# LIVINGTRUST MORTGAGE BANK PLC

## FINANCIAL STATEMENTS
## 31 DECEMBER 2020

## LIVINGTRUST MORTGAGE BANK PLC

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## Corporate Information

**Registrar:**

Africa Prudential Registrar Plc, Registrar's Department, 220B, Ikorodu Road, Palmgroove, Lagos Email:info@africaprudential.com

**Company Secretary** Grace & Honey Solicitors Audit Hub 108,
Liberty Road Oke-Ado Ikorodu Road, Ibadan
Tel: +234 803 305 1123
olabisifayombo@yahoo.com olabisi.fayombo@yahoo.com

**Independent Auditors:** PKF Professional Services Tel: +234(01)8042074 / 7734940 / 7748366

E-mail: lagos@pkf-ng.com info@pkf-ng.com
PKF House/205A Ikorodu Road, Obanikoro, Lagos

**Bankers:**

First Bank of Nigeria Plc.

Providus Bank

Access Bank Plc.

Stanbic IBTC Bank

First City Monument Bank Plc.

Zenith Bank Plc.

## Brief Profile

The Bank was incorporated on March 9, 1999 as Osun Building Society Limited and changed its name to Living Spring Savings & Loans Limited in 2002. The Bank was converted to a Public Limited Liability Company on January 25, 2013 and subsequently changed its name from Omoluabi Savings and Loans Plc. to Omoluabi Mortgage Bank Plc. The Bank obtained its listing on the Nigerian Stock Exchange on December 11, 2013 where its shares are being publicly traded. Omoluabi Mortgage Bank Plc has changed its name to LivingTrust Mortgage Bank Plc by virtue of the Central Bank of Nigeria's approval and the Corporate Affairs Commission's approval and certification dated August 4, 2020 and October 6, 2020 respectively.

The change of name was approved by the Bank's shareholders at its Annual General Meeting held on July 2, 2020.

The principal activity of the Bank is the provision of mortgage financing, Real Estate Construction finance amongst other mortgage banking services to individual, group or corporate bodies to enable them finance residential housing, corporate housing and provide a reasonable shelter for their activities.

### Historical Timeline

**1999** - Incorporation to carry out banking activities and formal commencement of operations

**2013** - Privatization of the bank from Osun State Government and raising of additional N1.65 billion capital

**2014** - Listing on the Alternative Securities Market (ASM) of the Nigeria Stock) Exchange (NSE

**2015** - New Management team takes over, Restructing and re-organizing

**2016** - Official Change of name from Omoluabi Savings & Loans Plc. to Omoluabi Mortgage Bank Plc.

**2020** - New Management "CitiTrust Financial Services Plc." takes over; Thereby;

i. Strategic Re-organizing and transformation of the Bank.
ii. Migration to the Growth Board on Nigeria Stock Exchange
iii. Change of Name from Omoluabi Mortgage Bank to LivingTrust Mortgage Bank Plc.

### Current Ownership

The company has in issue 5,000,000,000 ordinary shares of N0.60k each. The banks' shares are held majorly by institutional investors, the public sector made up of Osun state government and local governments in the state.

**Ownership Structure**

The table below shows the company's shareholding structure and percentage holding of each shareholder:

| S/N | NAME OF SHAREHOLDERS | SHAREHOLDING | PERCENTAGE HOLDING |
|---|---|---|---|
| 1 | CITITRUST FINANCIAL SERVICES GROPUP PLC | 1,533,100,000 | 30.66% |
| 2 | OSUN STATE GOVERNMENT | 909,706,292 | 18.19% |
| 3 | MAPPLEFIELD POWER LTD | 796,453,653 | 15.93% |
| 4 | FIRST GUARANTY HEALTHCARE PLC | 144,750,000 | 2.90% |
| 5 | CDP INSURANCE BROKERS LTD | 142,000,000 | 2.84% |
| 6 | CCL CORPORATE SERVICES LTD | 130,000,000 | 2.60% |
| 7 | MAPPLEFIELD CAPITAL LTD | 122,500,000 | 2.45% |
| 8 | MAPPLEFIELD ENERGY RESOURCES LTD | 120,500,000 | 2.41% |
| 10 | OSUN LOCAL GOVERNMENT AREAS | 1,090,133,708 | 21.80% |
| 11 | OTHERS | 10,856,347 | 0.22% |
| | **TOTAL** | **5,000,000,000** | **100.00%** |

**DIRECT AND INDIRECT HOLDINGS**

| S/N | DIRECTOR | DIRECT HOLDINGS | INDIRECT HOLDINGS | TOTAL HOLDINGS | % HOLDINGS |
|---|---|---|---|---|---|
| 1 | ALHAJI ADEBAYO JIMOH | Nil | 909,706,262 | 909,706,262 | 18.19% |
| 2 | MR. ADEYEMI ADEFISAN | Nil | 1,393,000,000 | **1,53**3,**1**00,000 | 30.66% |
| 3 | MR. OMOLAJA MICHEAL | Nil | | | |
| 4 | MR. BOLA OYEBAMIJI | Nil | 1,090,133,708 | 1,090,133,708 | 21.18% |
| 5 | MR. ADESINA OLUFEMI | Nil | | | |
| 6 | PRINCE ADEWOLE ADENIRAN | Nil | 796,453,653 | 796,453,653 | 15.93% |
| 7 | MRS. FEHINTOLA OLATUNDE-AGBEJA | Nil | | | |
| 8 | MR. ADEKUNLE ADEWOLE | Nil | Nil | Nil | Nil |
| 9 | MR. OYEWOLE OLOWU | Nil | Nil | Nil | Nil |
| 10 | MRS. OLAITAN AWORONKE | Nil | Nil | Nil | Nil |

**Director's Report**

The Directors have the pleasure in presenting to annual report for the year ended December 31, 2020, which disclose the State of Affairs of the LivingTrust Mortgage Bank Plc ("the Bank").

The Board of Directors represents all shareholders and acts in the best interest of the company. Each Director represents the company's shareholders regardless of the manner in which he/she was appointed. Each Director undertakes not to seek, nor to accept, any benefit liable to compromise his/her independence.

**Property, Plant & Equipment**
Information relating to the movements in the Property, Plant & Equipment of the Bank during the year is provided in the notes to the accounts. In the opinion of the Directors, the market value of the Bank's properties is not less than the value shown in the accounts.

**Operating Results**
Gross earnings increased by 30%. Highlights of the Bank's operating results for the year under review are as follows:

| Name | 31 – Dec-2020<br>₦ | 31-Dec-2019<br>₦ |
|---|---|---|
| **Gross Earnings** | 652,615,797 | 502,487,738 |
| **Impairment Charge** | 39,569,677 | 26,527,180 |
| **Profit/(Loss) Before Taxation** | 151,423,934 | 57,317,765 |
| **Income Tax Expense** | 19,064,729 | 5,213,678 |
| **Profit After Taxation** | 132,359,205 | 62,531,443 |

**Shareholding Analysis and Register**

**a)** Authorized Share Capital: The Authorized share capital of the bank remains at 5,500,000,000 made up of 11,000,000,000 ordinary shares of 50k each.
**b)** Paid Up Share Capital: The 5,000,000,000 has been fully paid up.
**c)** The shareholding pattern of the Bank as at 31st December, 2020 is as stated below:

According to the register of members as at 31st December 2020, no shareholder held more than 5% of the issued share capital of the Bank except the following:

| Shareholding Band | Qty | Total Shares | % |
|---|---|---|---|
| 1-5,000,000 | 59 | 3,856,347 | 0.08% |
| 5,000,001 – 10,000,000 | 1 | 7,000,000 | 0.14% |
| 10,000,001 – 250,000,000 | 36 | 1,749,883,708 | 35.00% |
| 250,000,001 – 1,000,000,000 | 2 | 1,706,159,945 | 34.12% |
| 1,000,000,001 – 2,500,000,000 | 1 | 1,533,100,000 | 30.66% |
| **TOTAL** | 99 | 5000,000,000 | 100.00% |

**Acquisition of own shares**

The Bank did not purchase its own shares during the period.

No company's directors held direct shares and therefore has none recorded in the register of directors' shareholding and/or as notified by the directors for the purposes of sections 275 and 276 of the Companies and Allied Matters Act and the listing requirements of the Nigerian Stock Exchange.

