

NIGERIAN EXPORT-IMPORT BANK
Abuja, Nigeria

REPORT OF THE DIRECTORS
AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

NIGERIAN EXPORT-IMPORT BANK

REPORT OF THE DIRECTORS AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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NIGERIAN EXPORT-IMPORT BANK

CORPORATE INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2015

DIRECTORS

CAPACITY

Dr. Sarah Alade	Chairperson	(Dissolved 16 July 2015)
Mr. Roberts U. Orya	Managing Director	(Retired 15 February 2016)
Alhaji Bashir M. Wali	Acting Managing Director	(Appointed 15 February 2016)
Mrs. Folake I. Salami	Executive Director	
Mr. Musa Batari	Non-Executive Director	(Dissolved 16 July 2015)
Mr. Kalli Zaji	Non-Executive Director	(Dissolved 16 July 2015)
Mallam Ajiya Mamman	Non-Executive Director	(Dissolved 16 July 2015)
Alhaji Mohammed I. Babangida	Non-Executive Director	(Dissolved 16 July 2015)
Chief (Barr.) Peter Nwaoboshi	Non-Executive Director	(Dissolved 16 July 2015)

The Board, along with the Governing Boards of all Federal Government Parastatals, Agencies, Companies and Institutions was dissolved by the Federal Government of Nigeria effective 16 July 2015 and Managing Director removed in February 2016. Since then, the Bank was administered by the Acting Managing Director/Chief Executive and the Executive Directors Business Development. Matters requiring the attention of the Board are referred to the supervising Ministry, Federal Ministry of Finance.

SECRETARY TO THE BOARD/

LEGAL ADVISER

Mr. Ahmed D. Modibbo

HEAD OFFICE

NEXIM House
Plot 975, Cadastral Zone AO
Central Business District
Garki, Abuja

AUDITORS

Ernst & Young
10th & 13th Floors UBA House
57 Marina, Lagos

BANKERS

Central Bank of Nigeria
Ecobank Plc
Fidelity Bank Plc
First Bank of Nigeria Limited
Sterling Bank Plc
Unity Bank Plc
Standard Chartered Bank of Nigeria Limited
United Bank for Africa Plc
Zenith Bank Plc

Website:

www.neximbank.com.ng

NIGERIAN EXPORT-IMPORT BANK

FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED 31 DECEMBER 2015

Financial performance:	2015 ₦'000	2014 ₦'000	%
Net interest income	4,437,854	4,247,508	4
Impairment charges	(803,311)	(464,061)	73
Other operating income	292,894	469,840	(38)
Total operating expenses	(3,897,107)	(4,207,536)	(7)
Profit for the year	372,022	85,131	337
Financial position:			
Issued share capital	46,731,851	42,914,780	9
Total equity	41,150,855	37,043,676	11
Per-share data:			
Basic and diluted earnings per share (kobo)	0.8	0.20	298

NIGERIAN EXPORT-IMPORT BANK

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2015

The Directors represented by the ministry of finance have the pleasure in presenting to the members of the Nigerian Export-Import Bank (the "Bank") their report together with the audited financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Bank was established to carry on the business of provision of export credit guarantee and export credit insurance facilities to its clients, provision of credit in local currency to its clients in support of exports, establishment and management of funds connected with exports, maintenance of a foreign exchange revolving fund for lending to exporters who need to import foreign inputs to facilitate export production, maintenance of a trade information system in support of export business and provision of domestic credit insurance where such a facility is likely to assist exports.

STATE OF FINANCIAL AFFAIRS

In the opinion of the Directors, the state of the Bank's affairs is satisfactory and no event has occurred since the reporting date that would affect the financial statements as presented.

RESULT FOR THE RESULT	₦'000
Profit before income tax	372,022
Income tax expense	-

Profit for the year	372,022
	=====

DIRECTORS' SHAREHOLDINGS

In line with Section 2 Subsection 1 of the Nigerian Export-Import Bank Act (NEXIM Bank Act) 1991, the authorised share capital of the Bank is subscribed equally by the Government of the Federation through the Ministry of Finance Incorporated and the Central Bank of Nigeria. In line with Section 2 Subsection 2, no new shareholders were approved, and there was no Director that held shares in the Bank during the year.

SHAREHOLDING STRUCTURE

Name	Authorised* Capital ₦'000	Issued and paid-up Capital ₦'000
Ministry of Finance Incorporated (MOFI)	25,000,000	21,731,851
Central Bank of Nigeria (CBN)	25,000,000	25,000,000
	-----	-----
	50,000,000	46,731,851
	=====	=====

*The authorised capital was statutorily allocated equally between the two shareholders and is being paid for over a period.

CHARITABLE GIFTS AND OTHER DONATIONS

Donations made during the year amounted to ₦2,660,000 (2014: ₦10,000,000) to the following beneficiaries:

	2015 ₦	2014 ₦
Presidential Committee on Food and Non-food items- for Internally Displaced Camps in Borno and Yola	-	10,000,000
Jameson Dee Project Nigeria Limited	700,000	-
G-NEXID	1,960,000	-
	-----	-----
	2,660,000	10,000,000
	=====	=====

NIGERIAN EXPORT-IMPORT BANK

REPORT OF THE DIRECTORS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2015

PROPERTY, PLANT AND EQUIPMENT

Information relating to changes in property, plant and equipment is given in Note 18 to the financial statements.

DIRECTORS

The names of the Directors at the date of this report and of those who held offices during the year are as follows:

Dr. Sarah Alade	Chairperson	(Dissolved 16 July 2015)
Mr. Roberts U. Orya	Managing Director	(Retired 15 February 2016)
Alhaji Bashir M. Wali	Acting Managing Director	(Appointed 15 February 2016)
Mrs. Folake I. Salami	Executive Director	
Mr. Musa Batari	Non-Executive Director	(Dissolved 16 July 2015)
Mr. Kalli Zaji	Non-Executive Director	(Dissolved 16 July 2015)
Mallam Ajiya Mamman	Non-Executive Director	(Dissolved 16 July 2015)
Alhaji Mohammed I. Babangida	Non-Executive Director	(Dissolved 16 July 2015)
Chief (Barr.) Peter Nwaoboshi	Non-Executive Director	(Dissolved 16 July 2015)

The Board, along with the Governing Boards of all Federal Government Parastatals, Agencies, Companies and Institutions was dissolved by the Federal Government of Nigeria effective 16 July 2015 and Managing Director removed in February 2016. Since then, the Bank was administered by the Acting Managing Director/Chief Executive and the Executive Directors Business Development. Matters requiring the attention of the Board are referred to the supervising Ministry, Federal Ministry of Finance.

EMPLOYMENT OF DISABLED PERSONS

It is the policy of the Bank that there should be no discrimination in considering applications for employment including those from disabled persons.

All employees, whether or not disabled are given equal opportunities to develop.

HEALTH, SAFETY AT WORK AND WELFARE OF EMPLOYEES

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

EMPLOYEES' INVOLVEMENT AND TRAINING

The Bank is committed to keeping employees informed as much as possible regarding the Bank's performance, progress and seeking their views wherever practicable on matters which particularly affect them as employees. Management, professional and technical expertise are the Bank's major assets and investment in their further development continues to be a priority to the Bank.

The Bank's expanding skills-base has been extended by a range of training programmes provided to its employees whose opportunities for career development within the Bank have thus been enhanced. Training is carried out at various levels through both in-house and external courses.

NIGERIAN EXPORT-IMPORT BANK

REPORT OF THE DIRECTORS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2015

PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS

The financial statements are presented in accordance with the reporting and presentation requirements of the International Financial Reporting Standards, the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, the NEXIM Bank Act No. 38, 1991, Laws of the Federation of Nigeria 2004 and the Financial Reporting Council of Nigeria Act, No. 6, 2011 and other relevant circulars issued by the Central Bank of Nigeria.

AUDITORS

Ernst & Young having expressed their willingness to continue in office as the Bank's auditors in accordance with section 357 (2) of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004.

By Order of the Board (Represented by the Federal Ministry of Finance)

AHMED D. MODIBBO

Secretary to the Board
Abuja, Nigeria

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NIGERIAN EXPORT-IMPORT BANK
STATEMENT OF DIRECTORS' RESPONSIBILITIES
IN RELATION TO THE PREPARATION OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

The Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Bank at the end of the year and of its profit or loss. The responsibilities include ensuring that the Bank:

- a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Bank and comply with the requirements of the NEXIM Act of the Federation of Nigeria 1991;
- b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
- c) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, and are consistently applied.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in accordance with International Financial Reporting Standards, the provisions of the NEXIM Act of the Federation of Nigeria 1991, the provision of the Companies and Allied and Matters Act, CAP 20, Laws of the Federation of Nigeria 2004, the Financial Reporting Council of Nigeria Act, No.6, 2011 and relevant circulars and guidelines issued by the Central Bank of Nigeria.

The Directors are of the opinion that the financial statements give a true and fair view of the state of financial affairs of the Bank and of its profit or loss. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

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

Bashir M. Wali
Ag. Managing Director/CEO

Folake I. Salami
Executive Director

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE
NIGERIAN EXPORT-IMPORT BANK

Report on the Financial Statements

We have audited the accompanying financial statements of Nigerian Export-Import Bank, which comprise the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards, the provisions of the NEXIM Act of the Federation of Nigeria 1991, the provision of the Companies and Allied and Matters Act, CAP 20, Laws of the Federation of Nigeria 2004, the Financial Reporting Council of Nigeria Act, No. 6, 2011, relevant circulars and guidelines issued by the Central Bank of Nigeria and for such internal control as the Directors determines necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nigerian Export-Import Bank as at 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, the provisions of the NEXIM Act of the Federation of Nigeria 1991, the provisions of the Companies and Allied and Matters Act, CAP 20, Laws of the Federation of Nigeria 2004, the Financial Reporting Council of Nigeria Act, No. 6, 2011 and relevant circulars and guidelines issued by the Central Bank of Nigeria.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE
NIGERIAN EXPORT-IMPORT BANK - Continued

Report on Other Legal and Regulatory Requirements

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

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii) in our opinion, proper books of account have been kept by the Bank, in so far as it appears from our examination of those books;
- iii) the Bank's statement of financial position and statement of profit or loss account and other comprehensive income are in agreement with the books of account.

Report on Compliance with Banking Regulations

- i) We confirm that our examination of the loans and advances was carried out in accordance with the Prudential Guidelines for licensed banks issued by the Central Bank of Nigeria.
- ii) Related party transactions and balances are disclosed in Note 29 to the financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.

Kayode Famutimi, FCA,
FRC/2012/ICAN/0000000155

For: Ernst & Young
Lagos, Nigeria

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NIGERIAN EXPORT-IMPORT BANK

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

in thousands of Nigerian Naira

	Note	2015	2014
Interest and similar income	4	4,908,347	4,559,753
Interest and similar expense	5	(501,336)	(312,245)
Net interest income		4,407,010	4,247,508
Fees and commission income	6	99,293	39,381
Other operating income	7	566,136	469,840
Total operating income		5,072,439	4,756,729
Impairment charges	8	(803,311)	(464,061)
Net operating income		4,269,128	4,292,668
Personnel expenses	9	1,565,978	1,408,615
Advertising and marketing		283,584	522,940
Depreciation of property, plant and equipment	18	342,970	287,511
Amortisation of intangible assets	19	10,244	9,221
Other operating expenses	10	1,694,331	1,979,249
Total operating expenses		3,897,107	4,207,536
Profit before income tax		372,022	85,131
Income tax expense	11	-	-
Profit for the year		372,022	85,131
Other comprehensive income:			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Net gain/(loss) on available-for-sale financial assets*	16	64,176	(67,406)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Re-measurement (losses)/gain on defined benefit plans	22	(146,058)	86,213
Total other comprehensive (loss)/income for the year		(81,882)	18,808
Total comprehensive income for the year, net of tax		290,140	103,939
Earnings per share			
Basic and diluted earnings per share (Kobo)	12	0.80	0.20

* Income from these instruments is exempted from tax.

