

NIGERIAN EXPORT-IMPORT BANK

Abuja, Nigeria

REPORT OF THE DIRECTORS

AND

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

NIGERIAN EXPORT-IMPORT BANK

REPORT OF THE DIRECTORS AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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NIGERIAN EXPORT-IMPORT BANK

CORPORATE INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2018

DIRECTORS	CAPACITY	
Dr. Joseph Nnanna	Chairman	(Appointed 6 April 2018)
Mr. Abubakar Abba Bello	Managing Director/CEO	
Mr. Bala Mohammed Bello	Executive Director	
Hon. Mrs. Stella Okotete	Executive Director	
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 Adegbeno	Non-Executive Director	(Appointed 6 April 2018)
Hajiya Ramatu Ahmed	Non-Executive Director	(Appointed 6 April 2018)

The Board of Directors was re-constituted on 6 April 2018 and until constitution of the Board all matter that relates to the Board were referred to the Ministry of Finance Incorporated.

**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
10th & 13th Floors UBA House
57 Marina, Lagos

BANKERS Central Bank of Nigeria
Citibank Nigeria Limited
Ecobank Plc
Unity Bank Plc
Standard Chartered Bank of Nigeria Limited

Website: www.neximbank.com.ng

NIGERIAN EXPORT-IMPORT BANK
FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Financial performance:	2018 ₦'000	2017 ₦'000	%
Net interest income	7,150,130	3,794,801	88
Credit loss expense/impairment charges	(2,668,523)	(920,175)	190
Other operating income	829,364	487,270	70
Total operating expenses	(4,231,536)	(3,932,876)	8
Profit/(loss) for the year	1,094,585	(569,167)	292
	31 December 2018	31 December 2017	
Financial position:			
Issued and paid up share capital	49,912,571	49,912,571	-
Total equity	32,904,824	35,926,141	(8)
Per-share data:			
Basic and diluted earnings/(loss) per share (kobo)	2.19	(1.16)	288

NIGERIAN EXPORT-IMPORT BANK
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018.

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 that has occurred since the reporting date that would affect the financial statements as presented.

RESULT FOR THE YEAR	₦'000
Profit before income tax	1,094,585
Income tax expense	-

Profit for the year	1,094,585
	=====

DIRECTORS' INTEREST IN SHARES

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.

DIRECTORS' INTEREST IN CONTRACTS

None of the Directors has notified the Company for the purposes of Section 277 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation Nigeria 2004 of any disclosable interests in contracts in which the Company was involved as at 31 December 2018.

SHAREHOLDING STRUCTURE

Name	Authorised* capital ₦'000	2018 Issued and paid-up capital ₦'000	2017 Issued and paid-up capital ₦'000
Ministry of Finance Incorporated (MOFI)	25,000,000	24,912,571	24,912,571
Central Bank of Nigeria (CBN)	25,000,000	25,000,000	25,000,000
	-----	-----	-----
	50,000,000	49,912,571	49,912,571
	=====	=====	=====

*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 2018 (2017: Nil).

NIGERIAN EXPORT-IMPORT BANK

REPORT OF THE DIRECTORS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2018

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:

DIRECTORS	CAPACITY	
Dr. Joseph Nnanna	Chairman	(Appointed 6 April 2018)
Mr. Abubakar Abba Bello	Managing Director/CEO	
Mr. Bala Mohammed Bello	Executive Director	
Hon. Mrs. Stella Okotete	Executive Director	
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 Board of Directors was re-constituted on 6 April 2018 and until constitution of the Board all matter that relates to the Board were referred to the Ministry of Finance Incorporated.

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 2018

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: *05 July 2019*

NIGERIAN EXPORT-IMPORT BANK

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

FOR THE YEAR ENDED 31 DECEMBER 2018

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:

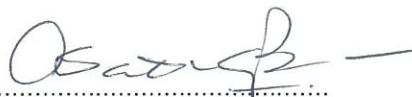
- a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Bank and comply with the requirements of the NEXIM Act of the Federation of Nigeria 1991 and relevant circulars and guidelines issued by the Central Bank of Nigeria.;
- b) establishes adequate 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.

Signed on behalf of the Directors by:



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

Date: 04 July 2019



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

Date: 04 July 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 2018, 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 2018, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standard Board, and the relevant provisions of the Nigerian Export-Import Bank 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.

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.

INDEPENDENT AUDITORS' REPORT

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

Key Audit Matters - Continued

Expected Credit Loss (ECL) assessment on financial instruments

The Bank has significant financial assets in its portfolio which are measured either at amortised cost or loss or fair value through other comprehensive income. This represents about 93% of total assets, and the associated impairment provision are significant to the financial statements. The adoption of the International Financial Reporting Standards (IFRS 9) - Financial Instrument Recognition and Measurement effective 01 January 2018 introduced an expected credit loss model (ECL) for recognizing impairment for financial instruments different from the incurred loss model under IAS 39.

The Expected Credit Losses (ECL) involves the application of judgement and estimation in determining inputs for ECL calculation such as:

- Determining criteria for significant increase in credit risk (SICR) for staging purpose.
- Assessing the relationship between the quantitative factors such as default and qualitative factors such as macro-economic variables.
- Incorporating forward looking information in the model building process.
- Factors incorporated in determining the Probability of Default (PD), the Loss Given Default (LGD), the Recovery Rate and the Exposure at Default (EAD).
- Factors considered in cash flow estimation including timing and amount.
- Factors considered in collateral valuation.

These estimates are driven by a number of factors, changes in which might lead to a significant impact in the impairment value.

Adopting IFRS 9 also requires some judgements in taking certain key decisions which will impact the transitional disclosures as at 01 January 2018. Refer to Notes 3.2, 15 and 26.2 to the financial statements.

This is considered a key audit matter in the financial statements given the level of significance of the amount, and the complexity and judgement involved in the process, which required considerable audit time and expertise.

How the matter was addressed in the audit

Our audit approach was a mix of both control and substantive procedures.

- We reviewed the IFRS 9 model prepared by the management for computation of impairment on financial assets in line with the requirements of IFRS 9.
- We gained an understanding of how the Probability of Default (PD's) and Loss Given Default (LGD's) were derived by performing a walkthrough using live data.
- For loans classified under stages 1 and 2, we selected material loans and reviewed the repayment history for possible repayment default. We challenged the various factors considered in classifying the loans within stages 1 and 2 and in the measurement of ECL.

INDEPENDENT AUDITORS' REPORT

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

Key Audit Matters - Continued

- ▶ For stage 3 loans, we challenged all assumptions considered in the estimation of recovery cash flows, the discount factor, and the timing of realisation. In instances where we were not satisfied with the assumption used by the management in its cash flow estimation and discounting, we challenged management assumptions by re-computing the cash flows to determine the recoverable amounts.
- ▶ We focused on the most significant model assumptions including probability of default and loss given default.
- ▶ We performed detailed procedures on the completeness and accuracy of the information used.
- ▶ We used our internal specialists to assess the appropriateness of the models used and to perform an independent recalculation of the impairment provision for the selected portfolios.
- ▶ We reviewed the qualitative and quantitative disclosures for reasonableness to ensure conformity with IFRS 7 - Financial Instruments Disclosures.

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 Statements, the Statement of Value Added and the Five-Year Financial Summary as required by the 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 as issued by the International Accounting Standard Board, the provisions of the NEXIM Act of the Federation of Nigeria 1991, the Financial Reporting Council of Nigeria Act No. 6, 2011 and the Central Bank of Nigeria circulars and guidelines 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.

INDEPENDENT AUDITORS' REPORT

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

Responsibilities of the Directors for the Financial Statements - Continued

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- ▶ 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.

INDEPENDENT AUDITORS' REPORT**TO THE MEMBERS OF THE NIGERIAN EXPORT-IMPORT BANK - Continued***Auditors' Responsibilities for the Audit of the Financial Statements - Continued*

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

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

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our Auditors' Report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse 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; and
- iii) the Bank's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

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.



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Sayo Elumaro, FCA
FRC/2012/ICAN/00000000139

For: Ernst & Young
Lagos, Nigeria

Date: 09 July 2019



NIGERIAN EXPORT-IMPORT BANK

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

in thousands of Nigerian Naira

	Notes	2018	2017
Interest revenue calculated using effective interest method	4	8,299,473	4,791,275
Interest expense calculated using effective interest method	5	(1,149,343)	(996,474)
Net interest income		7,150,130	3,794,801
Fees and commission income	6	15,150	1,813
Other operating income	7	829,364	487,270
Total operating income		7,994,644	4,283,884
Credit loss expense/impairment charges	8	(2,668,523)	(920,175)
Net operating income		5,326,121	3,363,709
Personnel expenses	9	(2,145,230)	(1,424,496)
Depreciation of property, plant and equipment	18	(306,180)	(325,597)
Amortisation of intangible assets	19	-	(768)
Other operating expenses	10	(1,780,126)	(2,182,015)
Total operating expenses		(4,231,536)	(3,932,876)
Profit/(loss) before income tax		1,094,585	(569,167)
Income tax expense	11	-	-
Profit/(loss) for the year		1,094,585	(569,167)
Other comprehensive income:			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Net gain on available-for-sale financial assets*		-	140,242
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Net gain on equity instruments designated as FVTOCI*		192,239	-
Re-measurement losses on defined benefit plans	22.2	(4,769)	(119,786)
Other comprehensive income for the year		187,470	20,456
Total comprehensive income/(loss) for the year		1,282,055	(548,711)
Earning/(loss) per share			
Basic and diluted earnings/(loss) per share (Kobo)	12	2.19	(1.16)

* 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

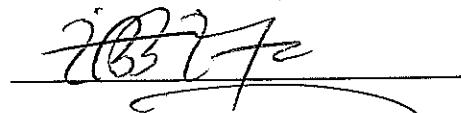
STATEMENT OF FINANCIAL POSITION

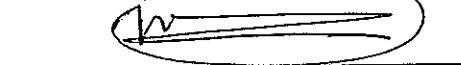
AS AT 31 DECEMBER 2018 in thousands of Nigerian Naira	Note	31 December 2018	31 December 2017
Assets			
Cash and cash in banks	13	5,835,453	557,231
Due from banks	14	15,692,267	8,731,398
Loans and advances	15	44,249,701	40,753,837
Debt instrument at amortised cost	16.1a	33,132,582	-
Held-to-maturity	16.1b	-	5,146,589
Equity instruments at FVOCI	16.2a	4,229,463	-
Available-for-sale	16.2b	-	3,199,182
Other assets	17	429,357	78,516
Property, plant and equipment	18	2,515,805	2,619,716
Intangible assets	19	16,508	2
Net employee defined benefit assets	22.3	128,075	116,735
Total assets		106,229,211	61,203,206
Liabilities and Equity			
Liabilities			
Debt securities issued and other borrowed funds	20	66,949,000	21,053,853
Other liabilities	21	6,375,387	4,223,212
Total liabilities		73,324,387	25,277,065
Equity			
Issued and paid up share capital	23	49,912,571	49,912,571
Accumulated losses	23	(45,940,592)	(35,666,929)
Regulatory risk reserve	23	27,151,882	20,764,753
Fair value reserve	23	1,280,963	415,746
Other reserve	23	500,000	500,000
Total equity		32,904,824	35,926,141
Total liabilities and equity		106,229,211	61,203,206

The financial statements were approved and authorised for issue by the Board of Directors and were signed on its behalf by:

Abubakar Abba Bello (Managing Director)
FRC/2018/IOD/00000018666







Bala Mohammed 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.