**Directors' Name**

The names of the Directors during the year ended 31st December, 2020 are as follows:

| S/N | NAME | POSITION HELD |
|---|---|---|
| 1. | Mr. Adebayo Jimoh | Chairman |
| 2. | Mr. Adekunle Adewole | Managing Director |
| 3. | Mrs. Olaitan Aworonke | Executive Director |
| 4. | Mr. Oyewole Olowu | Executive Director |
| 5. | Mr. Yemi Adefisan | Director (Non-Executive) |
| 6. | Mr. Bola Oyebamiji | Director (Non-Executive) |
| 7. | Mr. Michael Omolaja | Director (Non-Executive) |
| 8. | Mr. Olufemi Adesina | Director (Non-Executive) |
| 9. | Mr. Adeniran Adewole | Director (Non-Executive) |
| 10. | Mrs. Fehintola Agbeja | Independent Director |

**Post Balance Sheet Events**

There were no post balance sheet events that could have had a material effect on the affairs of the Bank as at 31st December 2020 which have not been adequately provided for or disclosed.

**Human Resources**

Commitment to Equal Employment Opportunity

The Bank is committed to maintaining positive work environment and to conduct business in a positive professional manner by consistently ensuring equal employment opportunity to all irrespective of gender. Directors and staff analysis by gender are given in the tables below:

**ANALYSIS OF STAFF BY GENDER**

| Employees | Total Number | % | Employed during the year | % |
|---|---|---|---|---|
| **Male** | **53** | **58.2** | **14** | **60.9** |
| **Female** | **38** | **41.8** | **9** | **39.1** |
| **Total** | **91** | **100** | **23** | |

**1. Employment of Disabled Persons**
The Bank continues to maintain a policy of giving fair consideration to the application for employment made by disabled persons with due regard to their abilities and aptitudes. The company's policy prohibits discrimination of disabled persons in the recruitment, training and career development of its employees. In the event of members of staff becoming disabled, efforts will be made to ensure that their employment with the Bank continues and appropriate training is arranged to ensure that they fit into the Bank's working environment.

**2. Health, Safety and Welfare at Work**
The company enforces strict health and safety rules and practices at work environment which are reviewed and tested regularly. The Bank retains top class private hospitals where medical facilities are provided for staff at the Bank's expense. Fire-fighting and prevention equipment are installed in strategic locations within the Bank's premises.
The Bank operates a Group Personal Accident Insurance cover for the benefit of its employees. It also operates a contributory pension plan in line with the Pension Reform Act 2004.

**Securities Trading Policy**
In compliance with Rule 17.15, disclosure of dealings in Issuers'Shares, Rulebook of the Exchange 2015 (Issuers Rule) LivingTrust Mortgage Bank Plc maintains a Security Trading Policy which guides Directors, Audit Committee members, employees and all individuals categorized as insiders as to their dealing in the Company's shares. The Policy undergoes periodic reviews by the Board and is updated accordingly. The Company has made specific inquiries of all its directors and other insiders and is not aware of any infringement of the policy during the year.

**Compliant Management Policy**
In compliance with Rule 13.4 Client's Compliant Management Rulebook of the Exchange 2015 (Issuers Rule). LivingTrust Mortgage Bank Plc. Maintains a Compliant Management Policy which is designed to provide guidance on how the Bank manages customers complaints, to achieving excellence and will strive services in

a professional, consistent, coordinated and timely manner. Any investors compliant are required to be sent to: info@livingtrustng.com and we will respond within 10 days.

**Auditors**

Messrs. PKF Associates (Chartered Accountants), having satisfied the relevant corporate governance rules on their tenure in office has indicated their willingness to continue in office as auditors of the Bank. In accordance with Section 357 (2) of the Companies and Allied Matters Act 1990, therefore, the auditors will be re-appointed at the next annual general meeting of the Bank without any resolution being passed.

**BY ORDER OF THE BOARD**

**OLABISI FAYOMBO**
**For: Grace and Honey Solicitors**
**FRC/2013/ICAN/0000002883**
Company Secretary,
Dated

## Corporate Governance

The Central Bank of Nigeria in its Circular BSD/04/2006 of March 2, 2006 released a new Corporate Governance Code, which includes the protection of equity ownership, enhancement of sound organizational structure and promotion of industry transparency. The Code requires Banks to include in their annual report and accounts, compliance report to the Code of Corporate Governance. In compliance therefore, we state below our Compliance Report as at December 31st 2020:

### Compliance Status

In line with the provisions of the new Code, the Bank has put in place a robust internal control and risk management framework that will ensure optimal compliance with internationally acceptable corporate governance indices in all its operations. In the opinion of the Board of Directors, the Bank has substantially complied with the new Code of Corporate Governance during the 2020 financial year.

### Statutory Bodies

Apart from the CBN Code of Corporate Governance, which the Bank has strived to comply with since inception, it further relies on other regulatory bodies to direct its policy thrust on Corporate Governance.

### Shareholders' Meeting

The shareholders remain the highest decision making of LivingTrust Mortgage Bank Plc., subject however to the provisions of the Memorandum and Articles of Association of the Bank, and other applicable legislation. At the Annual General Meetings (AGM), decisions affecting the Management and strategic objectives of the Bank are taken through a fair and transparent process. Such AGM are attended by the shareholders or their proxies and proceedings at such meetings are monitored by members of the press and representatives of the Nigerian Stock Exchange, Central Bank of Nigeria, Nigeria Deposit Insurance Commission, Corporate Affairs Commission, Securities and Exchange Commission and the Bank's statutory auditors.

### Ownership Structure

Osun State Government and Osun State Local Government Councils represent public sector participation in the ownership of the Bank however they are not majority shareholders in the bank. The lists of shareholders consist of individuals, Public Sector and institutional investors.

### Board of Directors and Memebership

The Board of Directors consists of the Chairman, Managing Director/Chief

Executive Officer (MD/CEO) and Non- Executive Directors (Non- EDs). The Directors have diverse background covering Economics, Management, Accounting, Psychology, Information Technology, Public Administration, Law, Engineering, and Business Administration.

These competences have impacted on the Bank's stability and growth. The office of the Chairman of the Board is distinct and separate from that of the Managing Director/Chief Executive Officer and the Chairman does not participate in running the daily activities of the Bank. There are no family ties within the Board.

We confirm that the Chairman of the Board is not a member of any Board Committee and appointment to the Board is made by the shareholders at the Annual General Meeting upon the recommendation of the Board of Directors.

Memberships of the Board of Directors during the year ended 31 December, 2020 were as follows:

| S/N | Name | Position Held |
|---|---|---|
| 1. | Alh. Adebayo Jimoh | Chairman |
| 2. | Hon. Bola Oyebamiji | Non-Executive Director |
| 3. | Mr. Michael Omolaja | Non-Executive Director |
| 4. | Mr. Adeyemi Adefisan Adewole | Non-Executive Director |
| 5. | Mr. Olufemi Adesina | Non-Executive Director |
| 6. | Mr. Adeniran Adewole | Non-Executive Director |
| 7. | Mrs Fehintola Olatunde-Agbeja | Independent Director |
| 8. | Mr. Adekunle Adewole | Managing Director |
| 9. | Mrs. Olaitan Aworonke | Executive Director |
| 10. | Mr.Oyewole Olowu | Executive Director |
| 11. | Prince Gbadebo Adekunle | Non-Executive Director (resigned) |
| 12. | Mrs. Eyitayo Adu | Non-Executive Director (resigned) |
| 13. | Prof. Olalekan Yinusa | Non-Executive Director (resigned) |

**Tenure of Office**

The tenure of office of a Non-Executive Director is a renewable term of 4 (Four) years each.

**Delegation of Powers**

The Board of Directors delegates any of their powers to Committees consisting of such members of their body as they think fit and have oversight functions on the Committees. The Board also delegates authority to the Management in line with best practices, for the day-to- day Management of the Bank through the MD/CEO, who is supported in this task by the Four (4) Management Staff.

**Standing Board Committees**

The Board carries out its oversight responsibilities through four (4) standing Committees whose terms of reference it reviews regularly. All the Committees have clearly defined terms of references, which set out their roles, responsibilities and functions, scope of authority and procedures for reporting to the Board.

