

**NIGERIAN EXPORT-IMPORT BANK**  
**Abuja, Nigeria**  
**REPORT OF THE DIRECTORS**  
**AND**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**NIGERIAN EXPORT-IMPORT BANK**

**REPORT OF THE DIRECTORS AND AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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## **NIGERIAN EXPORT-IMPORT BANK**

### **CORPORATE INFORMATION**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

#### **DIRECTORS**

#### **CAPACITY**

Dr. Joseph Nnanna	Chairman	(Appointed 6 April 2018)
Mr. Abubakar Abba Bello	Managing Director	(Appointed 21 April 2017)
Mr. Bala Mohammed Bello	Executive Director	(Appointed 21 April 2017)
Hon. Mrs. Stella Okotete	Executive Director	(Appointed 21 April 2017)
Alhaji Bashir Mahe Wali	Acting Managing Director	(Disengaged 20 April 2017)
Mr. Mudashiru Olaitan	Non-Executive Director	(Appointed 6 April 2018)
Mr. Olubunmi Siyanbola	Non-Executive Director	(Appointed 6 April 2018)
Mr. Ochapa Ogeniyi	Non-Executive Director	(Appointed 6 April 2018)
Mr. Adesina Adegbenro	Non-Executive Director	(Appointed 6 April 2018)
Hajiya Ramatu Ahmed	Non-Executive Director	(Appointed 6 April 2018)

The Bank was administered by the Acting Managing Director and the Executive Director till 20 April 2017. The new executive management was appointed on the 20 April 2017 and the Board of Directors was re-constituted on 6 April 2018.

#### **SECRETARY TO THE BOARD/ LEGAL ADVISER**

Mr. Ahmed Dahiru Modibbo

#### **HEAD OFFICE**

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

#### **AUDITORS**

Ernst & Young  
10<sup>th</sup> & 13<sup>th</sup> 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](http://www.neximbank.com.ng)

**NIGERIAN EXPORT-IMPORT BANK**

**FINANCIAL HIGHLIGHTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

Financial performance:	2017 N'000	2016 N'000	%
Net interest income	3,794,801	4,631,137	(18)
Impairment charges	(920,175)	(8,963,101)	(90)
Other operating income	487,270	468,254	4
Total operating expenses	(3,932,875)	(4,179,158)	(6)
Loss for the year	(569,166)	(8,030,117)	(93)
	31 December 2017	31 December 2016	
Financial position:			
Issued share capital	49,912,571	47,275,135	6
Total equity	35,926,140	33,879,768	6
Per-share data:			
Basic and diluted loss per share (kobo)	(1.16)	(17.05)	93

## **NIGERIAN EXPORT-IMPORT BANK**

### **REPORT OF THE DIRECTORS**

#### **FOR THE YEAR ENDED 31 DECEMBER 2017**

The Directors 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 2017.

#### **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.

#### **EVENTS AFTER REPORTING PERIOD**

There was no event has occurred since the reporting date that would affect the financial statements as presented.

#### **RESULT FOR THE YEAR**

	<b>₦'000</b>
Loss before income tax	(569,166)
Income tax expense	-
	-----
Loss for the year	(569,166)
	=====

#### **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**

<b>Name</b>	<b>Authorised* Capital ₦'000</b>	<b>2017 Issued and paid-up capital ₦'000</b>	<b>2016 Issued and paid-up capital ₦'000</b>
Ministry of Finance Incorporated (MOFI)	25,000,000	24,912,571	22,275,135
Central Bank of Nigeria (CBN)	25,000,000	25,000,000	25,000,000
	-----	-----	-----
	50,000,000	49,912,571	47,275,135
	=====	=====	=====

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

#### **CHARITABLE GIFTS AND OTHER DONATIONS**

No donations were made during the year 2017 (2016: ₦300,000) to the following beneficiaries:

	<b>2017 ₦</b>	<b>2016 ₦</b>
Nigeria Employers' Consultative Association	-	300,000
	=====	=====

## **NIGERIAN EXPORT-IMPORT BANK**

### **REPORT OF THE DIRECTORS - Continued**

#### **FOR THE YEAR ENDED 31 DECEMBER 2017**

#### **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:

<b>DIRECTORS</b>	<b>CAPACITY</b>	
Dr. Joseph Nnanna	Chairman	(Appointed 6 April 2018)
Mr. Abubakar Abba Bello	Managing Director	(Appointed 21 April 2017)
Mr. Bala Mohammed Bello	Executive Director	(Appointed 21 April 2017)
Hon. Mrs. Stella Okotete	Executive Director	(Appointed 21 April 2017)
Ahaji Bashir Mahe Wali	Acting Managing Director	(Disengaged 20 April 2017)
Mr. Mudashiru Olaitan	Non-Executive Director	(Appointed 6 April 2018)
Mr. Olubunmi Siyanbola	Non-Executive Director	(Appointed 6 April 2018)
Mr. Ochapa Ogeniyi	Non-Executive Director	(Appointed 6 April 2018)
Mr. Adesina Adegbenro	Non-Executive Director	(Appointed 6 April 2018)
Hajiya Ramatu Ahmed	Non-Executive Director	(Appointed 6 April 2018)

The Bank was administered by the Acting Managing Director and the Executive Director till 20 April 2017. The new executive management was appointed on the 20 April 2017 and the Board of Directors was re-constituted on 6 April 2018.

#### **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 2017

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



AHMED D. MODIBBO  
FRC/2013/NBA/00000004831

Secretary to the Board  
Abuja, Nigeria

Date: 18 June 2019

NIGERIAN EXPORT-IMPORT BANK

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

FOR THE YEAR ENDED 31 DECEMBER 2017

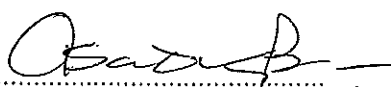
The Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Bank at the end of the year and of its profit or loss. The responsibilities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

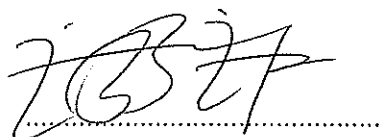
The Directors are of the opinion that the financial statements give a true and fair view of the state of financial affairs of the Bank and of its profit or loss. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial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



Abubakar A. Bello  
Managing Director/CEO  
FRC/2018/IOD/00000018666

Date: 17 June 2019



Bala M. Bello  
Executive Director  
FRC/2016/NIM/00000015389

Date: 17 June 2019



## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF THE NIGERIAN EXPORT-IMPORT BANK**

#### **Report on the Audit of the Financial Statements**

##### *Opinion*

We have audited the accompanying financial statements of Nigerian Export-Import Bank ("the Bank") which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nigerian Export-Import Bank as at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and, the relevant provisions of the Nigerian Export-Import Bank Act of the Federation of Nigeria 1991, the relevant provisions of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, the Financial Reporting Council of Nigeria Act No. 6, 2011 and relevant Central Bank of Nigeria circulars and guidelines..

##### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of Nigerian Export-Import Bank. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Nigerian Export-Import Bank. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### *Key Audit Matters*

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

We have fulfilled the responsibilities described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.



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## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF THE NIGERIAN EXPORT-IMPORT BANK - Continued

#### *Key Audit Matters - Continued*

##### *Impairment assessment of loans and advances*

Loans and advances to customers make up a significant portion of the total assets of the Bank. The impairment thereof is a key area of judgement for management. The identification of impairment and the determination of the recoverable amount are an inherently uncertain process involving various assumptions including the financial condition of the counterparty, expected future cash flows, and collateral valuation, particularly on individually significant exposures that either continued to be, have become, or were at risk of being impaired.

Due to the significance of loans and advances which represent 67% (2016: 70%) of total assets of the Bank and the related estimation process, this is considered a key audit matter.

The policies, credit risks and details relating to impairment of loans and advances to customers are provided in Notes 2.2(e)(i) (accounting policies), 15 (loan and advances) and 26.2 (credit risk) to the financial statements.

##### *How the matter was addressed in the audit*

Our procedures included, among others, the following:

- \* We assessed the effectiveness of key controls over the impairment calculation process.
- \* We evaluated the accuracy of underlying data that was drawn from the Bank's systems.
- \* For loan loss provisions calculated on an individual basis we tested the assumptions underlying the impairment identification and quantification, including the financial condition of the borrower, expected future cash flows, valuation of underlying collateral and estimates of recovery on default.
- \* We also checked the adequacy of the Bank's disclosure regarding loan impairment and related risks such as credit risk and aging of the loans to customers.



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## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF THE NIGERIAN EXPORT-IMPORT BANK - Continued

#### *Other Information*

The Directors are responsible for the other information. The other information comprises the Report of the Directors, Statement of Directors' Responsibilities in Relation to the Preparation of the Financial Statement, the Statement of Value Added and the Five-Year Financial Summary as required by Companies and Allied Matters Act, CAP C20 Laws of Federation of Nigeria (CAMA) 2004 and the Financial Reporting Council of Nigeria and the Financial Highlights. Other information does not include the financial statements and our Auditors' report thereon.

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

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

If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Responsibilities of the Directors for the Financial Statements*

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, the provisions of the NEXIM Act of the Federation of Nigeria 1991, the Financial Reporting Council Act No. 6, 2011 and Central Bank of Nigeria circulars and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



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## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF THE NIGERIAN EXPORT-IMPORT BANK - Continued

#### *Auditors' Responsibilities for the Audit of the Financial Statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF THE NIGERIAN EXPORT-IMPORT BANK - Continued

#### *Auditors' Responsibilities for the Audit of the Financial Statements - Continued*

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our Auditors' Report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on Other Legal and Regulatory Requirements

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

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

Sayo Elumaro, FCA  
FRC/2012/ICAN/00000000139

For: Ernst & Young  
Lagos, Nigeria

Date: 20 June 2019



**NIGERIAN EXPORT-IMPORT BANK**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

*in thousands of Nigerian Naira*

	Note	2017	2016
Interest and similar income	4	4,791,275	5,179,889
Interest and similar expense	5	(996,474)	(548,752)
<b>Net interest income</b>		<b>3,794,801</b>	<b>4,631,137</b>
Fees and commission income	6	1,813	12,751
Other operating income	7	487,270	468,254
<b>Total operating income</b>		<b>4,283,884</b>	<b>5,112,142</b>
Impairment charges	8	(920,175)	(8,963,101)
<b>Net operating income/(loss)</b>		<b>3,363,709</b>	<b>(3,850,959)</b>
Personnel expenses	9	(1,424,496)	(1,560,278)
Depreciation of property, plant and equipment	18	(325,597)	(376,636)
Amortisation of intangible assets	19	(768)	(4,245)
Other operating expenses	10	(2,182,014)	(2,237,999)
<b>Total operating expenses</b>		<b>(3,932,875)</b>	<b>(4,179,158)</b>
<b>Loss before income tax</b>		<b>(569,166)</b>	<b>(8,030,117)</b>
Income tax expense	11	-	-
<b>Loss for the year</b>		<b>(569,166)</b>	<b>(8,030,117)</b>
<b>Other comprehensive income:</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Net gain/(loss) on available-for-sale financial assets*	16.3	140,242	(7,796)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Re-measurement (losses)/gains on defined benefit plans	22.2	(119,786)	223,511
<b>Total other comprehensive income for the year</b>		<b>20,456</b>	<b>215,715</b>
<b>Total comprehensive loss for the year</b>		<b>(548,710)</b>	<b>(7,814,402)</b>
<b>Loss per share</b>			
Basic and diluted loss per share (Kobo)	12	(1.17)	(17.05)

\* The Bank is exempted from income tax.