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

NIGERIAN EXPORT-IMPORT BANK

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015 <i>in thousands of Nigerian Naira</i>	Note	31 December 2015	31 December 2014
Assets			
Cash and cash in banks	13	1,915,897	1,223,471
Due from banks	14	11,122,764	6,336,470
Loans and advances	15	44,061,658	37,566,171
Investment securities:			
Available-for-sale	16	2,894,645	1,452,455
Held-to-maturity	16	1,308,791	1,647,129
Other assets	17	364,877	572,390
Property, plant and equipment	18	3,057,756	3,059,364
Intangible assets	19	5,015	12,038
Net employee defined benefit asset	22	-	107,933
Total assets		64,731,403	51,977,421
Liabilities and Equity			
Liabilities			
Debt securities issued and other borrowed funds	20	19,502,919	10,876,370
Other liabilities	21	4,059,362	4,057,375
Net employee defined benefit obligation	22	18,236	-
Total liabilities		23,580,517	14,933,745
Equity			
Issued share capital	23	46,731,851	42,914,780
Accumulated losses	23	(13,188,175)	(10,884,651)
Regulatory risk reserve	23	6,823,909	4,294,422
Available-for-sale reserve	23	283,300	219,125
Other reserves	23	500,000	500,000
Total equity		41,150,885	37,043,676
Total liabilities and equity		64,731,402	51,977,421

The financial statements were approved and authorised for issue by the Supervising Minister on behalf of the Board on XX XXXX 2016 and were signed on its behalf by:

Bashir M. Wali (Acting Managing Director)

Folake I. Salami (Executive Director)

Umar Rani (Chief Financial Officer)

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

NIGERIAN EXPORT-IMPORT BANK

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

<i>in thousands of Nigerian Naira</i>		Issued share capital	Accumulated losses	Regulatory risk reserve	Available-for-sale-reserve	Other reserve	Total equity
	Note						
As at 1 January 2014		42,353,570	(9,355,887)	2,679,021	286,531	500,000	36,463,235
Profit for the year		-	85,131	-	-	-	85,131
Other comprehensive income		-	86,213	-	(67,406)	-	18,807
Total comprehensive income for the year		-	171,344	-	(67,406)	-	103,938
Issued share capital paid during the year	23	561,210	-	-	-	-	561,210
Transfer between reserves	23	-	(1,615,401)	1,615,401	-	-	-
Dividends	23	-	(84,707)	-	-	-	(84,707)
As at 31 December 2014		42,914,780	(10,884,651)	4,294,422	219,125	500,000	37,043,676
Profit for the year		-	372,022	-	-	-	372,022
Other comprehensive income		-	(146,058)	-	64,176	-	(81,882)
Total comprehensive income for the year		-	225,964	-	64,176	-	290,140
Issued share capital paid during the year	23	3,817,070	-	-	-	-	3,817,070
Transfer between reserves	23	-	(2,529,487)	2,529,487	-	-	-
As at 31 December 2015		46,731,850	(13,188,175)	6,823,909	283,301	500,000	41,150,885

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

NIGERIAN EXPORT-IMPORT BANK

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

in thousands of Nigerian Naira

	Note	2015	2014
Operating activities			
Profit before income tax		372,022	85,131
Adjustment for: Other non-cash items included in profit before tax			
Depreciation of property, plant and machinery	18	342,970	287,511
Amortisation of intangible assets	19	10,244	9,221
Interest cost on defined benefits		58,141	62,492
Interest income on defined benefits		(78,030)	(64,991)
Impairment charge on loan and receivables	8	803,311	456,286
Unrealised exchange gain		(283,985)	(98,479)
Amortisation adjustment on held-to-maturity instruments	16.3	(134,410)	(242,869)
Gain from disposal of property, plant and equipment		(6,683)	(11,497)
Net (increase)/ decrease in operating assets			
Net change in loans and advances		(7,083,183)	(9,063,479)
Net change in other assets		1,897	20,487
Net increase in operating liabilities			
Other liabilities		1,987	477,381
Net cash flows used in operating activities		(5,995,719)	(8,082,806)
Investing activities:			
Purchase of investment securities	16.3	(2,596,139)	(49,178)
Proceeds from investment securities	16.3	1,690,874	782,630
Purchase of property, plant and equipment	18	(344,585)	(431,546)
Purchase of intangible assets	19	-	(3,072)
Proceeds from sale of property, plant and equipment		6,684	20,000
Net cash flows (used in)/from investing activities		(1,243,166)	318,834
Financing activities:			
Dividends paid to equity holders		-	(84,707)
Proceeds from debt securities issued and other borrowed funds		10,247,278	-
Repayments of debt securities issued and other borrowed funds		(1,346,717)	(904,726)
Proceeds from Issuance of share capital		3,817,071	561,210
Net cash flows from/(used in) financing activities		12,717,632	(428,223)
Net increase/(decrease) in cash and cash equivalents		5,468,866	(8,192,678)
Net foreign exchange difference		9,882	483
Cash and cash equivalents as 1 January	24	7,559,941	15,752,136
Cash and cash equivalents at 31 December	24	13,038,689	7,559,941

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

NIGERIA EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate information

The Nigerian Export-Import Bank ("NEXIM" or the "Bank") was established by Act 38 of 1991 as an Export Credit Agency (ECA). The Bank which replaced the Nigerian Export Credit Guarantee & Insurance Corporation earlier set up under Act 15 of 1988, has the following main statutory functions: provision of export credit guarantee and export credit insurance facilities to its clients, provision of credit in local currency to its clients in support of exports, establishment and management of funds connected with exports, maintenance of a foreign exchange revolving fund for lending to exporters who need to import foreign inputs to facilitate export production, maintenance of a trade information system in support of export business and provision of domestic credit insurance where such a facility is likely to assist exports.

NEXIM is a Bank incorporated and domiciled in Nigeria. Its registered office is at Plot 975, Cadastral Zone AO, Central Business District, Garki, Abuja. The financial statements for the year ended 31 December 2015 was authorised for issue in accordance with the approval of the supervising minister on behalf of the Board of directors 2016.

2. Accounting policies

2.1 Basis of preparation

The financial statements have been prepared on a historical cost basis, except for available-for-sale investment securities which have been measured at fair value. The financial statements are presented in Nigerian naira and all values are rounded to the nearest thousand (N'000), except when otherwise indicated.

Statement of compliance

The financial statements have been prepared in accordance with, and comply with, International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), the provisions of the NEXIM Act of the Federation of Nigeria 1991, the provision of the Companies and Allied and Matters Act, CAP 20, Laws of the Federation of Nigeria 2004, the Financial Reporting Council of Nigeria Act, No. 6, 2011 and relevant circulars and guidelines issued by the Central Bank of Nigeria.

Presentation of financial statements

The Bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 27.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the statement of profit or loss and other comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

2.2 Significant accounting judgments, estimates and assumptions

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

2.2 Significant accounting judgments, estimates and assumptions - Continued

Estimates and assumptions

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

Going concern

The Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk, discount rates, prepayment rates and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The valuation of financial instruments is described in more detail in note 25.

Impairment on loans and advances

The Bank reviews its individually significant loans and advances at each statement of financial position date to assess whether an impairment loss should be recorded in profit or loss. In particular, management judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilisation, loan to collateral ratios, etc.), and judgments to the effect of concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

The carrying value at reporting date of impairment of loans and advances is ₦2,347,518,000 (2014: ₦1,759,822,000). Further details on impairment on loans and advances are disclosed in note 15 of the financial statements.

Impairment of available-for-sale investments

The Bank also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Bank evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

NIGERIA EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS – Continued

2.2 Significant accounting judgments, estimates and assumptions - Continued

Defined benefit obligation

The cost of the defined benefit plan is determined using actuarial valuations. The actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rates, future salary increases, mortality rates and inflation rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the market yields at the end of each reporting period on government bonds due to non-availability of deep market in high quality corporate bonds.

The currency of government bonds is consistent with the currency of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for Nigeria. Future salary increases are based on expected future inflation rates in Nigeria.

The carrying value at reporting date of gratuity benefit obligation is ₦18,236,000 and defined benefit asset (2014: ₦107,933,000). Further details about gratuity benefit obligation are provided in note 22.

Property, plant and equipment

The property plant and equipment of the bank comprise of five floors of which the ground floor was leased out and is considered insignificant. This insignificant part (ground floor) of the building is subject to operating leases where the Bank is a lessor. At 31 December 2015, the net carrying amount of those assets was ₦508.3 million (2014: ₦484.7 million), on which the accumulated depreciation as at 31 December 2014 was ₦91.4 million (2014: ₦80.2 million). None of the assets have been pledged as collateral.

2.3 Summary of significant accounting policies

(a) Foreign currency translation

The financial statements are presented in Nigerian naira (N) which is the functional currency of the Bank.

Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the end of the reporting period based on official exchange rates. All differences arising on non-trading activities are taken to 'Other operating income' in the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

NIGERIA EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS – Continued

(b) Financial instruments – initial recognition and subsequent measurement

(i) Date of recognition

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(ii) Classification of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. The Bank classifies its financial assets into the following categories: financial assets held-to-maturity, loans and advances and available-for-sale financial assets. Financial liabilities of the Bank include debt securities issued and other borrowed funds and other financial liabilities. Management determines the categorisation of its financial assets and liabilities on initial recognition.

(iii) Initial measurement of financial instruments

All financial assets are recognised initially at fair value.

All financial liabilities are recognised initially at fair value and, in the case of debt issued and other borrowed funds and other financial liabilities, net of directly attributable transaction costs.

(iv) 'Day 1' profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Bank immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'Net trading income'. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the profit or loss when the inputs become observable, or when the instrument is derecognised.

(v) Available-for-sale financial investments

Available-for-sale investments include equity. Equity investments classified as available-for-sale are those which are neither classified as held-for-trading nor designated at fair value through profit or loss.

The Bank has not designated any loans advances as available-for-sale.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value.

Unrealised gains and losses are recognised in other comprehensive income (OCI) and accumulated in 'Available-for-sale reserve' until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income or other operating expenses. When the investment is determined to be impaired, the cumulative loss is reclassified from the 'available-for-sale reserve' to the profit or loss in impairment charge of financial investment. Where the Bank holds more than one investment in the same security, the costs of investment disposed of are determined using weighted average basis. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the effective interest rate (EIR) method. Dividends earned whilst holding available-for-sale financial investments are recognised in the profit or loss as 'Other operating income' when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the profit or loss in 'Impairment charge on financial investments'.

NOTES TO THE FINANCIAL STATEMENTS – Continued

(b) Financial instruments – initial recognition and subsequent measurement - Continued

(vi) Held-to-maturity financial investments

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

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

(vii) Due from banks and Loans and advances

'Due from Banks' and 'Loans and advances', include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Ø Those that the Bank intends to sell immediately or in the near term and those that the Bank upon initial recognition designates as at fair value through profit or loss.
- Ø Those that the Bank, upon initial recognition, designates as available for sale.
- Ø Those for which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, amounts 'Due from Banks' and 'Loans and advances' are subsequently measured at amortised cost using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest and similar income' in the profit or loss. The losses arising from impairment are recognised in the profit or loss in 'loan impairment charge'.

Where the loan, on drawdown, is expected to be retained by the Bank, and not sold in the short term, the commitment is recorded only when it is an onerous contract that is likely to give rise to a loss (e.g., due to a counterparty credit event).

(viii) Debt securities issued and other borrowed funds

Financial instruments issued by the Bank are classified as liabilities under 'Debt securities issued and other borrowed funds', where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, debt securities issued and other borrowings are subsequently measured at amortised cost using the EIR. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

NIGERIA EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS – Continued

(b) Financial instruments – initial recognition and subsequent measurement - Continued

(ix) Reclassification of financial assets

The Bank evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Bank is unable to trade these financial assets due to inactive markets, the Bank may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

(c) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- Ø The rights to receive cash flows from the asset have expired.
- Ø The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
 - (a) the Bank has transferred substantially all the risks and rewards of the asset, or (b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Bank continues to recognise the transferred asset to the extent of the Bank's continuing involvement. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

NIGERIA EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS – Continued

(d) Fair value measurement

The Bank measures financial instruments such as investment in equity instruments classified as available for sales at fair value at the end of each reporting period. Also, fair values of financial instruments measured at amortised cost are disclosed in note 25.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

In the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Ø Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Ø Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Ø Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Bank's management determines the policies and procedures for both recurring fair value measurement, available-for-sale financial assets and for non-recurring measurement, such as assets held for sale.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Bank's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

NIGERIA EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS – Continued

(d) Fair value measurement – Continued

The management, in conjunction with the Bank's external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(e) Impairment of financial assets

The Bank assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter Bankruptcy or other financial reorganisation, default or delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost (such as amounts due from banks, loans and advances to customers as well as held-to-maturity investments), the Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, 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, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected loan impairment charges that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest and similar income'.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss as other income.