In Compliance with Code No. 6 on industry transparency, due process, data integrity and disclosure requirement, the Board has in place the following Committees and reporting structures through which its oversight functions are performed:

- Statutory Audit Committee;
- Board Investment and Credit Committee;
- Nomination and Governance Committee
- Audit and Risk Committee

**Statutory Audit Committee**

This is a joint shareholders/Board Committee that comprises of an equal number of 3 (Three) shareholders and 3 (Three) Directors. The Committee has oversight function on Internal Control system and financial reporting. The Committee's terms of reference are:

**General**

The Committee shall:

- Ensure that there is an open avenue of communication between the External Auditors and the Board and confirm the Auditors' respective authority and responsibilities.
- Oversee and appraise the scope and quality of the audits conducted by the Internal and External Auditors.
- Review annually, and if necessary propose for formal Board adoption, amendments to the Committee's terms of reference.

**STATUTORY AUDIT COMMITTEE ATTENDANCE LIVINGTRUST MORTGAGE BANK PLC**

| S/N | Name of Director | Position | Meeting dates | | |
|---|---|---|---|---|---|
| | | | 11/03/2020 | 21/07/2020 | 22/10/2020 |
| 1. | Mr. Ariyo Olugbosun | Chairman/Shareholders' representative (resigned) | √ | √ | √ |
| 2. | Mr. Suraju Ajagbe Yahaya | Shareholder's representative (Appointed Chairman) | √ | √ | √ |
| 3. | Prof. Olalekan Yinusa | Non-Executive Director (resigned) | √ | 'Ω | 'Ω |
| 4. | Prince Gbadebo Adekunle | Non-Executive Director (resigned) | √ | 'Ω | 'Ω |
| 5. | Mr. Olufemi Adesina | Non-Executive Director | √ | √ | √ |
| 6. | Mr. Michael Omolaja | Non-Executive Director | X | √ | √ |
| 7. | Mrs. Fehintola Olatunde-Agbeja | Independent Director | ® | ® | √ |
| 8. | Otunba Adeboye Oladejo Mukaila | Shareholder's representative | √ | √ | √ |
| | | **In Attendance** | | | |
| 1. | Mrs Olaitan Aworonke | Executive Director | √ | √ | √ |
| 2. | Mr. Afolabi Olusola | Chief Financial Officer | √ | √ | √ |
| 3. | Mr. Ayodeji Sonukan | | √ | √ | √ |
| | | | | | |

**Key Indicators**
Present - √
Absent- X
Retired – 'Ω
Recently appointed - ®

**Whistle Blowing**
Review arrangement by which staff of the Bank may, in confidence, raise concerns about possible impropriety in matters of financial reporting or other matters.
As global best practice however that a direct channel of communication is established between the whistle blower and the authority to take action, investigate or cause to be investigated the matter being blown, the Committee shall ensure that arrangements are in place for the proportionate and independent investigation and follow-up of such matters.
E-mail: whistleblower@livingtrustng.com

**Regulatory Reports**
The Committee shall also:
Examine CBN/NDIC examination Reports and make recommendations thereof.

Monitor and review the standards of risk management and internal control, including the processes and procedures for ensuring that material business risks, including risks relating to IT security, fraud and related matters, are properly identified and managed, the effectiveness of internal control, financial reporting, accounting policies and procedures, and the Bank's statements on internal controls before they are agreed by the Board for each year's Annual Report.

Consider and review the process for risk management annually to ensure adequate oversight of risk faced by the Bank and the system of internal controls and reporting of those risks within the Bank. Receive regular Reports on significant litigation and financial commitments and potential liability (including tax) issues involving the Bank.

**Board Investment and Credit Committee;**

The Board Investment and Credit Committee is charged with the responsibility of evaluating and or approving all credits beyond the power of management from 40Million to 150Million for fund-based facilities. The following are its terms of reference.

The Roles of the Committee are:

- Oversee Management’s establishment of policies and guidelines, to be adopted by the Board.

- Articulating the Bank's tolerance with respect to credit risk, and overseeing management's administration of, and compliance with, these policies and guidelines.
- Overseeing Management's establishment of appropriate systems (including policies, procedures, management and credit risks stress testing) that support measurement and control of credit risk.
- Periodic review of Management strategies, policies and procedures for managing credit risk, including credit quality administration, underwriting standards and the establishment and testing of provisioning for credit losses.
- Overseeing the administration of the Bank's credit portfolio, including Management responses to trends in credit risk, credit concentration and asset quality.
- Coordinate as appropriate its oversight of credit risk with Board risk Management Committee in order to assist the committee in its task of overseeing the Bank's overall management and handling of risk.
- Evaluate and approve all credits beyond the power of the Executive Management.
- Ensure that a qualitative and profitable credit portfolio exist for the Bank.
- Evaluate and recommend to the board all credits beyond the committee's powers.
- Review of credit portfolio within its limit in line with set objectives.
- Any other over sight function as may, from time to time, be expressly requested by the Board.

**Membership**

The Committee has 6 (Six) members comprising of 3 (Three) Non-Executive Directors and the Managing Director/CEO and 2 (Two) Executive director. The committee members are as follows:

1. Mr. Michael Omolaja - Chairman
2. Mr. Yemi Adefisan - Non- Executive Director
3. Mr. Adeniran Adewole - Non- Executive Director
4. Mr. Adekunle Adewole - Managing Director
5. Mrs. Olaitan Aworonke - Executive Director
6. Mr. Oyewole Olowu - Executive Director

## INVESTMENT, RISK AND CREDIT COMMITTEE ATTENDANCE LIVINGTRUST MORTGAGE BANK PLC

| S/No. | BOARD MEMBERS | POSITIONS | 27/01/2020 | 06/05/2020 | 22/07/2020 | 21/10/2020 |
|---|---|---|---|---|---|---|
| 1. | Mr. Michael Omolaja | Chairman | √ | √ | √ | √ |
| 2. | Mr. Yemi Adefisan | Member | √ | √ | √ | √ |
| 3. | Prof.Olalekan Yinusa | Member | 'Ω | 'Ω | 'Ω | 'Ω |
| 4. | Prince Gbadebo Adekunle | Member | 'Ω | 'Ω | 'Ω | 'Ω |
| 5. | Mr. Adewole Adeniran | Member | ® | ® | √ | √ |
| 6. | Mr. Adekunle Adewole | Member | ® | ® | √ | √ |
| | **In Attendance** | | | | | |
| 1. | Mrs. Olaitan Aworonke | Executive Director | √ | √ | √ | √ |
| 2. | Mr. Gbenga Fatanmi | Treasury Officer | √ | √ | X | X |
| 3. | Mr. Oyewole Olowu | Executive Director | --- | | √ | √ |

**Key Indicators**
Present - √
Absent - X
Retired – 'Ω
Recently appointed - ®

The Board Investment, Risk and Credit Committee meet at least once in every quarter.

| | | | |
|---|---|---|---|
| | | | |

**Nomination and Governance Committee:**

**Roles:**
The committee is responsible for the overall governance and personnel function of the Board.

- To consider and make recommendations to the Board on acquisition of Fixed Assets.
- Review and recommend nomination of directors to the Board based on a proper selection process.
- To ensure adequate succession planning for Board of Directors and Chief Executive Officer.
- To ensure the orientation and continuous education of Directors.
- To monitor the procedures established for compliance with regulatory requirements for related party transactions.
- To monitor staff compliance with the Code of Ethics and Business Conduct of the Bank.
- To ensure compliance with regulatory standards of Corporate Governance and regularly identify international best practices of corporate governance and close any identified gaps
- Recruitment promotion of staff to Assistant General Manager level and above, along with approve remuneration.
- To determine benefits and other terms and conditions of the service contracts of such office to the Board.
- To review and approve the conditions of the service contract including remuneration of the staff from Assistant General Manager Level and above and apply where necessary.
- To review and approve policies on staff welfare and fringe benefits: annual review of the Board Charter
- To ensure the annual review of the Board and board committees' performance.

| S/N | NAME OF DIRECTORS | POSITION | MEETING DATE | | | |
|---|---|---|---|---|---|---|
| | | | 28/01/20 | 05/05/20 | 21/07/20 | 21/10/20 |
| 1. | Mr. Bola Oyebamiji | Chairman | √ | √ | √ | √ |
| 2. | Mr. Michael Omolja | Member | √ | √ | x | x |
| 3. | Mr. Adeniran Adewole | Member | √ | √ | √ | √ |
| 4. | Mrs. Eyitola Adu | Member | √ | Ώ | Ώ | Ώ |
| 5. | Mrs. Fehintola Olatunde- Agbeja | Member | ® | ® | x | √ |
| 6. | Mr. Adekunle Adewole | Member | ® | ® | √ | √ |
| | **In Attendance** | | | | | |
| 1. | Mrs. Olaitan Aworonke | Executive Director | √ | √ | √ | √ |
| 2. | Mr. Afolabi Olusola | Chief Financial Officer | √ | x | x | √ |
| 3. | Mr. Oyewole Olowu | Executive Director | ® | ® | x | x |

## Nomination and Governance Committee

The Nomination and Governance Committee met at least once every quarter.