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

NIGERIAN EXPORT-IMPORT BANK

STATEMENT OF FINANCIAL POSITION

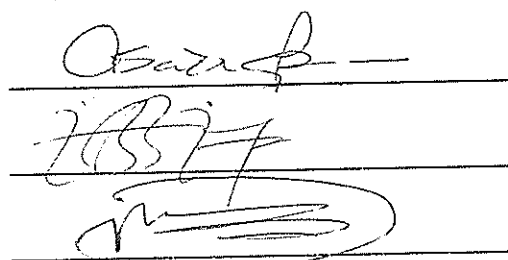
<i>AS AT 31 DECEMBER 2017</i>		31 December	31 December
<i>in thousands of Nigerian Naira</i>		2017	2016
	Note		
<b>Assets</b>			
Cash and cash in banks	13	557,231	1,135,299
Due from banks	14	8,731,398	8,313,001
Loans and advances	15	40,753,837	41,577,420
Investment securities:			
Available-for-sale	16.1	3,199,182	2,948,778
Held-to-maturity	16.2	5,146,589	2,679,717
Other assets	17	78,516	134,461
Property, plant and equipment	18	2,619,716	2,740,524
Intangible assets	19	2	770
Net employee defined benefit asset	22.3	116,735	203,196
<b>Total assets</b>		<b>61,203,206</b>	<b>59,733,166</b>
<b>Liabilities and Equity</b>			
<b>Liabilities</b>			
Debt securities issued and other borrowed funds	20	21,053,853	22,215,315
Other liabilities	21	4,223,212	3,638,083
<b>Total liabilities</b>		<b>25,277,065</b>	<b>25,853,398</b>
<b>Equity</b>			
Issued share capital	23	49,912,571	47,275,135
Accumulated losses	23	(35,666,929)	(27,783,520)
Regulatory risk reserve	23	20,764,753	13,612,649
Available-for-sale reserve	23	415,746	275,504
Other reserves	23	500,000	500,000
<b>Total equity</b>		<b>35,926,141</b>	<b>33,879,768</b>
<b>Total liabilities and equity</b>		<b>61,203,206</b>	<b>59,733,166</b>

The financial statements and accompanying summary of significant accounting policies and notes to the financial statements were approved and authorised for issue by the Board of Directors on and were signed on its behalf by:

Abubakar A. Bello (Managing Director)  
FRC/2018/IOD/00000018666

Bala M. Bello (Executive Director)  
FRC/2016/NIM/00000015389

Umar Rani (Chief Financial Officer)  
FRN/2013/ICAN/00000004826



*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 2017

<i>In thousands of Nigerian Naira</i>	Note	Issued share capital	Accumulated losses	Regulatory risk reserve	Available-for-sale-reserve	Other reserve	Total equity
<i>As at 1 January 2016</i>		46,731,851	(13,188,174)	6,823,909	283,300	500,000	41,150,886
Loss for the year		-	(8,030,117)	-	-	-	(8,030,117)
Other comprehensive income		-	223,511	-	(7,796)	-	215,715
Total comprehensive income for the year		-	(7,806,606)	-	(7,796)	-	(7,814,402)
Issued share capital paid during the year	23	543,284	-	-	-	-	543,284
Transfer to regulatory risk reserve	23	-	(6,788,740)	6,788,740	-	-	-
<i>As at 31 December 2016</i>		47,275,135	(27,783,520)	13,612,649	275,504	500,000	33,879,768
Loss for the year		-	(569,166)	-	-	-	(569,166)
Other comprehensive income		-	(119,786)	-	140,242	-	20,456
Total comprehensive income for the year		-	(688,952)	-	140,242	-	(548,710)
Dividend paid in the year	23	-	(42,353)	-	-	-	(42,353)
Issued share capital paid during the year	23	2,637,436	-	-	-	-	2,637,436
Transfer to regulatory risk reserve	23	-	(7,152,104)	7,152,104	-	-	-
<i>As at 31 December 2017</i>		49,912,571	(35,666,929)	20,764,753	415,746	500,000	35,926,141

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 2017

<i>in thousands of Nigerian Naira</i>	<i>Note</i>	<i>2017</i>	<i>2016</i>
<b>Operating activities</b>			
Loss before income tax		(569,166)	(8,030,117)
Adjustment for: Other non-cash items included in loss before tax			
Depreciation of property, plant and equipment	18	325,597	376,636
Amortisation of intangible assets	19	768	4,245
Interest cost on defined benefits	22	50,655	59,354
Interest income on defined benefits	22	(83,980)	(57,275)
Interest expenses	20	996,474	548,752
Impairment charges	8	920,175	8,963,101
Net unrealised exchange loss on cash and equivalent and borrowings		1,881,100	2,742,093
Accrued interest on held-to-maturity	16	(652,565)	(245,023)
Dividend received	7	(310,718)	(249,010)
Gain from disposal of property, plant and equipment		(1,985)	-
<b>Net changes in operating assets/liabilities</b>			
Net change in loans and advances		(39,948)	(6,468,533)
Net change in other assets		106,065	220,087
Other liabilities		585,128	(421,308)
Dividends received	7	310,718	249,010
Interest paid	20	(971,068)	(542,928)
<b>Net cash flows from/(used in) operating activities</b>		<b>2,547,250</b>	<b>(2,850,916)</b>
<b>Investing activities:</b>			
Purchase of investment securities	16	(4,825,377)	(2,454,380)
Proceeds from investment securities	16	2,900,908	1,266,548
Purchase of property, plant and equipment	18	(206,375)	(59,404)
Proceeds from sale of property, plant and equipment		3,571	-
<b>Net cash flows used in investing activities</b>		<b>(2,127,273)</b>	<b>(1,247,236)</b>
<b>Financing activities:</b>			
Dividends paid to equity holders		(42,353)	-
Repayments of debt securities issued and other borrowed funds	20	(3,984,102)	(3,066,531)
Proceeds from issuance of share capital	23	2,637,436	543,284
<b>Net cash flows used in financing activities</b>		<b>(1,389,019)</b>	<b>(2,523,247)</b>
Net decrease in cash and cash equivalents		(969,042)	(6,621,399)
Net foreign exchange difference		916,134	3,031,010
Impairment charge on cash and cash equivalent		(106,763)	-
Cash and cash equivalents as 1 January	24	9,448,300	13,038,689
Cash and cash equivalents at 31 December	24	9,288,629	9,448,300

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.

The Bank presently provides short and medium-term loans to Nigerian exporters. It also provides short term guarantees for loans granted by Nigerian Banks to exporters as well as credit insurance against political and commercial risks in the event of non-payment by foreign buyers. The Bank is also the government's National Guarantor under the ECOWAS Inter-state Road Transit programme.

NEXIM is a Bank incorporated and domiciled in Nigeria. Its registered office is at Plot 975, Cadastral Zone AO, Central Business District, Garki, Abuja.

#### **2. Accounting policies**

##### ***2.1 Basis of preparation***

The financial statements have been prepared on a historical cost basis, except for quoted 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 as revised by the International Accounting Standard Board, and the relevant provisions of the NEXIM Act of the Federation of Nigeria 1991, the Companies and Allied Matters Act, CAP C20, 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 generally reported gross in the statement of financial position. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- The normal course of business
- The event of default
- The event of insolvency or bankruptcy of the Bank and/or its counterparties

## NIGERIA EXPORT-IMPORT BANK

### NOTES TO THE FINANCIAL STATEMENTS - Continued

#### *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.

In the process of applying the Bank's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved

#### *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 it 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.

#### *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).

#### *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 - defined benefit plan*

The cost of the defined benefit pension 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.

The parameter most subject to change is the discount rate. 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. Future salary increases are based on expected future inflation rates in Nigeria.

##### *Property lease classification - Company as lessor*

The Bank has entered into commercial property leases on its investment property portfolio. The Bank has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

#### 2.3 Summary of significant accounting policies

##### (a) Foreign currency translation

The financial statements are presented in Nigerian naira (₦) 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 at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. 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*

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, 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. Loans and advances to customers are recognised when funds are transferred to the customers' account. The Bank recognises due to customer balances when funds reach the Bank.

##### *(ii) Initial measurement of financial instruments*

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention when acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

##### *(iii) '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 with the variables including 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 profit or loss when the inputs become observable, or when the instrument is derecognised.

##### *(iv) 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 and 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 charges'.

##### *(v) 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 'impairment charges'.

## NIGERIA EXPORT-IMPORT BANK

### NOTES TO THE FINANCIAL STATEMENTS - Continued

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

##### (v) *Held-to-maturity financial investments - Continued*

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.

##### (vi) *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:

- 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.
- Those that the Bank, upon initial recognition, designates as available for sale.
- 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).

##### (vii) *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.

##### (viii) *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.

## NIGERIA EXPORT-IMPORT BANK

### NOTES TO THE FINANCIAL STATEMENTS - Continued

#### (c) Financial instruments - 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 the rights to receive cash flows from the asset have expired. Nigerian Export-Import Bank also derecognises the assets if it has both transferred the asset, and the transfer qualifies for derecognition.

The Bank has transferred the asset if, and only if, either:

- ▶ The Bank has transferred its contractual rights to receive cash flows from the asset or
- ▶ It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement

(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.

#### (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 26.

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.

## NIGERIA EXPORT-IMPORT BANK

### NOTES TO THE FINANCIAL STATEMENTS - Continued

#### (d) Fair value measurement - Continued

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:

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

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.



## NIGERIA EXPORT-IMPORT BANK

### NOTES TO THE FINANCIAL STATEMENTS - Continued

#### (e) Impairment of financial assets - continued

##### *(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 assets'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.

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.