STATEMENT OF CHANGES IN EQUITY

		Issued and paid up	Accumulated losses	Regulatory risk reserve	Fair value reserve	Other reserve	Total equity
<i>in thousands of Nigerian Naira</i>							
	Note	share capital	losses	reserve			
As at 1 January 2017	47,275,135	(27,783,519)	13,612,649	275,504	500,000		33,879,769
Loss for the year	-	(569,167)	-	-	-		(569,167)
Other comprehensive income	-	(119,786)	-	140,242	-		20,456
<u>Total comprehensive income for the year</u>	-	(688,953)	-	140,242	-		(548,711)
Dividend paid in the year	23	-	(42,353)	-	-		(42,353)
Issued share capital during the year	23	2,637,436	-	-	-		2,637,436
Transfer to regulatory risk reserve	23	-	(7,152,104)	7,152,104	-		-
As at 31 December 2017	49,912,571	(35,666,929)	20,764,753	415,746	500,000		35,926,141
<i>Impact of adopting IFRS 9</i>	3.2	-	(4,976,350)	672,978	-		(4,303,372)
<i>Transfer from regulatory risk reserve</i>	23	-	4,771,564	(4,771,564)	-		-
<u>Restated opening balance under IFRS 9</u>	49,912,571	(35,871,715)	15,993,189	1,088,724	500,000		31,622,769
Profit for the year	-	1,094,585	-	-	-		1,094,585
Other comprehensive income	-	(4,769)	-	192,239	-		187,470
<u>Total comprehensive income for the year</u>	-	1,089,816	-	192,239	-		1,282,055
Transfer to regulatory risk reserve	23	-	(11,158,693)	11,158,693	-		-
As at 31 December 2018	49,912,571	(45,940,592)	27,151,882	1,280,963	500,000		32,904,824

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 2018

in thousands of Nigerian Naira

	Note	2018	2017
Operating activities			
Profit/(loss) before income tax		1,094,585	(569,167)
Adjustment for: Other non-cash items included in loss before tax			
Depreciation of property, plant and equipment	18	306,180	325,597
Amortisation of intangible assets	19	-	768
Interest cost on defined benefits	22.1	53,283	50,655
Interest income on defined benefits	22.1	(69,392)	(83,980)
Interest expenses	20	1,149,343	996,474
Credit loss expense/impairment charges	8	2,668,523	920,175
Net unrealised exchange loss on cash and equivalents and borrowings		(2,656,648)	1,881,100
Accrued interest on debt instrument at amortised cost	4	(1,012,618)	(652,565)
Interest income capitalised		(76,113)	-
Dividend income	7	(289,434)	(310,718)
Gain from disposal of property, plant and equipment	7	(5,745)	(1,985)
Net changes in operating assets/liabilities			
Net change in loans and advances		(10,966,937)	(39,948)
Net change in other assets		(165,788)	106,064
Net change in other liabilities		2,152,175	585,130
Dividend received		80,839	310,718
Interest paid	20	(443,102)	(971,068)
Net cash flows (used in)/ from operating activities		(8,180,849)	2,547,250
Investing activities:			
Purchase of investment securities		(32,166,551)	(4,825,377)
Proceeds from investment securities		5,146,589	2,900,908
Purchase of property, plant and equipment	18	(220,000)	(206,375)
Purchase of intangible assets	19	(16,506)	-
Proceeds from sale of property, plant and equipment		23,476	3,571
Net cash flows used in investing activities		(27,232,992)	(2,127,273)
Financing activities:			
Dividends paid to equity holders	23	-	(42,353)
Proceeds from debt securities issued and other borrowed funds	20	50,000,000	-
Repayments of debt securities issued and other borrowed funds	20	(2,530,357)	(3,984,102)
Proceeds from issuance of share capital	23	-	2,637,436
Net cash flows from/(used in) financing activities		47,469,643	(1,389,019)
Net increase/(decrease) in cash and cash equivalents		12,055,802	(969,042)
Net foreign exchange difference		375,911	916,134
Impairment charge on cash and cash equivalents		(192,623)	(106,763)
Cash and cash equivalents as 1 January	24	9,288,629	9,448,300
Cash and cash equivalents at 31 December		21,527,720	9,288,629

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

NIGERIAN 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, the provisions of the NEXIM Act of the Federation of Nigeria 1991, Companies and Allied Matters Act, CAP C20 Laws of Federation of Nigeria (CAMA) 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

NIGERIAN 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.

Allowances for credit losses

Judgment is required by management in the estimation of the amount and timing of future cash flows when determining an impairment loss for loans and advances. In estimating these cash flows, the Bank makes judgments about the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment allowance.

A collective assessment of impairment takes into account data from the loan portfolio (such as credit quality, levels of arrears, credit utilization, loan to collateral ratios etc.), and concentrations of risk and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

These critical assumptions have been applied consistently to all periods presented, except as follows: The Bank applied the impairment requirements under IFRS 9 from 1 January 2018 resulting in changes to the assumptions used for the calculation for allowance for impairment using the expected credit loss model. The comparative period has not been restated for IFRS 9. The key change under the IFRS 9 expected credit loss model is the use of forecast of future economic conditions including macroeconomic factors.

Impairment of financial instruments

The Bank has applied some judgment in carrying out an assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporating forward-looking information in the measurement of ECL.

Fair value of financial instruments

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of techniques as described in accounting policy Note 2.3.

NIGERIAN 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.

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

2.3 Summary of significant accounting policies - Continued

(b) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Bank applied the classification and measurement requirements for financial instruments under IFRS 9 'Financial Instruments' for the year ended 31 December 2018. The Bank applied the modified retrospective approach, therefore the 2017 comparative period was not restated, and the requirements under IAS 39 'Financial Instruments: Recognition and Measurement' were applied. The key changes are in the classification and impairment requirements.

(i) Recognition and initial measurement

All financial assets and liabilities are initially recognized on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. The Bank uses trade date accounting for regular way contracts when recording financial assets transactions.

A financial asset or financial liability is measured initially at fair value plus or minus, for an item not at fair value through profit or loss, direct and incremental transaction costs that are directly attributable to its acquisition or issue. Transaction costs of financial assets and liabilities carried at fair value through profit or loss are expensed in profit or loss at initial recognition.

(ii) Classification of financial instruments

Policy applicable from 1 January 2018

NEXIM Bank classifies its financial assets under IFRS 9, into the following measurement categories:

- those to be measured at fair value either through other comprehensive income or fair value through profit or loss; and
- those to be measured at amortized cost.

The classification depends on the Bank's business model (i.e. business model test) for managing financial assets and the contractual terms of the financial assets cash flows (i.e. solely payments of principal and interest - SPPI test).

The Bank also classifies its financial liabilities as liabilities at fair value through profit or loss and liabilities at amortized cost. Management determines the classification of the financial instruments at initial recognition.

Policy applicable prior to 1 January 2018

NEXIM Bank classifies its financial assets in the following categories: Loans and receivables, Available for sale and held to maturity financial assets. Management determines the classification of financial assets and liabilities at the time of initial recognition and the classification is dependent on the nature and purpose of the financial assets. 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.

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

2.3 Summary of significant accounting policies - *Continued*

(iii) Subsequent measurements

Financial assets - policy applicable from 1 January 2018

(a) Debt instruments

The subsequent measurement of financial assets depends on its initial classification:

Amortized cost

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

- ▶ The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- ▶ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The gain or loss on a debt instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is determined using the effective interest method and reported in profit or loss as 'Interest income'.

The amortized cost of a financial instrument is defined as the amount at which it was measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the 'effective interest method' of any difference between that initial amount and the maturity amount, and minus any loss allowance. The effective interest method is a method of calculating the amortized cost of a financial instrument (or group of instruments) and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the instrument or, when appropriate, a shorter period, to the instrument's gross carrying amount.

Fair value through other comprehensive income (FVOCI)

Investment in debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

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

The debt instrument is subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment gains or losses, interest revenue and foreign exchange gains and losses are recognized in profit and loss.

Upon disposal or derecognition, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in net gains on investment securities while the cumulative impairment loss recognized in the OCI and accumulated in equity will be reclassified and debited to profit or loss. Interest income from these financial assets is determined using the effective interest method and recognized in profit or loss as 'Interest income'.

The measurement of credit impairment is based on the three-stage expected credit loss model as applied to financial assets at amortized cost.

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

2.3 Summary of significant accounting policies - *Continued*

(b) Equity instruments

The Bank subsequently measures all equity investments at fair value. For equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. Where the Bank's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognized in profit or loss as dividend income when the company's right to receive payments is established unless the dividend clearly represents a recovery of part of the cost of the investment. Changes in the fair value of financial assets at fair value through profit or loss are recognized in profit or loss.

All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- 1) The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- 2) How the performance of the portfolio is evaluated and reported to management;
- 3) The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- 4) How managers of the business are compensated e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- 5) The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

2.3 Summary of significant accounting policies - *Continued*

(b) Equity instruments - *Continued*

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest on principal amount outstanding

As a second step of its classification process the Bank assesses the contractual terms of a financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount). 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimize exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- ▶ contingent events that would change the amount and timing of cash flows;
- ▶ leverage features;
- ▶ prepayment and extension terms;
- ▶ terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- ▶ Features that modify consideration of the time value of money - e.g. periodical reset of interest rates.

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

2.3 Summary of significant accounting policies - Continued

The Bank holds a portfolio of long-term fixed rate loans for which the Bank has the option to revise the interest rate at future dates. These reset rights are limited to the market rate at the time of revision. The right to reset the rates of the loans based on the revision in market rates are part of the contractually agreed terms on inception of the loan agreement, therefore the borrowers are obligated to comply with the reset rates without any option of repayment of the loans at par at any reset date. The Bank has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies with the interest rate in a way that is considered a consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets - policy applicable prior to 1 January 2018

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 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

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

2.3 Summary of significant accounting policies - *Continued*

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 that are not quoted in an active market, other than:

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 revenue calculated using effective interest method' 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.

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

2.3 Summary of significant accounting policies - Continued

(iv) Reclassifications

Policy applicable after 1 January 2018

The Bank reclassifies financial assets when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and must be significant to the Bank's operations. When reclassification occurs, the Bank reclassifies all affected financial assets in accordance with the new business model. Reclassification is applied prospectively from the 'reclassification date'. Reclassification date is 'the first day of the first reporting period following the change in business model. Gains, losses or interest previously recognized are not restated when reclassification occurs.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets that are debt instruments. A change in the objective of the Bank's business occurs only when the Bank either begins or ceases to perform an activity that is significant to its operations (e.g., via acquisition or disposal of a business line).

The following are not considered to be changes in the business model:

- ▶ A change in intention related to particular financial assets (even in circumstances of significant changes in market conditions)
- ▶ A temporary disappearance of a particular market for financial assets
- ▶ A transfer of financial assets between parts of the entity with different business models

When reclassification occurs, the Bank reclassifies all affected financial assets in accordance with the new business model. Reclassification is applied prospectively from the 'reclassification date'. Reclassification date is 'the first day of the first reporting period following the change in business model. Gains, losses or interest previously recognized are not restated when reclassification occurs.

Financial liabilities are not reclassified after initial classification.

Financial assets under the amortized cost classification (i.e. business model whose objective is to collect the contractual cash flows) can still be held as such even when there are sales within the portfolio as long as the sales are infrequent (even if significant in value) or insignificant in value both individually and in aggregate (even if frequent).

However, if more than an infrequent number of such sales are made out of a portfolio and those sales are more than insignificant in value (either individually or in aggregate), the Bank will assess whether and how such sales are consistent with an objective of collecting contractual cash flows.

Policy applicable prior to 1 January 2018

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.

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

2.3 Summary of significant accounting policies - *Continued*

Modifications of financial assets and financial liabilities

(i) Financial assets

If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value. Any difference between the amortized cost and the present value of the estimated future cash flows of the modified asset or consideration received on de-recognition is recorded as a separate line item in profit or loss as 'gains and losses arising from the de-recognition of financial assets measured at amortized cost'.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in de-recognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). The amount arising from adjusting the gross carrying amount is recognized as a modification gain or loss in profit or loss as part of impairment charge for the year.

In determining when a modification to terms of a financial asset is substantial or not to the existing terms, the Bank will consider the following non-exhaustive criteria.

Qualitative criteria

Scenarios where modifications could lead to de-recognition of existing loan and recognition of a new loan, i.e. substantial modification, are:

- ▶ Extension of financial asset's tenor
- ▶ Reduction in repayment of principals and interest
- ▶ Capitalization of overdue repayments into a new principal amount
- ▶ Change in frequency of repayments i.e. change of monthly repayments to quarterly or yearly repayments
- ▶ Reduction of financial asset's tenor

On occurrence of any of the above factors, the Bank will perform a 10% test (see below) to determine whether or not the modification is substantial.