NIGERIA EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS – Continued

(e) Impairment of financial assets – Continued

(i) Financial assets carried at amortised cost - Continued

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss as other income.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal credit grading system, that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

With respect to loans and advances, the impairment loss determined under IFRS as stated above is compared with the requirement of the Central Bank of Nigeria Prudential Guidelines. Where the:

- Ø Prudential impairment loss is greater than IFRS impairment loss, the difference is transferred from the general reserve to a non-distributable regulatory reserve.
- Ø Prudential impairment loss is less than IFRS impairment loss, the excess charges resulting is transferred from the regulatory reserve account to the general reserve to the extent of the non-distributable reserve previously recognized.

(i) Available-for-sale financial investments

For available-for-sale financial investments, the Bank assesses at each reporting date whether there is objective evidence that an investment is impaired.

In the case of debt instruments classified as available-for-sale, the Bank assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost.

NIGERIA EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS – Continued

(e) Impairment of financial assets – Continued

(ii) Available-for-sale financial investments - Continued

However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the profit or loss. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The interest income is recorded as part of 'Interest and similar income'. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through the profit or loss.

In the case of equity investments classified as available-for-sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. The Bank treats 'significant' generally as 20% and 'prolonged' generally as greater than six months. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the profit or loss – is removed from equity and recognised in the profit or loss. Impairment losses on equity investments are not reversed through the profit or loss; increases in the fair value after impairment are recognised in other comprehensive income.

(iii) Financial assets carried at cost

For financial assets carried at cost, if there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not be reversed.

(iii) Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

(iv) Collateral valuation

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as, guarantees, vessel mortgage and real estate. The fair value of collateral is generally assessed, at a minimum, at inception and at the end of each reporting period.

To the extent possible, the Bank uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as real estate valuers, audited financial statements, and other independent sources. (See note [26.2](#) for further analysis of collateral).

NIGERIA EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS – Continued

(e) Impairment of financial assets – Continued

(v) Collateral repossessed

The Bank's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets that are determined better to be sold are immediately transferred to assets held for sale at their fair value at the repossession date in line with the Bank's policy.

(f) Offsetting financial instruments

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

(g) Leasing

The determination of whether an arrangement is a lease, or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Bank as a lessee

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

Bank as a lessor

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

(h) Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The following specific recognition criteria must also be met before revenue is recognised:

(i) Interest and similar income and expense

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available-for-sale interest income or expense is recorded using the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future loan impairment charges.

NIGERIA EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS – Continued

(i) Interest and similar income and expense - Continued

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest and similar' for financial assets and 'Interest and similar expense' for financial liabilities.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Fee and commission income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and other management and advisory fees.

Loan commitment and processing fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight line basis.

(iii) Dividend income

Dividend income is recognised when the Bank's right to receive the payment is established, which is generally when the shareholders approve the dividend.

(iv) Rental Income

Rental income arising from operating leases on properties leased out by the Bank is accounted for on a straight-line basis over the lease terms and is included in revenue due to its operating nature.

(j) Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprises cash on hand, non-restricted current accounts with central banks and amounts due from Banks on demand or with an original maturity of three months or less.

(k) Property, plant and equipment

Property, plant and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses, if any. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation which commences when the asset is available for use is calculated using the straight-line method to write down the cost of property, plant and equipment to their residual values over their estimated useful lives. Land is not depreciated.

The estimated useful lives are as follows:

Buildings	50 years
Computer equipment	4 years
Plant	4 years
Motor Vehicles	3 years
Furnitures and fittings	5 years

NIGERIA EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS – Continued

(k) Property, plant and equipment – Continued

Property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other operating income' in the profit or loss in the year the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(l) Intangible assets

The Bank's intangible assets comprise the computer software.

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

- Computer software - 4 years

(m) Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements (within 'Other liabilities') at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less, when appropriate, cumulative amortisation recognised in the profit or loss, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the profit or loss in 'Impairment charge'. The premium received is recognised in the profit or loss in 'fees and commission income' on a straight line basis over the life of the guarantee.

(n) Pension benefits

(i) Defined contribution pension plan

The Bank operates a defined contribution pension plan in line with the Pension Reform Act, 2014, amended. The plan is funded by contributions from the Bank and the employees. The Bank has no further payment obligations once the contributions have been paid. Contribution payable is recorded as an expense under 'Personnel expenses'. Unpaid contributions are recorded as a liability.

NIGERIA EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS – Continued

(n) Pension benefits - Continued

(ii) Defined benefit plan

For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

NIGERIA EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS – Continued

3. Standard that became effective during the year:

Annual improvements 2010-2012 Cycle

These following annual improvements are not expected to have a material impact on the Company. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition

If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. This standard is not expected to impact on the financial statements as the bank the Bank do not have share based scheme.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarifies that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities. This standard is not expected to impact on the financial statements as the bank the Bank do not prepare segment disclosures.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

NIGERIA EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS – Continued

4. Standards issued but not yet effective

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

IFRS 9 financial instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 requires classification is based on the business model and solely for principal and interest test. It requires debt instruments to be classified as fair value through profit or loss, fair value through other comprehensive income, and amortized cost; while equity instrument is designated as fair value through profit or loss or fair value through other comprehensive income. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. 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 losses; however the bank is currently assessing the impact on the financial statements.

IFRS 14 regulatory deferral accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Company is an existing IFRS preparer, this standard would not apply.

Annual improvements 2012-2014 Cycle

These improvements are effective from 1 January 2016 and are not expected to have a material impact on the Bank. They include:

IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations

The amendment is to be applied prospectively and clarifies for changes in methods of disposal. Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5.

NOTES TO THE FINANCIAL STATEMENTS – Continued

4. Standards issued but not yet effective – Continued

IFRS 7 Financial Instruments: Disclosures

The amendment is to be applied prospectively and clarifies for service contracts as follows:

- That a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required.
- The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

Applicability of the offsetting disclosures to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.

IAS 19 Employee Benefits

The amendment is to be applied prospectively. Discount rate: regional market issue.

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

IAS 34 Interim Financial Reporting

Disclosure of information 'elsewhere in the interim financial report

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The amendment must be applied retrospectively.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Bank is currently assessing the impact this standard will have on the financial statements.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting.

The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Bank.

NIGERIA EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS – Continued

4. Standards issued but not yet effective - continued

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Bank given that the Bank has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Bank's financial statements.

IFRS 16 – Leases

IFRS 16 – Leases was issued in January 2016 and will replace IAS 17 – Leases. The new standard is effective for annual periods beginning on or after 1 January 2019. The accounting treatment of leases by lessees will change fundamentally based on the new standard. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases.

The Bank is currently assessing the impact of the standard.

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

The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3 Business Combinations, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Bank's financial statements.

NIGERIA EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS – Continued

4. Standards issued but not yet effective - continued

Amendments to IAS 12 – recognition of deferred tax assets for unrealized losses

The amendments to IAS 12 clarify the consideration to be made when assessing the recoverability of deferred tax assets (DTA)

The amendment consists of some wording changes to the standards and some examples to clarify that:

- Ø Financial assets measured at Fair Value, with no corresponding tax base adjustment, will result in a temporary difference even if the entity intends to keep the financial asset to collect the contractual cash-flows (pull to par) and not to sell it at its fair value.
- Ø Where tax legislation ring-fence certain tax deductions [e.g. capital gains tax (CGT) losses] the recoverability of the related DTA is assessed against the future taxable income, or taxable temporary differences, of that type only (i.e. CGT losses is assessed against future CGT profits).
- Ø When assessing the sufficiency of future taxable income the amount considered is the amount before the relevant tax deduction currently being assessed – i.e. when assessing the recoverability of an assessed loss the amount of future taxable income you consider should be the amount before the deduction of said assessed loss.
- Ø Where assets are carried at cost in the SOFP but you expect to realise them at an amount above cost in the same period as the turnaround of the DTA under assessment; you increase the future taxable profits with the amount above cost, at the relevant rate, if there is sufficient evidence. I.e. if you carry owner occupied buildings at cost but intend to sell it within the next 5 years you add the taxable capital gains that will be realised on the sale to the future taxable income – provided there is sufficient evidence of the value and intention to sell.

The amendment requires retrospective application with an adjustment to the opening retained earnings of the earliest comparative period presented. Effective 1 Jan 2017 with early adoption permitted. The Bank is currently assessing the impact of amendment to IAS 12 and plans to adopt the new standard on the required effective date.

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

4 **Interest and similar income**

<i>in thousands of Nigerian Naira</i>	2015	2014
Loans and advances to customers	4,144,349	3,384,426
Cash and short-term funds	620,160	923,449
Investment securities – held-to-maturity	16.3	134,410
Loans and advances to staff		242,869
	9,428	9,009
Interest and similar income	4,908,347	4,559,753

Interest income accrued on impaired financial assets is ₦1,249,569,000 (2014: ₦709,559,000).

5 **Interest and similar expense**

<i>in thousands of Nigerian Naira</i>	2015	2014
Export Stimulation loan	62,270	62,270
Loan from AFREXIM	162,581	158,496
Loan from AfDB	187,527	-
8% CBN Perpetual Debenture	73,660	73,259
CBN/BOI Fund for Small & Medium Scale - Industries	6,804	10,734
Loan from ADB/FGN/CBN	8,494	7,486
Interest and similar expense	501,336	312,245

6 **Fees and commission income**

Credit-related fees and commissions	83,488	21,221
Underwriting fees	-	14,236
Other fees received	15,805	3,924
Fees and commission income	99,293	39,381

7 **Other operating income**

Recoveries	134,000	197,705
Dividend income	101,673	49,176
Non-trading foreign exchange	283,985	98,479
Operating lease income	38,007	55,863
Transformation grant income	-	50,699
Gain from disposal of property, plant and equipment	6,683	11,497
Other income	1,788	6,421
Other operating income	566,136	469,840

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

8 **Impairment charge**

<i>in thousands of Nigerian Naira</i>	Note	2015	2014
Loans and advances:			
Impairment			
BOI refinancing facility lending	15.2	8,587	80,024
Medium-term direct lending	15.2	80,095	32,981
Short-term direct lending facilities	15.2	486,569	323,547
Staff loans	15.2	12,446	-
		587,697	436,552
Other assets:			
Other receivables	17.1	193,515	19,734
Cash and bank:			
Cash in bank	13	22,100	7,775
Loan impairment charge		803,311	464,061

9 **Personnel expenses**

Wages and salaries		1,308,527	1,232,950
Net interest on defined benefit obligation	22.1	(19,889)	(2,499)
Pension costs- Defined contribution plan		265,407	167,355
Other employee cost		11,933	10,809
Personnel expenses		1,565,978	1,408,615

10 **Other operating expenses**

Administrative expenses		787,890	932,716
Staff training		440,253	511,817
Staff travelling		139,152	168,482
Professional fees		159,890	150,562
Directors' fee, salaries & expenses		54,017	65,721
Rents charges payable under operating leases		80,712	68,251
Auditors remuneration		15,097	15,097
Transformation expense		-	50,699
Staff relocation		15,451	15,132
Others		1,869	772
Other operating expenses		1,694,331	1,979,249

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

11 Income tax expense

The profit of the Bank is exempted from Company income tax in accordance with section 23(1)(a) of the Company Income Tax Act.

12 Earnings per share

Basic/diluted earnings per share amounts is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary share outstanding at the reporting date.