## NIGERIA EXPORT-IMPORT BANK

### NOTES TO THE FINANCIAL STATEMENTS - Continued

#### (e) Impairment of financial assets - continued

##### *(i) Financial assets carried at amortised cost - continued*

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:

- Prudential impairment loss is greater than IFRS impairment loss, the difference is transferred from the general reserve to a non-distributable regulatory reserve.
- 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.

##### *(ii) 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.

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) 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.

## NIGERIA EXPORT-IMPORT BANK

### NOTES TO THE FINANCIAL STATEMENTS - Continued

#### (e) Impairment of financial assets - continued

##### *(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 27.2 for further analysis of collateral).

##### *(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) 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.

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.

## NIGERIA EXPORT-IMPORT BANK

### NOTES TO THE FINANCIAL STATEMENTS - Continued

#### (g) Recognition of income and expenses - Continued

##### (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 on properties rented out by the Bank is accounted for on a straight-line basis over the rental period and is included in other income due to its operating nature.

##### (h) *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.

##### (i) *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

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.

##### (j) *Intangible assets*

The Bank's intangible assets comprise the value of 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.

## NIGERIA EXPORT-IMPORT BANK

### NOTES TO THE FINANCIAL STATEMENTS - Continued

#### (j) Intangible assets - Continued

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

#### (k) 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.

#### (l) Pension benefits

##### (i) Defined contribution pension plan

The Bank operates a defined contribution pension plan in line with the Pension Reform Act, 2004. 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.

##### (ii) Defined benefit pension plan

The Bank operates a defined benefit pension plan which requires contributions to be made to a separately administered fund.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Bank) and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

## NIGERIA EXPORT-IMPORT BANK

### NOTES TO THE FINANCIAL STATEMENTS - Continued

#### (l) Pension benefits - Continued

##### *(ii) Defined benefit pension plan - Continued*

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Bank recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Bank recognises the following changes in the net defined benefit obligation under 'personnel expenses in profit or loss

- Service costs comprising past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

#### (m) Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the profit or loss net of any reimbursement.

When a provision is no longer required, it shall be credited in the profit or loss.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### (n) Taxes

##### Current income tax

In accordance with section 23(1) (a) of the Company Income Tax Act, the profit of the Bank is exempted from income taxes.

### 3. New standards and interpretation

#### 3.1 Standards issued but not yet effective

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

##### IFRS 9 - Financial Instruments

On July 2014, the IASB issued IFRS 9 Financial Instruments which replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018. Based on current estimates, the adoption of IFRS 9 will result in a reduction to retained earnings as at 1 January 2018. The impact is primarily attributable to increases in the allowance for credit losses under the new impairment requirements. We expect the adoption of IFRS 9 to have a significant impact on the Bank's financial statement.

Based on the assessment carried out by the Bank, the estimated impact of application of the new standard are as follows:

## **NIGERIA EXPORT-IMPORT BANK**

### **NOTES TO THE FINANCIAL STATEMENTS - Continued**

#### **3.1 Standards issued but not yet effective - Continued**

##### **Classification and Measurement**

The new standard requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories are replaced by: fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI), and amortised cost. IFRS 9 eliminates IAS 39 categories of held to maturity, loans and receivables and available for sale.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated at FVPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

IFRS 9 allows entities to irrevocably designate instruments that qualify for amortised cost or fair value through OCI instruments as FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to profit or loss.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The accounting for financial liabilities will largely be the same as the requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements will be presented in OCI with no subsequent reclassification to profit or loss, unless an accounting mismatch in profit or loss would arise.

The Bank has concluded that:

- a) all loans and advances to banks, loans and advances to customers and other financial assets that are classified as loans and receivables under IAS 39 are to be measured at amortised cost under IFRS 9.
- b) debt securities classified as held to maturity under IAS 39 are to be measured at amortised cost.
- c) all its investment in equity instruments including unquoted equity instruments currently classified as available-for-sale (AFS) will be designated at fair value through other comprehensive

## **NIGERIA EXPORT-IMPORT BANK**

### **NOTES TO THE FINANCIAL STATEMENTS - Continued**

#### **3.1 Standards issued but not yet effective - Continued**

##### **IFRS 9 - Financial Instruments - Continued**

income (FVOCI) without recycling the gain or loss on derecognition to profit or loss. The bank is currently finalising the fair value measurement of these unquoted equity instruments as at 1 January 2018.

The combined application of the contractual cash flow characteristics and business model tests as at 1 January 2018 to debt instruments held by the Bank did not result in any difference in the measurement of financial assets when compared to the current measurement basis under IAS 39.

##### **Impairment of financial assets**

IFRS 9 also fundamentally changes the loan loss impairment methodology. The standard replaces IAS 39's 'incurred loss' approach with a forward-looking 'expected credit loss' (ECL) approach. The Bank will record an allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.

The Bank has established a policy to perform an assessment at the end of each reporting period of whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument.

To calculate ECL, the Bank estimates the risk of a default occurring on the financial instrument during its expected life. Credit losses are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e., the difference between: the contractual cash flows that are due to the Bank under the contract, and the cash flows that the Bank expects to receive, discounted at the effective interest rate of the loan.

The Bank categorizes its debt instruments not measured at FVTPL into Stage 1, Stage 2 and Stage 3, based on the applied impairment methodology, as described below:

##### **Stage 1: Performing**

When the relevant debt instrument is first recognised (such as a loan), the Bank recognises an allowance based on 12-month expected credit losses. Interest income is calculated on the gross carrying amount. This will also be applicable to financial assets that are not considered to have suffered a significant increase in their credit risk since the end of the previous reporting period.

##### **Stage 2: Underperforming**

When the debt instrument shows a significant increase in credit risk, the Bank records an allowance for the lifetime expected credit loss. Interest income is calculated on the gross carrying amount. The Bank considers whether there has been a significant increase in credit risk of an asset by comparing the risk of a default upon initial recognition of the asset against the risk of a default occurring over the remaining expected life of the asset as at the end of each reporting period. In each case, this assessment will be based on forward-looking assessment that takes into account a number of economic scenarios. In addition, a significant increase in credit risk will be assumed if the borrower falls more than 30 days past due in making its contractual payments.



## NIGERIA EXPORT-IMPORT BANK

### NOTES TO THE FINANCIAL STATEMENTS – Continued

#### 3.1 Standards issued but not yet effective – Continued

##### IFRS 9 - Financial Instruments - Continued

When estimating lifetime ECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over the expected life of the loan commitment and calculate the present value of cash shortfalls between the contractual cash flows that are due to the entity if the holder of the loan commitment draws down that expected portion of the loan and the cash flows that the entity expects to receive if that expected portion of the loan is drawn down. For financial guarantee contracts, the Bank estimates the lifetime ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the guarantor expects to receive from the holder, the debtor or any other party.

##### Stage 3 – Impaired:

The Bank recognises the lifetime expected credit losses for these financial assets. In addition, in Stage 3 the Bank accrues interest income on the amortised cost of the loan net of impairment allowances. Financial assets will be included in Stage 3 when there is objective evidence that the loan is credit impaired. The criteria of such objective evidence are the same as under the current IAS 39 methodology. Accordingly, the Bank expects the population to be generally the same under both standards. The impairment calculation will be the same as for Stage 2 loans with the probability of default set to 100%. When forbearance results in the de-recognition of a distressed original financial asset, the new financial asset will be classified as originated credit-impaired. Other than purchased or originated credit-impaired financial assets, financial assets will be transferred out of Stage 3 to Stage 2 if they no longer meet the criteria of credit-impaired after a probation period of not more than 90 days.

Under IFRS 9, the population of financial assets and corresponding allowances disclosed as Stage 3 will not necessarily correspond to the amounts of financial assets currently disclosed as impaired in accordance with IAS 39. Consistent with IAS 39, assets are written off when there is no realistic probability of recovery. Accordingly, our policy on when financial assets are written-off will not significantly change on adoption of IFRS 9.

Given that all financial assets within the scope of the IFRS 9 impairment model will be assessed for at least 12-months of expected credit losses, and the population of financial assets to which full lifetime expected credit losses applies is larger than the population of impaired financial assets for which there is objective evidence of impairment in accordance with IAS 39, loss allowances are generally expected to be higher under IFRS 9 relative to IAS 39.

Changes in the required credit loss allowance, including the impact of movements between Stage 1 (12 month expected credit losses) and Stage 2 (lifetime expected credit losses), will be recorded in profit or loss. Because of the impact of moving between 12 month and lifetime expected credit losses and the application of forward looking information, allowance for credit losses is expected to be more volatile under IFRS 9 than IAS 39.

##### Measurement of ECL

The measurement of expected credit losses will primarily be based on the product of the instrument's probability of default (PD), loss given default (LGD), and exposure at default (EAD), discounted to the reporting date using the effective interest rate. The main difference between Stage 1 and Stage 2 expected credit losses is the respective PD horizon. Stage 1 estimates will use a maximum of a 12-month PD while Stage 2 estimates will use a lifetime PD.

## NIGERIA EXPORT-IMPORT BANK

### NOTES TO THE FINANCIAL STATEMENTS – Continued

#### 3.1 Standards issued but not yet effective – Continued

##### IFRS 9 - Financial Instruments - Continued

Stage 3 estimates will continue to leverage existing processes for estimating losses on impaired financial assets, however, these processes have been updated to reflect the requirements of IFRS 9, including the requirement to consider multiple forward-looking scenarios.

An expected credit loss estimate is produced for each individual exposure, including amounts which are subject to a more simplified model for estimating expected credit losses; however, the relevant parameters have been modelled on a collective basis using largely the same underlying data pool.

Expected credit losses are discounted to the reporting period using the effective interest rate, or an approximation thereof.

##### Movement between stages

Movements between Stage 1 and Stage 2 are based on whether an instrument's credit risk as at the reporting date has increased significantly relative to the date it was initially recognised. For the purposes of this assessment, credit risk is based on an instrument's lifetime risk of default, not the losses we expect to incur. The assessment of significant increases in credit risk is a new concept under IFRS 9 and has continued to require significant judgment.

Our assessment of significant increases in credit risk is performed at least quarterly for each individual exposure based on three factors. If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument is moved from Stage 1 to Stage 2:

(1) We have established thresholds for significant increases in credit risk based on both a percentage and absolute change in lifetime PD relative to initial recognition. The exact thresholds applied will differ by product and/or business

(2) Additional qualitative reviews will be performed to assess the staging results and make adjustments, as necessary, to better reflect the positions which have significantly increased in risk. This include watch listing, consideration of forbearance and other business/general economic factors that may indicate a significant deterioration in credit quality.