**Key Indicators**
Present - √
Absent- X
Retired – Ώ
Recently appointed - ®

**ATTENDANCE AT BOARD AUDIT AND RISK COMMITTEE**

The Board Audit Committee meets at least once in every quarter. However, additional meetings are convened as required. The committee met four (4) times during the 2020 financial year.

| | BOARD MEMBERS | POSITIONS | 27/01/20 | 6/05/20 | 22/07/20 | 22/10/20 |
|---|---|---|---|---|---|---|
| 1. | Mr. Yemi Adefisan | Chairman | √ | √ | √ | √ |
| 2. | Prince Gbadebo Adekunle | Member | √ | √ | Ώ | Ώ |
| 3. | Mr. Olufemi Adesina | Member | √ | √ | √ | √ |
| 4. | Mr. Adeniran Adewole | Member | √ | √ | √ | X |
| 5. | Mrs. Fehintola Olatunde-Agbeja | Member | ® | ® | X | √ |
| 6. | Mr. Adekunle Adewole | Member | ® | ® | ® | √ |
| | **In Attendance** | | | | | |
| 1. | Mrs. Olaitan Aworonke | Executive Director | √ | √ | √ | √ |
| 2. | Mr. Olusegun Akinradewo | Head, Internal Audit | √ | √ | √ | |
| 3. | Mr Tunde Kudaisi | Head, IT | √ | √ | √ | |
| 4. | Mr Sunday Omotosho (resigned) | Financial Controller | √ | √ | X | |
| 5. | Mrs. Yemisi Adesina | Compliance Department | √ | √ | X | |
| 6. | Mr. Gbenga Fatanmi | Treasury Officer | √ | X | X | |
| 7. | Mr. Faheem Aileru | Head, Risk & Mgt. Compliance Dept. | X | X | √ | |
| 8. | Mr. Afolabi Olusola | Chief Finance Officer | X | X | √ | |
| 9. | Mr. Oyewole Olowu | Executive Director | X | X | √ | |

**Key Indicators**

Present - √

Absent- X

Retired – Ώ

Recently appointed -

**Internal Control**
The bank has separate staff within the internal audit function from operational and management internal control charter for its internal audit exercise. The charter isolates and insulates the internal Audit Division from the Management so as to independently review the Bank's operations. Under the Charter, the internal Auditors' report is submitted directly to the Board Audit Committee.

**Compliance**
The Bank has separate staff within the internal audit function from operational and management Internal control Charter for its internal audit exercise. The Charter isolates and insulates the Inferno Audit Division from the control and influence of the Executive Management so as to independently review the Bank's operations. Under the Charter, the Internal Auditors' report is submitted directly to the Board Audit Committee.

**Executive Management Committee**
The Executive Management Committee (EXCO) reviews and approves credit facilities up to its limit and on amount above it limit goes to the Board Credit Committee for review and approval. The Committee meets once a month or as need arises.

Membership of the Executive Management Committee (EXCO) is made up of the Managing Director/Chief Executive Officer as Chairman with all Executive Management staff and two other members of staff.

**Risk Management**
The Board of Directors and Management of LivingTrust Mortgage Bank Plc. are committed to establishing and sustaining best practices in Risk Management in line with international practice. For this purpose, the Bank operates a centralized Risk Management and Control Division, with responsibility to ensure that the Risk Management processes are implemented in compliance with Policies approved by the Board of Directors.

The Board of Directors determines the Bank's goals, in terms of risk, by issuing a Risk Policy. The Policy both defines acceptable levels of risk for day-to-day operations as well as the Bank's willingness to incur risk, weighed against the expected rewards. The Risk Policy is detailed in the Enterprise Risk Management (ERM) Framework, which is a structured approach to identifying opportunities, assessing the risk inherent in these opportunities and managing these risks proactively in a cost- effective manner. It is a top-level integrated approach to events identification, analysis, assessment, monitoring and identification of business opportunities. Specific policies are also in place for managing risks in the different risk area of Credit, Market and Operational Risks.

The evolving nature of Risk Management practices and the dynamic character of the banking industry necessitate regular review of the effectiveness of each Enterprise Risk Management component. In the light of this, the Bank's Enterprise Risk Management Frame work is subject to continuous review to ensure effective Risk Management. The review is done in either or both of the following ways:

- Continuous self-evaluation and monitoring by the Risk, Management Division in conjunction with Internal control.
- Independent valuation by external Auditors and Examiners.

**Implementation of Code of Corporate Governance**
In compliance with No.6.1.11, the Bank has a Compliance Department with responsibilities of implementing Code of Corporate Governance in addition to monitoring compliance of the Money Laundering requirements.

The Chairman of the Board does not serve as Chairman/Member of any of the Board Committees; The Bank's organizational chart approved by CBN reflects clearly defined lines of responsibility and hierarchy;
The Bank also has in place, a system of internal control, designed to achieve efficiency, effectiveness of operations, reliability of and regulations at all levels of financial reporting and compliance with applicable laws.

**Remuneration of Directors**
The shareholders, at the Bank's Annual General Meeting, set and approved the annual remuneration of members of the Board of Directors. The annual emoluments of the Directors are stated in the Annual Report.

Attendance of Board and committee Meetings
The table shows the frequency of meeting of the Board of Directors and Board committees, as well as Members' attendance from 2nd January, 2020 to December 31, 2020.

**BOARD OF DIRECTORS ATTENDANCE LIVINGTRUST MORTGAGE BANK PLC**

| S/N | Name of Director | Position | Meeting Date | | | |
|---|---|---|---|---|---|---|
| | | | 28/01/20 | 07/05/20 | 30/07/20 | 27/10/20 |
| 1. | Alhaji Adebayo Jimoh | Chairman | √ | √ | √ | √ |
| 2. | Hon. Bola Oyebamiji | Non-Executive Director | √ | √ | √ | √ |
| 3. | Mr. Michael Omolaja | Non-Executive Director | √ | √ | √ | √ |
| 4. | Mr. Adeyemi Adefisan Adewole | Non-Executive Director | √ | √ | √ | √ |
| 5. | Mr. Olufemi Adesina | Non- Executive Director | √ | √ | √ | √ |
| 6. | Mr. Adeniran Adewole | Non- Executive Director | √ | √ | √ | √ |
| 7. | Mrs Fehintola Olatunde-Agbeja | Independent Director | ® | ® | X | √ |
| 8. | Mr. Adekunle Adewole | Managing Director | ® | ® | √ | √ |
| 9. | Mrs. Olaitan Aworonke | Executive Director | √ | √ | √ | √ |
| 10. | Mr.Oyewole Olowu | Executive Director | ® | ® | √ | √ |
| 11. | Prince Gbadebo Adekunle | Non-Executive Director (resigned) | √ | √ | 'Ω | 'Ω |
| 12. | Mrs. Eyitayo Adu | Non-Executive Director (resigned) | √ | √ | 'Ω | 'Ω |
| 13. | Prof. Olalekan Yinusa | Non-Executive Director (resigned) | X | √ | 'Ω | 'Ω |