The following reflects the profit or loss and share data used in the basic/diluted earnings per share computations:

	31 December 2015	31 December 2014
<i>in thousands of Nigerian Naira</i>		
Profit for the year	372,022	85,131
<i>in thousands number</i>		
Weighted average number of ordinary shares for <u>basic/diluted earnings per share</u>	46,731,851	42,774,477
Basic/diluted earnings per ordinary share (kobo)	0.80	0.20

There have been no other transactions involving ordinary shares between the reporting date and the date of completion of these financial statements which would require the restatement of earnings per share. There was no ordinary shares with dilutive potential as at the reporting date.

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

13 **Cash and cash in banks**

As at <i>in thousands of Nigerian Naira</i>	Note	31 December 2015	31 December 2014
Cash on hand		28	-
Cash in banks		1,937,969	1,231,246
		1,937,997	1,231,246
Allowance for impairment on cash in banks	13.1	(22,100)	(7,775)
Cash and cash in banks		1,915,897	1,223,471

13.1 The impairment relates to dormant current account balance with Central Bank of Nigeria

Cash in banks earns interest at fixed rates based on the bank deposit rates.

There is no undrawn committed borrowing facilities as at year end (2014: Nil).

The Bank has not pledged any of its short-term deposits in order to fulfil collateral requirements.

No amount is past due but not impaired.

14 **Due from banks**

As at <i>in thousands of Nigerian Naira</i>	Note	31 December 2015	31 December 2014
Placements with other banks		11,390,020	6,603,726
Less: allowance for impairment	14.1	(267,256)	(267,256)
Due from banks		11,122,764	6,336,470

Placements with banks are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Bank, and earn interest at the respective short-term deposit rates.

No amount is past due but not impaired.

14.1 Allowance for impairment

At the beginning of the year	267,256	267,256
Charge for the year	-	-
At the end of the year	267,256	267,256

Allowance for impairment relates to placements with liquidated banks.

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

15 **Loans and advances**

As at <i>in thousands of Nigerian Naira</i>	Note	31 December 2015	31 December 2014
Loans to customers:			
BOI Refinancing facility lending		480,678	477,524
Medium-term direct lending		33,857,307	32,601,620
Short-term direct lending		11,225,979	5,550,968
Loans to staff		845,213	695,881
		46,409,176	39,325,993
Less: Allowance for impairment losses	15.2	(2,347,518)	(1,759,822)
Loans and advances		44,061,658	37,566,171

15.1 **Classification of loans and advances per performance**

Individually impaired		10,350,757	8,377,020
Collectively impaired		479,983	215,211
Past due but not impaired		7,102,206	1,658,371
Neither impaired nor past due		28,476,230	29,075,391
Loans and advances		46,409,176	39,325,993

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

15.2 Impairment allowance for loans and advances

A reconciliation of the allowance for impairment for loans and advances, by class, is as follows:

<i>in thousands of Nigerian Naira</i>	<i>Note</i>	BOI Refinancing facility lending	Medium-term direct lending	Short-term direct lending	Exit Staff loans	Total
At 1 January 2014		111,040	747,100	420,109	45,021	1,323,270
Impairment charge	8	80,024	32,981	323,547	-	436,552
At 31 December 2014		191,064	780,081	743,656	45,021	1,759,822
Individual impairment		183,330	712,524	585,116	45,021	1,525,991
Collective impairment		7,734	67,557	158,540	-	233,831
		191,064	780,081	743,656	45,021	1,759,822
At 1 January 2015		191,064	780,081	743,656	45,021	1,759,822
Impairment charge	8	8,587	486,569	80,095	12,446	587,697
At 31 December 2015		199,651	1,266,650	823,751	57,467	2,347,519
Individual impairment		92,344	982,225	312,456	57,467	1,444,492
Collective impairment		107,307	284,425	511,295	-	903,026
		199,651	1,266,650	823,751	57,467	2,347,518

16 Investment securities

As at <i>in thousands of Nigerian Naira</i>	Note	31 December 2015	31 December 2014
Available-for-sale	16.1	2,894,645	1,452,456
Held-to-maturity	16.2	1,308,791	1,647,129
		4,203,436	3,099,585

16.1 Available-for-sale

Quoted investments:			
Equity securities		953,237	889,063
Unquoted investments:			
Equities		1,941,408	563,392
	16.3	2,894,645	1,452,455

The fair value of the quoted equity is based on the quoted price in Nigerian Stock Exchange market.

All unquoted investments for which fair values could not be reliably estimated have been carried at cost less impairment. There are no active markets for these financial instruments, fair value information are therefore not available, this makes it impracticable for the Company to fair value these investments. They have therefore been disclosed at cost less impairment. The carrying amount is the expected recoverable amounts on these investments.

The unquoted investments are made up of investments in African Export Import (AFREXIM) Bank for ₦1,910,344,000 and African Biofuel & Renewable Energy Company (ABREC) for ₦31,064,000. The total dividends received from AFREXIM is ₦100,116,976.00 (2014: Nil).

Although management do not intend to dispose the equity in the nearest future, in the event of disposal of unquoted investments carried cost, the entity shall request bid from potential acquirer, the bid is then scrutinised for the highest bidder.

16.2 Held-to-maturity

As at <i>in thousands of Nigerian Naira</i>	Note	31 December 2015	31 December 2014
Quoted investments:			
Treasury bills		1,308,791	1,647,129
	16.3	1,308,791	1,647,129

16 Investment securities - Continued

16.3 Carrying values

<i>in thousands of Nigerian Naira</i>	<i>Available-for-sale</i>	<i>Held-to-maturity</i>	<i>Total</i>
As at 1 January 2014	1,470,685	2,186,890	3,569,317
Purchases/(maturities)	49,178	(782,630)	(733,452)
Fair value losses recorded in other comprehensive income	(67,406)	-	(67,406)
Amortisation adjustment	4	242,869	242,869
As at 31 December 2014	1,452,457	1,647,129	3,099,586
Purchases	1,378,013	1,218,126	2,596,139
Maturities	-	(1,690,874)	(1,690,874)
Fair value gains recorded in other comprehensive income	64,175	-	64,175
Amortisation adjustment	4	134,410	134,410
As at 31 December 2015	2,894,645	1,308,791	4,203,436

17 Other assets

<i>As at in thousands of Nigerian Naira</i>	<i>31 December 2015</i>	<i>31 December 2014</i>
Prepayments (Note 17.1)	330,953	288,335
Other receivables (Note 17.2)	259,274	303,789
	590,227	592,124
Impairment	17.1	(19,734)
	364,877	572,390

17.1 allowance for impairment on other receivables

Opening balance	19,734	-
Charged for the year	8	19,734
	213,249	19,734

17.1 The impairment relates to other receivables that has been outstanding for above 365 days.

17.2 Included in other receivables is an amount of ₦156.31 million incurred so far in setting up Sealink limited as pre-incorporation expense. Sealink Limited once on stream will be operating in the area of shipping goods and services within the sub sahara african region. The company is expected to commence operation as soon as all requirements for setting up entities in this industry have been met. This amount has been fully impaired in note 17.1 pending its recovery.

18 Property, plant and equipment

<i>in thousands of Nigerian Naira</i>	Land	Building	Plant	Furnitures and fittings	Computer equipment	Motor vehicles	Total
Cost:							
At 1 January 2014	1,688	2,824,098	109,312	848,943	308,848	434,408	4,527,297
Additions	-	-	22,728	117,493	180,196	111,129	431,546
Disposal	-	-	(7,810)	-	-	(109,650)	(117,460)
At 31 December 2014	1,688	2,824,098	124,230	966,436	489,044	435,887	4,841,383
Additions			9,415	39,585	42,190	253,395	344,585
Disposal			-	-	-	(89,130)	(89,130)
Transfer			-	-	(12,693)	-	(12,693)
At 31 December 2015	1,688	2,824,098	133,645	1,006,021	518,541	600,152	5,084,145
Accumulated depreciation:							
At 1 January 2014	-	344,630	90,897	650,017	230,584	287,338	1,603,466
Charged for the year	-	56,506	11,873	58,899	60,829	99,404	287,511
Disposal	-	-	(7,811)	-	-	(101,147)	(108,958)
At 31 December 2014	-	401,136	94,959	708,916	291,413	285,595	1,782,019
Charged for the year	-	55,694	13,341	76,465	102,512	94,957	342,970
Disposal	-	-	-	-	-	(89,128)	(89,128)
Transfer	-	-	-	-	(9,471)	-	(9,471)
At 31 December 2015	-	456,830	108,300	785,381	384,454	291,424	2,026,389
Carrying amount:							
At 31 December 2015	1,688	2,367,268	25,344	220,640	134,087	308,728	3,057,756
At 31 December 2014	1,688	2,422,962	29,271	257,520	197,631	150,292	3,059,364

Insignificant part (ground floor) of the building is subject to operating leases where the Bank is a lessor. At 31 December 2015, the net carrying amount of those assets was ₦508.3 million (2014: ₦484.7 million), on which the accumulated depreciation as at 31 December 2014 was ₦91.4 million (2014: ₦80.2 million). None of the assets have been pledged as collateral.

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NOTES TO THE FINANCIAL STATEMENTS - Continued

19 Intangible assets

*in thousands of Nigerian Naira*Computer
software

Cost:

At 1 January 2014	147,951
Additions	3,072
<u>At 31 December 2014</u>	<u>151,023</u>
Additions	-
Transfer	<u>12,693</u>
<u>At 31 December 2015</u>	<u>163,716</u>

Amortisation and impairment:

At 1 January 2014	129,764
Amortisation charged for the year	9,221
<u>At 31 December 2014</u>	<u>138,985</u>
Amortisation charged for the year	10,244
Transfer	<u>9,471</u>
<u>At 31 December 2015</u>	<u>158,700</u>

Carrying amount:

<u>At 31 December 2015</u>	<u>5,015</u>
<u>At 31 December 2014</u>	<u>12,038</u>

The intangible assets represent computer software which was purchased from third parties.

20 Debt securities issued and other borrowed funds

As at <i>in thousands of Nigerian Naira</i>	Note	31 December 2015	31 December 2014
CBN/BOI Fund for Small & Medium Scale - Industries	20.1	380,932	770,685
BOI - Working capital	20.1	4,600	464,600
Export Stimulation loan	20.2	6,535,603	6,473,332
Loan from ADB/FGN	20.3	175,995	167,501
Loan from AFREXIM	20.4	2,612,523	1,642,489
8% CBN Perpetual Debenture	20.5	1,284,405	1,357,763
Loan from AFDB	20.6	8,508,862	-
Debt securities issued and other borrowed funds		19,502,920	10,876,370

20.1 In 2010, the Bank was granted a loan under the Central Bank of Nigeria (CBN) intervention fund for Refinancing/Restructuring of facility (IES). The loan is broken down into Term loan of ₦2,123,138,102 and Working capital loan of ₦670,000,000. The Term loan is repayable on quarterly installments commencing immediately after the moratorium period of one year for a period of 5 years while the Working capital loan is repayable at the end of twelve (12) months with annual roll over option. The loans were disbursed with a management fee of 1% flat of the loan deductible at source payable to BOI.

20.2 This relates to a loan granted to the Bank by the Ministry of Finance at an annual interest rate of 1% in 2011 and repayment shall be N1 billion per year after the expiration of the 5 year tenure of the loan.

20.3 This relates to a loan initially obtained from African Development Bank (ADB) under ADB Export Stimulation loan being managed on behalf of the Federal Government of Nigeria ("FGN"). However, the loan has been fully paid by the FGN, therefore the balance on the account becomes payable to FGN by the Bank. The Bank accrues for the interest at the rate of 9% per annum as time value of money in respect of the balance until it is repaid.

20.4 This represents a US\$50,000,000 line of credit facility to be used for refinancing for the purchase of promissory notes issued by an Approved Sub-Borrower, discounting invoices accepted by an Approved Sub-Borrower and refinancing and prefinancing for trade-related activities and/ or projects that generate foreign exchange, each in connection with an Approved Sub-Borrowers. The amount of advance made or deemed to be made shall be repayable by the borrower on the repayment date specified in the relevant specific transaction term agreement. The interest rate on each advance is the percentage rate per annum which is the aggregate of the applicable Margin and LIBOR. The principal and interest is payable quarter over five year after the expiration of the six or twelve months moratorium period.