Scenarios where modification will not lead to de-recognition of existing financial assets are:

- ▶ Change in interest rate arising from a change in MPR which is the benchmark rate that drives borrowing rates in Nigeria
- ▶ Bulk repayment of financial asset

Quantitative criteria

A modification would lead to de-recognition of existing financial asset and recognition of a new financial asset, i.e. substantial modification, if:

- ▶ The discounted present value of the cash flows under the new terms, including any fees received net of any fees paid and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

A modification would not lead to de-recognition of existing financial asset if:

- ▶ The discounted present value of the cash flows under the new terms, including any fees received net of any fees paid and discounted using the original effective interest rate, is less than 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

2.3 Summary of significant accounting policies - Continued

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized (see below) and ECL are measured as follows:

- ▶ *If the expected restructuring will not result in de-recognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset*
- ▶ *If the expected restructuring will result in de-recognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its de-recognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of de-recognition to the reporting date using the original effective interest rate of the existing financial asset.*

Modification gain or loss shall be included as part of impairment charge for each financial year.

(iii) Financial liabilities

The Bank de-recognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. This occurs when the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment (i.e. the modified liability is not substantially different), any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

Impairment of financial assets

Policy applicable from 1 January 2018

a. Overview of the ECL principles

The Bank recognizes 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, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined. The Bank's policies for determining if there has been a significant increase in credit risk are set out in the pro-forma financial statements.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying

portfolio of financial instruments. The Bank's policy for grouping financial assets measured on a collective basis is explained in the financial statements.

Loss allowances for accounts receivable are always measured at an amount equal to lifetime ECL. The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

2.3 Summary of significant accounting policies - Continued

a financial instrument's 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.

Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When loans are first recognized, the Bank recognizes an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired. The Bank records an allowance for the LTECLs.
- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

If, in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, depending on the stage of the lifetime 2 or stage 3 of the ECL bucket, the Bank would continue to monitor such financial assets for a probationary period of 90 days to confirm if the risk of default has decreased sufficiently before upgrading such exposure from Lifetime ECL (Stage 2) to 12-months ECL (Stage 1). In addition to the 90 days probationary period above, the Bank also observes a further probationary period of 90 days to upgrade from Stage 3 to 2. This means a probationary period of 180 days will be observed before upgrading financial assets from Lifetime ECL (Stage 3) to 12-months ECL (Stage 1).

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

b. The calculation of ECLs

The Bank calculates ECLs based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

- PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.
- EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - *Continued*

2.3 Summary of significant accounting policies - *Continued*

When estimating the ECLs, the Bank considers three scenarios (a base case, an upside and downside). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarized below:

- ▶ Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.
- ▶ Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- ▶ Stage 3: For loans considered credit-impaired, the Bank recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
- ▶ POCI: POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognizes the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the three scenarios, discounted by the credit-adjusted EIR.

c. Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to the profit and loss upon derecognition of the assets.

d. Purchased or originated credit impaired financial assets (POCI)

At each reporting date, the Bank assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- ▶ Significant financial difficulty of the borrower or issuer;
- ▶ A breach of contract such as a default or past due event;
- ▶ The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- ▶ It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- ▶ The disappearance of an active market for a security because of financial difficulties.

NIGERIA EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

2.3 Summary of significant accounting policies - Continued

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

For POCI financial assets, the Bank only recognizes the cumulative changes in LTECL since initial recognition in the loss allowance.

Loans that are more than 90 days past due are considered impaired.

e. Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, landed properties and vehicles. The Bank's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same as it was under IAS 39. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position.

However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on periodic basis as deemed necessary.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models.

f. Collateral repossessed

The Bank's accounting policy under IFRS 9 remains the same as it was under IAS 39. The Bank's policy is to determine whether a repossessed asset can be 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 for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Bank's policy.

In its normal course of business, the Bank does not physically repossess properties or other assets in its loan portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the statement of financial position.

g. Forborne and modified loans

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral.

The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance 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. It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur.

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

2.3 Summary of significant accounting policies - Continued

De-recognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

From 1 January 2018, when the loan has been renegotiated or modified but not de-recognised, the Bank also reassesses whether there has been a significant increase in credit risk. The Bank also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum 12-month probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- ▶ All of its facilities have to be considered performing;
- ▶ The probation period required from the date the forborne contract was considered performing has passed (see above);
- ▶ Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period;
- ▶ The customer does not have any contract that is more than 180 days past due.

If modifications are substantial, the loan is derecognized. If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

- ▶ if the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating cash shortfalls from the existing asset;
- ▶ if the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

h. Presentation of allowance for ECL in the statement of financial position

Loan allowances for ECL are presented in the statement of financial position as follows:

- ▶ Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- ▶ Debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

i. Write-off

After a full evaluation of a non-performing exposure, in the event that either one or all of the following conditions apply, such exposure is recommended for write-off (either partially or in full):

- ▶ continued contact with the customer is impossible;
- ▶ recovery cost is expected to be higher than the outstanding debt;
- ▶ amount obtained from realization of credit collateral security leaves a balance of the debt; or
- ▶ it is reasonably determined that no further recovery on the facility is possible.

All credit facility write-offs require endorsement by the Board Credit and Risk Committee, as defined by the Bank. Credit write-off approval is documented in writing and properly approved by the Board Credit and Risk Committee.

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

2.3 Summary of significant accounting policies - Continued

A write-off constitutes a derecognition event. The write-off amount is used to reduce the carrying amount of the financial asset. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amount due. Whenever amounts are recovered on previously written-off credit exposures, such amount recovered is recognized as income on a cash basis only.

j. Forward looking information

In its ECL models, the Bank relies on a broad range of forward-looking information as economic inputs, such as:

- ▶ Exchange rates
- ▶ Inflation rates
- ▶ Interest rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Detailed information about these inputs and sensitivity analysis are provided in Note 4 in the financial statements.

(ii) Impairment - Policy applicable prior to 1 January 2018

Impairment of Financial Assets

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

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

(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost (such as amounts due from banks, loans and advances to customers as well as held-to-maturity investments), the Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

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

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

2.3 Summary of significant accounting policies - Continued

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss as other income. The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

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

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

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

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

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

- ▶ 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 revenue calculated using effective interest method. 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.

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - *Continued*

2.3 Summary of significant accounting policies - *Continued*

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.

Collateral and Netting - policy applicable for current and comparative periods

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

Collateral received in the form of cash is recorded on the statement of financial position with a corresponding liability. These items are assigned to deposits received from bank or other counterparties. Any interest payable or receivable arising is recorded as interest expense or interest income respectively.

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

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

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

Valuation of financial Instruments: policy applicable for current and comparative periods

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

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

- ▶ The likelihood and expected timing of future cash flows on the instrument. These cash flows are usually governed by the terms of the instrument, although judgment may be required when the ability of the counterparty to service the instrument in accordance with the contractual terms is in doubt. Future cash flows may be sensitive to changes in market rates;
- ▶ Selecting an appropriate discount rate for the instrument. The determination of this is based on the assessment of what a market participant would regard as the appropriate spread of the rate for the instrument over the appropriate rate; and
- ▶ Judgment to determine what model to use to calculate fair value in areas where the choice of valuation model is particularly subjective, for example, when valuing complex derivative products.

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

2.3 Summary of significant accounting policies - Continued

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

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

Fair value measurement

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

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

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

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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.

De-recognition of financial assets - policy applicable for current and comparative periods

The Bank de-recognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability in the statement of financial position.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the consideration received (including any new asset obtained less any new liability assumed) is recognized in profit or loss.

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

2.3 Summary of significant accounting policies - *Continued*

De-recognition of financial liabilities - policy applicable for current and comparative periods

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

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

Write off - policy applicable for current and comparative periods

The Bank writes off a financial asset (and any related allowances for impairment losses) when the Bank's Credit team determines that the assets are uncollectible. Financial assets are written off either partially or in their entirety. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, charge off decisions are generally based on a product specific past due status. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amount due.

Income and expenses (Revenue recognition)

Interest income and expense

(i) Policy applicable from 1 January 2018

Interest income and expenses are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The EIR (and therefore, the amortized cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Bank recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk. The adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the statement of financial position with an increase or reduction in interest income. The adjustment is subsequently amortized through Interest revenue calculated using effective interest method in the profit or loss.

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

2.3 Summary of significant accounting policies - *Continued*

a. Amortized cost and gross carrying amount

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2018).

The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

b. Calculation of interest income and expenses

The Bank calculates interest income and expense by applying the effective interest rate to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability.

However, for financial asset that have become credit-impaired subsequent to initial recognition and is, therefore, regarded as 'Stage 3', the Bank calculates interest income by applying the effective interest rate to the net amortized cost of the financial asset. If the financial assets cures and is no longer credit-impaired, then the Bank reverts to calculating interest income on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets, the Bank calculates interest income by calculating the credit-adjusted effective interest rate and applying that rate to the amortized cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortized cost of the POCI assets. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

c. Presentation

Interest income and expense presented in the profit or loss includes:

- ▶ interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis;
- ▶ interest on debt instruments measured at FVOCI calculated on an effective interest basis;
- ▶ the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense; and
- ▶ the effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk.

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in interest income or interest expense.

(ii) Policy applicable prior to 1 January 2018

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.

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

2.3 Summary of significant accounting policies - *Continued*

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 revenue calculated using effective interest method' for financial assets and 'Interest expense calculated using effective interest method' for financial liabilities.

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

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

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

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

(iii) Dividend income

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

(iv) Rental Income

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

Fee and commission income: policy applicable for current and comparative periods

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

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

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

Dividend income: policy applicable for current and comparative periods

Dividend income is recognized in profit or loss when the Bank's right

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

2.3 Summary of significant accounting policies - Continued

(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.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of equipment.

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

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.

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.

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

(j) Intangible assets - Continued

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any 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) Employee 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.

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

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

(l) Employee benefits - Continued

(iii) Short-term benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service.

A liability is recognised for the amount expected to be paid under short-term cash bonus plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(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. 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 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

3. Standards issued but not yet effective - Continued

IFRS 16 Leases - Continued

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

The Bank will adopt IFRS 16 on the required effective date, as the Bank has leases that qualify to be treated in line with this standard. The Bank is currently assessing the impact of this standard.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

IFRS 17 will have no impact on the Bank, as it does not issue insurance contract.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Bank will apply the interpretation from its effective date. Since the Bank operates in a complex multinational tax environment, applying the

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

3. Standards issued but not yet effective - Continued

IFRS 17 Insurance Contracts - Continued

Interpretation may affect its financial statements. In addition, the Bank may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis. The Bank is still assessing the impact of these amendments.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. The Bank is still assessing the impact of these amendments.

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

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. These amendments will currently have no impact on the financial statements of the Bank.

The Bank will apply these amendments when they become effective.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss.

An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. The Bank does not expect any effect on its financial statements. These amendments will not have any impact on the Bank.

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

3. Standards issued but not yet effective - Continued

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. The Bank does not have any investment in associate and joint venture, the amendments will not have an impact on its financial statements.

Amendments to IFRS 3: Definition of a Business

The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. They also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Consequently, entities do not have to revisit such transactions that occurred in prior periods. Earlier application is permitted and must be disclosed.

► 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. These amendments do not have any impact on the Bank.

Annual Improvements 2015-2017 Cycle (issued in December 2017)

These improvements include:

► IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments do not have any impact on the Bank.

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

3. Standards issued but not yet effective - Continued

► IFRS 11 Joint Arrangements

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured. An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Bank but may apply to future transactions.

► IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. The Bank is still assessing the impact of these amendments.

► 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.

Standards, amendments and interpretations that became effective on 1 January 2018

The following are the standards, pronouncements and amendments effective for annual periods beginning on or after 1 January 2018.

> IFRS 9 Financial Instruments

> IFRS 15 Revenue from Contracts with Customers

> IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

> Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2

> Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4

> Transfers of Investment Property - Amendments to IAS 40

> AIP IAS 28 - Investment in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment - by -investment choice

> AIP IFRS 1 First-time Adoption of IFRS - Deletion of short-term exemptions for first-time adopters.