**Key Indicators**
Present - √
Absent- X
Retired – Ώ
Recently appointed - ®

# LIVINGTRUST MORTGAGE BANK PLC

## FINANCIAL HIGHLIGHTS
## FOR THE YEAR ENDED 31 DECEMBER, 2020

| | 2020 | 2019 |
|---|---|---|
| | ₦ | ₦ |
| **Major items in statement of financial position** | | |
| Loans and advances to customers | **4,078,129,669** | 1,801,288,480 |
| Property, plant & equipment | **260,430,241** | 226,894,614 |
| Assets held for sale | **268,050,761** | 295,250,134 |
| Due to customers | **2,619,301,655** | 1,209,131,736 |
| Borrowed funds | **63,034,993** | 130,214,627 |
| On-lending facility | **583,080,755** | 420,730,433 |
| Share capital | **2,500,000,000** | 2,500,000,000 |
| Shareholders fund | **2,777,108,861** | 2,648,865,157 |
| Total assets | **6,297,749,987** | 4,594,991,715 |
| | | |
| **Major items in statement of profit or loss and other comprehensive income** | | |
| Gross earnings | **652,615,797** | 502,405,848 |
| Impairment loss (charge)/writeback | **(39,569,677)** | 34,667,940 |
| Profit before taxation | **151,423,934** | 57,317,765 |
| Taxation | **(19,064,729)** | 5,213,678 |
| Profit after taxation | **132,359,205** | 62,531,443 |
| | | |
| **Ratios** | % | % |
| Cost to income | **68.16** | 94.99 |
| Return on assets | **2.10** | 1.36 |
| Return on shareholders fund | **4.77** | 2.36 |
| Capital adequacy | **60.13** | 105.62 |
| Liquidity | **162.83** | 169.43 |
| Earnings per share (kobo) | **2.56** | 1.25 |
| | | |
| **Others** | **Number** | Number |
| Number of branches | **3** | 3 |
| Number of staff | **85** | 68 |
| Number of shares in issue | **5,000,000,000** | 5,000,000,000 |
| Dividend proposed | **50,000,000** | - |
| Ratings | BBB- | BBB- |

# LIVINGTRUST MORTGAGE BANK PLC

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

## FOR THE YEAR ENDED 31 DECEMBER 2020

In accordance with the provisions of the Companies and Allied Matters 2020, Sections 23 and 27 of the Banks and Other Financial Institutions Act, 2020 and the Financial Reporting Council Act No. 6, 2011, the Directors are responsible for the preparation of annual financial statements which give a true and fair view of the state of affairs of the Bank, and of the financial performance for the year. The responsibilities include ensuring that:

(a) appropriate internal controls are established both to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities;

(b) the Bank keeps accounting records which disclose with reasonable accuracy the financial position of the Bank and which ensure that the financial statements comply with requirements of International Financial Reporting Standards and the Companies and Allied Matters Act, 2020, Banks and Other Financial Institutions 2020, the Financial Reporting Council Act No. 6, 2011, Revised Prudential Guidelines and relevant circulars issued by the Central Bank of Nigeria;

(c) the Bank has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable accounting standards have been followed; and

(d) it is appropriate for the financial statements to be prepared on a going concern basis unless it is presumed that the Bank will not continue in business.

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 conformity with International Financial Reporting Standards, the requirements of the Companies and Allied Matters Act, 2020, Banks and Other Financial Institutions Act, 2020, the Financial Reporting Council Act No. 6, 2011, Revised Prudential Guidelines, and relevant circulars 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 the financial affairs of the Bank and of the financial performance for the year.

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 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:

| | |
|---|---|
| **Alhaji Adebayo Jimoh** | **Adekunle Adewole** |
| **Chairman** | **Managing Director/CEO** |
| **FRC/2014/NIM/00000008047** | **FRC/2020/002/00000022316** |
| **Dated: 25 February 2021** | **Dated: 25 February 2021** |

**Independent Auditor's Report**

**To the Shareholders of LivingTrust Mortgage Bank Plc**

**Opinion**

We have audited the financial statements of LivingTrust Mortgage Bank Plc (the Bank) which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act, 2020, the Banks and Other Financial Institutions Act, 2020, the Financial Reporting Council of Nigeria Act, No 6, 2011 and relevant Central Bank of Nigeria Guidelines and Circulars.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 judgment, were of most significance in our audit of the consolidated 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. The key audit matters below relate to the audit of the financial statements.

| Key Audit Matter | How the matter was addressed in the audit |
|---|---|
| **Impairment allowance on loans and advances to customers**<br><br>Loans and advances to customers constitute significant portion of the Bank's total assets, as a major component of the Bank’s financial intermediation function revolves round financial assets. The determination of impairment allowance using the Expected Credit Loss (ECL) model requires the application of certain financial indices estimated from historical financial data outside the Bank in determining the level of impairment allowance required.<br><br>The ECL model involves the application of considerable level of judgement and estimation in determining inputs for ECL calculation such as:<br>• determining criteria for assigning Probabiliy of Default (PD) rates.<br>• assessing the relationship between the quantitative factors such as default and qualitative factors such as macro-economic variables.<br>• incorporating forward looking information in the model building process.<br>• factors incorporated in determining the Probability of Default (PD), the Loss Given Default (LGD), the Recovery Rate and the Exposure at Default (EAD).<br>• factors considered in cash flows estimation including timing and amount.<br><br>Given the level of complexity and judgement involved in determining of the ECL, and also the material nature of the balance. We considered the impairment of the loans and advances to customers' to be a key audit matter in the financial statements. | Our procedures included the following:<br><br>• We reviewed the ECL model prepared by management for the computation of impairment on loans and advances to customers.<br>• Obtained an understanding of the default definition(s) used in the ECL calculation, and focused on the most significant model assumptions including PD and LGD.<br>• Tested the underlying data behind the determination of the probability of defaults and loss given defaults by agreeing same to underlying supporting documentation.<br>• Critically evaluated the determination of the expected cash flows used in assessing and estimating impairments and the reasonableness of any assumptions.<br>• Evaluated whether the model used to calculate the recoverable amount complies with the requirements of IFRS 9.<br>• Examined the criteria used to allocate loans and advances to customers under stages 1, 2 and 3.<br>• For loans and advances to customers classified under stages 1 and 2, we selected material balances and reviewed the repayment history for possible repayment default.<br>• For loans and advances to customers classified under stage 3, we tested all the assumptions considered in the estimation of recovery cash flows, the discount factor, and timing of realization. |

| | |
|---|---|
| The Bank's accounting judgement and estimates,<br>acounting policy on impairment and loans and<br>advances to customers are disclosed in notes 2c, 4.12 and 18<br>respectively. | • Reviewed the disclosures for reasonableness to ensure conformity with the IFRSs.<br>Based on the work we have performed, we consider the<br>level of impairment allowance<br>acceptable. |

**Other Information**

The directors are responsible for the other information. The other information comprises the Chairman's statement, Directors' Report; Audit Committee's Report, Corporate Governance Report and Bank Secretary's report and Other National Disclosures (i.e. statement of value added and five-year financial summary as required by the Companies and Allied Matters Act, 2020 and the Financial Reporting Council Act No. 6, 2011) but does not include the financial statements and our auditor's report thereon.

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

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

If based on the work we have performed on the other information that we 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 and Those Charged with Governance 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 (IFRSs) and in the manner required by the Companies and Allied Matters Act, 2020, the Banks and Other Financial Institutions Act, 2020, the Financial Reporting Council of Nigeria Act, No 6, 2011 and relevant Central Bank of Nigeria Guidelines and Circulars and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 director's 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee 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 Audit Committee 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 Audit Committee, 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 auditor's 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 the fifth schedule of the Companies and Allied Matters Act, 2020, 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) Proper books of account have been kept by the Bank, in so far as it appears from our examination of those books;
iii) The Bank's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

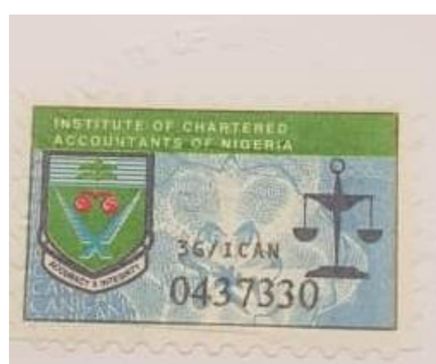
In compliance with the Banks and Other Financial Institutions Act, 2020 and circulars issued by Central Bank of
Nigeria, we confirm that:

i) As disclosed in Note 36, to the financial statements, no contravention of the provisions of the Banks and Other Financial Institutions Act, 2020 and Central Bank of Nigeria circulars was brought to our attention.

ii) Related party transactions and balances are disclosed in Note 33 to the financial statements in compliance with Central Bank of Nigeria circular BSD/1/2020.