20 **Debt securities issued and other borrowed funds - continued**

20.5 This represents amount taken over by NEXIM Bank at its inception in 1991 from the Central Bank of Nigeria (CBN) on the export credit Rediscounting and Refinancing Facility (RRF) Scheme extended to exporters through participating banks. The amount involved is both the debt instruments and bank balances which got transferred to NEXIM Bank by the CBN. The seed fund was called CBN Perpetual Debenture with a coupon rate of 8% which was subsequently reduced to 6% per annum. The interest is payable quarterly while the principal sum is repayable to CBN on demand.

20.6 In 2015 African Development Bank granted a loan of \$200 million to NEXIM for onward lending to small and medium scale companies that engage in business activities that supports exports, the loan is backed by Federal government sovereign guarantee. The principal and interest is repayable bi annually over a period of 9 years at the rate of 2.5% per annum. The loan is expected to be disbursed in four tranches (1st tranche \$50 million, 2nd tranche \$100 million, 3rd and 4th tranche \$50 million respectively). Currently a sum of \$50 million has been disbursed, and other tranches will be disbursed once it is confirmed that the first tranche disbursed is well utilized.

The Bank has not had any defaults of principal, interest or other breaches with regard to any liabilities during 2015 and 2014.

21 **Other liabilities**

As at in thousands of Nigerian Naira	Note	31 December 2015	31 December 2014
Accrued expenses		365,360	517,930
Accounts payable and sundry creditors	21.1	3,596,198	3,497,425
Transformation grant	21.2	10,217	10,217
Post-employment pension (defined - contribution)		87,587	31,803
		4,059,362	4,057,375

21.1 Included in the amount is ₦2.313 billion (2014: ₦2.313 billion) due to Federal Government of Nigeria under the defunct ADB Export Stimulation Loan "Managed funds" in respect of the recoveries made by the Bank under the Fund, which is yet to be remitted. However, the ₦2.313 billion is repayable on demand.

21.2 Transformation grant is the outstanding balance of the funds given to the Bank by the Federal Government to rebrand the Bank as part of the Bank transformation.

21 Other liabilities - continued

21.3 *The movement in obligations under financial guarantees during 2015 is as follows:*

<i>in thousands of Nigerian Naira</i>	31 December 2015	31 December 2014
At 1 January	-	8,722
Arising during the year	-	5,514
Utilised	-	(14,236)
At 31 December	-	-

22 Employee benefit obligations

Defined contribution plan

The defined contribution plan is a pension plan under which the Bank pays fixed contributions; there is no legal or constructive obligation to pay further contributions. The assets of the plan are held separately from those of the Bank in a fund under the control of trustees.

The total expense charged to profit or loss of ₦265.41 million (2014: ₦167.36 million) represents contributions payable to these plans by the Bank at rates specified in the rules of the plan.

Defined benefit plan

A defined benefit plan is a gratuity plan that defines an amount of gratuity benefit that an employee is entitled to receive on retirement, dependent on one or more factors such as age, years of service and salary. A full actuarial valuation by a qualified independent actuary is carried out every year.

The plan liability is measured on an actuarial basis using the projected unit credit method, adjusted for unrecognised actuarial gains and losses. The defined benefit plan liability is discounted using rates equivalent to the market yields at the reporting date of high-quality corporate bonds that are denominated in the currency in which benefits will be paid, and that have a maturity approximating to the terms of the related pension liability.

Legacy fund represents funds invested by the Bank on behalf of Pension Fund under the erstwhile defined benefit pension scheme in 2005. Payments are made in monthly to the beneficiaries of the fund.

22.1 Net interest (recognised under personal expenses)

<i>in thousands of Nigerian Naira</i>	2015	2014
Interest cost on benefit obligation	58,141	62,492
Interest income on assets	(78,030)	(64,991)
Net interest	(19,889)	(2,499)

22 Employee benefit obligations - Continued

22.2 Net remeasurement (losses)/gains recognised in other comprehensive

<i>in thousands of Nigerian Naira</i>	2015	2014
Remeasurement losses on defined benefit obligation	(125,442)	102,006
Return on plan assets (Excluding amounts included in net income)	(20,616)	(15,793)
Net remeasurement losses in OCI	(146,058)	86,213

The factors contributed to the net actuarial loss above are as follows:

<i>in thousands of Nigerian Naira</i>	2015	2014
Change in economics assumptions	(146,326)	104,980
Pension increases	23,615	23,032
Pensioner mortality	(3,177)	8,977
Other miscellaneous items	446	(34,983)
Total	(125,442)	102,006

22.3 Net employee defined benefit assets

As at		31 December	31 December
<i>in thousands of Nigerian Naira</i>	Note	2015	2014
Defined benefit obligations	22.4	(539,905)	(398,757)
Fair value of plan assets	22.5	521,669	506,690
Retirement benefit (liabilities)/assets		(18,236)	107,933

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NOTES TO THE FINANCIAL STATEMENTS - Continued

22 Employee benefit obligations - Continued

22.4 Changes in the present value of the defined benefit obligation are as follows:

As at <i>in thousands of Nigerian Naira</i>	Note	31 December 2015	31 December 2014
Opening defined benefit obligations		(398,757)	(480,706)
Interest cost		(58,141)	(62,492)
Benefits paid		42,435	42,435
Remeasurement (gains)/losses on obligations		(125,442)	102,006
Closing defined benefit obligations		(539,905)	(398,757)

There are currently no active member in the plan

22.5 Changes in fair value of plan assets are as follows:

As at <i>in thousands of Nigerian Naira</i>		31 December 2015	31 December 2014
Opening fair value of plan assets		506,690	499,927
Interest income		78,030	64,991
Benefits paid		(42,435)	(42,435)
Remeasurement loss on plan assets		(20,616)	(15,793)
Closing fair value of plan assets		521,669	506,690
Actual return on the plan assets		14,979	6,763

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2015	2014
	%	%
Cash	86.94	100
FGN Bonds (Quoted)	13.06	-

The principal assumptions used in determining pension obligations for the Bank's plan are shown below:

As at <i>in thousands of Nigerian Naira</i>	Note	31 December 2015	31 December 2014
		%	%
Discount rate		11.4	13
Future pension increases		6	6
Mortality rate		a (55) Ultimate Table rated down 5	

22 Employee benefit obligations - Continued

22.6 Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

<i>in thousands of Nigerian Naira</i>	Mov	2015	2014
Discount rate	+1%	44,982	26,337
	-1%	(52,735)	(30,080)
Pension increase	+1%	(55,095)	(32,621)
	-1%	47,507	28,767
Mortality rate	+1 yr	(11,077)	(5,401)
	-1 yr	11,322	5,633

22.7 The following payments are the estimated contributions to the defined benefit plan obligation in future years

Within the next 12 months	99,788	63,199
Between 2 to 5 years	288,084	203,004
Between 5 to 10 years	305,103	280,292
Beyond 10 years	29,348	42,155
Total expected payments	722,323	588,650

23 Issued share capital and reserves

	31 December 2015	31 December 2014
<i>in thousands of Nigerian Naira</i>		
Authorised ordinary shares of N1 each	50,000,000	50,000,000
 Issued and fully paid ordinary shares of N1 each	 46,731,851	 42,914,780
 <i>Movement of issued and fully paid</i>		
<i>in thousands (unit/share)</i>	31 December 2014	31 December 2013
At 1 January	42,914,780	42,353,570
 <i>Paid during the year:</i>		
Ministry of Finance Incorporated (MOFI)	3,817,071	561,210
 At 31 December	 46,731,851	 42,914,780

In line with the provision of the NEXIM Act, the shareholding is equally shared between Ministry of Finance Incorporate and Central Bank of Nigeria. The statutory share allocation is being paid for over time.

At the beginning of the year, a total of N3,817,072,000 was issued and allotted to Federal Ministry of Finance which comprise of 3,817,072,000 shares at N1 per share.

Accumulated losses

Accumulated losses is the carried forward losses plus current profit/losses attributable to shareholders.

Dividends

Dividends distribution to the Bank's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Bank's shareholders. Dividends that are proposed but not yet declared are disclosed in the notes to the financial statements. Dividends on the Company's ordinary shares are recognised in equity in the period in which they are paid or, if earlier, approved by the Bank's shareholders.

The Bank declared and paid dividend in respect of the year ended 31 December 2012 of 0.2 kobo per share in 2014 financial year and 1 kobo per share in respect of the year ended 31 December 2011 in 2013 financial year. Dividend was neither proposed nor paid in 2015 financial year.

The declaration of dividends for 2011 financial years was approved by the Honourable Minister of State for Finance on the 12th of July 2013; as at this date there was no Board during the period. However, the 2012 dividend was approved by the board on 16th june 2014

23 Issued share capital and reserves - continued

Available-for-sale reserve

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

Regulatory risk reserve

The regulatory risk reserve includes the difference between the impairment on loans and advances computed based on the Central Bank of Nigeria Prudential Guidelines and the impairment loss computed using the incurred loss model on loans and advances under IFRSs. While the impairment loss model computed under IFRS is charged to profit or loss, the excess of regulatory impairment loss over the impairment loss computed using incurred loss model is warehoused here.

Other reserves

The other reserve represents the reserves created to cater for the fund maintained for the export guarantee activities of the Bank. This reserve is a voluntary reserve transferred out retained earnings. The underlying fund is invested in the Stanbic IBTC Equity Fund and FSDH Coral Fund. Refer to note on 16.1 available-for-sale investments.

24 Cash and cash equivalents

As at <i>in thousands of Nigerian Naira</i>	Note	31 December 2015	31 December 2014
Cash on hand	13	28	-
Cash in banks	13	1,915,897	1,223,471
Due from banks	14	11,122,764	6,336,470
		13,038,689	7,559,941

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NOTES TO THE FINANCIAL STATEMENTS - Continued

25 Fair value measurement

The following table provides the fair value measurement hierarchy of the Bank's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets as at 31 December 2015

in thousands of Nigerian Naira	Note	Carrying amount	Date of valuation	Fair value amount	Fair value measurement using		
					Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
					Level 1	Level 2	Level 3
Assets measured at fair value:							
Available-for-sale investment:							
Quoted equities	16.1	953,237	31-Dec-15	953,237	953,237	-	-
Assets for which fair values are disclosed:							
Loans to customers:							
BOI Refinancing facility lending	15	480,678	31-Dec-15	432,610	-	-	432,610
Medium Term Direct Lending	15	33,857,307	31-Dec-15	30,471,576	-	-	30,471,576
Short Term Direct Lending	15	11,225,979	31-Dec-15	10,103,381	-	-	10,103,381
Loans to staff	15	845,213	31-Dec-15	701,527	-	-	701,527
Held-to maturity	16.2	1,308,791	31-Dec-15	1,047,033	-	-	1,047,033
Liabilities for which fair values are disclosed:							
Debts issued and other borrowed funds:							
CBN/BOI Fund for Small & Medium Scale Industries	20	380,932	31-Dec-15	300,936	-	-	300,936
BOI - Working capital	20	4,600	31-Dec-15	3,634	-	-	3,634
Export Stimulation loan	20	6,535,603	31-Dec-15	5,163,126	-	-	5,163,126
Loan from AFREXIM	20	2,612,523	31-Dec-15	2,612,523	-	-	2,612,523
8% CBN Perpetual Debenture	20	1,284,405	31-Dec-15	753,939	-	-	753,939
Loan from AFDB		8,508,862	31-Dec-15	6,722,001	-	-	6,722,001
Loan from ADB/FGN		175,995	31-Dec-15	139,036	-	-	139,036

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NOTES TO THE FINANCIAL STATEMENTS - Continued

25 Fair value measurement - continued

The following table provides the fair value measurement hierarchy of the Bank's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets as at 31 December 2014

