

WEMA BANK PLC

UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 March 2019

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Wema Bank Plc

Consolidated and Separate Financial Statements For the period ended 31 March, 2019

Statement of Profit or loss and other Comprehensive Income

<i>In thousands of Nigerian Naira</i>		Group		Bank	
		3 Months 31-Mar-19	3 Months 31-Mar-18	3 Months 31-Mar-19	3 Months 31-Mar-18
Interest income	7	16,078,182	12,644,450	15,424,464	12,643,807
Interest expense		(10,484,241)	(8,307,413)	(9,774,573)	(8,307,413)
Net interest income	7	5,593,941	4,337,037	5,649,891	4,336,394
Net impairment loss on financial assets	11	(354,397)	(203,231)	(354,397)	(203,231)
Net interest income after impairment charge for credit losses		5,239,544	4,133,806	5,295,494	4,133,163
Net gain on FVTPL investment securities		78,251	269,661	78,251	269,661
Net fee and commission income	8	1,698,265	1,634,057	1,698,265	1,634,057
Net trading income	9	1,852,816	1,405,768	1,852,816	1,405,768
Other income	10	146,575	118,497	146,575	118,497
		3,775,907	3,427,983	3,775,907	3,427,983
Operating income		9,015,451	7,561,789	9,071,401	7,561,146
Personnel expenses	12	(3,267,468)	(2,805,655)	(3,267,468)	(2,805,655)
Depreciation and amortization	13b	(677,882)	(639,716)	(677,882)	(639,716)
Other operating expenses	13a	(3,738,759)	(3,232,471)	(3,738,759)	(3,232,471)
Profit before tax		1,331,343	883,947	1,387,293	883,304
Income tax expense	26	(187,284)	(119,246)	(187,284)	(119,246)
Profit for the year		1,144,059	764,701	1,200,008	764,058
<u>Other comprehensive income, net of income tax Items that will not be subsequently reclassified to profit or loss</u>					
Net change in fair value of investments FVTOCI		-	-	-	-
Items that will be subsequently reclassified to profit or loss					
Fair value gain/(loss) on available-for-sale investments		-	31,339		31,339
Net change in fair value of investments FVTOCI		36,023	-	36,023	-
Income tax relating to items that may be reclassified subsequently to profit or Loss		(4,449)	(3,870)	(4,449)	(3,870)
Other comprehensive income for the year		31,574	27,469	31,574	27,469
Total comprehensive income for the year		1,175,633	792,170	1,231,582	791,527
Profit attributable to:					
Equity holders of the Bank		1,144,059	764,701	1,200,008	764,058
Total comprehensive income for the year		1,175,633	792,170	1,231,582	791,527
Earnings per share-basic	14	12.4	6.8	12.4	6.8

Wema Bank Plc

Consolidated and Separate Financial Statements For the period ended 31 March, 2019

Statement of financial Position

	Notes	Group 31-Mar-19	Group 31-Dec-18	Bank 31-Mar-19	Bank 31-Dec-18
<i>In thousands of Nigerian Naira</i>					
Cash and cash equivalents	15	46,303,690	42,122,799	46,303,690	42,122,799
Restricted Deposit with CBN	15b	68,092,871	58,054,204	68,092,871	58,054,204
Pledged assets	16	39,199,903	20,583,433	39,199,903	20,583,433
Investment securities:					
Fair value through other comprehensi	17a	24,906,317	880,074	24,907,317	881,074
Fair Value through profit or loss	17b	40,753,702	11,708,530	40,753,702	11,708,530
Held at amortised cost	17c	45,783,573	59,029,181	34,894,002	48,139,606
Loans and advances to customers	18	266,342,048	252,189,613	266,342,048	252,189,613
Investment properties	19	40,040	40,273	40,040	40,273
Property and equipment	20	19,132,525	18,602,696	19,132,525	18,602,696
Intangible assets	21	815,596	927,391	815,596	927,391
Other assets	23	12,299,849	4,459,906	12,299,849	4,459,906
Deferred tax assets	22	20,206,217	20,206,217	20,206,217	20,206,217
		583,876,331	488,804,317	572,987,761	477,915,742
Deposits from banks	24	67,706,800	-	67,706,800	-
Deposits from customers	25	383,322,407	369,199,768	383,436,802	369,314,164
Current tax liabilities	26	620,812	429,079	620,812	429,079
Other liabilities	27	30,847,544	22,837,603	30,791,702	22,772,597
Other borrowed funds	28	49,248,877	45,448,718	38,201,183	34,401,024
Obligations under finance lease	29	-	-	-	-
		531,746,440	437,915,168	520,757,299	426,916,863
EQUITY					
Share capital	30	19,287,233	19,287,233	19,287,233	19,287,233
Share premium	30	8,698,230	8,698,230	8,698,230	8,698,230
Regulatory risk reserve		3,384,894	3,384,894	3,384,894	3,384,894
Retained earnings	30	6,776,678	5,992,622	6,942,358	6,102,353
Other reserves		13,917,747	13,526,170	13,917,747	13,526,170
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		52,064,781	50,889,149	52,230,462	50,998,879
TOTAL LIABILITIES AND EQUITY		583,811,221	488,804,317	572,987,761	477,915,742

The financial statements were authorized for issue by the directors on

Babatunde Kasali
Chairman
FRC/2017/ICAN/00000016973

Ademola Adebise
Managing Director
FRC/2013/ICAN/00000002115

Tunde Mabawonku
Chief Financial Officer
FRC/2013/ICAN/00000002097

Wema Bank Plc

Consolidated and Separate Financial Statements
For the period ended 31 March, 2019

Statements of changes in equity

Group

In thousands of Nigerian naira (000s)