**Ayodeji K. Sonukan,** **FCA**
**FRC/2013/ICAN/00000002431**
For: **PKF Professional Services**
**Chartered Accountants**
Lagos, Nigeria

**Dated: 01 March 2021**



## LIVINGTRUST MORTGAGE BANK PLC

### STATEMENT OF FINANCIAL POSITION
### AS AT 31 DECEMBER 2020

| | Notes | 2020<br>₦ | 2019<br>₦ |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances with CBN | 16 | **112,892,165** | 88,941,652 |
| Due from banks | 17 | **1,346,859,860** | 1,291,080,532 |
| Loans and advances to customers | 18 | **4,078,129,669** | 1,801,288,480 |
| Investment securities | 19 | **106,716,594** | 710,793,871 |
| Other assets | 20 | **90,683,643** | 149,250,017 |
| Property and equipment | 21 | **260,430,241** | 226,894,614 |
| Intangible assets | 22 | **32,154,050** | 25,918,795 |
| Deferred tax assets | 14.4 | **1,833,004** | 5,573,620 |
| | | **6,029,699,226** | 4,299,741,581 |
| Non current assets held for sale | 23 | **268,050,761** | 295,250,134 |
| **Total assets** | | **6,297,749,987** | 4,594,991,715 |
| **Liabilities and equity** | | | |
| **Liabilities** | | | |
| Deposit from customers | 24 | **2,619,301,655** | 1,209,131,736 |
| Borrowings | 25 | **63,034,993** | 130,214,627 |
| On-lending facility | 26 | **583,080,755** | 420,730,433 |
| Current income tax liability | 14.2 | **25,085,204** | 12,887,708 |
| Other liabilities | 27 | **230,138,519** | 173,162,054 |
| **Total liabilities** | | **3,520,641,126** | 1,946,126,558 |
| **Equity** | | | |
| Ordinary share capital | 28 | **2,500,000,000** | 2,500,000,000 |
| Statutory reserve | 29.1 | **111,768,808** | 85,296,967 |
| Retained earnings | 29.2 | **107,591,409** | 65,975,321 |
| Fair value reserve | 29.3 | **(7,316,777)** | (3,201,276) |
| Regulatory risk reserve | 29.4 | **65,065,421** | 794,145 |
| **Total equity** | | **2,777,108,861** | 2,648,865,157 |
| **Total liabilities and equity** | | **6,297,749,987** | 4,594,991,715 |

The financial statements were approved by the Board of Directors on 25 February 2021 and signed on its behalf by:

| | | |
|---|---|---|
| **Alhaji Adebayo Jimoh** | **Adewole Adekunle** | **Levi Afolabi** |
| **Chairman** | **Managing Director/CEO** | **Chief Financial Officer** |
| **FRC/2014/NIM/00000008047** | **FRC/2020/002/00000022316** | **FRC/2014/ICAN/00000008652** |

The accompanying notes and significant accounting policies form an integral part of these financial statements.

# LIVINGTRUST MORTGAGE BANK PLC

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

| | Notes | 2020<br>₦ | 2019<br>₦ |
|---|---|---|---|
| **Gross earnings** | | **652,615,797** | 502,405,848 |
| Interest and similar income | 7 | **374,139,409** | 223,866,331 |
| Interest and similar expense | 8 | **(52,761,824)** | (50,348,909) |
| **Net interest income** | | **321,377,585** | 173,517,422 |
| Net fee and commission income | 9 | **68,023,903** | 29,622,961 |
| Other operating income | 10 | **210,452,485** | 248,916,556 |
| **Total operating income** | | **599,853,973** | 452,056,939 |
| Impairment loss (charge)/writeback | 11 | **(39,569,677)** | 34,667,940 |
| **Net operating income** | | **560,284,296** | 486,724,879 |
| Personnel expenses | 12 | **187,946,627** | 159,344,328 |
| Depreciation of property and equipment | 21 | **44,427,361** | 45,615,662 |
| Amortisation of intangible assets | 22 | **6,484,365** | 14,040,398 |
| Other operating expenses | 13 | **170,002,009** | 210,406,726 |
| **Total operating expenses** | | **408,860,362** | 429,407,114 |
| **Profit before tax** | | **151,423,934** | 57,317,765 |
| Income tax (expense)/credit | 14.1 | **(19,064,729)** | 5,213,678 |
| **Profit for the year** | | **132,359,205** | 62,531,443 |
| **Other comprehensive (loss)/income** | | | |
| **Items that may be subsequently reclassified to profit or loss** | | **-** | - |
| **Items that will not be subsequently reclassified to profit or loss** | | | |
| Changes in the fair value of equity investments designated at FTVOCI | 29.3 | **(4,115,501)** | 44,388 |
| **Total comprehensive income** | | **128,243,704** | 62,575,831 |
| Earnings per share - Basic (Kobo) | 15 | **2.56** | 1.25 |

The accompanying notes and significant accounting policies form an integral part of these financial statements.

## LIVINGTRUST MORTGAGE BANK PLC

### STATEMENT OF CHANGES IN EQUITY
### FOR THE YEAR ENDED 31 DECEMBER 2020

| | Attributable to equity holders | | | | | | |
|---|---|---|---|---|---|---|---|
| | Ordinary Share Capital | Share Premium | Statutory Reserves | Retained Earnings | Fair Value Reserves | Regulatory Risk Reserves | Total equity |
| | ₦ | ₦ | ₦ | ₦ | ₦ | ₦ | ₦ |
| **At 1 January 2019** | 2,500,000,000 | - | 72,747,828 | 4,236,558 | (3,245,664) | 12,550,604 | 2,586,289,326 |
| Profit for the year | - | - | - | 62,531,443 | - | - | 62,531,443 |
| Changes in the fair value of equity investments designated at FTVOCI | - | - | - | - | 44,388 | - | 44,388 |
| Transfer between reserves | - | - | 12,549,139 | (792,680) | - | (11,756,459) | - |
| **At 31 December, 2019** | 2,500,000,000 | - | 85,296,967 | 65,975,321 | (3,201,276) | 794,145 | 2,648,865,157 |
| **At 1 January 2020** | 2,500,000,000 | - | 85,296,967 | 65,975,321 | (3,201,276) | 794,145 | 2,648,865,157 |
| Profit for the year | - | - | - | 132,359,205 | - | - | 132,359,205 |
| Changes in the fair value of equity investments designated at FTVOCI | - | - | - | - | (4,115,501) | - | (4,115,501) |
| Transfer between reserves | - | - | 26,471,841 | (90,743,117) | - | 64,271,276 | - |
| **At 31 December, 2020** | **2,500,000,000** | **-** | **111,768,808** | **107,591,409** | **(7,316,777)** | **65,065,421** | **2,777,108,861** |

**Statutory reserve**

The revised guidelines for Primary Mortgage Banks in Nigeria require mortgage banks to make an annual appropriation to a statutory reserve. As stipulated by section 5.4 of the revised guidelines, an appropriation of 20% of profit after tax is made, if the statutory reserve is less than the paid up share capital and 10% of profit after tax if the statutory reserve is equal to or in excess of the paid up capital.

**Regulatory risk reserve**

The Central Bank of Nigeria stipulates that provisions for loans recognized in the profit or loss account be determined based on the requirements of IFRS. The IFRS provision should then be compared with provision determined using the Prudential Guidelines and the expected impact/changes treated in the retained earnings (See Statement of Prudential Adjustments).

**Fair value reserve**

Fair value reserve (FVR) assets are measured at fair value in the statement of financial position. Fair value changes on FVR assets are recognised directly in equity, through the statement of changes in equity, except for interest on FVR assets (which is recognised in income on an effective yield basis), impairment losses and (for interest-bearing FVR debt instruments) foreign exchange gains or losses. The cumulative gain or loss that was recognised in equity is recognised in the statement of profit or loss when a fair value reserve financial asset is derecognised.

## STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 31 DECEMBER 2020

| | Notes | 2020 ₦ | 2019 ₦ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Profit after tax** | | **132,359,205** | 62,531,443 |
| **Adjustment for non-cash items** | | | |
| Impairment charge/(write back) on loans and advances | 11 | **39,611,682** | (16,909,774) |
| Impairment write back on other assets | 11 | **-** | (18,001,365) |
| Write-off of non-current assets held for sale | 13 | **2,958,774** | 21,202,700 |
| Loss on disposal of fixed assets | 13 | **2,496,048** | 2,034,546 |
| Impairment write back on bank placements | 17.5 | **(3,781)** | (1,205) |
| Impairment charge on investment securities-amortised cost | 19.1 | **-** | 38,224 |
| Depreciation of property and equipment | 21 | **44,427,361** | 45,615,662 |
| Amortisation of intangible assets | 22 | **6,484,365** | 14,040,398 |
| Income tax expense | 14.1 | **19,064,729** | (5,213,678) |
| Cashflows before changes in working capital | | **247,398,383** | 105,336,951 |
| **Changes in working capital** | | | |
| Increase in loans and advances | | **(2,316,452,871)** | (216,576,340) |
| Increase in balance with CBN | | **(12,813,100)** | (8,779,316) |
| Decrease in other assets | | **58,566,374** | 48,542,739 |
| Increase in due to customers | | **1,410,169,919** | 96,102,252 |
| Increase/(decrease) other liabilities | | **56,976,465** | (3,718,949) |
| | | **(803,553,213)** | (84,429,614) |
| Tax paid | 14.2 | **(3,126,617)** | (10,838,341) |
| **Net cash from operating activities** | | **(559,281,447)** | 10,068,996 |
| **Cash flows from investing activities;** | | | |
| Purchase of property and equipment | 21 | **(89,983,810)** | (22,657,401) |
| Purchase of intangible assets | 22 | **(12,719,620)** | (15,508,000) |
| Proceeds from financial investments | | **-** | 191,903,038 |
| Disposal/(additions) of investment in treasury bills | | **599,961,776** | (11,871,493) |
| Additions to non current assets held for sale | | **(17,514,288)** | (35,302,846) |
| Disposal of non-current assets held for sale | | **41,754,887** | 72,646,798 |
| Proceeds from disposal of property and equipment | | **9,524,774** | 636,640 |
| **Net cash from/(used) investing activities** | | **531,023,719** | 179,846,736 |
| **Cash flows from financing activities** | | | |
| Additional borrowings | 25 | **-** | 113,175,279 |
| Repayment of borrowed funds | 25 | **(67,179,634)** | (4,709,653) |
| Additional on-lending facility | 26 | **187,247,000** | 140,102,000 |
| Repayment of on-lending facility | 26 | **(24,896,678)** | (22,367,917) |
| **Net cash from financing activities** | | **95,170,688** | 226,199,709 |
| Increase in cash and cash equivalents | | **66,912,960** | 416,115,441 |
| Cash and cash equivalents as at 1 January | | **1,354,662,457** | 938,547,016 |
| **Cash and cash equivalents as at 31 December** | | **1,421,575,417** | 1,354,662,457 |
| **Additional cash flow information** | | | |
| **Cash and cash equivalents** | | | |
| Cash on hand | 16 | **74,711,657** | 63,574,244 |
| Balances with banks within Nigeria | 17 | **783,887,918** | 209,436,814 |
| Placements with banks | 17 | **562,975,842** | 1,081,651,399 |
| | | **1,421,575,417** | 1,354,662,457 |

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

LIVINGTRUST MORTGAGE BANK PLC

## STATEMENT OF PRUDENTIAL ADJUSTMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

The Central Bank of Nigeria (CBN) stipulates that provisions for loans recognized in the statement of profit or loss be determined based on the requirements of IFRS. The IFRS provisions should then be compared with provision determined under the CBN prudential guidelines and the expected impact/changes treated in the retained earnings as follows:

i) Where the prudential provision is greater than IFRS impairment allowance: the difference should be transferred from the retained earnings to a non-distributable regulatory risk reserve.

ii) Where the prudential provision is less than IFRS impairment allowance: The difference should be transferred from the regulatory risk reserve to the retained earnings to the extent of the non-distributable reserve previously recognized.

| | 2020 | 2019 |
|---|---|---|
| | ₦ | ₦ |
| **Analysis of Prudential Guidelines provision** | | |
| Performing | **38,116,427** | 16,976,915 |
| Non-performing: | | |
| Watchlist | **800,769** | 688,020 |
| Substandard | **37,565,753** | 2,237,633 |
| Doubtful | **12,807,329** | 9,556,828 |
| Very doubtful | **-** | 401 |
| Lost | **85,492,039** | 34,675,026 |
| Interest-in-suspense | **26,808,256** | 21,022,188 |
| **Total prudential impairment provision** | **201,590,573** | 85,157,011 |
| **IFRS impairment allowance** | | |
| Stage 1 (See note 18.8) | **129,393,875** | 32,074,413 |
| Stage 2 (See note 18.8) | **23,960** | 79,012 |
| Stage 3 (See note 18.8) | **7,107,317** | 64,760,045 |
| **Total ECL impairment** | **136,525,152** | 96,913,470 |
| IFRS impairment allowance lower/(above) prudential provision | **65,065,421** | (11,756,459) |
| **Regulatory risk reserve** | | |
| At 1 January | **794,145** | 12,550,604 |
| Transfer to/(from) retained earnings | **64,271,276** | (11,756,459) |
| **At 31 December** | **65,065,421** | 794,145 |

The regulatory risk reserve accounts for the difference between the impairment allowance on loans and advances computed based on the Central Bank of Nigeria Prudential Guidelines compared with the expected credit loss model used in calculating the impairment under IFRS.

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2020**

## 1. General information

### 1.1 Reporting entity

LivingTrust Mortgage Bank Plc (formerly Omoluabi Mortgage Bank Plc) is a public limited liability company domiciled in Nigeria. The address of the Bank's registered office is Old Governor's Office, Gbongon Road, Osogbo, Osun State. The Bank obtained its license to operate as a Mortgage Bank on the 24 February 1999 and commenced operations in March 1999. The Bank became a public limited liability company on 13 January 2014. The Bank changed its name from Omoluabi Mortgage Bank Plc to LivingTrust Mortgage Bank Plc on 7 October 2020.

The Bank is primarily involved in business of Residential and Commercial Mortgage financing as well as construction finance among other financial services.

### 1.2 Basis of preparation

**a) Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) in the manner required by the Companies and Allied Matters Act, 2020, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act, and relevant Central Bank of Nigeria circulars. The IFRS accounting policies have been consistently applied to all periods presented.

**b) Basis of measurement**

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

- Assets and liabilities held for trading are measured at fair;
- Financial instruments designated at fair value through profit or loss are measured at fair value; investments in equity instruments are measured at fair value;
- Other financial assets not held in a business model whose objective is to hold assets to collect contractual cash flows or whose contractual terms do not give rise solely to payments of principal and interest are measured at fair value;
- Recognized financial assets and financial liabilities designated as hedged items in qualifying fair value hedge relationships are adjusted for changes in fair value attributable to the risk being hedged;
- Liabilities for cash-settled share-based payment arrangements are measured at fair value;
- Available-for-sale financial assets are measured at fair value.

**c) Functional and presentation currency**

These financial statements are presented in Naira, which is the Bank's functional currency.

## 2. Significant accounting judgments, estimates and assumptions

The preparation of the financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

**a) Going concern**

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

**b) Fair value of financial instruments**

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values.

**c) Changes to the impairment calculation**

The adoption of IFRS 9 has fundamentally changed the Bank's accounting for loan loss impairments by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Bank to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

Details of the Bank's impairment method are disclosed below:

**Impairment model on loans and advances to customers**

The Bank divides its loan portfolio into significant and insignificant loans based on Management approved materiality threshold. The Bank also groups its risk assets into buckets with similar risk characteristics for the purpose of collective impairment of insignificant loans and unimpaired significant loans.

The Probability of Default (PD) and the Loss Given default (LGD) are then computed using historical data from the loan buckets.

The Bank reviews its individually significant loans and advances at each statement of financial position date to assess whether an impairment loss should be recorded in the income statement. In particular, Management judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. The Present Value of such cash flows as well as the present value of the fair value of the collateral is then compared to the Exposure at Default.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively in buckets of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment of impaired insignificant loans is done with a PD of 100% and the historical LGD while the collective assessment of unimpaired insignificant loans and significant loans is done with the historical PD and LGD.