<i>in thousands of Nigerian Naira</i>	Note	Carrying amount	Date of valuation	Fair value amount	Fair value measurement using		
					Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
					Level 1	Level 2	Level 3
Assets measured at fair value:							
Available-for-sale investment:							
Quoted equities	16.1	889,063	31-Dec-14	889,063	889,063	-	-
Assets for which fair values are disclosed:							
Loans to customers:							
BOI Refinancing facility lending	15	477,524	31-Dec-14	429,772	-	-	429,772
Medium Term Direct Lending	15	32,601,620	31-Dec-14	29,341,458	-	-	29,341,458
Short Term Direct Lending	15	5,550,968	31-Dec-14	4,995,871	-	-	4,995,871
Loans to staff	15	695,881	31-Dec-14	577,581	-	-	577,581
Held-to maturity	16.2	1,647,129	31-Dec-14	1,314,329	-	-	1,314,329
Liabilities for which fair values are disclosed:							
Debt issued and other borrowed funds:							
CBN/BOI Fund for Small & Medium Scale Industries	20	770,684	31-Dec-14	608,840	-	-	608,840
BOI - Working capital	20	464,600	31-Dec-14	367,034	-	-	367,034
Export Stimulation loan	20	6,473,332	31-Dec-14	5,113,932	-	-	5,113,932
Loan from AFREXIM	20	1,642,489	31-Dec-14	1,642,489	-	-	1,642,489
8% CBN Perpetual Debenture	20	1,357,763	31-Dec-14	753,939	-	-	753,939
Loan from ADB/FGN		167,501	31-Dec-14	132,326	-	-	132,326

25 Fair value measurement - continued

Set out below is a comparison, by class, of the carrying amounts and fair values of the Bank's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair values of non-financial assets and non-financial liabilities. The table does not equally cover those financial instruments whose carrying amounts are reasonable approximations of fair values.

in thousands of Nigerian Naira	Carrying amount		Fair value	
	31 December	31 December	31 December	31 December
	2015	2014	2015	2014
Financial Assets:				
Quoted equities	953,237	889,063	953,237	889,063
Loans and advances	44,061,658	37,566,171	41,709,094	35,344,682
Financial investments- held to maturity	1,308,791	1,647,129	1,047,033	1,314,329
	45,370,449	39,213,300	42,756,127	36,659,011
Financial Liabilities:				
Debt issued and other borrowed funds	19,326,924	10,708,869	8,834,159	8,486,234
	19,326,924	10,708,869	8,834,159	8,486,234

Fair value of financial assets and liabilities

Below are the methodologies and assumptions used to determine fair values for those financial instruments in the financial statements:

Assets for which fair value approximates carrying value

The management assessed that cash and bank, due from banks, other receivables, accounts payable and sundry creditors, loan from ADB/FGB/CBN approximate their carrying amounts largely due to the short-term maturities of these instruments.

Financial investment - held to maturity (Nigerian treasury bills)

These are Federal Government of Nigeria securities which are fair valued based on quoted yield-to-maturity and days to maturity rates. The fair value of treasury bills is determined by reference to quoted yield to maturities of the instrument as published on the Financial Market Dealer Quotation (FMDQ) website. The fair values of the Nigerian Treasury Bills are classified under Level 2 in the fair value hierarchy. The FMDQ publishes the market yields on a daily basis, and the unadjusted yields are used to determine the prices.

25 **Fair value measurement - continued**

Loans and advances

The fair values of loans and advances are based on cash flows discounted using a rate based on the market interest rate of borrowings. The discount rate equals the prime lending rate as set by the Central Bank of Nigeria at the reporting dates. The fair values are within Level 3 of the fair value hierarchy.

Debt issued and other borrowed fund

The fair values of the debt issued and other borrowed fund are based on cash flows discounted using a rate based on the market interest rate of borrowings. The discount rate equals the prime lending rate as set by the Central Bank of Nigeria at the reporting dates. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity.

Available-for-sale investment (Quoted equities)

The fair values of the available-for-sale financial assets are derived from quoted market prices in active.

26 **Risk management**

26.1 **Introduction**

Risk is inherent in the Bank's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk, the later being subdivided into trading and non-trading risks. It is also subject to country risk and various operating risks.

Risk management structure

The Bank's Risk Management functions are carried out by the Executive Committee, Enterprise Risk Management Committee and Management Credit Committee which are supervised by Board oversight committees, the Board Risk-Management Committee and the Board Credit Committee. The Bank's Internal Audit conducts independent inspections quarterly to ensure compliance with all credit guidelines, approval conditions, operating procedures, Bank policies and regulatory directives.

Risk measurement and reporting systems

The Bank subscribes to the Central Bank of Nigeria (CBN) Credit Risk Management System and two (2) other credit risk bureaux for information on credit history when considering credit applications. The Bank's policy also provides for a two-dimensional credit rating assessment of financial ratios in system involving the determination of an obligor rating and a facility rating for each exposure.

Risk mitigation

The Bank uses a diverse range of collateral types to actively mitigate against credit exposures. In so doing the Bank is guided by key eligibility criteria such as liquidity, marketability, legal certainty, amenability to pricing and zero material positive correlation with the underlying exposure.

To safeguard and ensure the effectiveness of collaterals, the Bank ensures insurance policy is put in place, where applicable, as well as inspection and revaluation of the collaterals at prescribed intervals.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

Risk asset portfolio is actively managed to promote liquidity, flexibility and diversification (i.e. limit concentration risk to any industry, sector, region or individual customer). In line with the CBN Prudential Guidelines, the Bank continually defines and reviews its target market. Sectoral limits are reviewed and reset annually in line with evolving business needs.

26 Risk management - Continued

26.2 Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Bank has established a credit monitoring process to provide early identification of problems militating against credit performance and taking necessary corrective action.

Trade areas that enjoy the support of the Bank are visible and invisible exports which include, but not limited to, primary commodities, manufactured and semi-manufactured goods, imports for production of export goods, solid minerals and services.

Eligible transactions include:

- All transactions connected with export of goods wholly or partly manufactured in Nigeria;
- All transactions connected with export of commodities which are exportable under the laws of Nigeria;
- All transactions connected with projects established for the production of export goods or for the production of inputs into the production of manufactured goods meant for export;
- All export-generating imports, principally raw materials, equipment and spare parts required by a manufacturing exporter; and
- All export of services.

Eligible borrowers/beneficiaries of the Bank's facilities/services are: Export Agencies and Exporters duly registered in Nigeria as limited liability companies or co-operative societies (whether as manufacturing, merchant exporters or service companies).

Impairment assessment

For accounting purposes, the Bank uses an incurred loss model for the recognition of losses on impaired financial assets. This means that losses can only be recognised when objective evidence of a specific loss event has been observed. Triggering events include the following:

- A breach of contract such as a default of payment
- Where the Bank grants the customer a concession due to the customer experiencing financial difficulty
- It becomes probable that the customer will enter bankruptcy or other financial re-organisation
- Other observable data that suggests that there is a decrease in the estimated future cash flows from the loans

This approach differs from the expected loss model used for regulatory capital purposes in accordance with Basel II.

Individually assessed allowances

The Bank determines the allowances appropriate for each individually significant loan or advance on an individual basis, including any overdue payments of interests, credit rating downgrades, or infringement of the original terms of the contract. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance if it is in a financial difficulty, projected receipts and the expected payout should bankruptcy ensue, the availability of other financial support, the realisable value of collateral and the timing of the expected cash flows. Impairment allowances are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

26 Risk management - Continued

26.2 Credit risk - Continued

Collectively assessed allowances

Allowances are assessed collectively for losses on loans and advances that are not individually significant and for individually significant loans and advances that have been assessed individually and found not to be impaired.

The Bank generally bases its analyses on historical experience. However, when there are significant market developments, regional and/or global, the Bank would include macroeconomic factors within its assessments. These factors include, depending on the characteristics of the individual or collective assessment: unemployment rates, current levels of bad debts, changes in laws, changes in regulations, Bankruptcy trends, and other consumer data. The Bank may use the aforementioned factors as appropriate to adjust the impairment allowances.

Allowances are evaluated separately at each reporting date with each portfolio

The collective assessment is made for groups of assets with similar risk characteristics, in order to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident in the individual loans assessments. The collective assessment takes account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, credit utilisation, loan to collateral ratios and expected receipts and recoveries once impaired) or economic data (such as current economic conditions, unemployment levels and local or industry-specific problems). The approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance is also taken into consideration. Local management is responsible for deciding the length of this period, which can extend for as long as one year. The impairment allowance is then reviewed by credit administration to ensure alignment with the Bank's overall policy.

Credit-related commitments risks

The Bank makes available to its customers guarantees that may require that the Bank makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Guarantees commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies.

Analysis of maximum exposure to risk and collateral and other credit enhancements

The following table shows the maximum exposure to credit risk by class of financial asset. It also shows the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to the credit risk.

26 Risk management - Continued

26.2 Credit risk - Continued

Maximum exposure to credit risk

Type of collateral or credit enhancement

31 December 2015	Maximum exposure to credit risk ₦'000	Fair value of collateral and credit enhancements held							Net collateral ₦'000	Net exposure ₦'000
		Cash ₦'000	Securities ₦'000	Guarantees ₦'000	landed property ₦'000	Other* ₦'000	Netting agreements ₦'000	Surplus collateral ₦'000		
Financial assets										
Due from banks	11,122,764	-	-	-	-	-	-	-	-	11,122,764
Cash in banks	1,937,969	-	-	-	-	-	-	-	-	1,937,969
Loans and advances:										
BOI Refinancing facility lending	281,027	-	-	272,314	406,856	(421,918)	257,251	23,776		
Medium term direct lending	32,590,657	-	-	6,942,265	44,793,684	15,839,001	(44,605,925)	22,969,025	9,621,632	
Short term direct lending	10,402,228	-	-	5,378,234	13,677,042	2,288,169	(11,473,781)	9,869,664	532,564	
Staff loans	787,746	-	-					-	-	
	44,061,657	-	-	12,320,499	58,743,040	18,534,025	-	(56,501,625)	33,095,939	10,177,972
Financial investments										
- held to maturity	1,308,791	-	-	-	-	-	-	-	-	1,308,791
	1,308,791	-	-	-	-	-	-	-	-	1,308,791
Financial guarantees										
	25,387	-	-	-	-	-	-	-	-	25,387
	58,456,568	-	-	12,320,499	58,743,040	18,534,025	-	(56,501,625)	33,095,939	24,572,883

The Bank did not take possession of any collateral during the year.

31 December 2014	Maximum exposure to credit risk ₦'000	Fair value of collateral and credit enhancements held							Net collateral ₦'000	Net exposure ₦'000
		Cash ₦'000	Securities ₦'000	Guarantees ₦'000	landed property ₦'000	Other* ₦'000	Netting agreements ₦'000	Surplus collateral ₦'000		
Financial assets										
Due from banks	6,336,470	-	-	-	-	-	-	-	-	6,336,470
Cash in banks	1,231,246	-	-	-	-	-	-	-	-	1,231,246
Loans and advances:										
BOI Refinancing facility lending	286,460	-	-	277,871	415,159	-	(430,529)	262,501	23,959	
Medium term direct lending	31,821,539	-	-	6,779,556	43,743,832	15,467,774	-	(43,560,474)	22,430,688	9,390,851
Short term direct lending	4,807,312	-	-	2,475,027	6,294,083	1,053,000	-	(5,280,157)	4,541,953	265,359
Staff loans	650,860	-	-	-	-	-	-	-	-	650,860
	37,566,171	-	-	9,254,583	50,315,786	16,935,933	-	(49,271,160)	27,235,142	10,331,029
Financial investments										
- held to maturity	1,647,129	-	-	-	-	-	-	-	-	1,647,129
	1,647,129	-	-	-	-	-	-	-	-	1,647,129
Financial guarantees										
	25,387	-	-	-	-	-	-	-	-	25,387
	46,806,403	-	-	9,254,583	50,315,786	16,935,933	-	(49,271,160)	27,235,142	19,571,261

* Vehicles, machinery, other fixed assets, inventory and trade receivables

26 Risk management - Continued

26.2 Credit risk - Continued

Maximum exposure to credit risk - Continued

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

The main types of collateral obtained are as follows:

- For commercial lending, charges over real estate properties, inventory and trade receivables.
- For retail lending, Mortgages over residential properties.