	Share Capital	Share premium	Regulatory risk	Statutory reserve	SMEIES reserve	Fair value reserves	Retained earnings	Total equity
2019								
Balance at 1 January 2019	19,287,233	8,698,230	3,384,894	12,034,093	526,908	965,169	5,992,622	50,889,149
Profit or loss	-	-	-	-	-	-	1,144,059	1,144,059
Other comprehensive income								
Cumulative gain/loss reclassified from reserve on disposal of FVTOCI investments	-	-	-	-	-	31,574	-	-
Fair value reserve (FVTOCI) financial assets	-	-	-	-	-	-	-	31,574
	19,287,233	8,698,230	3,384,894	12,034,093	526,908	996,743	7,136,681	52,064,782
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners	-	-	-	-	-	-	-	-
Regulatory risk reserve	-	-	-	-	-	-	-	-
Transfer to Statutory reserve	-	-	-	360,002	-	-	(360,002)	-
Total contribution and distributions to owners	-	-	-	360,002	-	-	(360,003)	-
Balance at 31 March 2019	19,287,233	8,698,230	3,384,894	12,394,095	526,908	996,743	6,776,678	52,064,782
2018								
Balance at 1 January 2018	19,287,233	8,698,230	5,846,943	11,026,315	526,908	140,051	4,089,570	49,615,250
Capital Reduction	-	-	-	-	-	-	-	-
Total comprehensive income:								
Profit or loss	-	-	-	-	-	-	764,701	764,701
Other comprehensive income								
Re-measurement of defined benefit obligation	-	-	-	-	-	-	-	-
Cumulative gain/loss reclassified from reserve on disposal of FVTOCI investments	-	-	-	-	-	-	-	-
Fair value reserve (FVTOCI) financial assets	-	-	-	-	-	27,469	-	27,469
	19,287,233	8,698,230	5,846,943	11,026,315	526,908	167,520	4,854,271	50,407,420
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners	-	-	-	-	-	-	-	-
Regulatory risk reserve	-	-	(624,261)	-	-	-	376,919	(247,342)
Transfer to Statutory reserve	-	-	-	-	-	-	-	-
Total contribution and distributions to owners	-	-	(624,261)	-	-	-	376,919	(247,342)
Balance at 31 March 2018	19,287,233	8,698,230	5,222,681	11,026,315	526,908	167,520	5,231,190	50,160,077

Wema Bank Plc

Consolidated and Separate Financial Statements
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Statements of changes in equity

Bank

In thousands of Nigerian naira (000s)

2019	Share Capital	Share premium	Regulatory risk reserve	Statutory reserve	SMEIES reserve	Fair value reserves	Retained earnings	Total equity
Balance at 1 January 2019	19,287,233	8,698,230	3,384,894	12,034,093	526,908	965,169	6,102,353	50,998,880
Profit or loss	-	-	-	-	-	-	1,200,008	1,200,008
Other comprehensive income								
Cumulative gain/loss reclassified from reserve on disposal of FVTOCI investments	-	-	-	-	-	-	-	-
Fair value reserve (FVTOCI) financial assets	-	-	-	-	-	31,574	-	31,574
Total comprehensive income for the period	19,287,233	8,698,230	3,384,894	12,034,093	526,908	996,743	7,302,361	52,230,462
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Regulatory risk reserve transfer to statutory reserves	-	-	-	360,002	-	-	(360,002)	-
Total contribution and distributions to owners	-	-	-	360,002	-	-	(360,002)	-
Balance at 31 March 2019	19,287,233	8,698,230	3,384,894	12,394,095	526,908	996,743	6,942,358	52,230,462
2018								
Balance at 1 January 2018	19,287,233	8,698,230	5,846,943	11,026,315	526,908	140,051	4,166,460	49,692,140
Capital Reduction	-	-	-	-	-	-	-	-
Total comprehensive income:								
Profit or loss	-	-	-	-	-	-	764,058	764,058
Other comprehensive income								
Re-measurement of defined benefit obligation	-	-	-	-	-	-	-	-
Capital Reduction								
Cumulative gain/loss reclassified from reserve on disposal of FVTOCI investments	-	-	-	-	-	-	-	-
Fair value reserve (FVTOCI) financial assets	-	-	-	-	-	27,469	-	27,469
Total comprehensive income for the period	19,287,233	8,698,230	5,846,943	11,026,315	526,908	167,520	4,930,518	50,483,667
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners	-	-	-	-	-	-	-	-
Regulatory risk reserve transfer to statutory reserves								
	-	-	(624,261)	-	-	-	376,919	(247,342)
Total contribution and distributions to owners	-	-	(624,261)	-	-	-	376,919	(247,342)
Balance at 31 March 2018	19,287,233	8,698,230	5,222,681	11,026,315	526,908	167,520	5,307,437	50,236,324

Wema Bank Plc

Consolidated and Separate Financial Statements For the period ended 31 March, 2019 Statement of Cash Flow

<i>In thousands of Nigerian Naira</i>	Group		Bank	
	31-Mar 2019	31-Mar 2018	31-Mar 2019	31-Mar 2018
Cash flows from operating activities				
Profit for the year	1,144,059	764,701	1,200,008	764,058
Adjustments for:				
Taxation expense	187,284	123,116	187,284	123,116
Depreciation and amortization	677,882	639,716	677,882	639,716
Adjustment for transfer out of PPE now expensed	-	-	-	-
IFRS 9 impact adjusted directly in retained earnings (Gain)/Loss on disposal of property and equipment	(12,118)	(247,342)	(12,118)	(247,342)
Benefit in Kind		(589)		(589)
Specific provision on cash				
Net interest income	(5,593,941)	(4,337,037)	(5,649,891)	(4,336,394)
Dividend received from equity investment	-	-	-	-
Impairment loss on financial assets	354,397	209,023	354,397	209,023
Operating cashflow before movement in working capital	(3,242,436)	(2,848,412)	(3,242,437)	(2,848,412)
Change in pledged assets	(18,616,470)	8,839,294	(18,616,470)	8,839,294
Change in loans and advances to customers	(14,434,781)	153,922	(14,434,781)	153,922
Change in other assets	(7,839,945)	(1,377,803)	(7,839,945)	(1,377,804)
Change in deposits from banks	67,706,800	(16,232,830)	67,706,800	(16,232,830)
Change in finance lease obligation	-	-	-	-
Change in restricted deposit with CBN	(10,038,667)	(9,383,236)	(10,038,667)	(9,383,236)
Change in deposits from customers	14,122,639	51,625,502	14,122,639	51,625,502
Change in other liabilities	8,005,493	5,163,508	8,014,656	5,190,945
Cashflow generated by operations	35,662,632	35,939,945	35,671,795	35,967,380
Income tax paid	-	-	-	-
Interest received	16,078,182	12,644,450	15,424,464	12,643,807
Vat paid	-	(11,309)	-	(11,309)
Interest paid	(7,909,754)	(8,090,343)	(9,347,187)	(8,090,343)
Net cash from operating activities	43,831,060	40,482,743	41,749,072	40,509,535
Cash flows from investing activities				
Disposal/Acquisition of investment securities-At Amortised Cost	13,245,609	(5,196,077)	13,245,604	(5,195,006)
Disposal/Acquisition of investment securities-FVOCI	(24,057,817)	8,203,572	(24,057,817)	8,203,572
Change in trading assets	(29,045,172)	(30,874,582)	(29,045,172)	(30,874,582)
Dividend received from equity investment	-	-	-	-
Acquisition of property and equipment	(1,122,060)	(527,829)	(1,122,060)	(527,829)
Proceeds from the sale of property and equipment	48,994	2,084	48,994	2,084
Proceeds from the sale of investment property	-	-	-	-
Acquisition of intangible assets	(10,500)	(36,316)	(10,500)	(36,316)
Net cash(used in)/generated by investing activities	(40,940,948)	(28,429,147)	(40,940,954)	(28,428,076)
Cash flows from financing activities				
Proceed from borrowings	5,000,000	4,599,750	5,000,000	4,599,750
Repayment of borrowings	(1,199,841)	(3,517,846)	(1,199,841)	(3,517,846)
Interest paid on borrowings	(2,574,487)	(217,070)	(427,386)	(217,070)
Net cash from financing activities	1,225,671	864,834	3,372,773	864,834
Net increase in cash and cash equivalents	4,115,781	12,918,429	4,180,891	12,946,293
Cash and cash equivalents at beginning of period	42,122,799	22,427,586	42,122,799	22,425,891
Cash and cash equivalents at end of period	46,238,580	35,346,015	46,303,690	35,372,184