The Bank applied for the first time, the standards and amendments that are applicable. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below:

IFRS 9 Financial instruments

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

► The determination of the business model within which a financial asset is held.

► The designation of certain investments in equity instruments not held for trading at FVOCI.

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

Standards, amendments and interpretations that became effective on 1 January 2018- Continued

If a risk free and gilt-edged debt instrument has low credit risk equivalent to investment grade at the date of initial application of IFRS 9, then the Bank has assumed that credit risk on the asset had not increased significantly since initial recognition.

In accordance with the transition requirements for classification and measurement and impairment, the Bank has not restated comparative periods. As a consequence:

- Any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the current reporting period, with the difference recognised in opening retained earnings (or another component of equity as appropriate).
- Financial assets are not reclassified in the statement of financial position for the comparative period.
- Allowance for impairment has not been restated in the comparative period.

New accounting policies have been disclosed, and references to the old policies included, which are applied to the amounts presented in the comparative period.

Investments in financial assets are classified as either debt or equity investments in accordance with IAS 32 Financial Instruments: Presentation.

The Bank adopted the general Expected Credit Loss (ECL) model for loans and advances to customers, other debt instruments measured at amortised cost, debt instruments measured at fair value through other comprehensive income, loan commitments and financial guarantees. ECL model is not applied to equity instruments.

The key changes to the Bank's accounting policies resulting from its adoption of IFRS 9 are summarised below.

a. Classifications of financial assets and financial liabilities

The Bank classified its financial assets as subsequently measured at either amortised cost or fair value depending on the Bank's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The following summarises the key changes:

- The held-to-maturity and available-for-sale financial assets categories were removed.
- A new asset category measured at fair value through other comprehensive income (FVOCI) was introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. All of the Bank's available-for-sale debt instruments were classified in this category.
- A new asset category for non-traded equity investments measured at FVOCI was introduced. All of the Bank's available-for-sale equity instruments were classified in this category.

Classification of financial liabilities remained largely unchanged for the Bank. Financial liabilities continue to be measured at either amortised cost or FVTPL. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognised in profit or loss, under IFRS 9 fair value changes are generally presented as follows:

- The amount of changes in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- The remaining amount of change in the fair value is presented in profit or loss.

For an explanation of how the Bank classifies its financial assets and financial liabilities under IFRS 9, see the Note on adoption of IFRS 9 in the financial statements.

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

Standards, amendments and interpretations that became effective on 1 January 2018- Continued

b. Impairment of financial assets

IFRS 9 impairment requirements are based on an expected credit loss model, replacing the incurred loss model under IAS 39. Key changes in the Bank's accounting policy for impairment of financial assets are listed below.

The Bank applies a three-stage approach to measuring expected credit losses (ECL) on debt instruments accounted for at amortised cost, FVOCI, loan commitment and financial guarantee contracts. Assets migrate through the following three stages based on the change in credit quality since initial recognition:

i) Stage 1: 12-months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised. Interest revenue is calculated by applying the effective interest rate to the gross carrying amount.

ii) Stage 2: Lifetime ECL - not credit-impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired, a lifetime ECL is recognised. Interest revenue is calculated by applying the effective interest rate to the gross carrying amount.

iii) Stage 3: Lifetime ECL - credit-impaired

Financial assets are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. As this uses the same criteria as under IAS 39, the Bank's methodology for specific provisions remains unchanged. For financial assets that have become credit-impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost rather than the gross carrying amount.

At each reporting date, the Bank assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition.

In determining whether credit risk has increased significantly since initial recognition, the Group uses its internal credit risk grading system, external risk ratings and forecast information to assess deterioration in credit quality of a financial asset.

The Bank assesses whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of shared credit risk characteristics, taking into account instrument type, credit risk ratings, date of initial recognition, remaining term to maturity, industry, geographical location of the borrower and other relevant factors.

The amount of ECL is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Bank and all the cash flows that the Bank expects to receive. The amount of the loss is recognised using an allowance for credit losses account. The Bank considers its historical loss experience and adjusts this for current observable data. In addition, the Bank uses reasonable and supportable forecasts of future economic conditions including experience judgment to estimate the amount of an expected impairment loss. IFRS 9 introduces the use of macroeconomic factors which include, but is not limited to, unemployment, interest rates, gross domestic product, inflation and commercial property prices, and requires an evaluation of both the current and forecast direction of the economic cycle. Incorporating forward looking information increases the level of judgement as to how changes in these macroeconomic factors will affect ECL. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

If, in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, depending on the stage of the life time (stage 2 or stage 3) of the ECL bucket, the Bank would continue to monitor such financial assets for a probationary period of 90 days to confirm if the risk of default has decreased sufficiently before upgrading such exposure from life

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

Standards, amendments and interpretations that became effective on 1 January 2018- Continued

time ECL (Stage 2) to 12- months ECL (Stage 1). In addition to 90 days probationary period above, the Bank also observes a further probationary period of 90 days to upgrade from Stage 3 to 2. This means a probationary period of 180 days will be observed before upgrading financial assets from lifetime ECL (Stage 3) to 12 months ECL (Stage 1).

In the case of the new asset category for debt instruments measured at FVOCI, the measurement of ECL is based on the three-stage approach as applied to financial assets at amortised cost. The Bank recognises the impairment charge in profit or loss, with the corresponding amount recognised in other comprehensive income, with no reduction in the carrying amount in the statement of financial position. Overall, impairment under IFRS 9 results in earlier recognition of credit losses than under IAS 39. For explanation of how the Bank applies the impairment requirements of IFRS 9, see the Note on adoption of IFRS 9 in the financial statements.

IFRS 7 Revised (IFRS 7R)

To reflect the differences between IFRS 9 and IAS 39, IFRS 7 Financial Instruments: Disclosures was updated and the Bank has adopted it, together with IFRS 9, for the year beginning 1 January 2018. Changes include transition disclosures as shown in Note 3.2.

IFRS 15 Revenue from contracts with customers

The Bank adopted IFRS 15 Revenue from contracts with customers on its effective date of 1 January 2018. IFRS 15 replaces IAS 18 Revenue and establishes a five-step model to account for revenue arising from contracts with customers. It applies to all contracts with customers except leases, financial instruments and insurance contracts. The standard establishes a more systematic approach for revenue measurement and recognition by introducing a five-step model governing revenue recognition. The five-step model requires the Bank to (i) identify the contract with the customer, (ii) identify each of the performance obligations included in the contract, (iii) determine the amount of consideration in the contract, (iv) allocate the consideration to each of the identified performance obligations and (v) recognise revenue as each performance obligation is satisfied.

There are no significant impacts from the adoption of IFRS 15 in relation to the timing of when the Bank recognises revenues or when revenue should be recognised gross as a principal or net as an agent. Therefore, NEXIM Bank will continue to recognise fee and commission income charged for services provided by the Bank as the services are provided (for example on completion of the underlying transaction). Revenue recognition for trading income and net investment income are recognised based on requirements of IFRS 9. In addition, guidance on interest and dividend income have been moved from IAS 18 to IFRS 9 without significant changes to the requirements.

Impact of adoption of new standard on the third statement of financial position

The Bank adopted new IFRS standards during the period which led to changes in its accounting policies. The Bank applied these changes in accounting policies using the modified retrospective approach and as such it is not expected to present a third statement of financial position. However, the third statement of financial position is not presented because the retrospective adjustments have no impact on the third statement of financial position. This is because the Bank opted not to restate the comparative figures as permitted by IFRS 9.

3.2 Transition discourses

The following pages set out the impact of adopting IFRS 9 on the statement of financial position, and retained earnings including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's ECL's. A reconciliation between the carrying amounts under IFRS 9 as of 1 January 2018 is as follows:

ExEL = Expected credit losses

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Loans and Receivables

AC - Amortised cost

AFS - Available-for sale

OEI = Other financial liabilities

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VOC = Full value through out

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

3.2 Transition disclosures- continued

	IAS 39	IFRS 9
	31-Dec-17	1-Jan-18
	₦'000	₦'000
1 Cash and cash equivalents		
Balances as at 31 December 2017 (IAS 39)	557,231	557,231
Impairment (ECL Model)	-	(690)
	557,231	556,541
2 Loans and advances		
Balances as at 31 December 2017 (IAS 39)	40,753,837	-
Reclassified to amortised cost	(40,753,837)	40,753,837
Impairment (ECL Model)	-	(4,771,564)
	-	35,982,273
3 Other assets		
Balances as at 31 December 2017 (IAS 39)	78,515	-
Reclassified to amortised cost	(78,515)	78,515
Impairment (ECL Model)	-	(1,800)
	-	76,715
4 Investment securities		
Balances as at 31 December 2017 (IAS 39)	5,146,589	-
Reclassified to amortised cost	(5,146,589)	5,146,589
Impairment (ECL Model)	-	(7,255)
	-	5,139,334
5 Dues from bank:Placements with bank		
Balances as at 31 December 2017 (IAS 39)	8,731,398	
Reclassified to amortised cost	(8,731,398)	8,731,398
Impairment (ECL Model)	-	(282,837)
	-	8,448,561

The impact of transition to IFRS 9 on reserves and accumulated losses is, as follows:

	Reserves and retained earnings
	₦'000
Fair value reserve	
Closing balance under IAS 39 (31 December 2017)	415,746
Remeasurement impact of revaluation of financial assets held as available for sale	672,978
Opening balance under IFRS 9 (1 January 2018)	1,088,724
Accumulated losses	
Closing balance under IAS 39 (31 December 2017)	(35,666,929)
Reversal of cumulative impairment on unquoted equities	88,951
Recognition of IFRS 9 ECLs:	
Cash and cash in bank	(690)
Loans and advances	(4,771,564)
Other assets:Other receivables	(1,800)
Investment securities	(7,255)
Dues from bank:Placements with bank	(282,837)
Financial guarantees	(1,155)
Transfer to regulatory risk reserve	4,771,564
Opening balance under IFRS 9 (1 January 2018)	(35,871,715)
Total change in equity due to adopting IFRS 9	(204,786)

NOTES TO THE FINANCIAL STATEMENTS - Continued

3.2 Transition disclosures- continued

The following table reconcile the aggregate opening impairment allowances under IAS 39 to ECL allowances under IFRS 9.

Financial assets at Amortised cost	Allowance for impairment under IAS 39	Remeasurement	ECLs under IFRS 9
	31-Dec-17 ₦'000	1-Jan-18 ₦'000	
Cash and bank balances	10,257	690	10,947
Dues from bank:Placements with bank	381,537	282,837	664,374
Debt instruments at amortised cost	-	7,255	7,255
Loans and advances	12,163,820	4,771,564	16,935,384
Other assets	185,560	1,800	187,360
Financial guarantees	-	1,155	1,155
	12,741,174	5,065,301	17,806,475

Note to transition disclosures

The following explains how applying the new classification requirements of IFRS 9 led to changes in classification of certain financial assets held by the Bank as detailed below:

a. Reclassification from retired categories with no change in measurement

In addition to the above, the following debt instruments have been reclassified to new categories under IFRS 9, as their previous categories under IAS 39 were 'retired', with no changes to their measurement basis:

- (i) Those previously classified as loans and receivables are now classified as measured at amortised cost;
- (ii) Those previously classified as at held to maturity are now classified as amortised cost; and
- (iii) Those previously classified as other financial liabilities and now classified as measured at amortised cost.

b. Designation of equity instruments at FVOCI

The Bank has elected to irrevocably designate investments in equity of N3.199 billion in a portfolio of non-trading equity securities at FVOCI as permitted under IFRS 9. These securities were classified as available for sale instrument with some measured at cost less impairment and others carried at fair value. The changes in fair value of such instruments will no longer be reclassified to profit or loss when they are disposed of.