Management monitors the market value of collateral, and will request additional collateral in accordance with the underlying agreement.

It is the Bank's policy to dispose off repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

* Vehicles, machinery, other fixed assets, inventory and trade receivables

Credit quality by class of financial assets

The Bank manages the credit quality of financial assets using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system. The amounts presented are gross of impairment allowances.

Age analysis of financial assets that are past due but not impaired

All financial assets that are past due but not impaired are within a time band of three months.

31 December 2015	Notes	Neither past due nor impaired			Past due but not impaired 2015	Individually impaired 2015	Total 2015
		High grade 2015	Standard grade 2015	Sub-standard grade 2015			
		₦'000	₦'000	₦'000			
Cash and cash in banks	13	-	1,915,897	-	-	-	1,915,897
Due from banks	14	-	11,122,764	-	-	-	11,122,764
Loans and advances	15	2,915,244	24,996,654	564,332	7,102,206	10,830,740	46,409,176
Financial investments - held to maturity							
Quoted - Government debt securities	15.2	1,308,791	-	-	-	-	1,308,791
Total		4,224,035	38,035,315	564,332	7,102,206	10,830,740	60,756,628

26 Risk management - Continued

26.2 Credit risk - Continued

31 December 2014	Notes	Neither past due nor impaired			Past due but not impaired 2014	Individually impaired 2014	Total 2014
		High grade 2014	Standard grade 2014	Sub-standard grade 2014			
		₦'000	₦'000	₦'000			
Cash and cash in banks	13	-	1,223,471	-	-	-	1,223,471
Due from banks	14	-	6,336,470	-	-	-	6,336,470
Loans and advances	15	3,514,405	24,996,654	564,332	1,658,371	8,592,231	39,325,993
Financial investments- held to maturity							
Quoted- Government debt securities	15.2	1,647,129	-	-	-	-	1,647,129
Total		5,161,534	32,556,594	564,332	1,658,371	8,592,231	48,533,062

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

31 December 2015	Industry analysis							
	Financial Services	Government	Agriculture	Manufacturing	Services	Solid mineral	Other	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Financial assets								
Cash and cash in banks	1,915,897	-	-	-	-	-	-	1,915,897
Due from banks	11,122,764	-	-	-	-	-	-	11,122,764
Loans and advances								
BOI Refinancing facility lending	-	-	377,524	103,154	-	-	-	480,678
Medium-term direct lending	-	-	3,164,604	14,656,490	8,843,714	1,228,464	5,964,035	33,857,307
Short-term direct lending	-	-	6,377,923	1,789,454	1,181,242	881,544	995,816	11,225,979
Staff loans	-	-	-	-	-	-	845,213	845,213
Financial investment - held to maturity								
Quoted - Government debt securities	-	1,308,791	-	-	-	-	-	1,308,791
	13,038,661	1,308,791	9,920,051	16,549,098	10,024,956	2,110,008	7,805,064	60,756,628

26 Risk management - Continued

26.2 Credit risk - Continued

Maximum exposure to credit risk - Continued

31 December 2014	Financial	Government	Agriculture	Manufacturing	Services	Solid mineral	Other	Total ₦'000
	Services ₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	
Financial assets								
Cash and cash in banks	1,223,471	-	-	-	-	-	-	1,223,471
Due from banks	6,336,470	-	-	-	-	-	-	6,336,470
Loans and advances								
BOI Refinancing facility lending	-	-	214,827	101,397	-	-	161,300	477,524
Medium-term direct lending	-	-	2,897,860	13,213,995	8,050,250	1,222,160	7,217,355	32,601,620
Short-term direct lending	-	-	4,591,314	518,680	345,296	295,231	-199,552	5,550,968
Staff loans	-	-	-	-	-	-	695,881	695,881
Financial Investments - held to maturity								
Quoted - Government debt securities	-	1,647,129	-	-	-	-	-	1,647,129
	7,559,940	1,647,129	7,704,001	13,834,072	8,395,545	1,517,391	7,874,984	48,533,062

Commitments and guarantees

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Bank.

The table below shows the Bank's maximum credit risk exposure for commitments and guarantees.

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Bank could have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment. In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the statement of financial position

	2015 ₦'000	2014 ₦'000
Financial guarantees	25,387	25,387

26 Risk management - Continued

26.3 Liquidity risk and funding management

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Bank has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

Analysis of financial assets and liabilities by remaining contractual maturities.

The table below summarises the maturity profile of the undiscounted cash flows of the Bank's financial assets and liabilities as at 31 December.

Repayments which are subject to notice are treated as if notice were to be given immediately. However, The Bank expects that many customers will not request repayment on the earliest date The Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

Contractual maturities of undiscounted cash flows of financial assets and liabilities:

As at 31 December 2015	On demand ₦'000	Less than	3 to 12	1 to 5	Over	Total ₦'000
		3 months ₦'000	months ₦'000	years ₦'000	5 years ₦'000	
Financial assets						
Cash in banks	1,915,897	-	-	-	-	1,915,897
Due from banks	-	11,122,764	-	-	-	11,122,764
Loans and advances	11,460,678	1,065,072	9,375,390	21,505,623	654,894	44,061,658
Investment securities - Held-to-maturity	-	121,576	1,187,215	-	-	1,308,791
Other receivables	-	-	259,274	-	-	259,274
Total undiscounted financial assets	13,376,575	12,309,412	10,821,879	21,505,623	654,894	58,668,384
Financial liabilities						
Debt securities issued and other borrowed funds	175,995	-	520,468	12,349,969	13,220,912	26,267,344
Other liabilities	-	463,164	3,596,198	-	-	4,059,362
Total undiscounted financial liabilities	175,995	463,164	4,116,666	12,349,969	13,220,912	30,326,706
Net undiscounted financial assets	13,200,580	11,846,248	6,705,213	9,155,654	(12,566,017)	28,341,678

26 Risk management - Continued

26.3 Liquidity risk and funding management - Continued

As at 31 December 2014	On demand ₦'000	Less than 3 months ₦'000	3 to 12 months ₦'000	1 to 5 years ₦'000	Over 5 years ₦'000	Total ₦'000
Financial assets						
Cash in banks	1,223,471	-	-	-	-	1,223,471
Due from banks	-	6,336,470	-	-	-	6,336,470
Loans and advances	9,664,776	1,329,377	4,390,987	16,324,142	7,616,711	39,325,993
Investment securities - Held-to-maturity	-	212,348.00	1,434,781	-	-	1,647,129
Other assets	-	-	303,789	-	-	303,789
Total undiscounted financial assets	10,888,247	7,878,195	6,129,557	16,324,142	7,616,711	48,836,852
Financial liabilities						
Debt securities issued and other borrowed funds	167,501.00	-	1,235,284	10,956,357	2,240,309	14,599,451
Other liabilities	-	588,203.00	3,543,811	-	-	4,132,014
Total undiscounted financial liabilities	167,501.00	588,203.00	4,779,095	10,956,357	2,240,309	18,731,465
Net undiscounted financial assets/(liabilities)	10,720,746	7,289,992	1,350,462	5,367,785	5,376,402	30,105,387

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

As at 31 December 2015	On demand ₦'000	Less than 3 months ₦'000	3 to 12 months ₦'000	1 to 5 years ₦'000	Over 5 years ₦'000	Total ₦'000
Financial guarantees	-	-	25,387	-	-	25,387

As at 31 December 2014	On demand ₦'000	Less than 3 months ₦'000	3 to 12 months ₦'000	1 to 5 years ₦'000	Over 5 years ₦'000	Total ₦'000
Financial guarantees	-	-	25,387	-	-	25,387

26 Risk management - Continued

26.4 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits and available-for-sale investments.

The sensitivity analyses in the following sections relate to the position as at 31 December in 2015 and 2014.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant at 31 December 2015.

The analyses exclude the impact of movements in market variables on: the carrying values of pension and other post-retirement obligations; provisions; and the non-financial assets and liabilities.

The following assumptions have been made in calculating the sensitivity analyses:

The statement of financial position sensitivity relates to available-for-sale equity instruments

The sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2015 and 2014

The sensitivity of equity is calculated by considering the effect of any associated cash flow.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Bank's exposure to the risk of changes in foreign exchange rates relates primarily to the Bank's cash and bank balances and long term loan denominated in foreign currency.

The Board has set limits on positions by currency. In accordance with the Bank's policy, positions are monitored on a daily basis to ensure positions are maintained within established limits.

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rates, with all other variables held constant. The impact on the Bank's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Bank's exposure to foreign currency changes for all other currencies is not material.

Change in USD rate		₦
2015		
	+2%	34,719
	-2%	(34,719)
2014		
	+2%	39,010
	-2%	(39,010)

Equity price risk

The Bank's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Bank manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Bank's senior management on a regular basis. The Bank's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, the exposure to listed equity securities at fair value was ₦953.24 million (2014: ₦889.06.2 million). A decrease of 10% on the NSE market index could have an impact of approximately ₦95.24 million (2014: ₦88.91 million) on the income or equity attributable to the Bank, depending on whether the decline is significant or prolonged. An increase of 10% in the value of the listed securities would only impact equity, but would not have an effect on profit or loss.

26 Risk management - Continued

26.4 Interest Rate Risk

The management of interest rate risk against interest rate gaps limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standards and non-standards interest rate scenarios.

Analysis of the Bank's sensitivity to an increase or decrease in market interest rates, assuming asymmetrical movement in yield curves and a constant financial position was as follows:

The following table demonstrates the sensitivity to a reasonably possible change in interest rates for the gap between risk sensitive asset and risk sensitive liability for the different maturities Gap of the Bank's earning assets and liability. The sensitivity of the income statement is the effect of the assumed changes in interest rates on the gap position of the difference maturities mismatch.

RATE SENSITIVITY OF ASSETS AND LIABILITIES						
31 December 2015	On demand ₦'000	Less than 3 months ₦'000	3 to 12 months ₦'000	1 to 5 years ₦'000	Over 5 years ₦'000	Total ₦'000
Financial assets						
Due from banks	-	11,122,764	-	-	-	11,122,764
Loans and advances	11,460,678	1,065,072	9,375,390	21,505,623	654,894	44,061,658
Investment securities - Held-to-maturity	-	121,576	1,187,215	-	-	1,308,791
Total undiscounted financial assets	11,460,678	12,309,412	10,562,605	21,505,623	654,894	56,493,213
Financial liabilities						
Debt securities issued and other borrowed funds	175,995	-	520,468	12,349,969	13,220,912	26,267,344
Total undiscounted financial liabilities	175,995	-	520,468	12,349,969	13,220,912	26,267,344
Net undiscounted financial assets	11,284,683	12,309,412	10,042,137	9,155,654	(12,566,017)	30,225,869
INTEREST RATE SENSITIVITY ANALYSIS						
	Increase/Decrease in bp	Net Gap ₦'000	Cummulative Gap ₦'000	Sensitivity on profit(+2%) ₦'000	Sensitivity on profit(-2%) ₦'000	Annualized period ₦'000
On demand	+200bp	11,284,683	11,284,683	18,807.81	(18,807.81)	One month
Less than 3 months	+200bp	12,309,412	23,594,095	61,547.06	(61,547.06)	Three months
3 - 12 months	+200bp	10,042,137	33,636,232	200,842.74	(200,842.74)	One year
1- 5 years	+200bp	9,155,654	42,791,887	183,113.09	(183,113.09)	
Over 5 years	+200bp	(12,566,017)	30,225,869	(251,320.35)	251,320.35	

26 Risk management - Continued

26.4 Interest Rate Risk

RATE SENSITIVITY OF ASSETS AND LIABILITIES						
31 December 2014	On demand ₦'000	Less than 3 months ₦'000	3 to 12 months ₦'000	1 to 5 years ₦'000	Over 5 years ₦'000	Total ₦'000
Financial assets						
Due from banks	-	6,336,470	-	-	-	6,336,470
Loans and advances	9,664,776	1,329,377	4,390,987	16,324,142	7,616,711	39,325,993
Investment securities - Held-to-maturity	-	212,348	1,434,781	-	-	1,647,129
Total undiscounted financial assets	9,664,776	7,878,195	5,825,768	16,324,142	7,616,711	47,309,592
Financial liabilities						
Debt securities issued and other borrowed funds	167,501.00	-	1,235,284	10,956,357	2,240,309	14,599,451
Total undiscounted financial liabilities	167,501.00	-	1,235,284	10,956,357	2,240,309	14,599,451
Net undiscounted financial assets/(liabilities)	9,497,275	7,878,195	4,590,484	5,367,785	5,376,402	32,710,141