The notes on pages 5 to 57 are an integral part of these financial statements

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Notes to the Financial Statements

In thousands of Nigerian Naira

	Group		Bank	
	3 Months 31-Mar-19	3 Months 31-Mar-18	3 Months 31-Mar-19	3 Months 31-Mar-18
7 Interest income				
Cash and cash equivalents	399,055	80,296	399,055	79,653
Loans and advances to banks and customers	13,586,272	11,121,977	13,586,272	11,121,977
Investments securities	2,092,855	1,442,177	1,439,137	1,442,177
Total interest income	16,078,182	12,644,450	15,424,464	12,643,807
Interest expense				
Deposits from banks	1,734,487	1,358,621	1,734,487	1,358,621
Deposits from customers	6,175,268	6,731,722	7,612,700	6,731,722
Other borrowed funds	2,574,487	217,070	427,386	217,070
Total interest expense	10,484,241	8,307,413	9,774,573	8,307,413
8 Fees and commission income				
Credit related fees	142,611	186,258	142,611	186,258
Account maintenance fees	269,944	256,135	269,944	256,135
Management fees	140,519	120,165	140,519	120,165
Fees on electronic products	785,316	657,203	785,316	657,203
Fees on financial guarantees	63,547	58,221	63,547	58,221
Other fees and charges	296,328	356,075	296,328	356,075
Total fee and commission income	1,698,265	1,634,057	1,698,265	1,634,057
9 Net trading income				
Fixed income securities	2,639	10,978	2,639	10,978
Treasury bills	1,834,650	1,387,150	1,834,650	1,387,150
Foreign exchange trading (note 9.1)	15,527	7,640	15,527	7,640
Other gains	-	-	-	-
	1,852,816	1,405,768	1,852,816	1,405,768
9.1 Foreign exchange trading income is principally made up of trading income on foreign currencies, as well as gains and losses from revaluation of trading position. The amount reported above are totally from financial assets carried at fair value through profit or loss				
10 Other income				
Dividends on available-for-sale equity securities	-	-	-	-
Gains on disposal of property and equipment	12,118	589	12,118	589
Rental income	8,421	9,234	8,421	9,234
Insurance claim received	-	-	-	-
Income on contingents	6,470	29,512	6,470	29,512
Income on deposit accounts	14,208	21,013	14,208	21,013
Fund transfer	1,862	5,863	1,862	5,863
FX Revaluation	-	-	-	-
Swift transactions	20,540	18,606	20,540	18,606
Service charge	29,634	10,471	29,634	10,471
Advisory fees	15,001	8,104	15,001	8,104
Gains on disposal of unquoted equities (CSCS)	-	-	-	-
Others	38,321	15,105	38,321	15,105
	146,575	118,497	146,575	118,497

Wema Bank Plc

Consolidated and Separate Financial Statements
For the period ended 31 March, 2019

Notes to the Financial Statements

	Group		Bank	
	3 Months 31-Mar-19	3 Months 31-Mar-18	3 Months 31-Mar-19	3 Months 31-Mar-18
11 Impairment loss of financial assets				
<i>In thousands of Nigerian Naira</i>				
Impairment losses on loans and advances				
- specific impairment	355,312	209,023	355,312	209,023
- collective impairment	-	-	-	-
- Recoveries on loans	(915)	(5,792)	(915)	(5,792)
Adjusted interest on impaired loans	-	-	-	-
Impairment loss on bonds	-	-	-	-
Impairment loss on other assets	-	-	-	-
IFRS 9 ECL adjustment	-	-	-	-
	354,397	203,231	354,397	203,231
12 Personnel expenses				
Wages and salaries	2,392,747	2,226,198	2,392,747	2,226,198
Contributions to defined contribution plans	322,388	143,249	322,388	143,249
Gratuity Expenses	-	-	-	-
Other staff costs	552,333	436,208	552,333	436,208
	3,267,468	2,805,655	3,267,468	2,805,655

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Notes to the Financial Statements

	Group		Bank	
	3 Months 31-Mar-19	3 Months 31-Mar-18	3 Months 31-Mar-19	3 Months 31-Mar-18
<i>In thousands of Nigerian Naira</i>				
13a Other operating expenses				
Advertising and marketing	211,461	311,658	211,461	311,658
AMCON Levy	600,000	351,370	600,000	351,370
Auditors remuneration	45,000	47,742	45,000	47,742
Business Expenses	77,456	68,439	77,456	68,439
Cash movement expenses	139,554	151,699	139,554	151,699
Diesel Expenses	146,851	130,533	146,851	130,533
Directors Expenses	7,200	5,450	7,200	5,450
Directors fees	0	0	0	-
Donations	9,374	15,175	9,374	15,175
Electricity	70,954	61,043	70,954	61,043
General administrative expenses	216,713	171,238	216,713	171,238
Legal expenses	33,334		33,334	
Insurance	70,521	59,308	70,521	59,308
NDIC Premium	342,969	219,342	342,969	219,342
Other premises and equipment costs	139,202	102,046	139,202	102,046
PAYE/Withholding expenses	0	0	0	-
Printing and stationery	100,662	123,842	100,662	123,842
Other Professional fees	227,286	69,635	227,286	69,635
Digital Bank Professional fees	0		0	
Repairs and maintenance	346,783	363,526	346,783	363,526
Security expenses	118,614	121,964	118,614	121,964
Service charge	102,367	193,225	102,367	193,225
SMS Expenses & Others	0	2,099	0	2,099
Statutory expenses	0	0	0	-
Technology and alternative channels	598,787	543,464	598,787	543,464
Transport & Communications	133,670	119,673	133,670	119,673
	3,738,759	3,232,471	3,738,759	3,232,471
13b Depreciation and amortization				
Property, plants and equipment	555,355	540,497	555,355	540,497
Investment property	232	1,384	232	1,384
Intangible assets	122,295	97,835	122,295	97,835
	677,882	639,716	677,882	639,716

Wema Bank Plc

Consolidated and Separate Financial Statements For the period ended 31 March, 2019