Upon transition, the cumulative impairment of N88.951 million would be reversed to retained earnings. The fair value gains of N672.9million has been recognised at 1 January 2018 on the unquoted equity.

c. ECL Computation on loans and advances, investment securities, financial guarantees, placements with banks, other receivables, and cash in bank under IFRS 9

Impairment allowance on financial assets relating to loans and advances, cash in bank, placements with bank,other receivables were previously determined in accordance with the incurred loss model of IAS 39 Financial Instruments - Recognition and measurement. In addition, there has been no impairment charge on investment securities and financial guarantee under IAS 39. Effective 1 January 2018, the impairment computation for all these instruments is now done in accordance with the expected credit loss model under IFRS 9. As at 1 January 2018, the Company adopted the general approach for all these instruments in accordance with IFRS 9 and recognised a additional impairment of N4.976billion.

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

4 Interest revenue calculated using effective interest rate method

<i>in thousands of Nigerian Naira</i>	2018	2017
Loans and advances to customers	3,726,222	3,807,948
Cash and short-term funds	3,552,791	320,636
Accrued interest on debt instrument at amortised cost	1,012,618	-
Loans and advances to staff	7,842	10,126
Investment securities - held-to-maturity	-	652,565
Interest income	8,299,473	4,791,275

5 Interest expense calculated using the effective interest method

Export Development loan (CBN)	847,152	-
Loan from African Export-Import Bank (AFREXIM)	74,892	504,490
Loan from African Development Bank(AFDB)	73,971	338,848
8% CBN Perpetual Debenture	73,677	73,660
Export Stimulation loan	62,270	62,270
Loan from ADB/FGN/CBN	17,381	17,206
Interest expense	1,149,343	996,474

6 Fees and commission income

Fee and commission income is disaggregated below and includes a total fees in scope of IFRS 15, Revenues from Contracts with Customers:

<i>In thousands of Nigerian Naira</i>	2018			2017	
	BOI Refinancing facility lending	Medium-term direct lending	Short-term direct lending	TOTAL	TOTAL
Application fee	-	6,600	550	7,150	1,813
Business advisory fee	-	8,000	-	8,000	-
	-	14,600	550	15,150	1,813

7 Other operating income

Recoveries	266,814	101,540
Dividend income	289,434	310,718
Net trading foreign exchange gain	194,532	-
Rental income	66,755	62,373
Gain from disposal of property, plant and equipment	5,745	1,985
Other income	6,084	10,654
Other operating income	829,364	487,270

8 Credit loss expense/impairment charges

The table below shows the ECL charges on financial instruments for the year recorded in the profit or loss:

<i>In thousands of Nigerian Naira</i>	Note	Stage 1	Stage 2	Stage 3	Total
Loans and advances	15.2	1,407,861	(285,223)	1,576,871	2,699,509
Investment securities: Treasury bills	16.1.1	39,332	-	-	39,332
Due from banks: Placement with banks	14.1	(89,275)	-	-	(89,275)
Other assets: Other receivables	17.1	21,741	-	-	21,741
Cash in banks	13.1	(1,629)	-	-	(1,629)
Financial Guarantee	17b.1	(1,155)	-	-	(1,155)
Total impairment loss		1,376,875	(285,223)	1,576,871	2,668,523

The table below shows the impairment charges recorded in profit or loss under IAS 39 for the year ended 31 December 2017:

<i>In thousands of Nigerian Naira</i>	Note	2017
Loans and advances:		
Impairment charge/(reversals)		
Medium-term direct lending	15.2	752,852
Short-term direct lending facilities	15.2	95,902
Exit staff loans	15.2	14,777
		863,531
Other assets:	17.1	(50,119)
Due from banks:	14.1	114,281
Cash and bank:	13.1	(7,518)
Loan impairment charges		920,175

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

9 Personnel expenses <i>in thousands of Nigerian Naira</i>	Note	2018	2017
Wages and salaries		1,864,630	1,256,867
Net interest on defined benefit obligation	22.1	(16,109)	(33,325)
Pension costs- Defined contribution plan		288,750	194,782
Other employee cost		7,959	6,172
Personnel expenses		2,145,230	1,424,496
10 Other operating expenses			
Administrative expenses		948,182	598,094
Staff travelling		237,623	161,828
Directors' fee, salaries & expenses		203,161	107,371
Professional fees		148,972	181,343
Staff training		113,608	85,948
Advertising and marketing		92,430	51,326
Auditors remuneration		21,000	21,000
Staff relocation		14,494	21,874
Others		656	1,177
Net trading foreign exchange losses		-	952,054
Other operating expenses		1,780,126	2,182,015

11 Income tax expense

The Bank is exempted from Company income tax in accordance with Section 14(1)(c) of the Nigerian Export-Import Bank Act 1991.

12 Earnings/(loss) per share

Basic/diluted earnings/(loss) per share amounts is calculated by dividing the net profit/(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 profit/(loss) and share data used in the basic/diluted earnings/(loss) per share computations:

<i>in thousands of Nigerian Naira</i>	31 December 2018	31 December 2017
Profit/(loss) for the year	1,094,585	(569,167)
<i>in thousands number</i>	2018	2017
Weighted average number of ordinary shares for <u>basic/diluted loss per share</u>	49,912,571	49,033,426
Basic/diluted earning/(loss) per ordinary share (kobo)	2.19	(1.16)

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

13 Cash and cash in banks

<i>As at in thousands of Nigerian Naira</i>	Note	31 December 2018	31 December 2017
Cash on hand		1,449	1,197
Cash in banks		5,843,322	566,291
		5,844,771	567,488
Allowance for impairment on cash in banks	13.1	(9,318)	(10,257)
Cash and cash in banks		5,835,453	557,231

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 to fulfil collateral requirements.

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

13.1 Impairment allowance for cash in banks

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

Internal rating grade	Stage 1	Stage 2	Stage 3	Total
	Individual N '000	Individual N '000	Individual N '000	Individual N '000
Performing	5,843,322	-	-	5,843,322
Non- performing	-	-	-	-
Total	5,843,322	-	-	5,843,322

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

In thousands of Nigerian Naira	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Gross carrying amount as at 1 January 2018	566,291	-	-	566,291
New assets purchased or originated	5,302,935	-	-	5,302,935
Payments and assets derecognized or matured (excluding write offs)	(25,904)	-	-	5,869,226
At 31 December 2018	5,843,322	-	-	5,843,322

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

In thousands of Nigerian Naira	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
ECLs as at 1 January 2018	10,947	-	-	10,947
New assets purchased or originated	8,710	-	-	8,710
Payments and assets derecognized or matured (excluding write offs)	(10,339)	-	-	(10,339)
Amounts written off	-	-	-	-
At 31 December 2018	9,318	-	-	9,318

As at in thousands of Nigerian Naira	Note	31 December 2017
At the beginning of the year		17,775
Reversal in the year		(7,518)
At the end of the year		10,257

14 Due from banks

As at in thousands of Nigerian Naira	Note	31 December 2018	31 December 2017
Placements with other banks		16,267,366	9,112,935
Less: allowance for impairment	14.1	(575,099)	(381,537)
Due from banks		15,692,267	8,731,398

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.

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

14.1 Impairment allowance for Placements with banks

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

Internal rating grade	Stage 1	Stage 2	Stage 3	Total
	Individual N '000	Individual N '000	Individual N '000	Individual N '000
Performing	15,111,308	-	-	15,111,308
Non- performing	-	-	1,156,058	1,156,058
Total	15,111,308	-	1,156,058	16,267,366

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is as follows:

In thousands of Nigerian Naira	Stage 1	Stage 2	Stage 3	Total
	Individual	Individual	Individual	Individual
Gross carrying amount as at 1 January 2018	7,956,877	-	1,156,058	9,112,935
New assets purchased or originated	9,835,958	-	-	9,835,958
Payments and assets derecognized or matured (excluding write offs)	(2,681,527)	-	-	(2,681,527)
At 31 December 2018	15,111,308	-	1,156,058	16,267,366

In thousands of Nigerian Naira	Stage 1	Stage 2	Stage 3	Total
	Individual	Individual	Individual	Individual
ECLs as at 1 January 2018	306,458	-	357,916	664,374
New assets purchased or originated	21,968	-	-	21,968
Payments and assets derecognized or matured (excluding write offs)	(111,243)	-	-	(111,243)
At 31 December 2018	217,183	-	357,916	575,099

As at in thousands of Nigerian Naira	31 December	
		2017
At the beginning of the year		267,256
Charge for the year		114,281
At the end of the year		381,537

Allowance for impairment relates to placements with liquidated banks.

15 Loans and advances

As at in thousands of Nigerian Naira	Note	31 December	31 December
		2018	2017
Loans to customers:			
BOI Refinancing facility lending		61,275	61,275
Medium-term direct lending		44,918,075	38,396,177
Short-term direct lending		17,922,918	13,709,373
Loans to staff		982,326	750,832
		63,884,594	52,917,657
Less: Allowance for impairment losses	15.2	(19,634,893)	(12,163,820)
Loans and advances		44,249,701	40,753,837

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

15.1 Impairment allowance for loans and advances

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
<i>In thousands of Nigerian Naira</i>				
Performing	15,589,029	-	-	15,589,029
High grade	-	-	-	-
Standard grade	-	-	-	-
Sub-standard grade	-	-	-	-
Past due but not impaired	-	2,212,863	-	2,212,863
Non- performing	-	-	-	-
Individually impaired	-	-	46,082,702	46,082,702
Total	15,589,029	2,212,863	46,082,702	63,884,594

15.2 Impairment allowance for loans and advances

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Loans and advances is, as follows:

Gross carrying amount				
<i>In thousands of Nigerian Naira</i>	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Gross carrying amount as at 1 January 2018	2,042,317	1,313,011	49,562,329	52,917,657
New assets purchased or originated	27,080,809	-	-	27,080,809
Payments and assets derecognized or matured (excluding write offs)	(3,249,055)	-	(12,864,817)	(16,113,872)
Transfers to Stage 1	1,273,493	(1,273,493)	-	-
Transfers to Stage 2	(2,212,863)	2,212,863	-	-
Transfers to Stage 3	(9,345,672)	(39,518)	9,385,190	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2018	15,589,029	2,212,863	46,082,702	63,884,594
Expected credit loss				
<i>In thousands of Nigerian Naira</i>	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
ECLs as at 1 January 2018	346,100	285,522	16,303,762	16,935,384
New assets purchased or originated	3,934,513	-	-	3,934,513
Payments and assets derecognized or matured (excluding write offs)	(474,263)	-	(1,184,444)	(1,658,707)
Transfers to Stage 1	281,130	(281,130)	-	-
Transfers to Stage 2	(272)	272	-	-
Transfers to Stage 3	(2,328,680)	(4,392)	2,333,072	-
Impact on year end ECL of exposures transferred between stages during the year	(4,626)	21	428,011	423,406
Changed to estimates and assumptions used for ECL calculations	59	6	232	297
Foreign exchange adjustments	-	-	-	-
At 31 December 2018	1,753,961	299	17,880,633	19,634,893

15.2 Impairment allowance for loans and advances

A reconciliation of the allowance for impairment for loans and advances in 2017, by class, is as follows:

<i>In thousands of Nigerian Naira</i>	Note	Medium-term direct lending	Short-term direct lending	Exit Staff loans	Total
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

16.1a Debt instruments at amortised cost

<i>In thousands of Nigerian Naira</i>	<i>Note</i>	<i>31 December 2018</i>	<i>31 December 2017</i>
Treasury bills	16.1.1	33,179,169	-
Less: allowance for ECL	16.1.1	(46,587)	-
Total debt instruments measured at amortised cost		33,132,582	-

16.1b Held-to-maturity

<i>In thousands of Nigerian Naira</i>	<i>Note</i>
Treasury bills	-
Total held to maturity investments	5,146,589

16.1.1 Impairment losses on investment securities subject to impairment assessment

Debt instruments measured at amortised cost

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

<i>Internal rating grade</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	Individual	Individual	Individual	
	N '000	N '000	N '000	N '000
Performing	33,179,169	-	-	33,179,169
Non- performing	-	-	-	-
Total	33,179,169	-	-	33,179,169

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

<i>In thousands of Nigerian Naira</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	Individual	Individual	Individual	
	N '000	N '000	N '000	N '000
Gross carrying amount as at 1 January 2018	5,146,589	-	-	5,146,589
Accrued interest	1,012,618	-	-	1,012,618
New assets purchased or originated	32,166,551	-	-	32,166,551
Payments and assets derecognized or matured (excluding write-offs)	(5,146,589)	-	-	(5,146,589)
At 31 December 2018	33,179,169	-	-	33,179,169