(3) IFRS 9 contains a rebuttable presumption that instruments which are 30 days past due have experienced a significant increase in credit risk. While the Bank has applied the 30 days backstop for moving financial assets other than specialised loans from stage 1 to stage 2, it has rebutted the 30 days presumption and instead used 60 days backstop for moving specialised loans consisting of project financing, object financing, mortgage loans and agricultural loans from stage 1 to stage 2.

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. The determination of credit-impairment under IFRS 9 is similar to the individual assessment of financial assets for objective evidence of impairment under IAS 39.

The assessments for significant increases in credit risk since initial recognition and credit-impairment are performed independently as at each reporting period. Assets can move in both directions through the stages of the impairment model. After a financial asset has migrated to Stage 2, if it is no longer considered that credit risk has significantly increased relative to initial recognition in a subsequent reporting period, it will move back to Stage 1 after observing a probation period of 90 days. Similarly, an asset that is in Stage 3 will move back to Stage 2 if it is no longer considered to be credit-impaired after a probation period of 90 days. An asset shall not move back from stage 3 to stage 1 until after

## **NIGERIA EXPORT-IMPORT BANK**

### **NOTES TO THE FINANCIAL STATEMENTS - Continued**

#### **3.1 Standards issued but not yet effective - Continued**

##### **IFRS 9 - Financial Instruments - Continued**

a minimum of 180 days probation period has been observed, if it is no longer considered to be credit impaired.

##### **Hedge accounting**

IFRS 9 allows entities to continue with the hedge accounting under IAS 39 even when other elements of IFRS become mandatory on 1 January 2018. The new hedging rules are however not expected to have impact on the Bank as it does not practise hedge accounting.

##### **IFRS 15 - Revenue from Contracts with Customers**

On May 28, 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces the previous revenue standard IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations on revenue recognition. The standard is a control-based model as compared to the existing revenue standard which is primarily focused on risks and rewards and provides a single principle-based framework to be applied to all contracts with customers that are in scope of the standard. Under the new standard revenue is recognised when a customer obtains control of a good or service. Transfer of control occurs when the customer has the ability to direct the use of and obtain the benefits of the good or service.

The standard introduces a new five step model to recognise revenue as performance obligations in a contract are satisfied. The standard scopes out contracts that are considered to be lease contracts, insurance contracts and financial instruments, and as such will impact the businesses that earn fee and commission revenue.

On 12 April 2016, the IASB issued amendments to IFRS 15 Revenue from Contracts with Customers. The amendments provide additional clarification on the identification of a performance obligation in a contract, determining the principal and agent in an agreement, and determining whether licensing revenues should be recognised at a point in time or over a specific period. The amendments also provide additional practical expedients that can be used on transition to the standard.

The Bank will adopt the standard and its amendments at its effective date of 1 January 2018 but using modified retrospective approach).

The standard does not apply to revenue associated with financial instruments, and therefore, will not impact the majority of the Bank's revenue, including interest income, interest expense, trading revenue and securities gains which are covered under IFRS 9 Financial Instruments. The implementation of the standard is being led by the Finance and Performance Management Group in coordination with Digital and Transaction banking, and Trade Services departments. The areas of focus for the Bank's assessment of impact are fees and commission revenues in corporate and retail banking services.

The Bank has been working to identify and review the customer contracts within the scope of the new standard. While the assessment is being finalised, the timing of the Bank's revenue recognition of fees and commissions within the scope of this standard is not expected to materially change.

The classification of certain contract costs (whether presented gross or offset against non-interest income) continues to be evaluated and the final interpretation may impact the presentation of certain

## **NIGERIA EXPORT-IMPORT BANK**

### **NOTES TO THE FINANCIAL STATEMENTS - Continued**

#### **3.1 Standards issued but not yet effective - Continued**

##### **IFRS 15 - Revenue from Contracts with Customers - Continued**

contract costs. The Bank is also evaluating the additional disclosures that may be relevant and required.

##### **IAS 23 Borrowing Costs**

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Bank's current practice is in line with these amendments, the Bank does not expect any effect on its financial statements.

##### **IFRS 16 Leases**

The IASB issued the new standard for accounting for leases - IFRS 16 Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their statement of financial position as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach.

The Bank does not anticipate early adopting IFRS 16 and is currently evaluating its impact.

##### **Definition of Material - Amendments to IAS 1 and IAS 8**

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments explain that information is obscured if it is communicated in a way that would have a similar effect as omitting or misstating the information. Material information may, for instance, be obscured if information regarding a material item, transaction or other event is scattered throughout the financial statements, or disclosed using a language that is vague or unclear. Material information can also be obscured if dissimilar items, transactions or other events are inappropriately aggregated, or conversely, if similar items are inappropriately disaggregated.

## **NIGERIA EXPORT-IMPORT BANK**

### **NOTES TO THE FINANCIAL STATEMENTS - Continued**

#### **3.1 Standards issued but not yet effective - Continued**

##### **Definition of Material - Amendments to IAS 1 and IAS 8**

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

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

The following amended standards and interpretations which are not yet effective, are not expected to have a significant impact on the Bank's financial statements;

- ▶ Amendments to IAS 40: Transfers of Investment Property
- ▶ Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions
- ▶ Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- ▶ Amendments to IFRSs Annual Improvements to IFRSs 2014-2016 Cycle:
  - IFRS 1 First-time Adoption of International Financial Reporting Standards
  - IAS 28 Investments in Associates and Joint Ventures
- ▶ IFRIC 22: Foreign currency transactions and Advance Considerations
- ▶ IFRIC 23: Uncertainty over Income Tax Treatments
- ▶ IFRS 17: Insurance Contracts
- ▶ IFRS 9: Prepayment Features with Negative Compensation
- ▶ IAS 28: Long-term interests in associates and joint ventures
- ▶ IFRS 11 Joint Arrangements

#### **3.2 Standards that becomes effective in the year**

The nature and the impact of each new standard and amendment is described below. Although these new standards and amendments applied for the first time in 2017, they did not have a material impact on the annual financial statements of the Bank.

##### **Amendments to IAS 7: Disclosure Initiative**

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Bank has no such liability classified as such and therefore these amendments did not affect the Bank's financial statements.

**NIGERIA EXPORT-IMPORT BANK**

**NOTES TO THE FINANCIAL STATEMENTS – Continued**

**3.2 Standards that becomes effective in the year- Continued**

**Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses**

The amendments clarify that an entity needs to consider whether the tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profits may include the recovery of some assets for more than their carrying amount.

The Bank applied amendments retrospectively. However, their application has no effect on the Bank's financial position and performance as the Bank's accounting policy has been consistent with the amendments.

**Annual Improvements 2014-2016 Cycle**

**Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12**

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or associate) that is classified (or included in a disposal Company that is classified) as held for sale. During 2017 and 2016, the Bank had no interests classified as such, and therefore these amendments did not affect the Bank's financial statements.

**NIGERIAN EXPORT-IMPORT BANK**

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

**4 Interest and similar income**

<i>in thousands of Nigerian Naira</i>	<i>Note</i>	<b>2017</b>	<b>2016</b>
Loans and advances to customers		3,807,948	4,492,978
Cash and short-term funds		320,636	433,657
Investment securities - held-to-maturity		652,565	245,023
Loans and advances to staff	16.3	10,126	8,231
<b>Interest and similar income</b>		<b>4,791,275</b>	<b>5,179,889</b>

**5 Interest and similar expense**

Export Stimulation loan	62,270	62,271
Loan from African Export-Import Bank (AFREXIM)	504,490	194,167
Loan from African Development Bank (AFDB)	338,848	206,636
8% CBN Perpetual Debenture	73,660	73,626
Loan from ADB/FGN/CBN	17,206	12,052
<b>Interest and similar expense</b>	<b>996,474</b>	<b>548,752</b>

**6 Fees and commission income**

Credit-related fees and commissions	1,600	2,450
Other fees received	213	10,301
<b>Fees and commission income</b>	<b>1,813</b>	<b>12,751</b>

**7 Other operating income**

Recoveries	101,540	147,317
Dividend income	310,718	249,010
Rental Income	62,373	61,958
Gain from disposal of property, plant and equipment	1,985	-
Other income	10,654	9,969
<b>Other operating income</b>	<b>487,270</b>	<b>468,254</b>

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

8 Impairment charges

<i>in thousands of Nigerian Naira</i>	Note	2017	2016
Loans and advances:			
Impairment charge/(reversals)			
BOI refinancing facility lending	15.2	-	(199,651)
Medium-term direct lending	15.2	752,852	8,206,825
Short-term direct lending facilities	15.2	95,902	970,896
Exit staff loans	15.2	14,777	(25,299)
		863,531	8,952,771
Other assets:	17.1	(50,119)	10,330
Due from banks:	14.1	114,281	-
Cash and bank:	13.1	(7,518)	-
<b>Loan impairment charges</b>		<b>920,175</b>	<b>8,963,101</b>

9 Personnel expenses

Wages and salaries		1,256,867	1,335,778
Net interest on defined benefit obligation	22.1	(33,325)	2,079
Pension costs- Defined contribution plan		194,782	202,379
Other employee cost		6,172	20,042
<b>Personnel expenses</b>		<b>1,424,496</b>	<b>1,560,278</b>

10 Other operating expenses

Administrative expenses	590,094	783,550
Net trading foreign exchange loss	952,054	391,397
Professional fees	181,343	261,049
Staff travelling	161,828	174,468
Staff training	85,948	270,197
Rents charges payable under operating leases	79,074	108,409
Advertising and marketing	51,325	204,999
Directors' fee, salaries & expenses	28,297	14,099
Staff relocation	21,874	14,197
Auditors remuneration	21,000	15,097
Others	1,177	537
<b>Other operating expenses</b>	<b>2,182,014</b>	<b>2,237,999</b>



**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 14(1)(c) of Nigerian Export-Import Bank Act 1991.

**12 Loss per share**

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

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

	31 December 2017	31 December 2016
<i>in thousands of Nigerian Naira</i>		
Loss for the year	(569,166)	(8,030,117)
<i>in thousands number</i>	2017	2016
Weighted average number of ordinary shares for basic/diluted loss per share	48,593,853	47,094,040
Basic/diluted loss per ordinary share (kobo)	(1.17)	(17.05)

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 loss 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 2017	31 December 2016
Cash on hand		1,197	1,192
Cash in banks		566,291	1,151,882
		567,488	1,153,074
Allowance for impairment on cash in banks	13.1	(10,257)	(17,775)
<b>Cash and cash in banks</b>		<b>557,231</b>	<b>1,135,299</b>

Cash in banks earns interest at fixed rates based on the bank deposit rates. The Bank has not pledged any of its short-term deposits in order to fulfill collateral requirements.