Notes to the Financial Statements

14 Earnings per share

Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the profit for the year attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

The calculation of basic earnings per share as at 31 March 2019 was based on the profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding :

<i>In thousands</i>	Group		Bank	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
Weighted average number of ordinary shares - basic; '000	38,574,466	38,574,466	38,574,466	38,574,466
Profit attributable to ordinary shareholders -basic				
Profit for the year attributable to equity holders of the Bank '000	1,144,059	3,326,420	1,200,008	3,326,420
Earnings per share -basic (Kobo)	12.0	8.6	12.4	8.6

15 Cash and cash equivalents *In thousands of Nigerian Naira*

	31-Mar-19	31-Dec-18	31-Mar-19	31-Dec-18
Cash and balances with banks	18,192,216	17,114,625	18,192,216	17,114,625
Unrestricted balances with central bank	7,322,358	6,863,422	7,322,358	6,863,422
Money market placements	20,837,400	18,180,366	20,837,400	18,180,366
IFRS 9 ECL Adjustment	(48,284)	(35,614)	(48,284)	(35,614)
	46,303,690	42,122,799	46,303,690	42,122,799

15b Restricted Deposit with CBN

This represents mandatory cash deposit held with Central Bank of Nigeria as a regulatory Cash Reserve Requirements (CRR). The CRR rate was increased from 20% to 22.5% for both private and public sector funds in the year 2016 and the rate has been maintained till the date. The balance as at end of March 2019 was N68,092,870,682 (N2018 - N57,374,668,326).

Restricted deposits with Central Bank are not available for use in day to day operations.

	31-Mar-19	31-Dec-18	31-Mar-19	31-Dec-18
16 Pledged assets - Held at Amortised cost <i>In thousands of Nigerian Naira</i>				
Treasury bills (note 16.1)	25,333,023	6,793,338	25,333,023	6,793,338
Bonds (16.2)	13,866,880	13,790,095	13,866,880	13,790,095
	39,199,903	20,583,433	39,199,903	20,583,433

- 16.1 The treasury bills are pledged for clearing activities with the clearing bank and as collection bank for government taxes and electronic card transactions with Federal Inland Revenue Service (FIRS), Nigerian Interbank Settlement System (NIBSS) and Interswitch Nigeria Limited. The bank cannot trade on these pledged assets during the period that such assets are committed as pledged.

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16.2 The Bonds are pledged as collateral for interbank takings and intervention credit granted to the Bank by the Bank of Industry for the purpose of refinancing existing loans to Small and Medium Scale Enterprises Scheme under secured borrowing with related liability of N2.998billion (2018: N2.998billion) as disclosed in note 30.

In thousands of Nigerian Naira	Group 31-Mar-19	Group 31-Dec-18	Bank 31-Mar-19	Bank 31-Dec-18
17 Investment securities	111,443,592	71,617,784	100,555,021	60,729,209
Current	82,953,894	43,755,275	82,953,894	43,755,275
Non-current	28,489,698	27,862,510	17,601,127	16,973,934
17a Investment securities measured at FVTOCI				
Treasury bills	24,026,243	0	24,026,243	0
Equity (see note (i) below)	880,074	880,074	881,074	881,074
	24,906,317	880,074	24,907,317	881,074
17b Investment securities measured at FVTPL				
Treasury Bills (see (ii) below)	40,753,702	11,708,530	40,753,702	11,708,530
17c Investment securities measured at amortised cost				
Treasury Bills	18,173,949	32,046,745	18,173,949	32,046,745
FGN Bonds	25,649,291	25,253,421	14,759,716	14,363,846
Other Bonds (see (iii) below)	1,966,815	2,044,825	1,966,819	2,044,825
Impairment on bond	0	(72,699)	-	(72,699)
Opening IFRS 9 Adjustment	0	(241,936)	-	(241,936)
IFRS 9 ECL Adjustment	(6,482)	(1,175)	(6,482)	(1,175)
	45,783,573	59,029,181	34,894,002	48,139,606
(i) Equity				
Quoted Investments:	-	0	-	0
Unquoted Investments:				
Unified Payment Services Limited	7,474	7,474	7,474	7,474
Central Securities System Nigeria Limited	-	0	-	0
Nigeria Inter-Bank Settlement System	872,600	47,482	872,600	47,482
WEMA Funding SPV Plc (a)	-	-	1,000	1,000
Fair value gain on (FVTOCI) financial assets		825,118		825,118
	880,074	880,074	881,074	881,074
	880,074	54,956	881,074	54,956

(a) Wema Funding SPV PLC was incorporated on 30 June 2016 and commenced operations on 12 October 2016. The principal activity of the company is to raise or borrow money by the issue of bond or debt instruments and invest the money raised or borrowed in securities or any other investments as the company may deem fit.

(ii) This represents Nigerian Treasury Bills with maturity of less than 360 days; a face value of N45,391,574,000 stated at Fair value through profit or loss.

Other bonds - these are held to maturity securities for state and corporate entities, stated at amortised cost as shown below:

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		31-Mar-19 N	31-Dec-18 N
(iii) CORPORATE			
1	7YR: DANA Group Bond Series 1	1,344,098	1,344,098
STATE BONDS			
2	EKITI State Govt Bond Tranche 1	384,468	371,423
3	ONDO State Govt Bond	238,253	329,305
		<u>622,721</u>	<u>700,728</u>
		<u>1,966,819</u>	<u>2,044,826</u>

18 Loans and advances to customers at amortised cost

	Group 31-Mar-19	Group 31-Dec-18	Bank 31-Mar-19	Bank 31-Dec-18
<i>In thousands of Nigeria Naira</i>				
Overdrafts	28,251,944	28,517,756	28,251,944	28,517,756
Term Loans	245,574,667	231,163,886	245,574,667	231,163,886
Advances under finance lease	1,955,952	1,902,080	1,955,952	1,902,080
	<u>275,782,563</u>	<u>261,583,722</u>	<u>275,782,563</u>	<u>261,583,722</u>
Gross loans and receivables				
Less Allowances for Impairment				
Opening IFRS 9 adjustment	-	(2,633,426)	-	(2,633,426)
Closing IFRS 9 adjustment	-	(63,610)	-	(63,610)
Adjusted interest on impaired loans	-	421,162	-	421,162
Specific Allowances for impairment	(5,221,020)	(5,532,165)	(5,221,020)	(5,532,165)
Collective allowances for impairment	(4,219,496)	(1,586,070)	(4,219,496)	(1,586,070)
	<u>(9,440,516)</u>	<u>(9,394,109)</u>	<u>(9,440,516)</u>	<u>(9,394,109)</u>
Net loans and advances to customers	<u>266,342,048</u>	<u>252,189,613</u>	<u>266,342,048</u>	<u>252,189,613</u>
Overdrafts				
Gross Overdrafts	28,251,944	28,517,756	28,251,944	28,517,756
Less Allowances for Impairment				
Specific Allowances for impairment	(1,714,367)	(2,716,451)	(1,714,367)	(1,516,451)
Collective allowances for impairment	(465,029)	(469,454)	(465,029)	(219,454)
	<u>(2,179,396)</u>	<u>(3,185,905)</u>	<u>(2,179,396)</u>	<u>(1,735,905)</u>
Net Overdrafts	<u>26,072,548</u>	<u>25,331,851</u>	<u>26,072,548</u>	<u>26,781,851</u>
Term Loans				
Gross Term Loans	245,574,667	231,163,886	245,574,667	231,163,886
Less Allowances for Impairment				
Specific Allowances for impairment	(5,930,051)	(4,888,048)	(5,930,051)	(6,172,803)
Collective allowances for impairment	(1,104,367)	(1,094,467)	(1,104,367)	(1,344,467)
	<u>(7,034,418)</u>	<u>(5,982,515)</u>	<u>(7,034,418)</u>	<u>(7,517,270)</u>
Net Term Loans	<u>238,540,249</u>	<u>225,181,371</u>	<u>238,540,249</u>	<u>223,646,616</u>