<i>In thousands of Nigerian Naira</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	Individual	Individual	Individual	
	N '000	N '000	N '000	N '000
ECL allowance as at 1 January 2018	7,255	-	-	7,255
New assets purchased or originated	46,587	-	-	46,587
Assets derecognized or matured (excluding write-offs)	(7,255)	-	-	(7,255)
At 31 December 2018	46,587	-	-	46,587

16.2a Equity instrument at FVOCI

<i>In thousands of Nigerian Naira</i>	<i>Note</i>	<i>31 December 2018</i>	<i>31 December 2017</i>
Quoted investments:			
Equity securities		1,341,023	-
Unquoted investments:			
Equities		2,888,440	-
		4,229,463	-

16.2b Available for sale

Quoted investments:

Equity securities

- 1,257,774

Unquoted investments:

Equities

- 1,941,408

- 3,199,182

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

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

17 Other assets

As at <i>in thousands of Nigerian Naira</i>	31 December 2018	31 December 2017
Prepayments	232,658	63,085
Other receivables	17.2	405,800
		638,458
Allowance for impairments on other assets	17.1	(209,101)
		(185,560)
	429,357	78,516

17.1 Impairment losses on Other receivables subject to impairment assessment

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

<i>Internal rating grade</i>	Stage 1	Stage 2	Stage 3	Total
	Individual N '000	Individual N '000	Individual N '000	Total N '000
Performing	405,800	-	-	405,800
Non- performing	-	-	-	-
Total	405,800	-	-	405,800

An analysis of changes in the gross carrying amount and the corresponding ECLs of other receivables is, as follows:

<i>In thousands of Nigerian Naira</i>	Stage 1	Stage 2	Stage 3	Total
	Individual	Individual	Individual	Total
Gross carrying amount as at 1 January 2018	200,991	-	-	200,991
New assets purchased or originated	390,370	-	-	390,370
Payments and assets derecognized or matured (excluding write offs)	(185,561)	-	-	(185,561)
At 31 December 2018	405,800	-	-	405,800

<i>In thousands of Nigerian Naira</i>	Stage 1	Stage 2	Stage 3	Total
	Individual	Individual	Individual	Total
ECLs as at 1 January 2018	187,360	-	-	187,360
New assets originated or purchased	207,301	-	-	207,301
Payments and assets derecognized or matured (excluding write offs)	(185,560)	-	-	(185,560)
At 31 December 2018	209,101	-	-	209,101

Allowance for impairment on other receivables

As at <i>in thousands of Nigerian Naira</i>	31 December 2017
Opening balance	235,679
Charged for the year	-
Reversed during the year	(50,119)
Total	185,560

17b Financial guarantees

As at <i>in thousands of Nigerian Naira</i>	31 December 2018	31 December 2017
Financial guarantees	17b.1	-
Total	-	37,431

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

17 Other assets - Continued

17b.1 *Impairment losses on Financial Guarantee*

An analysis of changes in the outstanding exposures and the corresponding ECLs are, as follows:

<i>In thousands of Nigerian Naira</i>	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Outstanding exposure as at 1 January 2018	37,431	-	-	37,431
Exposure derecognised or matured/lapsed (excluding write offs)	(37,431)	-	-	(37,431)
<u>At 31 December 2018</u>				
<i>In thousands of Nigerian Naira</i>	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
ECLs as at 1 January 2018	1,155	-	-	1,155
Exposures derecognized or matured/lapsed (excluding write offs)	(1,155)	-	-	(1,155)
<u>At 31 December 2018</u>				

17.2 Included in other receivables is an amount of ₦164.92 (2017: ₦146.93) million incurred so far in setting up Sealink limited as pre-incorporation expense. Sealink Limited once on stream will be operating in the area of shipping goods and services within the sub sahara african region. The company is expected to commence operation as soon as all requirements for setting up entities in this industry have been met. This amount has been fully impaired in note 17.1 pending its recovery. Also, included as part of other receivable is ₦208.59 (2017: Nil) million AFREXIM dividend receivable.

NOTES TO THE FINANCIAL STATEMENTS - Continued

18 Property, plant and equipment

	In thousands of Nigerian Naira						
	Land	Building	Plant	Furnitures and fittings	Computer equipment	Motor vehicles	Total
Cost:							
At 1 January 2017	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
Additions	-	-	37,926	26,002	11,718	144,354	220,000
Disposal	-	-	(4,802)	(15,192)	(13,012)	(74,342)	(107,348)
At 31 December 2018	1,688	2,824,098	185,705	1,026,638	522,604	856,537	5,417,270
Accumulated depreciation:							
At 1 January 2017	-	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
Charge for the year	-	56,482	16,795	50,982	3,851	178,070	306,180
Disposal	-	-	(2,701)	(15,154)	(13,014)	(58,748)	(89,617)
At 31 December 2018	-	626,275	142,214	973,817	511,483	647,676	2,901,465
Carrying amount:							
At 31 December 2018	1,688	2,197,823	43,491	52,821	11,121	208,861	2,515,805
At 31 December 2017	1,688	2,254,305	24,461	77,839	3,252	258,171	2,619,716

Insignificant part (ground floor) of the building is subject to operating leases where the Bank is a lessor. At 31 December 2018, the net carrying amount of those assets was ₦478.7 million (2017: ₦497.1million), on which the accumulated depreciation as at 31 December 2018 was ₦109.6 million (2017: ₦91.36 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	Computer software WIP	TOTAL
Cost:				
At 1 January 2017	163,715	-	-	163,715
Additions	-	-	-	-
At 31 December 2017	163,715	-	-	163,715
Additions	-	16,506	-	16,506
At 31 December 2018	163,715	16,506	-	180,221
<i>Amortisation and impairment:</i>				
At 1 January 2017	162,945	-	-	162,945
Amortisation charged for the year	-	768	-	768
At 31 December 2017	163,713	-	-	163,713
Amortisation charged for the year	-	-	-	-
At 31 December 2018	163,713	-	-	163,713
<i>Carrying amount:</i>				
At 31 December 2018	2	16,506	-	16,508
At 31 December 2017	2	-	-	2

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 2018	31 December 2017
Export Stimulation loan	20.1	6,722,413	6,660,143
Loan from ADB/FGN	20.2	368,102	348,428
6% CBN Perpetual Debenture	20.4	1,225,152	1,321,428
Loan from AfDB	20.5	7,800,000	10,402,812
Export Development loan	20.6	50,833,333	-
Loan from AFREXIM	20.3	-	2,321,042
Debt securities issued and other borrowed funds		66,949,000	21,053,853
Movements in debt securities issued and other borrowed funds			
At beginning of the year		21,053,853	22,215,315
Additions	20.6	50,000,000	-
Principal repayment		(2,530,357)	(3,984,102)
Interest accrued	5	1,149,343	996,474
Interest paid		(443,102)	(971,068)
Foreign exchange gain/(loss)		(2,280,737)	2,797,234
At the end of the year		66,949,000	21,053,853

20.1 This relates to a loan granted to the Bank by the Ministry of Finance Incorporated at an annual interest rate of 1% in 2011 and repayment should be N1 billion per year after the expiration of the 5 year tenure of the loan. The Bank is currently engaging with Ministry of Finance for restructuring the repayment of the loan.

20.2 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.

20.3 This represents a US\$50,000,000 line of credit facility obtained for refinancing 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-Borrower. 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. This facility has now been fully paid during the year.

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

20 Debt securities issued and other borrowed funds - continued

20.4 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.

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

20.6 During the year 2018, Central Bank of Nigeria granted a 50 billion Naira debenture with 2% coupon rate for 15 years to the Bank. This facility is to be disbursed to qualified export oriented enterprises who are duly registered or incorporated in Nigeria and have satisfactory credit report format in at least two credit banks. The loan facility shall be used for acquisition of plant and machinery for development of plantation for non-oil export business and working capital of non-oil export. The interest is due on quarterly basis on the aggregate principal amount of the facility.

The Bank has not had any repayment defaults of principal, interest or other breaches with regard to this obligation during 2018 and 2017.

21 Other liabilities

As at in thousands of Nigerian Naira	Note	31 December 2018	31 December 2017
Accrued expenses		1,104,861	706,021
Accounts payable and sundry creditors	21.1	3,184,811	2,726,875
Transformation grant	21.2	10,217	10,217
Ministry of Finance Incorporated-Political	21.3	1,933,589	596,923
Risk/Guarantee Fund		141,909	183,176
Post-employment pension (defined - contribution)		6,375,387	4,223,212

21.1 Included in the amount is ₦2.313 billion (2017: ₦2.313 billion) due to the 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. 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 7% import duty surcharge remitted by the Federal Ministry of Finance to the Bank to facilitate the provision of export credit insurance on political risk component of country risk and non-funded facilities by way of provision of guarantee instruments.

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 ₦288.7 million (2017: ₦194.8 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>	2018	2017
Interest cost on benefit obligation	53,283	50,655
Interest income on assets	(69,392)	(83,980)
Net interest	(16,109)	(33,325)

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

<i>in thousands of Nigerian Naira</i>	2018	2017
Remeasurement gains/(losses) on defined benefit obligation	9,030	(68,607)
Remeasurement losses on plan assets	(13,799)	(51,179)
Net remeasurement (losses)/gain in OCI	(4,769)	(119,786)

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

<i>in thousands of Nigerian Naira</i>	2018	2017
Change in economics assumptions	60,229	(66,832)
Pension increases	(44,237)	7,818
Pensioner mortality	(6,962)	(4,293)
New member	-	(5,300)
Total	9,030	(68,607)

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

22 Employee benefit obligations - Continued

22.3 Net employee defined benefit assets

As at in thousands of Nigerian Naira	Note	31 December 2018	31 December 2017
Defined benefit obligations	22.4	(408,492)	(407,978)
Fair value of plan assets	22.5	536,567	524,713
Retirement benefit assets		128,075	116,735

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

As at in thousands of Nigerian Naira	Note	31 December 2018	31 December 2017
Opening defined benefit obligations		(407,978)	(329,033)
Interest cost		(53,283)	(50,655)
Remeasurement gains/(losses) on obligations		9,030	(68,607)
Benefits paid		43,739	40,317
Closing defined benefit obligations		(408,492)	(407,978)

There are currently no active member in the plan, as the plan relates to ex-staff who has retired prior to 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

As at in thousands of Nigerian Naira	Note	31 December 2018	31 December 2017
Between 1 and 10 years		128,075	116,735
		128,075	116,735

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 in thousands of Nigerian Naira	31 December 2018	31 December 2017
Opening fair value of plan assets	524,713	532,229
Interest income	69,392	83,980
Benefits paid	(43,739)	(40,317)
Remeasurement loss on plan assets	(13,799)	(51,179)
Closing fair value of plan assets	536,567	524,713
 Actual return on the plan assets	 55,593	 32,801

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:

	2018	2017
	%	%
Fixed term deposit	100	100

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

As at in thousands of Nigerian Naira	31 December 2018	31 December 2017
	%	%
Discount rate	15.8	13.8
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:

in thousands of Nigerian Naira	Mov	2018	2017
Discount rate	+1%	24,904	28,410
	-1%	(28,173)	(32,603)
Pension increase	+1%	(30,653)	(34,836)
	-1%	27,301	30,624
Mortality rate	+1 yr	(6,554)	(7,285)
	-1 yr	7,027	7,515

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

23 Issued and paid up share capital and reserves

<i>in thousands of Nigerian Naira</i>	31 December	31 December
	2018	2017
Authorised ordinary shares of N1 each	50,000,000	50,000,000
Issued and fully paid ordinary shares of N1 each	49,912,571	49,912,571
<i>Movement of issued and fully paid</i>		
<i>in thousands (unit/share)</i>	31 December	31 December
	2018	2017
At 1 January	49,912,571	47,275,135
<i>Paid during the year:</i>		
Ministry of Finance Incorporated (MOFI)	-	2,637,436
At 31 December	49,912,571	49,912,571

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

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 statement of N42.4 million 0.1 kobo per share held as at 31 December 2013.

