current deposits	**282,066**	278,651
	Saving deposits	**1,150,733**	1,096,980
	Term deposits	**1,695,076**	1,625,462
	Corporate customers:		
	Current deposits	**395,920**	376,471
	Saving deposits	**7,373**	6,803
	Term deposits	**677,036**	630,039
		4,208,204	4,014,406
	Maturity profile of deposit liabilities		
	Under 1 month	**967,122**	987,227
	1 - 3 months	**1,724,996**	601,115
	3 - 6 months	**787,331**	1,701,775
	6 - 12 months	**505,132**	500,667
	Over 12 months	**223,623**	223,622
		4,208,204	4,014,406
23	**INCOME TAX**		
(i)	**Income tax liabilities**		
	Balance as at 1 January	**72,518**	57,029
	Charge for the year	**14,626**	15,489
		87,144	72,518
	Payment during the year	**(100)**	-
	Balance as at 31 December	**87,044**	72,518
(ii)	**Income tax expenses**		
	Company income tax	**14,626**	15,489
	Education tax	**-**	-
	Information Technology Levy	**-**	-
		14,626	15,489
	Deferred tax charge/(credit)	**-**	-
	Charge to income statement	**14,626**	15,489

(iii.) The charge for taxation in these financial statements is based on the provision of the Companies Income Tax Act. The charge for education tax is based on the provision of the Education Tax Act. Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity

(iv.) The Nigerian Information Technology Development Agency (NITDA) Act 2007 stipulates that, specified companies contribute 1% of their profit before taxation to the Nigerian Information Technology Development

23 (v.) **INCOME TAX (CONT'D)**

The deferred tax has been assessed in accordance with the International Financial Reporting Standards (IFRS). The Bank has a history of tax losses and temporary differences resulting to deferred tax asset. The deferred tax asset has not been recognised, as there are no assurance beyond any reasonable doubt that future taxable profit would be sufficient to allow the benefit of the loss to be realised

		2016 ₦'000	2015 ₦'000
24	**OTHER LIABILITIES**		
	Creditors and accruals	**479,461**	110,607
	Employee retirement benefits obligation	**77,301**	22,599
	Provision for gratuity	**179,315**	86,238
	Non-verified deposit for investment	**650,000**	650,000
	Others	**1,552,996**	1,268,006
		2,939,073	2,137,450

The Bank operates defined benefit pension plan based on employee pensionable earnings and length of service and defined contribution plans based on employer and employee (18% of basic salary, housing and transport allowances) contributions.

The provision for gratuity of N179.315 million (2015: N86.238 million) are provision for post employment benefits. These balances were however not professionally valued by an Actuaries for the year ended 31 December, 2016 as required by IAS 19

		2016 ₦'000	2015 ₦'000
25	**LONG-TERM BORROWINGS**		
	Federal Mortgage Bank of Nigeria	**2,549,904**	2,111,121
		2,549,904	2,111,121

This represent funds obtained from Federal Mortgage Bank of Nigeria and disbursed to beneficiaries of National Housing Fund (NHF). Interest rate is 4%. Interest and principal are payable monthly.

		2016 ₦'000	2015 ₦'000
26	**SHARE CAPITAL**		
	Authorized		
	20,000,000,000 (2015: 20,000,000,000) ordinary shares of 50k each	**10,000,000**	10,000,000
	Issued and fully paid		
	11,329,732,404 (2015: 11,329,732,404) ordinary shares of 50k each	**5,664,866**	5,664,866

As at 31 December, 2016 the Bank's authorised share capital comprised 20,000,000,000 ordinary shares (2015:20,000,000,000) while the issued share capital is 11,329,732,404 (2015:11,329,732,404). All issued shares are fully paid, holders of ordinary shares are entitled to receive dividends as declared from time to time. The paid-up share capital is N5,664,866,202 comprising of 11,329,732,404 ordinary shares of 50k each.

The holders of ordinary shares are entitled to one vote per share at meeting of the Bank. All shares rank equally with regard to the Bank's residual assets.

27 **COMMITMENTS AND CONTINGENCIES**

There are litigations and claims against the Bank as at 31 December, 2016. These claims arose in the normal course of business and are being contested by the Bank. The Directors, having sought advice of professional counsels, are of the opinion that no significant liability will crystalise from these claims. No provision have been made in these financial statements on crystalised claims.

28 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes directors and key management personnel among others.

The related party loans as at 31 December, 2016 are shown on page 60.

29 CONTRAVENTIONS

The Bank paid N3,990,000 as penalty to the Central Bank of Nigeria (CBN) for late submission of 2015 audited financial statements.

30 EVENTS AFTER REPORTING DATE

There were no events after the reporting date which could have a material effect on the financial position of the Bank as at 31 December, 2016.

31 **DIRECTORS/SISTER'S COMPANY LOANS**

S/N	OF BORRO	RELATIONSHIP OF BORROWERS T THE BANK	FACILITY TYPE	DATE GRANTED	EXPIRY DATE	AMOUNT DUE AS AT 12/31/2016 =N=	STATUS
1.	Resort Securities & Trust Lt		Term Loan		12/29/2019	80,384,096.17	Performing
2.	Resort Securities & Trust Ltd					18,903,663.27	Non-performing
3.	DVCF OIL & GAS PLC		Term Loan		12/29/2019	###########	Non-performing
4.	Idudu manikomewe		Mortgage		12/31/2010	14,706,408.56	Non-performing
5.	Idudu Oghenakpobo Jonath		Mortgage		12/31/2010	14,859,732.65	Non-performing
6.	Talitha Limited		Overdraft			87,767,528.28	Non-performing
7.	Warewater Limited		Overdraft			26,686,323.90	Non-performing
8.	Idudu manikomewe		Overdraft			58,018,576.28	Non-performing
9.	Idudu Oghenakpobo Jonath		Overdraft			7,229,750.11	Non-performing
10.	Idudu Oghenakpobo Jonath		Overdraft			54,804,513.52	Non-performing
11	Olayemi Hassan Rabiu					18,605,793.43	Performing
12	Fajinmi Sunday Olawale					1,264,878.08	Performing
13	Umaru Usman Karaye					2,022,389.70	Performing
						576,756,724.27	