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Advance Under Finance Lease <i>In thousands of Nigerian Naira</i>	Group		Bank	
	31-Mar-19	31-Dec-18	31-Mar-19	31-Dec-18
Gross Advance	1,955,952	1,902,080	1,955,952	1,902,080
Less Allowances for Impairment				
Specific Allowances for impairment	(205,520)	(203,540)	(205,520)	(118,785)
Collective Allowances for impairment	(21,181)	(22,149)	(21,181)	(22,149)
	<u>(226,701)</u>	<u>(225,689)</u>	<u>(226,701)</u>	<u>(140,934)</u>
Net advances	1,729,251	1,676,391	1,729,251	1,761,146
Total Loans and Advances				
Current	153,125,835	138,926,994	153,125,835	138,926,994
Non-current	122,656,728	122,656,728	122,656,728	122,656,728
	275,782,563	261,583,722	275,782,563	261,583,722

ECL staging	Credit portfolio					
	2019				2018	
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total	Total
N'million	N'million	N'million	N'million	N'million	N'million	
Credit grade						
Investment grade	165,832	7,054	6,910	0	179,796	169,715
Speculative grade	72,105	17,057	6,824	0	95,986	91,869
Gross carrying amount	237,937	24,111	13,734	0	275,783	261,584
Loss allowance	1,598	101	7,743	0	9,441	9,394
Carrying amount	236,340	24,011	5,992		266,342	252,190

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<i>In thousands of Nigerian Naira</i>	Overdraft	Term Loan	Advances under finance lease	Totals
Balance as at 1 January 2019	2,685,904	6,482,515	225,689	9,394,109
Specific impairment	2,216,450	3,027,725	203,540	5,447,716
Collective impairment	469,454	3,454,790	22,149	3,946,393
Reclass from Regulatory Risk Reserve	-	-	-	-
Additional impairment for the year {Note 11}	38,926	314,584	1,802	355,312
Specific impairment	-	-	-	-
Collective impairment	38,926	314,584	1,802	355,312
Written off in the year as uncollectible	(85,569)	(221,631)	(790)	(307,990)
Amounts recovered during the year	-	(915)	-	(915)
Balance as at 31 March 2019	2,639,261	6,574,553	226,701	9,440,516
Specific impairment	2,130,881	2,805,179	202,750	5,138,811
Collective impairment	508,380	3,769,374	23,951	4,301,705

Contingent Liabilities & Commitments:

Financial guarantee	54,499,773	49,408,931	54,499,773	49,408,931
Other contingent	8,106,618	13,511,351	8,106,618	13,511,351
	62,606,391	62,920,283	62,606,391	62,920,283

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19 Investment properties

In thousands of Nigeria Naira

	Group 31-Mar-19	Group 31-Dec-18	Bank 31-Mar-19	Bank 31-Dec-18
Cost				
Balance at 1 January	47,079	280,633	47,079	280,633
Additions	-	-	-	-
Write -off	-	(233,554)	-	(233,554)
Disposals	-	-	-	-
Balance, end of period	47,079	47,079	47,079	47,079
Accumulated depreciation and impairment				
Balance at 1 January	6,807	234,962	6,807	234,962
Charge for the year	232	5,399	232	5,399
Write -off	-	(233,554)	-	(233,554)
Disposals	-	-	-	-
Balance, end of period	7,039	6,807	7,039	6,807
Cost	47,079	47,079	47,079	47,079
Accumulated depreciation	7,039	6,807	7,039	6,807
	40,040	40,273	40,040	40,273

- (i) Investment properties represent land and buildings that are not substantially occupied by the bank but held for investment purposes. Investment properties are carried at cost less accumulated depreciation and impairment losses in accordance with the cost model. Investment properties are depreciated over a useful life of 50 years with a nil residual value. Had investment property been carried at fair value, the fair value as at 31 March 2019 would have been N103,305,825.08 (31 December 2018: N103,305,825.08).
- (ii) On 19 December, 2013 the Central Bank of Nigeria issued a circular that all deposit money banks should dispose off all the investment properties in their books on or before 30 June, 2014. The directors are aware of this directive and all necessary efforts is being made to ensure compliance. Although the directors are committed to a plan to sell the asset as directed by the Central bank of Nigeria; however, the asset requires some process to be in place before disposal and this we have initiated. Hence, the sale is not expected to qualify for recognition as a completed sale within one year from the date of classification.

Consequently, the assets were not classified as Held for sale as the stipulated criteria in IFRS 5 regarding this has not been met.

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20 Property and equipment

Group / Bank

In thousands of Nigerian Naira (000s)

	Land	Buildings	Furniture & Office Equipment	Motor vehicles	Computer Equipment	Work in Progress	Total
Cost							
Balance at 1 January 2019	1,295,911	15,822,468	6,779,414	2,314,087	7,042,609	1,811,324	35,065,813
Additions		130,167	345,617.84	102,499.25	125,627.21	418,148.87	1,122,060
Reclassification from WIP	-	-				-	-
Adjustments							-
Transfer to software (note 21)							-
Transfer to prepaid expenses							-
Disposals		(35,000)	(17,189)	(133,598)	(15,816)		(201,603)
Balance at 31 Mar 2019	1,295,911	15,917,635	7,107,844	2,282,988	7,152,421	2,229,473	35,986,271
Accumulated depreciation and impairment							
Balance at 1 January 2019	-	4,662,373	4,733,308	1,600,677	5,466,760	-	16,463,117
Charge for the year	-	77,732	189,531	66,897	221,196	-	555,356
Adjustments							
Disposals	-		(16,927)	(132,204)	(15,596)	-	(164,727)
Transfer to Capital Reduction (note 30.1)	-						-
Balance at 31 Mar 2019	-	4,740,105	4,905,911	1,535,371	5,672,360	-	16,853,746
Carrying amounts							
Balance at 1 January 2019	1,295,911	11,160,095	2,046,107	713,410	1,575,850	1,811,324	18,602,696
Balance at 31 Mar 2019	1,295,911	11,177,530	2,201,933	747,617	1,480,061	2,229,473	19,132,525