Fair value reserve

The fair value reserve includes the net cumulative change in the fair value of equity instruments measured at fair value through other comprehensive income until the investment is derecognised or impaired.

NIGERIAN EXPORT-IMPORT BANK

NOTES TO THE FINANCIAL STATEMENTS - Continued

23 Issued and paid up share capital and reserves - Continued

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 expected credit 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 expected 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 2018	31 December 2017
Total impairment based on IFRS	20,209,992	12,163,820
Total impairment based on Central Bank of Nigeria's Prudential Guidelines	(47,361,874)	(32,928,573)
Regulatory risk reserve	(27,151,882)	(20,764,753)
<i>in thousands (unit/Nigerian Naira)</i>	31 December 2018	31 December 2017
At 1 January	20,764,753	13,612,649
Impact of adopting IFRS 9	(4,771,564)	-
Transfer to accumulated losses	11,158,693	7,152,104
At 31 December	27,151,882	20,764,753

Other reserve

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

<i>As at in thousands of Nigerian Naira</i>	Note	31 December . 2018	31 December 2017
Cash on hand	13	1,449	1,197
Cash in banks	13	5,834,004	556,034
Due from banks	14	15,692,267	8,731,398
		21,527,720	9,288,629

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 2018

in thousands of Nigerian Naira	Note	Carrying amount	Date of valuation	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:						
Equity instruments at FVOCI						
Quoted equities	16.2a	1,341,023	31-Dec-18	1,341,023	-	-
Unquoted equities	16.2a	2,888,440	31-Dec-18	2,888,440	-	2,888,440
Assets for which fair values are disclosed:						
Loans to customers:						
BOI Refinancing facility lending	15	61,275	31-Dec-18	41,263	-	-
Medium Term Direct Lending	15	44,918,075	31-Dec-18	30,128,614	-	-
Short Term Direct Lending	15	17,922,918	31-Dec-18	15,309,410	-	-
Loans to staff	15	982,326	31-Dec-18	815,330	-	815,330
Debt instruments measured at amortised cost	16.1a	33,132,582	31-Dec-18	32,781,142	-	32,781,142
Liabilities for which fair values are disclosed:						
Debts issued and other borrowed funds:						
Export Stimulation loan	20	6,722,413	31-Dec-18	5,510,175	-	-
Loan from ADB/FGN	20	368,102	31-Dec-18	368,102	-	368,102
8% CBN Perpetual Debenture	20	1,225,152	31-Dec-18	1,225,152	-	1,225,152
Loan from AfDB	20	7,800,000	31-Dec-18	7,800,000	-	7,800,000
Export Development loan	20	50,833,333	31-Dec-18	50,833,333	-	50,833,333

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 2017

	in thousands of Nigerian Naira	Note	Carrying amount	Date of valuation	Fair value measurement using						
					Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs				
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:											
Debts 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/FGN	20	348,428	31-Dec-17	348,428	-	-	348,428				

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 2018	31 December 2017	31 December 2018	31 December 2017
<i>In thousands of Nigerian Naira</i>				
Financial Assets:				
Loans and advances	44,249,701	40,753,837	46,294,617	38,128,812
Debt instruments measured at amortised cost	33,132,582	-	32,781,142	-
Financial investments- held to maturity	-	5,146,589	-	5,091,999
	77,382,283	45,900,426	79,075,758	43,220,811
Financial Liabilities:				
Debt issued and other borrowed funds	66,949,000	21,053,853	65,736,761	19,756,567
	66,949,000	21,053,853	65,736,761	19,756,567

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 - Debt instruments measured at amortised cost/held to maturity (Nigerian treasury bills)

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

25 Fair value measurement - continued

Loans and advances

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

Debt issued and other borrowed fund

The fair values of the debt issued and other borrowed fund are based on cash flows discounted using a rate based on the market interest rate of borrowings. The discount rate equals the prime lending rate as set by the Central Bank of Nigeria at the reporting dates.

Unquoted equity instruments at FVOCI

Inputs for the asset or liability in this fair value hierarchy are not based on observable market data (unobservable inputs). This level includes equity investments with significant unobservable components.

As at in thousands of Nigerian Naira	Note	Amount
At 1 January 2018		1,941,408
Impact of IFRS 9 remeasurement		672,978
<u>Impact of IFRS 9 reclassification</u>		<u>88,951</u>
At 1 January 2018 (restated)		2,703,337
Total gains recognised through OCI		185,104
<u>At 31 December 2018</u>		<u>2,888,441</u>

Information about the fair value measurements using significant unobservable inputs (Level 3)

The equity sensitivity measures the impact of a +/- 250bps movements in the comparative companies. The sensitivity of the fair values of investment in unlisted equities to changes in the P/B multiples the comparative companies as at 31 December 2018 is as shown in the below table:

Description	Valuation technique	Assumption	Fair values
AFREXIM BANK LTD	P/B multiples	Base	428
		Sensitivity of +2.5%	439
		Sensitivity of -2.5%	415

NOTES TO THE FINANCIAL STATEMENTS - Continued

26 Financial 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 committee, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS - Continued

26 Financial Risk management

26.2 Credit risk Management

26.2.1 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).

26.2.2 Impairment assessment (Policy applicable from 1 January 2018)

26.2.2.1 Definition of default and cure

The Bank considers a financial instrument in default and therefore Stage 3 (credit-impaired) for ECL calculations when the borrower becomes 90 days past due for short term lending while for project finance (medium term and long term lending), it is when the borrower becomes 180 days past due on its contractual payments.

As part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- Inability to meet up with payment deadline.
- Delay in Implementation e.g. For project finance if a machine doesn't arrive as at when due.
- Working capital Inadequacies
- Macro economic factors such as change in foreign exchange rate.

26.2.2.2 The Bank's internal rating and PD estimation process

The Bank's independent Credit Risk Department operates its internal rating models. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour. PDs are adjusted for IFRS 9 ECL calculations to incorporate forward looking information and the IFRS 9 Stage classification of the exposure. This is repeated for each economic scenarios as appropriate.

BOI Refinancing facility lending, Medium term
direct lending, short term direct lending, Loans
to staff

The borrowers are assessed by specialised credit risk employees of the bank. The credit risk assessment is based on a credit scoring model that takes into account various historical, current and forward looking information such as:

- * Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and other relevant ratios to measure the clients financial performance. Some of the indicators are captured in the covenants with the clients and are therefore measured with greater attention.
- * Any publicly available information in the clients form external parties. This includes external rating grades issued by rating agencies, independent analyst reports, press release and articles.
- * Any macro-economic or geographical information, e.g GDP growth relevant for the specific industry and geographical segments where the client operates.
- * Any other objectively supportable information on the quality and abilities of the clients management relevant for the company's performance.

NOTES TO THE FINANCIAL STATEMENTS - Continued

26 Financial Risk management - Continued

26.2.2.3 Exposure at Default

The exposure at default(EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12mECL. However, if a Stage 1 loan that is expected to default in the 12 months from the statement of financial position date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2 and Stage 3 financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Bank determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Bank's models.

26.2.2.4 Loss given default

The Bank segments its portfolio into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product types) as well as borrower characteristics.

Further recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in historical recoveries and outstanding exposure, payment status, collateral or other factors that are indicative of losses in the portfolio.

The Bank estimates regulatory and IFRS 9 LGDs on a different basis. Under IFRS 9, Moody's recovery rates are used for unsecured loans for all the product types (BOI refinancing, medium term lending, short term lending) so also LGD rates for secured loans are calculated based on the collateral values provided. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

26.2.2.5 Significant increase in credit risk

The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. The Bank considered an exposures to have significantly increased in credit risk in credit risk when the IFRS 9 lifetime PD has doubled since initial recognition.

The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list. In certain cases, the Bank may also consider that events explained in Note 2.3 are a significant increase in credit risk as opposed to a default. If contractual payments are more than 30 days past due for short term lending and 90 days past due for project finance (medium term and long term lending), the credit risk is deemed to have increased significantly since initial recognition.

26.2.3 Analysis of inputs to the ECL model under multiple economic scenarios

An overview of the approach to estimating ECLs is set out in Note 2.3 Summary of significant accounting policies and in Note 2.2 Significant accounting judgements, estimates and assumptions. To ensure completeness and accuracy, the Bank obtains the data used from third party sources (Central Bank of Nigeria, Nigeria Bureau of Statistics, BMI Research, Trading Economics etc.) and a team of expert within its credit risk department verifies the accuracy of inputs to the Bank's ECL models including determining the weights attributable to the multiple scenarios. The following tables set out the key drivers of expected loss and the assumptions used for the Bank's base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios as at 1 January 2018 and 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS - Continued
26 Financial Risk management - Continued

The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations. The figures for "Subsequent years" represent a long-term average and so are the same for each scenario.

Key drivers	ECL Scenario	Assigned probabilities	2019	2020	2021	2022	2023	Subsequent years
Exchange rate	Upside	9.24	334	325	320	315	315	315
	Base case	84.03	344	335	330	325	325	325
	Downside	6.73	361	352	347	342	342	342
Inflation rate %	Upside	9.24	14	15	14	14	14	14
	Base case	84.03	15	16	14	14	14	14
	Downside	6.73	16	17	15	15	15	15
Key drivers	ECL Scenario	Assigned probabilities	2018	2019	2020	2021	2022	Subsequent years
Exchange rate	Upside	9.40	334	315	347	315	315	315
	Base case	83.76	334	325	330	325	325	325
	Downside	6.84	344	335	347	342	342	342
Inflation rate %	Upside	9.40	14	14	15	14	14	14
	Base case	83.76	14	15	16	14	14	14
	Downside	6.84	15	16	17	15	15	15

NOTES TO THE FINANCIAL STATEMENTS - Continued

26 Financial Risk management - Continued

Fair value of collateral and credit enhancement

	31-Dec-17	Maximum exposure to credit risk	Stock	Landed Property	Guarantee & Vehicles	Bank Guarantee	Bill of sale	Total Collateral	Net exposure
<i>In thousands of naira</i>									
Financial assets									
Loans and advances	52,917,657	1,280,000	116,704,816	98,740	4,625,000	845,153	123,553,709	(70,636,052)	
Sundry debtors (receivables)	200,991	-	-	-	-	-	-	-	200,991
Due from banks (placements)	9,112,935	-	-	-	-	-	-	-	9,112,935
Cash in banks	566,291	-	-	-	-	-	-	-	566,291
Financial Guarantee contracts	37,431	-	-	-	-	-	-	-	37,431
	62,835,305	1,280,000	116,704,816	98,740	4,625,000	845,153	123,553,709	(60,718,404)	
Financial investments- held to maturity	5,146,589	-	-	-	-	-	-	-	5,146,589
Total Financial Assets	67,981,894	1,280,000	116,704,816	98,740	4,625,000	845,153	123,553,709	(55,571,815)	

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.

	2018 ₦'000	2017 ₦'000
Financial guarantees	-	37,431

NOTES TO THE FINANCIAL STATEMENTS

26 Financial Risk management - Continued

26.3 Liquidity risk and funding management

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

Analysis of financial assets and liabilities by remaining contractual maturities.