13.1 Allowance for impairment

As at <i>in thousands of Nigerian Naira</i>	Note	31 December 2017	31 December 2016
At the beginning of the year		17,775	17,775
Reversal in the year	8	(7,518)	-
<b>At the end of the year</b>		<b>10,257</b>	<b>17,775</b>

13.1 The impairment relates to dormant bank accounts with commercial banks in Nigeria.

14 Due from banks

As at <i>in thousands of Nigerian Naira</i>	Note	31 December 2017	31 December 2016
Placements with other banks		9,112,935	8,580,257
Less: allowance for impairment	14.1	(381,537)	(267,256)
<b>Due from banks</b>		<b>8,731,398</b>	<b>8,313,001</b>

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

As at <i>in thousands of Nigerian Naira</i>	Note	31 December 2017	31 December 2016
At the beginning of the year		267,256	267,256
Charge for the year	8	114,281	-
<b>At the end of the year</b>		<b>381,537</b>	<b>267,256</b>

Allowance for impairment relates to placements with liquidated and financial distressed 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 2017	31 December 2016
Loans to customers:			
BOI Refinancing facility lending		61,275	160,231
Medium-term direct lending		38,396,177	37,944,060
Short-term direct lending		13,709,373	13,938,232
Loans to staff		750,832	835,186
		52,917,657	52,877,709
Less: Allowance for impairment losses	15.2	(12,163,820)	(11,300,289)
Loans and advances		40,753,837	41,577,420

15.1 Classification of loans and advances per performance

Individually impaired	48,640,186	22,737,875
Past due but not impaired	1,302,835	29,304,648
Neither impaired nor past due	2,974,636	835,186
Loans and advances	52,917,657	52,877,709

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>	Note	BOI Refinancing facility lending	Medium-term direct lending	Short-term direct lending	Exit Staff loans	Total
At 1 January 2016		199,651	1,266,649	823,751	57,467	2,347,518
Impairment charge	8	-	8,206,825	970,896	-	9,177,721
Reversals	8	(199,651)	-	-	(25,299)	(224,950)
At 31 December 2016		-	9,473,474	1,794,647	32,168	11,300,289
Individual impairment		-	9,473,474	1,794,647	32,168	11,300,289
At 1 January 2017		-	9,473,474	1,794,647	32,168	11,300,289
Impairment charge	8	-	752,852	95,902	14,777	863,531
At 31 December 2017		-	10,226,326	1,890,549	46,945	12,163,820
Individual impairment		-	10,226,326	1,890,549	46,945	12,163,820
		-	10,226,326	1,890,549	46,945	12,163,820

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

16 Investment securities

As at <i>in thousands of Nigerian Naira</i>	Note	31 December 2017	31 December 2016
Available-for-sale	16.1	3,199,182	2,948,778
Held-to-maturity	16.2	5,146,589	2,679,717
		8,345,771	5,628,495

16.1 Available-for-sale

Quoted investments:			
Equity securities		1,257,774	1,007,370
Unquoted investments:			
Equities		1,941,408	1,941,408
	16.3	3,199,182	2,948,778

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 ₦199,013,772 (2016: ₦185,274,678).

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 2017	31 December 2016
Quoted investments:			
Treasury bills		5,146,589	2,679,717
	16.3	5,146,589	2,679,717

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

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 2016	2,894,645	1,308,791	4,203,436
Purchases	61,929	2,392,451	2,454,380
Maturities	-	(1,266,548)	(1,266,548)
Fair value losses recorded in other comprehensive income	(7,796)	-	(7,796)
Accrued interest income 4	-	245,023	245,023
As at 31 December 2016	2,948,778	2,679,717	5,628,495
Purchases	110,162	4,715,215	4,825,377
Maturities	-	(2,900,908)	(2,900,908)
Fair value gains recorded in other comprehensive income	140,242	-	140,242
Accrued interest income 4	-	652,565	652,565
As at 31 December 2017	3,199,182	5,146,589	8,345,771

17 Other assets

<i>As at</i>	<i>31 December</i>	<i>31 December</i>
<i>in thousands of Nigerian Naira</i>	<i>2017</i>	<i>2016</i>
Prepayments	63,084	114,009
Other receivables (Note 17.3)	200,991	256,131
	264,075	370,140
Allowance for impairment 17.1	(185,560)	(235,679)
	78,515	134,461

17.1 Allowance for impairment on other receivables

Opening balance	235,679	225,349
Charge for the year 8	-	10,330
Reversal during the year 8	(50,119)	-
	185,560	235,679

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

17.3 Included in other receivables is an amount of ₦146.93 (2016: ₦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-Saharan 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.

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

18 Property, plant and equipment

<i>in thousands of Nigerian Naira</i>	Land	Building	Plant	Furniture and fittings	Computer equipment	Motor vehicles	Total
<b>Cost:</b>							
At 1 January 2016	1,688	2,824,098	133,645	1,006,021	518,541	600,152	5,084,145
Additions	-	-	7,553	7,359	5,197	39,295	59,404
At 31 December 2016	1,688	2,824,098	141,198	1,013,380	523,738	639,447	5,143,549
Additions	-	-	15,189	2,448	160	188,578	206,375
Disposal	-	-	(3,806)	-	-	(41,500)	(45,306)
At 31 December 2017	1,688	2,824,098	152,581	1,015,828	523,898	786,525	5,304,618
<b>Accumulated depreciation:</b>							
At 1 January 2016	-	456,830	108,300	785,381	384,454	291,424	2,026,389
Charge for the year	-	56,481	10,533	79,751	88,402	141,469	376,636
At 31 December 2016	-	513,311	118,833	865,132	472,856	432,893	2,403,025
Charge for the year	-	56,482	11,507	72,857	47,790	136,961	325,597
Disposal	-	-	(2,220)	-	-	(41,500)	(43,720)
At 31 December 2017	-	569,793	128,120	937,989	520,646	528,354	2,684,902
<b>Carrying amount:</b>							
At 31 December 2017	1,688	2,254,305	24,461	77,839	3,252	258,171	2,619,716
At 31 December 2016	1,688	2,310,787	22,364	148,248	50,882	206,554	2,740,524

Insignificant part (ground floor) of the building is subject to operating leases where the Bank is a lessor. At 31 December 2017, the net carrying amount of those assets was N497.1 million (2016: N508.3 million), on which the accumulated depreciation as at 31 December 2017 was N113.96 million (2016: N102.66 million). None of the assets have been pledged as collateral.

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

19 Intangible assets

<i>in thousands of Nigerian Naira</i>	Computer software
Cost:	
At 1 January 2016	163,715
Additions	-
At 31 December 2016	163,715
Additions	-
At 31 December 2017	163,715
Amortisation and impairment:	
At 1 January 2016	158,700
Amortisation charged for the year	4,245
At 31 December 2016	162,945
Amortisation charged for the year	768
At 31 December 2017	163,713
Carrying amount:	
At 31 December 2017	2
At 31 December 2016	770

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



NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

20 Debt securities issued and other borrowed funds

As at in thousands of Nigerian Naira	Note	31 December 2017	31 December 2016
Export Stimulation loan	20.2	6,660,143	6,597,873
Loan from ADB/FGN	20.3	348,428	296,328
Loan from AFREXIM	20.4	2,321,042	3,048,863
8% CBN Perpetual Debenture	20.5	1,321,428	1,302,900
Loan from AfDB	20.6	10,402,812	10,969,202
BOI - Working capital	20.1	-	149
<b>Debt securities issued and other borrowed funds</b>		<b>21,053,853</b>	<b>22,215,315</b>

Movements in debt securities issued and other borrowed funds

At beginning of the year		22,215,315	19,502,919
Principal repayment		(3,984,102)	(3,066,531)
Interest accrued	5	996,474	548,752
Interest paid		(971,068)	(542,928)
Foreign exchange loss		2,797,234	5,773,103
<b>At the end of the year</b>		<b>21,053,853</b>	<b>22,215,315</b>

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 (AfDB) under AfDB 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 quarterly over five years after the expiration of the six or twelve months moratorium period.

## NIGERIAN EXPORT-IMPORT BANK

### NOTES TO THE FINANCIAL STATEMENTS - Continued

#### 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 (AfDB) granted a loan of \$200 million to NEXIM for onward lending to small and medium scale companies that engages 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 utilised.

The Bank has not had any repayment defaults of principal, interest or other breaches with regard to this obligation during 2017 and 2016.

#### 21 Other liabilities

As at <i>in thousands of Nigerian Naira</i>	Note	31 December 2017	31 December 2016
Accrued expenses		706,021	654,325
Accounts payable and sundry creditors	21.1	2,726,875	2,869,567
Transformation grant	21.2	10,217	10,217
Mofi-Political Risk/Gtee Fund	21.3	596,923	-
Post-employment pension (defined - contribution)		183,176	103,974
		<b>4,223,212</b>	<b>3,638,083</b>

21.1 Included in the amount is ₦2.313 billion (2016: ₦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.

21.3 This balance relates to amount collected on behalf of Ministry of Finance in respect of levies on import duties.

# NIGERIAN EXPORT-IMPORT BANK

## NOTES TO THE FINANCIAL STATEMENTS - Continued

### 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 ₦194.8 million (2016: ₦202.3 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 government 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>	<b>2017</b>	<b>2016</b>
Interest cost on benefit obligation	50,655	59,354
Interest income on assets	(83,980)	(57,275)
Net interest (Note 9)	(33,325)	2,079

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

<i>in thousands of Nigerian Naira</i>	<b>2017</b>	<b>2016</b>
Remeasurement (losses)/gains on defined benefit obligation	(68,607)	231,706
Remeasurement losses on plan assets	(51,179)	(8,195)
Net remeasurement (losses)/gain in OCI	(119,786)	223,511

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

22 Employee benefit obligations - Continued

The factors contributed to the net actuarial (losses)/gains on defined benefit obligation above are as follows

<i>in thousands of Nigerian Naira</i>	2017	2016
Change in economics assumptions	(66,832)	150,270
Pension increases	7,818	28,758
Pensioner mortality	(4,293)	52,677
Other miscellaneous items	(5,300)	1
Total	(68,607)	231,706

22.3 Net employee defined benefit assets

<i>As at in thousands of Nigerian Naira</i>	Note	31 December 2017	31 December 2016
Defined benefit obligations	22.4	(407,978)	(329,033)
Fair value of plan assets	22.5	524,713	532,229
Retirement benefit assets		116,735	203,196

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

<i>As at in thousands of Nigerian Naira</i>	Note	31 December 2017	31 December 2016
Opening defined benefit obligations		(329,033)	(539,905)
Interest cost		(50,655)	(59,354)
Remeasurement gains on obligations		(68,607)	231,706
Benefits paid		40,317	38,520
Closing defined benefit obligations		(407,978)	(329,033)

There are currently no active member in the plan, as the plan relates to ex-staff who have retired prior to the introduction of the contributory Pension Reform Act.