Property and equipment

Group / Bank

In thousands of Nigerian Naira (000s)

	Land	Buildings	Furniture & Office Equipment	Motor vehicles	Computer Equipment	Work in Progress	Total
Cost							
Balance at 1 January 2019	1,225,581	14,697,341	6,090,524	1,952,289	6,378,768	1,372,248	31,716,751
Additions	70,330	1,125,127	940,447	515,714	667,065	439,076	3,757,759
Reclassification from WIP	-	-	-	-	-	-	-
Transfer to software (note 21)	-	-	-	-	-	-	-
Transfer to prepaid expenses	-	-	437	-	-	-	437
Disposals	-	-	(251,994)	(153,916)	(3,223)	-	(409,134)
Balance at 31 March 2019	1,295,911	15,822,468	6,779,414	2,314,087	7,042,609	1,811,324	35,065,813
Accumulated depreciation and impairment							
Balance at 1 January 2019	-	4,362,690	4,299,245	1,485,545	4,490,482	-	14,637,962
Charge for the year	-	300,312	673,447	255,527	978,629	-	2,207,914
Adjustments	-	(629)	-	-	-	-	-
Disposals	-	-	(239,385)	(140,395)	(2,351)	-	(382,131)
Transfer to Capital Reduction (note 30.1)	-	-	-	-	-	-	-
Balance at 31 March 2019	-	4,662,373	4,733,308	1,600,677	5,466,760	-	16,463,117
Carrying amounts							
Balance at 1 January 2019	1,225,581	10,334,651	1,791,279	466,744	1,888,286	1,372,248	17,078,789
Balance at 31 March 2019	1,295,911	11,160,095	2,046,107	713,410	1,575,850	1,811,324	18,602,696

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<i>In thousands of Nigerian Naira</i>	Group		Bank	
	31-Mar-19	31-Dec-18	31-Mar-19	31-Dec-18
21 Intangible assets				
Cost				
Cost 1 January	4,197,401	3,619,870	4,197,401	3,619,870
Additions	10,500	577,531	10,500	577,531
Transfer from property and equipment (note 20)	-	-	-	-
Transfer to computer equipment	-	-	-	-
Balance, end of period	4,207,901	4,197,401	4,207,901	4,197,401
Amortization and impairment losses				
Cost 1 January	3,270,010	2,860,778	3,270,010	2,860,778
Amortization for the year	122,295	409,232	122,295	409,232
Transfer to Capital Reduction (note 30i)	-	-	-	-
Balance, at end of period	3,392,305	3,270,010	3,392,305	3,270,010
Carrying amounts	815,596	927,391	815,596	927,391

- (a) The intangible assets have got finite lives and are amortised over the higher of 3 years or the contractual licensing period. No impairment losses were recognised against intangible assets.
- (b) The authorised and contracted capital commitments as at the balance sheet date was nil (31 December 2018 nil)
- (c) There were no capitalised borrowing costs related to the acquisition of intangible assets during the year (31 December 2018: nil)

22 Deferred tax assets and liabilities

- (a) Recognised deferred tax assets and liabilities
Deferred tax assets and liabilities are attributable to the following:

<i>In thousands of Nigerian Naira</i>	Group	Group	Bank	Bank
	31-Mar-19	31-Dec-18	31-Mar-19	31-Dec-18
At 1 January	20,206,217	21,269,702	20,206,217	21,269,702
Write down	-	(1,063,485)	-	(1,063,485)
Capital Reduction (note 30i)	-	-	-	-
Balance, end of period	20,206,217	20,206,217	20,206,217	20,206,217

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<i>In thousands of Nigerian Naira</i>		Group		Bank	
		31-Mar-19	31-Dec-18	31-Mar-19	31-Dec-18
23	Other assets				
	Accounts receivables	3,145,193	3,269,568	3,145,193	3,269,568
	Prepayments	4,967,606	1,311,633	4,967,606	1,311,633
	Stock	463,384	558,870	463,384	558,870
	Collateralised Placement	52,917	52,917	52,917	52,917
	Clearing Balance	564,297	405,250	564,297	405,250
	Fraud & Burglary	578,366	545,918	578,366	545,918
	CBN Special Reserve (see 23.1 below)	677,214	677,214	677,214	677,214
	AGSMEIS Investment with CBN	115,058	115,058	115,058	115,058
	Card Receivables	1,772,340	833,931	1,772,340	833,931
	FBN Settlement	-	42,838	0	42,838
	Other Settlements	4,036,440	395,707	4,036,440	395,707
	Others	140,203	91,079	140,203	91,079
		<u>16,513,018</u>	<u>8,299,983</u>	<u>16,513,018</u>	<u>8,299,983</u>
	Specific impairment on other assets	<u>(4,213,169)</u>	<u>(3,840,077)</u>	<u>(4,213,169)</u>	<u>(3,840,077)</u>
		<u>12,299,849</u>	<u>4,459,906</u>	<u>12,299,849</u>	<u>4,459,906</u>
	Balance at 1 January	3,621,834	3,621,834	3,821,137	3,621,834
	Allowance made during the year	-	-	392,032	199,303
	Transfer from investment	-	-	-	-
		<u>3,621,834</u>	<u>3,621,834</u>	<u>4,213,169</u>	<u>3,821,137</u>
	Balance, end of period	<u>3,621,834</u>	<u>3,621,834</u>	<u>4,213,169</u>	<u>3,821,137</u>

23.1 CBN Special Reserve

The balance represents amount debited to the bank's current account with CBN as eligibility contribution to the Special Intervention Reserve for the Real Sector Support Facility (RSSF). The RSSF will be used to support start-ups and expansion financing needs of priority sectors of the economy to expand the industrial base and consequently diversify the economy. Draw down will be subject to banks contribution to the Special Intervention Reserve (SIR) with the CBN. The Facility shall be administered at an all-in interest rate/charge of 9 per cent per annum payable on quarterly basis. The CBN shall release the fund to DMBs at 1% interest rate.