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

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

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

As at 31 December 2018	On demand ₦'000	Less than 3 months ₦'000	3 to 12 months ₦'000	1 to 5 years ₦'000	Over 5 years ₦'000	Total ₦'000
Financial assets						
Cash in banks	5,835,453	-	-	-	-	5,835,453
Due from banks	-	15,692,267	-	-	-	15,692,267
Loans and advances	-	-	2,873,778	31,782,218	9,593,705	44,249,701
Investment securities - Debt instruments at amortised cost	-	-	33,132,582	-	-	33,132,582
Other receivables	-	-	196,699	-	-	196,699
Total undiscounted financial assets	5,835,453	15,692,267	36,203,059	31,782,218	9,593,705	99,106,702
Financial liabilities						
Debt securities issued and other borrowed funds	1,533,254	-	-	9,075,256	79,155,001	89,823,511
Other liabilities	-	3,190,576	3,184,811	-	-	6,375,387
Total undiscounted financial liabilities	1,533,254	3,190,576	3,184,811	9,075,256	79,155,001	96,198,898
Net undiscounted financial assets/(liabilities)	4,242,199	12,501,691	33,018,248	22,706,962	(69,561,296)	2,907,804

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NOTES TO THE FINANCIAL STATEMENTS

26 Financial Risk management - Continued

26.3 Liquidity risk and funding management - Continued

As at 31 December 2017

	On demand ₦'000	Less than 3 months ₦'000	3 to 12 months ₦'000	1 to 5 years ₦'000	Over 5 years ₦'000	Total ₦'000
Financial assets						
Cash in banks	557,231	-	-	-	-	557,231
Due from banks	-	8,731,398	-	-	-	8,731,398
Loans and advances	-	-	44,375	31,270,287	9,439,175	40,733,837
Investment securities - Held-to-maturity	-	-	5,146,589	-	-	5,146,589
Other receivables	-	-	15,431	-	-	15,431
Total undiscounted financial assets	557,231	8,731,398	5,206,395	31,270,287	9,439,175	55,204,486
Financial liabilities						
Debt securities issued and other borrowed funds	1,669,856	-	-	12,124,598	14,043,798	27,838,252
Other liabilities	-	1,496,337	2,726,875	-	-	4,223,212
Total undiscounted financial liabilities	1,669,856	1,496,337	2,726,875	12,124,598	14,043,798	32,061,464
Net undiscounted financial assets/(liabilities)	(1,112,625)	7,235,061	2,479,520	19,145,689	(41,504,623)	23,143,022

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.

	On demand ₦'000	Less than 3 months ₦'000	3 to 12 months ₦'000	1 to 5 years ₦'000	Over 5 years ₦'000	Total ₦'000
Financial guarantees						
As at 31 December 2018	-	-	-	-	-	-
As at 31 December 2017						
Financial guarantees	-	-	37,431	-	-	37,431

26 Financial 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 2018 and 2017.

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 2018.

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 2018 and 2017.

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
2018	
+2%	31,581
-2%	(31,581)
2017	
+2%	31,209
-2%	(31,209)

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 N1,341 million (2017: N1,258 million). A decrease of 10% on the NSE market index could have an impact of approximately N134.1 million (2017: N125.8 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.

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.

RATE SENSITIVITY OF ASSETS AND LIABILITIES						
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Financial assets						
Due from banks		15,692,267	-	-	-	15,692,267
Loans and advances		-	2,873,778	31,782,218	9,593,705	44,249,701
Investment securities - Debt instrument at amortised cost		-	33,132,582	-	-	33,132,582
Total undiscounted financial assets	15,692,267	36,006,360	31,782,218	9,593,705	93,074,550	
Financial liabilities						
Debt securities issued and other borrowed funds	1,593,254	-	-	9,075,256	79,155,001	89,823,511
Total undiscounted financial liabilities	1,593,254	-	-	9,075,256	79,155,001	89,823,511
Net undiscounted financial assets	(11,593,254)	15,692,267	36,006,360	22,706,962	(69,561,296)	3,251,039

INTEREST RATE SENSITIVITY ANALYSIS

	Increased/Decrease in bp	Net Gap	Cumulative Gap	Sensitivity on profit(+2%)	Sensitivity on profit(-2%)	Annualized period
		₦'000	₦'000	₦'000	₦'000	₦'000
On demand	+200bp	(1593254)	(1593254)	(2655)	2655	One month
Less than 3 months	+200bp	15,692,267	14,099,013	78,461	(78,461)	Three months
3 - 12 months	+200bp	36,006,360	50,105,373	720,127	(720,127)	One year
1 - 5 years	+200bp	22,706,962	72,812,335	454,139	(454,139)	
Over 5 years	+200bp	(69,561,296)	3,251,039	(1,391,226)	1,391,226	

RATE SENSITIVITY OF ASSETS AND LIABILITIES						
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Financial assets						
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
Total undiscounted financial assets		8,731,398	5,190,964	31,270,287	9,439,175	54,631,824
Financial liabilities						
Debt securities issued and other borrowed funds	1,669,856	-	-	12,124,598	14,043,798	27,838,252
Total undiscounted financial liabilities	1,669,856	-	-	12,124,598	14,043,798	27,838,252
Net undiscounted financial assets	-1,669,856	8,731,398	5,190,964	19,145,689	(4,604,623)	26,793,572
INTEREST RATE SENSITIVITY ANALYSIS						
	In bp	Net Gap	Cumulative Gap	Sensitivity on profit(-2%)	Sensitivity on profit(+2%)	Annualized period
		₦'000	₦'000	₦'000	₦'000	₦'000
On demand	+200bp	(1,669,856)	(1,669,856)	(2,783)	2,783.09	One month
Less than 3 months	+200bp	8,731,398	7,061,542	43,657	(43,657)	Three months
3 - 12 months	+200bp	5,190,964	12,252,506	103,819	(103,819)	One year
1 - 5 years	+200bp	19,145,689	31,398,195	382,914	(382,914)	
Over 5 years	+200bp	(4,604,623)	26,793,572	-92,092	92,092	

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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 2018			
Cash and cash in banks	5,835,453	-	5,835,453
Due from banks	15,692,267	-	15,692,267
Loans and advances	2,873,778	41,375,923	44,249,701
Investment securities:			
Equity instruments at FVOCI	-	4,229,463	4,229,463
Debt instruments at amortised cost	33,132,582	-	33,132,582
Property, plant and equipment	-	2,515,805	2,515,805
Intangible assets	-	16,508	16,508
Other assets	429,357	-	429,357
Net employee defined benefit assets	-	128,075	128,075
Total Assets	57,963,437	48,265,774	106,229,211
Debt securities issued and other borrowed funds	1,593,254	65,355,746	66,949,000
Other liabilities	6,375,387	-	6,375,387
Total Liabilities	7,968,641	65,355,746	73,324,387
Net	49,994,796	(17,089,972)	32,904,824

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NOTES TO THE FINANCIAL STATEMENTS - Continued

27 Maturity analysis of assets and liabilities - Continued

<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 assets	-	116,735	116,735
Total Assets	14,558,109	46,645,097	61,203,206
Debt securities issued and other borrowed funds	2,669,470	18,384,383	21,053,853
Other liabilities	4,223,212	-	4,223,212
Total Liabilities	6,892,682	18,384,383	25,277,065
Net	7,665,427	28,260,714	35,926,141

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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 is involved in various litigation suits in the ordinary course of its business. The actions are being contested and the Directors are of the opinion that none of the cases are likely to have a material adverse effect on the Bank.

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 2018 (2017: 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 2018 (2017: 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>	2018	2017
Short-term employee benefits	132,584	102,400
Retirement benefit costs	92,809	66,776
	225,393	169,176

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

Chairman and Directors' emoluments

<i>in thousands of Nigerian Naira</i>	2018	2017
Fees		
Chairman	5,103	-
Other Directors	50,170	-
	55,273	-
Emoluments as executives	225,393	169,176
	280,666	169,176
The highest paid Director	61,009	48,524

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

	2018	2017
	Number	Number
N6,800,001 - N6,900,000	3	3

Information on employees

Staff

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

	2018	2017
	Number	Number
Managerial	27	24
Senior staff	41	28
Junior staff	94	87
	162	139

The related staff costs, salaries and allowances and pension amounted to ₦2,145,230,000 (2017 - ₦1,424,496,000).

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.

		2018 Number	2017 Number
N	N		
1,800,001	-	47	29
2,600,001	-	41	24
3,500,001	-	5	2
4,000,001	-	28	25
5,000,001	-	41	59
		162	139

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

<i>in thousands of Nigerian Naira</i>	31 December 2018	31 December 2017
Loans and advances	495,279	231,820
Interest income earned during the year	14,742	6,900

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 30% (2017: 53%) 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 2018	31 December 2017
Tier 1 capital			
Issued and paid up share capital	23	49,912,571	49,912,571
Accumulated losses	23	(40,507,666)	(35,666,929)
Other reserves	23	500,000	500,000
Shareholders' fund		9,904,905	14,745,642
Less:			
Intangible assets	19	(16,508)	(2)
Total		9,888,397	14,745,640
Total regulatory capital		9,888,397	14,745,640
Risk-weighted assets		32,843,822	27,632,777
Total regulatory capital expressed as a percentage of total risk- weighted assets		30%	53%
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 in thousands of Nigerian Naira</i>	31 December 2018	%	31 December 2017	%
Gross income	9,143,987		5,280,358	
Interest expenses	(1,149,343)		(996,474)	
	7,994,644		4,283,883	
Impairment charges for credit losses	(2,668,523)		(920,175)	
	5,326,121		3,363,708	
Bought in material and services	(1,587,887)		(2,041,772)	
Value added	3,738,234	100	1,321,936	100

Applied as follow:

In payment to employees

Personnel expenses	2,145,230	57	1,424,496	108
Retained in the Bank				
Depreciation	306,180	8	325,597	25
Amortization	-	0	768	0
Fair value reserve	192,239	5	140,242	11
Profit/(loss) for the year	1,094,585	29	(569,167)	(43)
Value added	3,738,234	100	1,321,936	100

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

NIGERIAN EXPORT-IMPORT BANK

FIVE-YEAR FINANCIAL SUMMARY

<i>Statement of financial position</i>		31 December 2018	31 December 2017	31 December 2016	31 December 2015	31 December 2014
As at <i>in thousands of Nigerian Naira</i>						
Assets						
Cash and cash in banks	5,835,453	557,231	1,135,299	1,915,896	1,223,471	
Due from banks	15,692,267	8,731,398	8,313,001	11,122,764	6,336,470	
Loans and advances	44,249,701	40,753,837	41,577,420	44,061,658	37,566,171	
Investment securities:						
Equity instruments at FVOCI	4,229,463	-	-	-	-	
Available-for-sale	-	3,199,182	2,948,778	2,894,645	1,452,455	
Debt instrument at amortised cost	33,132,582	-	-	-	-	
Held-to-maturity	-	5,146,589	2,679,717	1,308,791	1,647,129	
Property, plant and equipment	2,515,805	2,619,716	2,740,524	3,057,756	3,059,364	
Intangible assets	16,508	2	770	5,015	12,038	
Net employee defined benefit assets	128,075	116,735	203,196	-	107,933	
Other assets	429,357	78,516	134,462	364,878	572,390	
	106,229,211	61,203,206	59,733,167	64,731,403	51,977,421	
Liabilities and Equity						
Liabilities						
Debt securities issued and other borrowed funds	66,949,000	21,053,853	22,215,315	19,502,919	10,876,370	
Other liabilities	6,375,387	4,223,212	3,638,083	4,059,362	4,057,375	
Net employee defined benefit obligation	-	-	-	18,236	-	
	73,324,387	25,277,065	25,853,398	23,580,517	14,933,745	
Equity						
Issued and paid up share capital	49,912,571	49,912,571	47,275,135	46,731,851	42,914,780	
Accumulated losses	(45,940,592)	(35,666,929)	(27,783,519)	(13,188,174)	(10,884,651)	
Regulatory risk reserve	27,151,882	20,764,753	13,612,649	6,823,909	4,294,422	
Fair value reserve	1,280,963	415,746	275,504	283,300	219,125	
Other reserves	500,000	500,000	500,000	500,000	500,000	
Total equity	32,904,824	35,926,141	33,879,769	41,150,886	37,043,676	
Total liabilities and equity	106,229,211	61,203,206	59,733,167	64,731,403	51,977,421	
Profit or loss						
<i>For the year ended</i>						
<i>in thousands of Nigerian Naira</i>	2018	2017	2016	2015	2014	
Gross earnings	9,143,988	5,280,358	5,660,894	5,573,776	5,068,974	
Interest expenses	(1,149,343)	(996,474)	(548,752)	(501,337)	(312,245)	
Credit loss expense/impairment charges	(2,668,523)	(920,175)	(8,963,101)	(803,311)	(464,061)	
Profit/(loss) before income tax	1,094,585	(569,167)	(8,030,117)	372,022	85,131	
Income tax expenses	-	-	-	-	-	
Profit/(loss) after tax	1,094,585	(569,167)	(8,030,117)	372,022	85,131	