INTEREST RATE SENSITIVITY ANALYSIS						
	Increase/Decrease in bp	Net Gap ₦'000	Cummulative Gap ₦'000	Sensitivity on profit(+2%) ₦'000	Sensitivity on profit(-2%) ₦'000	Annualized period ₦'000
On demand	+200bp	9,497,275	9,497,275	15,828.79	(15,828.79)	One month
Less than 3 months	+200bp	7,878,195	17,375,470	39,390.98	(39,390.98)	Three months
3 - 12 months	+200bp	4,590,484	21,965,954	91,809.68	(91,809.68)	One year
1- 5 years	+200bp	5,367,785	27,333,739	107,355.70	(107,355.70)	
Over 5 years	+200bp	5,376,402	32,710,141	107,528.04	(107,528.04)	

27 **Maturity analysis of assets and liabilities**

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

<i>in thousands of Nigerian Naira</i>	Within one year or less	More than one year	Total
At 31 December 2015			
Cash and cash in bank	1,915,897	-	1,915,897
Due from banks	11,122,764	-	11,122,764
Loans and advances	21,901,141	22,160,517	44,061,658
Investment securities:			
Available-for-sale	-	2,894,645	2,894,645
Held-to-maturity	1,308,791	-	1,308,791
Property, plant and equipment	-	3,057,756	3,057,756
Intangible assets	-	5,015	5,015
Other assets	364,877	-	364,877
Total Assets	36,613,470	28,117,933	64,731,403
Debt securities issued and other borrowed funds	696,463	18,806,456	19,502,919
Other liabilities	4,059,362	-	4,059,362
Net employee defined benefit obligation		18,236	18,236
Total Liabilities	4,755,825	18,824,692	23,580,517
Net	31,857,644	9,293,242	41,150,886

27 Maturity analysis of assets and liabilities - Continued

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

<i>in thousands of Nigerian Naira</i>	Within one year or less	More than one year	Total
At 31 December 2014			
Cash and cash in banks	1,223,471	-	1,223,471
Due from banks	6,336,470	-	6,336,470
Loans and advances	15,385,140	22,181,031	37,566,171
Investment securities:			
Available-for-sale	-	1,452,455	1,452,455
Held-to-maturity	1,647,129	-	1,647,129
Property, plant and equipment	-	3,059,364	3,059,364
Intangible assets	-	12,038	12,038
Net employee defined benefit assets	-	107,933	107,933
Other assets	572,390	-	572,390
Total Assets	25,164,600	26,812,821	51,977,421
Debt securities issued and other borrowed funds	1,402,785	9,473,585	10,876,370
Other liabilities	4,057,375	-	4,057,375
Total Liabilities	5,460,160	9,473,585	14,933,745
Net	19,704,440	17,339,236	37,043,675

28 Contingent liabilities, commitments and leasing arrangements

The Directors are of the opinion that all known liabilities and commitments, which are relevant in the assessment of the state of financial affairs of the Bank, have been taken into consideration in the preparation of the financial statements.

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. These consist of undrawn commitments to lend.

Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Bank (see Note 26).

Letters of guarantees commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods.

Legal claims

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Bank has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. At the reporting date, the Bank had no unresolved legal claims.

Lease arrangements

Operating lease commitments – Bank as lessee

The Bank has entered into commercial leases for premises. These leases have an average life of between one to five years with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

There is no future minimum lease rentals payable under non-cancellable operating leases as at 31 December 2015 (2014: Nil).

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

28 Contingent liabilities, commitments and leasing arrangements - Continued

Lease arrangements - Continued

Operating lease commitments – Bank as lessor

The Bank acts as lessor of office premises. These leases have an average life of between one to two years with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

There is no future minimum lease rentals receivable under non-cancellable operating leases as at 31 December 2015 (2014: Nil).

29 Related party disclosures

Compensation to key management personnel of the Bank

Key management personnel is defined as members of the Board of Directors of the Bank.

Compensation

<i>in thousands of Nigerian Naira</i>	2015	2014
Short-term employee benefits	131,728	131,728
Retirement benefit costs	51,308	51,308
	183,036	183,036

Non-executive directors do not receive pension entitlements from the Bank.

Chairman and Directors' emoluments

<i>in thousands of Nigerian Naira</i>	2015	2014
Fees		
Chairman	-	-
Other Directors	2,063	2,063
	2,063	2,063
Emoluments as executives	183,036	183,036
	185,099	185,099
The highest paid Director	48,524	48,524

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NOTES TO THE FINANCIAL STATEMENTS - Continued

29 Related party disclosures - Continued

Number of Directors (excluding the chairman) with the following emolument range were:

	2015 Number	2014 Number
N6,800,001 - N6,900,000	3	3

Information on employees

Staff

Average number of persons employed in the financial year and the related staff costs were as follows:

	2015 Number	2014 Number
Managerial	22	22
Senior staff	33	33
Junior staff	80	78
	135	133

The related staff costs, salaries and allowances and pension amounted to ₦1,585,865,000 (2014 - ₦1,436,868,000).

The average gross salaries range and number of persons employed (excluding directors) in the Bank during the year.

N	N	2015 Number	2014 Number
1,800,001 - 2,600,000		21	20
2,600,001 - 3,500,000		24	24
3,500,001 - 4,000,000		3	3
4,000,001 - 5,000,000		23	22
5,000,001 - 6,000,000 & Above		64	64
		135	133

29 Related party disclosures - Continued

Key management personnel and their immediate relatives engaged in the following transactions with the Bank during the year:

<i>in thousands of Nigerian Naira</i>	31 December 2015	31 December 2014
Loans and advances	314,454	209,029
Interest income earned during the year	9,359	9,009

The Bank has applied the exemption granted by IAS 24 relating to the disclosure requirements in relation to related party transactions and outstanding balances with (a) a government that has control and significant influence over the Bank (b) another entity that is a related party because the same government has control or significant influence over both the Bank and the other entity.

30 Capital management

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

- To maintain a set minimum ratio of total capital to total risk weighted assets in line with the regulatory requirement. The Bank's capital adequacy ratio is 72% (2014: 80%) compared to a minimum ratio of 10 per cent prescribed by the Central Bank of Nigeria;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits to other stakeholders; and
- To maintain a strong capital position necessary for its long term financial health, and to support the development of its business.

The Bank is subject to capital requirements by a regulatory body such as the Central Bank of Nigeria (CBN).

The Bank maintains an actively managed capital base to cover risks inherent in the business and meet the capital adequacy requirements of the local banking supervisor, Central Bank of Nigeria. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Central Bank of Nigeria supervising the Bank.

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

30 **Capital management - Continued**

The Bank manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders. No changes have been made to the objectives, policies and processes from the previous years. However, they are under constant review by the Board.

Regulatory capital

As at <i>In thousands of Nigerian Naira</i>	Note	31 December 2015	31 December 2014
Tier 1 capital			
Issued share capital	24	46,731,851	42,914,780
Accumulated losses	24	(13,188,175)	(10,884,651)
Other reserves	24	500,000	500,000
Shareholders' fund		34,043,676	32,530,129
Less:			
Intangible assets	20	(5,015)	(12,038)
Total		34,038,661	32,518,091
Tier 2 capital			
Available-for-sale reserve	24	283,300	219,124
Perpetual debenture	21	1,284,405	1,357,763
Collective allowance for - <u>impairment</u>	16.2	903,026	-
Total		2,470,731	1,576,887
Total regulatory capital		36,509,393	34,094,978
Risk-weighted assets		50,378,935	42,650,379
Total regulatory capital expressed as a percentage of total risk- <u>weighted assets</u>		72%	80%
Minimum Capital Requirement Ratio by CBN		10%	10%

31 **Event after reporting period**

No significant events has occurred since the reporting date which requires adjustment of, or further disclosure in the financial statements.

NIGERIAN EXPORT-IMPORT BANK

STATEMENT OF VALUE ADDED

<i>For the year ended in thousands of Nigerian Naira</i>	31 December 2015	%	31 December 2014	%
Gross income	5,573,776		5,068,974	
Interest expenses	(501,336)		(312,245)	
	5,072,439		4,756,729	
Impairment charges for credit losses	(803,311)		(464,061)	
	4,269,128		4,292,668	
Bought in material and services	(1,913,739)		(2,484,888)	
Value Added	2,355,390	100%	1,807,779	100%

Applied as follow:

In payment to employees

Personnel expense	1,565,978	66%	1,408,615	78%
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Shareholders

Dividends to shareholders	-	0%	84,707	5%
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Retained in the Bank

Depreciation	342,970	15%	287,511	16%
Amortization	10,244	0%	9,221	1%
Available for sale reserve	64,176	3%	(67,406)	-4%
Profit for the year	372,022	16%	85,131	5%
Value Added	2,355,390	100%	1,807,779	100%

Value added statement represents the wealth created by the efforts of the bank and its employees' efforts based on ordinary activities and the allocation of that wealth being created between employees, shareholders, and that retained for the future creation of more wealth.

FIVE-YEAR FINANCIAL SUMMARY

Statement of financial position As at in thousands of Nigerian Naira	IFRS				
	31 December 2015	31 December 2014	31 December 2013	31 December 2012	31 December 2011
Assets					
Cash and cash in banks	1,915,897	1,223,471	621,891	860,890	586,241
Due from banks	11,122,764	6,336,470	15,130,245	22,446,712	21,926,902
Loans and advances	44,061,658	37,566,171	28,947,019	19,505,114	12,415,876
Investment securities:					
Available-for-sale	2,894,645	1,452,455	1,470,685	1,340,558	1,186,810
Held-to-maturity	1,308,791	1,647,129	2,186,890	817,198	-
Property, plant and equipment	3,057,756	3,059,364	2,923,831	2,804,941	2,880,023
Intangible assets	5,015	12,038	18,187	28,843	964
Net employee defined benefit assets	-	107,933	19,221	45,095	95,296
Other assets	364,877	572,390	612,612	344,259	40,896
	64,731,403	51,977,421	51,930,581	48,193,610	39,133,008
Liabilities and Equity					
Liabilities					
Debt securities issued and other borrowed funds	19,502,919	10,876,370	11,887,352	12,167,744	7,946,393
Other liabilities	4,059,362	4,057,375	3,579,994	3,069,790	3,001,884
Net employee defined benefit obligation	18,236	-	-	-	-
	23,580,517	14,933,745	15,467,346	15,237,534	10,948,277
Equity					
Issued share capital	46,731,851	42,914,780	42,353,570	38,935,167	35,536,554
Accumulated losses	(13,188,175)	(10,884,651)	(9,355,887)	(7,420,335)	(7,898,588)
Regulatory risk reserve	6,823,909	4,294,422	2,679,021	742,971	-
Available-for-sale reserve	283,300	219,125	286,531	198,273	46,765
Other reserves	500,000	500,000	500,000	500,000	500,000
Total equity	41,150,885	37,043,676	36,463,235	32,956,076	28,184,731
Total liabilities and equity	64,731,402	51,977,421	51,930,581	48,193,610	39,133,008
Profit or loss					
<i>For the year ended in thousands of Nigerian Naira</i>					
	2015	2014	2013	2012	2011
Gross earnings	5,573,776	5,068,974	4,544,804	3,845,957	3,376,520
Interest expenses	(501,336)	(312,245)	(354,963)	(310,890)	(233,654)
Loan impairment (charge)/reversal	(803,311)	(464,061)	(306,359)	815,268	-
Provision for bad and doubtful debts	-	-	-	-	(1,248,473)
Profit before income tax	372,022	85,131	1,334,639	71,147	189,387
Income tax expenses	-	-	-	-	-
Profit after income tax	372,022	85,131	1,334,639	71,147	189,387