<i>In thousands of Nigeria Naira</i>		Group		Bank	
		31-Mar-19	31-Dec-18	31-Mar-19	31-Dec-18
24	Deposits from banks				
	Money market deposits (Items in course of collection)	<u>67,706,800</u>	-	<u>67,706,800</u>	-
25	Deposits from customers				
25a	Retail customers:				
	Term deposits	58,859,050	59,091,417	58,859,050	59,091,417
	Current deposits	13,669,184	18,303,142	13,669,184	18,303,142
	Savings	63,203,791	62,891,853	63,203,791	62,891,853
	Corporate customers:				
	Term deposits	155,968,591	129,353,423	155,968,591	129,353,423
	Current deposits	76,686,189	83,747,802	76,800,585	83,862,198
	Others	14,935,601	15,812,131	14,935,601	15,812,131
		<u>383,322,407</u>	<u>369,199,768</u>	<u>383,436,802</u>	<u>369,314,164</u>
25b	The maturity profile of customers' deposit is as follows:				
	Under 3 months	246,059,771	254,333,031	246,085,940	254,359,200
	3 - 6months	64,039,047	50,122,360	64,039,047	50,122,360
	6 - 12months	12,380,179	11,924,196	12,380,179	11,924,196
	Over 12months	60,843,409	52,908,409	60,931,636	52,908,409
		<u>383,322,406</u>	<u>369,287,995</u>	<u>383,436,802</u>	<u>369,314,164</u>

At 31 March 2019 N60.9billion (31 December 2017: N52.9billion) of deposits from customers are expected to be settled more than 12 months after the reporting date.

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	Group		Bank	
	31 Mar 2019	31 Mar 2018	31 Mar 2019	31 Mar 2018
In thousands of Nigerian Naira				
26 Taxation				
26.1 Income tax expense				
Company income tax	191,733	123,116	191,733	123,116
Education Tax	-	-	-	-
NITDA Levy	-	-	-	-
Capital Gains Tax	-	-	-	-
(Over) / Under provision	-	-	-	-
Current Income Tax expense	191,733	123,116	191,733	123,116
Deferred tax expenses	-	-	-	-
	191,733	123,116	191,733	123,116

The income tax expense for the year can be reconciled to the accounting profit as follows:

	31 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018
Profit before tax from continuing operations	1,331,343	4,797,710	1,387,293	4,830,549
Income tax expense calculated at 30% (2017:30%)	416,188	1,449,165	416,188	1,449,165
Effect of income that is exempt from taxation	(224,454)	(385,680)	(224,454)	(385,680)
Effect of expenses that are not deductible in determining taxable profit	-	-	-	-
Education tax at 2% of assessable profit	-	-	-	-
Effect of concessions and other allowances)	-	-	-	-
Minimum tax adjustment	-	351,751	-	351,751
Information technology tax levy adjustment	-	56,055	-	56,055
	191,733	1,471,290	191,733	1,471,290
26.2 Current tax liabilities				
At 1 January	429,079	359,878	429,079	359,878
Payment during the year	-	(338,604)	-	(338,604)
Charge for the year	191,733	407,805	191,733	407,805
Balance, end of period	620,812	429,079	620,812	429,079

The charge for taxation is based on the provision of the Company Income Tax Act Cap C21 LFN 2004. Education Tax is based on 2% of the assessable profit for the year in accordance with the Education Tax Act CAP E4 LFN 2004. NITDA levy is based on 1% of profit before tax in accordance

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27 Other liabilities

In thousands of Nigerian Naira

Financial Liabilities

	Group 31-Mar-19	Group 31-Dec-18	Bank 31-Mar-19	Bank 31-Dec-18
Creditors and accruals	1,104,965	647,648	1,104,965	647,648
Staff Deductions	267,537	118,892	267,537	118,892
Provision for Others	386,388	236,388	386,388	236,388
Amcon Levy	-	277,300	-	277,300
Other current liabilities	223,815	157,693	167,972	92,686
Insurance Claim	80,174	70,635	80,174	70,635
Swift Payables	72,934	75,997	72,934	75,997
Western Union	41,595	45,860	41,595	45,860
Salary Suspense	179,413	155,041	179,413	155,041
Accounts payable	628,570	595,884	628,570	595,884
Electronic products payable	178,466	425,679	178,466	425,679
Certified cheques	1,262,793	1,196,631	1,262,793	1,196,631
Customer deposits for letters of credit	10,613,356	4,585,784	10,613,356	4,585,784
Discounting Line	11,231,658	12,841,871	11,231,658	12,841,871
FBN Settlement	13,511	-	13,511	-
Other Settlements	-	-	-	-
Remittances	689,455	540,155	689,455	540,155
	26,974,630	21,971,458	26,918,787	21,906,452

Non-Financial Liabilities

Litigation claims provision (i)	196,435	196,435	196,435	196,435
Other payables	3,676,480	669,710	3,676,480	669,710

30,847,544 22,837,603 30,791,702 22,772,597

(i) Movement in litigation claims provision

Opening balance	196,435	76,435	196,435	76,435
Additions	-	120,000	-	120,000
Payment	-	-	-	-
Provision no longer required	-	-	-	-
	196,435	196,435	196,435	196,435

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In thousands of Nigerian Naira

	Group		Bank	
	31-Mar-19	31-Dec-18	31-Mar-19	31-Dec-18
28 Other borrowed funds				
Due to BOI (see (i) below)	2,557,118	2,776,464	2,557,118	2,776,464
CBN Agric. loan (see iii below)	1,175,234	825,234	1,175,234	825,234
CBN MSMEDF (see iv below)	5,955,015	1,000,112	5,955,015	1,000,112
Wema SPV (see v below)	24,096,462	24,676,317	13,048,769	13,628,623
National Housing Fund	90,179	93,638	90,179	93,638
Shelter Afrique (see vii below)	2,404,533	2,938,327	2,404,533	2,938,327
AFDB	5,410,200	5,639,386	5,410,200	5,639,386
ICD	7,554,740	7,493,845	7,554,740	7,493,845
AGSMEIS	5,395	5,395	5,395	5,395
	49,248,877	45,448,718	38,201,183	34,401,024

- (i) The amount represents an intervention credit granted to the Bank by the Bank of Industry (BOI), a company incorporated in Nigeria for the purpose of refinancing or restructuring existing loans to Small and Medium Scale Enterprises (SMEs) and manufacturing companies. The total facilities are secured by Nigerian Government Securities worth N8,934,491,000 and have a maximum tenor of 15 years.

A management fee of 1% deductible at source is paid by the Bank under the on-lending agreement and the Bank is under obligation to on-lend to customers at an all-in interest rate of 7% per annum. Though the facility is meant for on-lending to borrowers in specified sectors, the Bank remains the primary obligor to the BOI and therefore assumes the risk of default of customers.