Mortality in Service

The rates of mortality assumed for employees are the rates published in the A67/70 Ultimates Tables, published jointly by the Institute and Faculty of Actuaries in the UK.

The following payments are expected contributions to the defined benefit plan in the future:

<i>As at in thousands of Nigerian Naira</i>	Note	31 December 2017	31 December 2016
Between 1 and 10 years		116,735	203,196
		116,735	203,196

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

22 Employee benefit obligations - Continued

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

As at <i>in thousands of Nigerian Naira</i>	31 December 2017	31 December 2016
Opening fair value of plan assets	532,229	521,669
Interest income	83,980	57,275
Benefits paid	(40,317)	(38,520)
Remeasurement loss on plan assets	(51,179)	(8,195)
Closing fair value of plan assets	524,713	532,229
Actual return on the plan assets	32,801	14,979

The net benefit asset arising from the defined benefit obligation and the plan asset represents present value of economic benefit available in form of reduction in future contribution. Management has assessed if there is asset ceiling by comparing the present value of those future benefits with the surplus in the defined benefit plan. The latter was lower than the former, hence no need for asset ceiling.

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

	2017 %	2016 %
Fixed term deposit	100	100

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>	31 December 2017 %	31 December 2016 %
Discount rate	13.8	16.4
Future pension increases	6	6
Mortality rate	a (55) Ultimate Table rated down 5 years.	

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	2017	2016
Discount rate	+1%	28,410	19,898
	-1%	(32,603)	(22,502)
Pension increase	+1%	(34,836)	(24,619)
	-1%	30,624	21,919
Mortality rate	+1 yr	(7,285)	(4,615)
	-1 yr	7,515	4,817

# NIGERIAN EXPORT-IMPORT BANK

## NOTES TO THE FINANCIAL STATEMENTS - Continued

### 23 Issued share capital and reserves

<i>in thousands of Nigerian Naira</i>	31 December 2017	31 December 2016
Authorised ordinary shares of N1 each	50,000,000	50,000,000
Issued and fully paid ordinary shares of N1 each	49,912,571	47,275,135
<i>Movement of issued and fully paid</i>		
<i>in thousands (unit/Nigerian Naira)</i>	31 December 2017	31 December 2016
At 1 January	47,275,135	46,731,851
<i>Issued and paid during the year:</i>		
Ministry of Finance Incorporated (MOFI)	2,637,436	543,284
At 31 December	49,912,571	47,275,135

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

During the year in June a total of ₦2,637,436,000 (2016 April: ₦543,284,000) was issued and allotted to Federal Ministry of Finance which comprise of 2,637,436,000 shares at ₦1 per share.

### Accumulated losses

Accumulated losses is the carried forward losses plus current 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 paid dividend in 2017 in respect of the year ended 31 December 2013 financial statements of ₦42.4 million 0.1 kobo per share held as at 31 December 2013.

# NIGERIAN EXPORT-IMPORT BANK

## NOTES TO THE FINANCIAL STATEMENTS - Continued

### 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.

#### Statement of Prudential adjustments

In line with the same directive of the CBN, the Bank compared the provision based on the prudential guidelines with impairment under IFRS for comparative periods and no transfers were made as the impairment balance under IFRS was higher for the years."

<i>in thousands (unit/Nigerian Naira)</i>	31 December 2017	31 December 2016
Total impairment based on IFRS	12,163,820	11,300,290
Total impairment based on Central Bank of Nigeria's Prudential Guidelines	32,928,573	24,912,939
Regulatory risk reserve	(20,764,753)	(13,612,649)

<i>in thousands (unit/Nigerian Naira)</i>	31 December 2017	31 December 2016
At 1 January	13,612,649	6,823,909
Transfer to accumulated losses	7,152,104	6,788,740
At 31 December	20,764,753	13,612,649

#### 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 of retained earnings. The underlying fund is invested in the Stanbic IBTC Equity Fund and FSDH Coral Fund.

### 24 Cash and cash equivalents

As at <i>in thousands of Nigerian Naira</i>	Note	31 December 2017	31 December 2016
Cash on hand	13	1,197	1,192
Cash in banks	13	556,034	1,134,107
Due from banks	14	8,731,398	8,313,001
		9,288,629	9,448,300

NIGERIAN EXPORT-IMPORT BANK

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 2017

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	1,257,774	31-Dec-17	1,257,774	-	1,257,774	-
Assets for which fair values are disclosed:							
Loans to customers:							
BOI Refinancing facility lending	15	61,275	31-Dec-17	41,263	-	-	41,263
Medium Term Direct Lending	15	38,396,177	31-Dec-17	25,754,078	-	-	25,754,078
Short Term Direct Lending	15	13,709,373	31-Dec-17	11,710,281	-	-	11,710,281
Loans to staff	15	750,832	31-Dec-17	623,191	-	-	623,191
Held-to maturity	16.2	5,146,589	31-Dec-17	5,091,999	-	5,091,999	-
Liabilities for which fair values are disclosed:							
Debits securities issued and other borrowed funds:							
Export Stimulation loan	20	6,660,143	31-Dec-17	5,459,134	-	-	5,459,134
Loan from AFREXIM	20	2,321,042	31-Dec-17	2,321,042	-	-	2,321,042
8% CBN Perpetual Debenture	20	1,321,428	31-Dec-17	1,225,152	-	-	1,225,152
Loan from AFDB	20	10,402,812	31-Dec-17	10,402,812	-	-	10,402,812
Loan from ADB/FCN	20	348,428	31-Dec-17	348,428	-	-	348,428



NIGERIAN EXPORT-IMPORT BANK

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 2016

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	1,007,370	31-Dec-16	1,007,370	-	1,007,370	-
Assets for which fair values are disclosed:							
Loans to customers:							
BOI Refinancing facility lending	15	160,231	31-Dec-16	107,900	-	-	107,900
Medium Term Direct Lending	15	37,944,060	31-Dec-16	25,450,822	-	-	25,450,822
Short Term Direct Lending	15	13,938,232	31-Dec-16	11,905,768	-	-	11,905,768
Loans to staff	15	835,186	31-Dec-16	693,204	-	-	693,204
Held-to maturity	16.2	2,679,717	31-Dec-16	2,651,293	-	2,651,293	-
Liabilities for which fair values are disclosed:							
Debts securities issued and other borrowed funds:							
BOI - Working capital	20	149	31-Dec-16	149	-	-	149
Export Stimulation loan	20	6,597,873	31-Dec-16	5,408,093	-	-	5,408,093
Loan from AFREXIM	20	3,048,863	31-Dec-16	3,048,863	-	-	3,048,863
8% CBN Perpetual Debenture	20	1,302,900	31-Dec-16	1,225,152	-	-	1,225,152
Loan from AFDB	20	10,969,202	31-Dec-16	10,969,202	-	-	10,969,202
Loan from ADB/FGN	20	296,328	31-Dec-16	296,328	-	-	296,328

**NIGERIAN EXPORT-IMPORT BANK**

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

**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.

	Carrying amount		Fair value	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
<i>In thousands of Nigerian Naira</i>				
<b>Financial Assets:</b>				
Quoted equities	1,257,774	1,007,370	1,257,774	1,007,370
Loans and advances	40,753,837	41,577,420	38,128,812	38,157,694
Financial investments- held to maturity	5,146,589	2,679,717	5,091,999	2,651,293
	45,900,426	44,257,137	43,220,811	40,808,987
<b>Financial Liabilities:</b>				
Debt securities issued and other borrowed funds	20,705,425	21,918,987	9,005,327	9,682,256
	20,705,425	21,918,987	9,005,327	9,682,256

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/FGN/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.

**NIGERIAN EXPORT-IMPORT BANK**

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

**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 securities issued and other borrowed funds**

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.

**Available-for-sale investment (Mutual fund)**

The fair values of the available-for-sale financial assets are derived from the mutual fund portfolio valuation by the external portfolio manager.

## NIGERIAN EXPORT-IMPORT BANK

### NOTES TO THE FINANCIAL STATEMENTS - Continued

#### 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.

##### 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 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.

The Bank subscribes to the Central Bank of Nigeria (CBN) Credit Risk Management System 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 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.

## NIGERIAN EXPORT-IMPORT BANK

### NOTES TO THE FINANCIAL STATEMENTS - Continued

#### 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.

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

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.

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.

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS

26 Risk management - Continued

26.2 Credit risk - Continued

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.

Maximum exposure to credit risk  
Type of collateral or credit enhancement

	Maximum exposure to credit risk N'000	Fair value of collateral and credit enhancements held							Net collateral N'000	Net exposure N'000
		Cash N'000	Securities N'000	Guarantees N'000	Real estate property N'000	Other* N'000	Netting agreements N'000	Surplus collateral N'000		
31 December 2017										
Financial assets	8,731,398	-	-	-	-	-	-	-	-	8,731,398
Due from banks	566,291	-	-	-	-	-	-	-	-	566,291
Cash in banks	-	-	-	-	-	-	-	-	-	-
Loans and advances:										
BOI Refinancing facility lending	61,275	-	-	-	160,189	-	-	(98,914)	61,275	-
Medium term direct lending	38,396,177	-	8,833,152	3,464,595	30,680,803	1,379,274	-	(5,961,647)	38,396,177	-
Short term direct lending	13,709,373	-	5,600,448	90,000	21,294,359	3,776,831	-	(17,052,265)	30,761,638	(17,052,265)
Staff loans	750,832	-	-	-	-	-	-	-	-	750,832
	52,917,656	-	14,433,600	3,554,595	52,135,351	5,156,105	-	(23,112,826)	69,219,090	-16,301,433
Financial investments	5,146,589	-	-	-	-	-	-	-	-	5,146,589
- held to maturity	5,146,589	-	-	-	-	-	-	-	-	5,146,589
Financial guarantees	-	-	-	-	-	-	-	-	-	-
	67,361,934	-	14,433,600	3,554,595	52,135,351	5,156,105	-	(23,112,826)	69,219,090	(1,857,155)

	Maximum exposure to credit risk N'000	Fair value of collateral and credit enhancements held							Net collateral N'000	Net exposure N'000
		Cash N'000	Securities N'000	Guarantees N'000	Real estate property N'000	Other* N'000	Netting agreements N'000	Surplus collateral N'000		
31 December 2016										
Financial assets	8,313,001	-	-	-	-	-	-	-	-	8,313,001
Due from banks	1,151,882	-	-	-	-	-	-	-	-	1,151,882
Cash in banks	-	-	-	-	-	-	-	-	-	-
Loans and advances:										
BOI Refinancing facility lending	160,231	-	-	-	438,059	-	-	(277,828)	160,231	-
Medium term direct lending	37,944,060	-	-	4,139,595	29,635,033	23,024,173	-	(18,854,741)	37,944,060	9,473,474
Short term direct lending	13,938,232	-	-	1,215,027	21,128,933	9,935,279	-	(18,341,007)	13,938,232	1,794,647
Staff loans	803,018	-	-	-	-	-	-	-	-	803,018
	52,845,540	-	-	5,354,622	51,202,025	32,959,452	-	(37,473,576)	52,042,523	12,071,139
Financial investments	2,679,717	-	-	-	-	-	-	-	-	2,679,717
- held to maturity	2,679,717	-	-	-	-	-	-	-	-	2,679,717
Financial guarantees	-	-	-	-	-	-	-	-	-	-
	64,950,140	-	-	5,354,622	51,202,025	32,959,452	-	(37,473,576)	52,042,523	24,215,739

**NIGERIAN EXPORT-IMPORT BANK**

**NOTES TO THE FINANCIAL STATEMENTS**

**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 of 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.

Neither past due nor Impaired							
Notes	High grade		Standard	Sub- standard	Past due but not impaired		Total
	2017	2017	2017	2017	2017	2017	
31 December 2017							
Cash and cash in banks	13	-	556,034	-	-	10,257	566,291
Due from banks	14	-	9,112,935	-	-	-	9,112,935
Loans and advances	15	-	2,974,636	-	1,302,835	48,640,186	52,917,657
Financial investments - held to maturity							
Quoted - Government debt securities	15.2	5,146,589	-	-	-	-	5,146,589
Total		5,146,589	12,643,605	-	1,302,835	48,650,443	67,743,472



NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS

26 Risk management - Continued

26.2 Credit risk - Continued

31 December 2016	Neither past due nor impaired					
	High grade 2016	Standard grade 2016	Sub- standard grade 2016	Past due but not impaired 2016		Total 2016
	N'000	N'000	N'000	Impaired N'000	Individually impaired N'000	N'000
Cash and cash in banks	13	-	1,134,107	-	17,775	1,151,882
Due from banks	14	-	8,313,001	-	-	8,313,001
Loans and advances	15	-	835,186	29,304,648	22,737,875	52,877,709
Financial investments - held to maturity						
Quoted - Government debt securities	15.2	2,679,717	-	-	-	2,679,717
Total		2,679,717	10,282,294	29,304,648	22,755,650	65,022,309

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

Industry analysis		Financial Services							Total	
31 December 2017		Financial Services N'000	Government N'000	Agriculture N'000	Manufacturing N'000	Services N'000	Solid mineral N'000	Other N'000	N'000	
Financial assets										
Cash and cash in banks	13	566,291	-	-	-	-	-	-	566,291	
Due from banks	14	9,112,935	-	-	-	-	-	-	9,112,935	
Loans and advances										
BOI Refinancing facility lending	15	-	-	61,275	-	-	-	-	61,275	
Medium-term direct lending	15	-	-	9,139,056	11,376,153	10,920,052	2,098,094	4,862,822	38,396,177	
Short-term direct lending	15	-	-	4,775,416	2,698,705	1,929,108	231,869	4,074,275	13,709,373	
Staff loans	15	-	-	-	-	-	-	750,832	750,832	
Financial investment - held to maturity										
Quoted - Government debt securities		9,679,226	-	13,975,747	14,074,858	12,849,160	2,329,963	5,146,589	51,466,589	
								14,834,518	67,743,472	

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS

26 Risk management - Continued

26.2 Credit risk - Continued

Maximum exposure to credit risk - Continued

31 December 2016	Financial Services	Government	Agriculture	Manufacturing	Services	Solid mineral	Other	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Financial assets								
Cash and cash in banks	1,151,882	-	-	-	-	-	-	1,151,882
Due from banks	8,313,001	-	-	-	-	-	-	8,313,001
Loans and advances	-	-	61,275	96,956	-	-	-	160,231
BOI Refinancing facility lending	-	-	8,491,311	10,465,443	15,270,138	3,492,514	224,654	37,944,060
Medium-term direct lending	-	-	4,526,773	4,633,089	3,950,778	827,592	-	13,938,232
Short-term direct lending	-	-	-	-	-	-	835,186	835,186
Staff loans	-	-	-	-	-	-	-	-
Financial Investment - held to maturity	-	2,679,717	-	-	-	-	-	2,679,717
Quoted - Government debt securities	9,454,893	2,679,717	13,079,359	15,197,488	19,220,916	4,320,106	1,059,840	65,022,309

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

	2017	2016
	N'000	N'000
Financial guarantees	47,130	75,156

**NIGERIAN EXPORT-IMPORT BANK**

**NOTES TO THE FINANCIAL STATEMENTS**

**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 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 2017

	On demand N'000	Less than 3 months N'000	3 to 12 months N'000	1 to 5 years N'000	Over 5 years N'000	Total N'000
<b>Financial assets</b>						
Cash in banks	567,488	-	-	-	-	567,488
Due from banks	-	8,731,398	-	-	-	8,731,398
Loans and advances	-	-	44,375	31,270,287	9,439,175	40,753,837
Investment securities - Held-to-maturity	-	-	5,146,589	-	-	5,146,589
Other receivables	-	-	200,991	-	-	200,991
<b>Total undiscounted financial assets</b>	<b>567,488</b>	<b>8,731,398</b>	<b>5,391,955</b>	<b>31,270,287</b>	<b>9,439,175</b>	<b>55,400,303</b>
<b>Financial liabilities</b>						
Debt securities issued and other borrowed funds	348,428	-	-	12,124,598	15,827,725	28,300,752
Other liabilities	-	1,496,337	2,726,875	-	-	4,223,212
<b>Total undiscounted financial liabilities</b>	<b>348,428</b>	<b>1,496,337</b>	<b>2,726,875</b>	<b>12,124,598</b>	<b>15,827,725</b>	<b>32,523,964</b>
<b>Net undiscounted financial assets/(liabilities)</b>	<b>219,060</b>	<b>7,235,061</b>	<b>2,665,080</b>	<b>19,145,688</b>	<b>(6,388,551)</b>	<b>22,876,339</b>

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS

26 Risk management - Continued

26.3 Liquidity risk and funding management - Continued

As at 31 December 2016

	On demand N'000	Less than 3 months N'000	3 to 12 months N'000	1 to 5 years N'000	Over 5 years N'000	Total N'000
<b>Financial assets</b>						
Cash in banks	1,135,299	-	-	-	-	1,135,299
Due from banks	-	8,313,001	-	-	-	8,313,001
Loans and advances	9,021,764	1,557,126	3,110,533	26,214,756	1,673,241	41,577,420
Investment securities - Held-to-maturity	-	121,576	2,558,141	-	-	2,679,717
Other receivables	-	-	256,131	-	-	256,131
<b>Total undiscounted financial assets</b>	<b>10,157,063</b>	<b>9,991,703</b>	<b>5,924,805</b>	<b>26,214,756</b>	<b>1,673,241</b>	<b>53,961,568</b>
<b>Financial liabilities</b>						
Debt securities issued and other borrowed funds	296,328	-	201	13,023,092	16,567,339	29,886,960
Other liabilities	-	768,516	2,869,567	-	-	3,638,083
<b>Total undiscounted financial liabilities</b>	<b>296,328</b>	<b>768,516</b>	<b>2,869,768</b>	<b>13,023,092</b>	<b>16,567,339</b>	<b>33,525,043</b>
<b>Net undiscounted financial assets</b>	<b>9,860,735</b>	<b>9,223,187</b>	<b>3,055,037</b>	<b>13,191,664</b>	<b>(14,894,098)</b>	<b>20,436,525</b>

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 2017

	On demand N'000	Less than 3 months N'000	3 to 12 months N'000	1 to 5 years N'000	Over 5 years N'000	Total N'000
<b>Financial guarantees</b>						
	-	-	47,130	-	-	47,130
<b>As at 31 December 2016</b>						
<b>Financial guarantees</b>						
	-	-	75,156	-	-	75,156

## NIGERIAN EXPORT-IMPORT BANK

### NOTES TO THE FINANCIAL STATEMENTS

#### 26 Risk management - Continued

##### 26.4 Market risk

Market risk is the risk that the fair value or future cash flows of 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 cash at banks, 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 2017 and 2016.

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 2017.

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 2017 and 2016.

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 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	N'000
2017	+2%	31,209
	-2%	(31,209)
2016	+2%	30,900
	-2%	(30,900)

##### 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 mutual fund portfolio at fair value was N1,258 million (2016: N1,007 million). A decrease of 10% on the NSE market index could have an impact of approximately N125.8million (2016: N100.7 million) on the income or equity attributable to the Bank, depending on whether the decline is significant or prolonged. A change of 5% in the value of the mutual fund portfolio would only impact equity, but would not have an effect on profit or loss.

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS

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 profit or loss is the effect of the assumed changes in interest rates on the gap position of the difference maturities mismatch.