- (iii) This represents CBN intervention funds to some of the Bank's customers in the agricultural sector. The fund is administered at a maximum interest rate of 9% per annum. The maximum tenor of the facility is 7 years.
- (iv) This represents CBN intervention funds to some bank's customers in Small & Medium Scale sector. The fund is administered at a maximum interest rate of 9% per annum and maximum tenor of 5 years.
- (v) The Wema SPV of 2018: N24,636,113,000 (2018: N24,636,113,000) represents amortized cost of the fixed rate unsecured bond issued by Wema Funding SPV Plc. The outstanding bond of N6,295,000,000 and N17,675,000,000 (principal) were issued on 12 October 2016 and 2018 respectively for a period of 7 years at 18.5% and 16.5% per annum with interest payable semi-annually and principal payable at maturity in October 2023 and 2025 respectively.
- (vii) This amount represents the bank's foreign facility from Shelter Afrique, this was granted to the Bank for a period of 7 years. It is repayable bi-annually with interest rate of L+6.5% (Libor plus 6.5%)
- (viii) This amount represents the bank's foreign facility from AFDB, this was granted to the Bank for a period of 7 years. It is repayable bi-annually with interest rate of L+5.2% (Libor plus 5.2%)
- (ix) This amount represents the bank's foreign facility from ICD, this was granted to the Bank for a period of 5 years, with 1 year moratorium. It is repayable at maturity with interest rate of 6.91% (mid swap 2.96% plus 395 bps per annum)

	Group		Bank	
	31-Mar-19	31-Dec-18	31-Mar-19	31-Dec-18
At 1 January	45,448,718	39,459,511	34,401,024	36,627,761
Additions	5,000,000	31,033,157	5,000,000	22,857,417
Changes in accrued interest	-	-	-	-
Effect of exchange rate changes [loss/(profit)]	-	451,111	-	451,111
Payments made	(1,199,841)	(25,495,061)	(1,199,841)	(25,535,265)
Balance, end of period	49,248,877	45,448,718	38,201,183	34,401,024

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<i>In thousands of Nigerian Naira</i>	Group 31-Mar-19	Group 31-Dec-18	Bank 31-Mar-19	Bank 31-Dec-18
30 Share capital and Reserves				
(a) The share capital comprises:				
(i) Authorised - 40,000,000 Ordinary shares (2018 - 40,000,000,000) Ordinary shares of 50k each (2018 - 50k)	20,000,000	20,000,000	20,000,000	20,000,000
(ii) Issued and fully paid - 38,574,466,000 Ordinary shares (2018-38,574,466,000) shares of 50k each (2018 - 50k)	<u>19,287,233</u>	<u>19,287,233</u>	<u>19,287,233</u>	<u>19,287,233</u>
b Share Premium				
Balance at 1 January	8,698,230	8,698,230	8,698,230	8,698,230
Capital Reduction (Note 30i)	-	-	-	-
Balance, end of period	<u>8,698,230</u>	<u>8,698,230</u>	<u>8,698,230</u>	<u>8,698,230</u>

Share premium is the excess paid by shareholders over the nominal value for their shares

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(c) Statutory reserves

Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by S.16(1) of the Banks and Other Financial Institution Act of Nigeria, an appropriation of 30% of profit after tax is made if the statutory reserve is less than paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid up share capital.

(d) Fair value reserve

The fair value reserve includes the net cumulative change in the fair value of available-for-sale investments until the investment is derecognised or impaired.

(e) SMEIES Reserve

The SMEEIS reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investment in qualifying small and medium scale enterprises. Under the terms of the guideline (amended by CBN letter dated 11 July 2006), the contributions will be 10% of profit after tax and shall continue after the first 5 years but banks' contributions shall thereafter reduce to 5% of profit after tax. However, this is no longer mandatory.

The Bank has suspended further appropriation to SMEEIS (now known as Microcredit Fund) reserve account in line with the decision reached at the Banker's Committee meeting and approved by CBN. In prior year, 10% of profit after taxation was transferred to SMEEIS reserves in accordance with Small and Medium Enterprise Equity Investment Scheme as revised in April 2005."

(f) Retained earnings

Retained earnings are the carried forward recognised income net of expenses plus current period profit attributable to shareholders.

	Group	Group	Bank	Bank
	31-Mar-19	31-Dec-18	31-Mar-19	31-Dec-18
<i>In thousands of Nigeria Naira</i>				
Balance at 1 January	5,992,622	4,089,570	6,102,353	4,166,460
Profit or loss	1,144,059	3,326,420	1,200,008	3,359,259
Transfer from Regulatory risk reserve	-	(415,589)	-	(415,589)
Transfer to Statutory Reserve	(360,002)	(1,007,778)	(360,002)	(1,007,778)
Balance, end of period	<u>6,776,678</u>	<u>5,992,622</u>	<u>6,942,359</u>	<u>6,102,353</u>

(g) Regulatory risk reserve

The regulatory risk reserve warehouses the excess of the impairment on loans and advances computed under the Nigerian GAAP based on the Central Bank of Nigeria prudential guidelines compared with the incurred loss model used in calculating the impairment under IFRSs.

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31 Contingencies

(i) Litigation and claims

There are litigation claims against the Bank as at 31 March 2019 amounting to N10,670,204,446.32 (31 December 2018: N11,058,581,506.36). These litigations arose in the normal course of business and are being contested by the Bank. The Directors, having sought advice of professional counsel, are of the opinion that no significant additional liability will crystallise from these claims; other than as recognised in these financial statements.

(ii) Contingent liabilities and commitments

In common with other banks, the Bank conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. Contingent liabilities and commitments comprise acceptances, endorsements, guarantees and letters of credit.

Nature of instruments

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Bank expects most acceptances to be presented, but reimbursement by the customer is normally immediate. Endorsements are residual liabilities of the Bank in respect of bills of exchange, which have been paid and subsequently rediscounted.

Guarantees and letters of credit are given as security to support the performance of a customer to third parties. As the Bank will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Other contingent liabilities include performance bonds and are, generally, short-term commitments to third parties which are not directly dependent on the customers' credit worthiness.

Commitments to lend are agreements to lend to a customer in the future, subject to certain conditions. Such commitments are either made for a fixed period, or have no specific maturity but are cancellable by the lender subject to notice requirements.

Documentary credits commit the Bank to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

The following tables summarise the nominal principal amount of contingent liabilities and commitments with off-balance sheet risk

In thousands of Nigerian naira	Group		Bank	
	31-Mar-19	31-Dec-18	31-Mar-19	31-Dec-18
Contingent liabilities:				
Guarantees and indemnities	48,126,487	44,413,119	48,126,487	44,413,119
Bonds	6,373,286	4,995,812	6,373,286	4,995,812
Clean-line facilities & irrevocable letters of credit	8,106,618	13,511,351	8,106,618	13,511,351
Balance, end of period	62,606,391	62,920,283	62,606,391	62,920,283