31 December 2017	RATE SENSITIVITY OF ASSETS AND LIABILITIES					
	On demand N'000	Less than 3 months N'000	3 to 12 months N'000	1 to 5 years N'000	Over 5 years N'000	Total N'000
Financial assets						
Due from banks	-	8,731,398	-	-	-	8,731,398
Loans and advances	-	-	35,182	30,989,927	9,728,728	40,753,837
Investment securities - Held-to-maturity	-	-	5,146,589	-	-	5,146,589
Total undiscounted financial assets	-	8,731,398	5,181,771	30,989,927	9,728,728	54,631,824
Financial liabilities						
Debt securities issued and other borrowed funds	348,428	-	-	12,124,598	15,827,725	28,300,752
Total undiscounted financial liabilities	348,428	-	-	12,124,598	15,827,725	28,300,752
Net undiscounted financial assets	-348,428	8,731,398	5,181,771	18,865,329	(6,098,997)	26,331,072

	INTEREST RATE SENSITIVITY ANALYSIS Increase/Decrease In bp	Net Gap N'000	Cumulative Gap N'000	Sensitivity on profit(+2%) N'000	Sensitivity on profit(-2%) N'000	Annualized period N'000
On demand	+200bp	(348,428)	(348,428)	(581)	581	One month
Less than 3 months	+200bp	8,731,398	8,382,970	43,657	(43,657)	Three months
3 - 12 months	+200bp	5,181,771	13,564,741	103,635	(103,635)	One year
1 - 5 years	+200bp	18,865,329	32,430,070	377,307	(377,307)	
Over 5 years	+200bp	(6,098,997)	26,331,072	(121,980)	121,980	

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS

26 Risk management - Continued

26.4 Interest Rate Risk

31 December 2016	RATE SENSITIVITY OF ASSETS AND LIABILITIES				
	On demand N'000	Less than 3 months N'000	3 to 12 months N'000	1 to 5 years N'000	Over 5 years N'000
Financial assets					
Due from banks	-	8,313,001	-	-	8,313,001
Loans and advances	9,021,764	1,557,126	3,110,533	26,214,756	1,673,241
Investment securities - Held-to-maturity	-	121,576	2,558,141	-	-
Total undiscounted financial assets	9,021,764	9,991,703	5,668,674	26,214,756	1,673,241
Financial liabilities					
Debt securities issued and other borrowed funds	296,328	-	201	13,023,092	16,567,339
Total undiscounted financial liabilities	296,328	-	201	13,023,092	16,567,339
Net undiscounted financial assets	8,725,436	9,991,703	5,668,473	13,191,664	(14,894,098)

	INTEREST RATE SENSITIVITY ANALYSIS				
	Net Gap N'000	Cumulative Gap N'000	Sensitivity on profit(+2%)/ loss(-2%) N'000	Sensitivity on profit(+2%)/ loss(-2%) N'000	Annualized period N'000
On demand	8,725,436	8,725,436	14,542	(14,542)	One month
Less than 3 months	9,991,703	18,717,139	49,959	(49,959)	Three months
3 - 12 months	5,668,473	24,385,612	113,369	(113,369)	One year
1 - 5 years	13,191,664	37,577,276	263,833	(263,833)	
Over 5 years	(14,894,098)	22,683,178	(297,892)	297,892	

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

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 2017			
Cash and cash in banks	557,231	-	557,231
Due from banks	8,731,398	-	8,731,398
Loans and advances	44,375	40,709,462	40,753,837
Investment securities:			
Available-for-sale	-	3,199,182	3,199,182
Held-to-maturity	5,146,589	-	5,146,589
Property, plant and equipment	-	2,619,716	2,619,716
Intangible assets	-	2	2
Other assets	78,516	-	78,516
Net employee defined benefit asset	-	116,735	116,735
<b>Total Assets</b>	<b>14,558,109</b>	<b>46,645,097</b>	<b>61,203,206</b>
Debt securities issued and other borrowed funds	2,669,470	18,384,383	21,053,853
Other liabilities	4,223,212	-	4,223,212
<b>Total Liabilities</b>	<b>6,892,682</b>	<b>18,384,383</b>	<b>25,277,065</b>
<b>Net</b>	<b>7,665,427</b>	<b>28,260,714</b>	<b>35,926,141</b>



# **NIGERIAN EXPORT-IMPORT BANK**

## **NOTES TO THE FINANCIAL STATEMENTS - Continued**

### **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>	<b>Within one year or less</b>	<b>More than one year</b>	<b>Total</b>
<b>At 31 December 2016</b>			
Cash and cash in bank	1,135,299	-	1,135,299
Due from banks	8,313,001	-	8,313,001
Loans and advances	13,689,423	27,887,997	41,577,420
Investment securities:			
Available-for-sale	-	2,948,778	2,948,778
Held-to-maturity	2,679,717	-	2,679,717
Property, plant and equipment	-	2,740,524	2,740,524
Intangible assets	-	770	770
Other assets	134,461	-	134,461
Net employee defined benefit asset	-	203,196	203,196
<b>Total Assets</b>	<b>25,951,901</b>	<b>33,781,265</b>	<b>59,733,166</b>
Debt securities issued and other borrowed funds	296,529	21,918,786	22,215,315
Other liabilities	3,638,083	-	3,638,083
<b>Total Liabilities</b>	<b>3,934,612</b>	<b>21,918,786</b>	<b>25,853,398</b>
<b>Net</b>	<b>22,017,289</b>	<b>11,862,479</b>	<b>33,879,768</b>

## **NIGERIAN EXPORT-IMPORT BANK**

### **NOTES TO THE FINANCIAL STATEMENTS - Continued**

#### **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 2017 (2016: Nil)

###### **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 2017 (2016: Nil)

**NIGERIAN EXPORT-IMPORT BANK**

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

**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>	<b>2017</b>	<b>2016</b>
Short-term employee benefits	102,400	91,529
Retirement benefit costs	66,776	62,051
	<b>169,176</b>	<b>153,580</b>

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

*Chairman and Directors' emoluments*

<i>in thousands of Nigerian Naira</i>	<b>2017</b>	<b>2016</b>
Fees		
Chairman	-	-
Other Directors	-	-
	-	-
Emoluments as executives	169,176	153,580
	<b>169,176</b>	<b>153,580</b>
The highest paid Director	48,524	42,030

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

	<b>2015 Number</b>	<b>2016 Number</b>
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:

	<b>2017 Number</b>	<b>2016 Number</b>
Managerial	24	22
Senior staff	28	30
Junior staff	87	79
	<b>139</b>	<b>131</b>

The related staff costs, salaries and allowances and pension amounted to ₦1,457,821,000 (2016 - ₦1,558,208,000).

## NIGERIAN EXPORT-IMPORT BANK

### NOTES TO THE FINANCIAL STATEMENTS - Continued

#### 29 Related party disclosures - Continued

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

		2017 Number	2016 Number
N	N		
1,800,001 -	2,600,000	29	21
2,600,001 -	3,500,000	24	24
3,500,001 -	4,000,000	2	2
4,000,001 -	5,000,000	25	23
5,000,001 -	6,000,000 & Above	59	61
		139	131

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

	31 December 2017	31 December 2016
<i>in thousands of Nigerian Naira</i>		
Loans and advances	231,820	314,454
Interest income earned during the year	6,900	9,359

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 57% (2016: 59%) 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 2017	31 December 2016
Tier 1 capital			
Issued share capital	23	49,912,571	47,275,135
Accumulated losses	23	(35,666,929)	(27,783,520)
Other reserves	23	500,000	500,000
Shareholders' fund		14,745,642	19,991,615
Less:			
Intangible assets	19	(2)	(770)
Total		14,745,640	19,990,845
Total regulatory capital		14,745,640	19,990,845
Risk-weighted assets		27,632,777	33,788,533
Total regulatory capital expressed as a percentage of total risk- weighted assets		53%	59%
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.

### 32 Approval of the financial statements

The financial statements were approved for issue by the board of directors on 18 April 2019.

NIGERIAN EXPORT-IMPORT BANK

STATEMENT OF VALUE ADDED

<i>For the year ended</i>	<b>31 December</b>		<b>31 December</b>	
<i>in thousands of Nigerian Naira</i>	<b>2017</b>	<b>%</b>	<b>2016</b>	<b>%</b>
Gross income	5,280,358		5,660,894	
Interest expenses	(996,474)		(548,752)	
	4,283,883		5,112,142	
Impairment charges for credit losses	(920,175)		(8,963,101)	
	3,363,708		(3,850,960)	
Bought in material and services	(2,322,255)		(2,230,202)	
Value added/(consumed)	1,041,453	100	(6,081,162)	(100)

Applied as follow:

In payment to employees

Personnel expenses	1,424,496	137	1,560,278	26
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Retained in the Bank

Depreciation	325,597	31	376,636	6
Amortization	768	0	4,245	0
Available for sale reserve	(140,242)	(13)	7,796	0
Loss for the year	(569,166)	(55)	(8,030,117)	(132)
Value added/(consumed)	1,041,453	100	(6,081,162)	(100)

Value added statement represents the wealth created/(consumed) 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.

NIGERIAN EXPORT-IMPORT BANK

FIVE-YEAR FINANCIAL SUMMARY

Statement of financial position As at In thousands of Nigerian Naira	IFRS				
	31 December 2017	31 December 2016	31 December 2015	31 December 2014	31 December 2013
<b>Assets</b>					
Cash and cash in banks	557,231	1,135,299	1,915,896	1,223,471	621,891
Due from banks	8,731,398	8,313,001	11,122,764	6,336,470	15,130,245
Loans and advances	40,753,837	41,577,420	44,061,658	37,566,171	28,947,019
Investment securities:					
Available-for-sale	3,199,182	2,948,778	2,894,645	1,452,455	1,470,685
Held-to-maturity	5,146,589	2,679,717	1,308,791	1,647,129	2,186,890
Property, plant and equipment	2,619,716	2,740,524	3,057,756	3,059,364	2,923,831
Intangible assets	2	770	5,015	12,038	18,187
Net employee defined benefit assets	116,735	203,196	-	107,933	19,221
Other assets	78,516	134,461	364,878	572,390	612,612
	61,203,206	59,733,166	64,731,403	51,977,421	51,930,581
<b>Liabilities and Equity</b>					
<b>Liabilities</b>					
Debt securities issued and other borrowed funds	21,053,853	22,215,315	19,502,919	10,876,370	11,887,352
Other liabilities	4,223,212	3,638,083	4,059,362	4,057,375	3,579,994
Net employee defined benefit obligation	-	-	18,236	-	-
	25,277,065	25,853,398	23,580,517	14,933,745	15,467,346
<b>Equity</b>					
Issued share capital	49,912,571	47,275,135	46,731,851	42,914,780	42,353,570
Accumulated losses	(35,666,929)	(27,783,520)	(13,188,174)	(10,884,651)	(9,355,887)
Regulatory risk reserve	20,764,753	13,612,649	6,823,909	4,294,422	2,679,021
Available-for-sale reserve	415,746	275,504	283,300	219,125	286,531
Other reserves	500,000	500,000	500,000	500,000	500,000
Total equity	35,926,141	33,879,768	41,150,886	37,043,676	36,463,235
Total liabilities and equity	61,203,206	59,733,166	64,731,403	51,977,421	51,930,581
<b>Profit or loss</b>					
<b>For the year ended</b>					
In thousands of Nigerian Naira	2017	2016	2015	2014	2013
Gross earnings	5,280,358	5,660,894	5,573,776	5,068,974	3,845,957
Interest expenses	(996,474)	(548,752)	(501,337)	(312,245)	(354,963)
Impairment charge	(920,175)	(8,963,101)	(803,311)	(464,061)	(289,657)
(Loss)/profit before income tax	(569,166)	(8,030,117)	372,022	85,131	67,772
Income tax expenses	-	-	-	-	-
(Loss)/profit after tax	(569,166)	(8,030,117)	372,022	85,131	67,772