**A summary of the assumptions underpinning the Bank's expected credit loss model is as follows:**

**(a) Loans and advances to customers**

The Bank uses Four IFRS buckets & Three categories for loans which reflect their credit risk and how the loan loss allowance is determined for each of those categories.

| | | |
|---|---|---|
| Performing | Customers have a low risk of default and a strong capacity to meet contractual cash flows. | 12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime. |
| Substandard | Interest and/or principal repayments are 30 days past due | Lifetime expected losses, credit impaired. |
| Lost | Interest and/or principal repayments are 90 days past due and there is no reasonable expectation of recovery. | Asset is written off. |

Over the term of the loans, the Bank accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Bank considers historical loss rates for each category of customers, and adjusts for forward looking macroeconomic data.

The Bank provides for credit losses against loans to customers as follows:

| | | | |
|---|---|---|---|
| Performing | AA<br>A | 12 month expected losses | Gross carrying amount |
| Substandard | BB<br>B<br>C | Lifetime expected losses | Amortised cost |
| Write-off | D | Asset is written off through profit or loss to the extent of expected losses | None |

**(b) Accounts receivables**

The Bank applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The expected credit losses has also incorporated forward looking information. See Note 18e for the credit losses recognised during the year.

**Inputs, assumptions and techniques used for estimating impairment Significant increase in credit risk**

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

**Credit risk grades**

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data:

| | | |
|---|---|---|
| - Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes.<br><br>- Data from credit bureau agencies.<br>- Actual and expected significant changes in the political,<br>regulatory and technological environment of the borrower or in its business activities. | - Internally collected data on customer behaviour<br><br>- Ability to repay the loan as at when due | - Payment record<br><br>- Requests for and granting forbearance<br><br>- Existing and forecast changes in business, financial and economic conditions |

**Generating the term structure of PD**

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading.

The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include: GDP growth, oil prices, benchmark interest rates and unemployment.
For exposures to specific industries and/or regions, the analysis may extend to relevant commodity and/or real estate prices.

**Determining whether credit risk has increased significantly**

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Bank's quantitative modelling, the remaining lifetime PD is determined to have increased by more than [a predetermined percentage/range]. (e.g. when the IFRS 9 lifetime PD has doubled since initial recognition and has increased by more than 20 bps a year).

Using its expert credit judgement and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 90 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

**Modified financial assets**

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- with 'the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Audit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar forbearance action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired (see Note 18e / in default). A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

**Definition of default and cure**

The Bank considers a financial asset to be in default and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 180 days past due on its contractual payments. The Bank considers treasury and interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness 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:

• Internal rating of the borrower indicating default or near-default;
• The borrower requesting emergency funding from the Bank;
• The borrower having past due liabilities to public creditors or employees;
• The borrower is deceased;
• A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral;
• A material decrease in the borrower's turnover or the loss of a major customer;
• A covenant breach not waived by the Bank,
• The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection;
• Debtor's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties;
• Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; and
• Based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least three six consecutive months (i.e. a probationary period of 90 days to upgrade from Stage 3 to 2 and a further probationary period of 90 days to upgrade from Stage 2 to 1). The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

**Incorporation of forward-looking information**

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the Bank Risk Committee and economic experts and consideration of a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome.

To ensure completeness and accuracy, the Bank obtains the data used from third party sources. The external information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries in Nigeria, supranational organisations such as the OECD and the International Monetary Fund, and selected private-sector and academic forecasters (e.g. Rating Agency, The Economist Society, Bureau of Statistics, etc.). A team of economists within the Bank's Risk Department verifies the accuracy of inputs to the Bank's ECL models including determining the weights attributable to the multiple scenarios. The base case represents a most-likely outcome and is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 4 years. 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, as at 31 December 2020.

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2020

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.

**31 December 2020**

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | % | % | % | % | % | % | % |
| GDP growth % | | | | | | | | |
| | Upside | 30 | | | | | | 2.3 |
| | Base case | 40 | | | | | | 2.3 |
| | Downside | 30 | | | | | | 2.3 |
| Unemployment rates % | | | | | | | | |
| | Upside | 40 | | | | | | 4.8 |
| | Base case | 40 | | | | | | 4.8 |
| | Downside | 20 | | | | | | 4.8 |
| Foreign exchange rates % | | | | | | | | |
| | Upside | 40 | | | | | | 2.2 |
| | Base case | 30 | | | | | | 2.2 |
| | Downside | 30 | | | | | | 2.2 |
| Inflation rates % | | | | | | | | |
| | Upside | 20 | | | | | | 2.7 |
| | Base case | 45 | | | | | | 2.7 |
| | Downside | 35 | | | | | | 2.7 |
| Interest rates % | | | | | | | | |
| | Upside | 40 | | | | | | 2.1 |
| | Base case | 30 | | | | | | 2.1 |
| | Downside | 30 | | | | | | 2.1 |

**Measurement of ECL**

The key inputs into the measurement of ECL are the term structure of the following variables:
- probability of default
- loss given default
- exposure at default

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

**Probability of default (PD)**

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

**Loss given default (LGD)**
LGD is the magnitude of the likely loss if there is a default. The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.
The Bank segments its lending products 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 type, wider range of collateral types) as well as borrower characteristics.

For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

**Exposure at default (EAD)**
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. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12 months ECL. However, if a Stage 1 loan that is expected to default in the 12 months from the reporting date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3 and POCI 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.

**Collective assessment**
Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:
- instrument type;
- credit risk gradings;
- collateral type;

- LTV ratio for retail mortgages;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

**Debt instruments measured at FVOCI**
The write-off of a portfolio of securities following the collapse of the local market.

**Impairment of available-for-sale investments**
The bank reviews its debt securities classified as available-for-sale investments at each statement of financial position date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances.
The bank also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the bank evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

**Deferred tax assets**
Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

**Determination of collateral value**
The monitoring of market value of collateral is done on a regular basis. Fair value is adjusted to reflect current market conditions. The amount of collateral required depends on the assessment of the counterparty credit risk.

## 3. Changes in accounting policies and disclosures and Standards Issued

### 3.1 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020.

Several standards amendments and interpretations apply for the first time in 2020 but did not have an impact on the financial statements of the Bank.

The Bank has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

#### 3.1.1 Amendment to IFRS 3 - Business Combinations
The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting periods beginning on or after 1 January, 2020 and to asset acquisitions that occur on or after the beginning of that period. Earlier application is permitted.
The Standards outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date.

The amendment relates to the definition of a "business" and they:
- Clarify that to be considered a business, an acquired 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 outputs.
- Narrow the definitions of a business and of outputs by focus ng on goods and services provided to customers and by removing the reference to an ability to reduce costs.
- Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired.

- Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs.
- Add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

These amendments did not have any impact on the Bank's financial statements.

**3.1.2 Amendment to IAS 1 - Presentation of financial statements and IA6 8 Accounting policies, changes in acounting estimates and errors**

The amendments are effective for annual reporting periods beginning on or after 1 January 2020, although earlier application was permitted. The purpose for the amendment is to expand on the definition of materiality and bring more clarity to its characteristics.

The revised definition of "Material" is quoted below:
"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendment emphasises five ways material information can be obscured:
- If the language regarding a material item, transaction or other event is vague or unclear.
- If information regarding a material item, transaction or other event is scattered in different places in the financial statements.
- If dissimilar items, transactions or other events are inappropriately aggregated.
- If similar items, transactions or other events are inappropriately disaggregated.
- If material information is hidden by immaterial information to the extent that it becomes unclear what information is material.

The amendment expands the definition to include:

**Obscuring**

Obscuring material information with information that can be omitted can have a similar effect. Although the term obscuring is new in the definition, it was already part of IAS 1.

**Could reasonably be expected to influence**

The existing definition referred to 'could influence' which the IASB felt might be understood as requiring too much information as almost anything 'could' influence the decisions of some users even if the possibility is remote.

**Primary users**

The existing definition referred only to 'users' which again the IASB feared might be understood too broadly as requiring to consider all possible users of financial statements when deciding what information to disclose.

The amendments to the definition of material did not have a significant impact on the Bank's financial statements.

**3.1.3 Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform**

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR).

These amendments are effective for annual reporting periods beginning on or after 1 January 2020.

The adoption of phase 1 of the IBOR reform did not lead to a change in the Bank's accounting policies and do not have any interest hedge accounting. The Bank is currently assessing the impact of the phase 2 amendments.

**Amendments to IFRS 9**

The amendments include a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

Application of the reliefs is mandatory. The first three reliefs provide for:

- The assessment of whether a forecast transaction (or component thereof) is highly probable.
- Assessing when to reclassify the amount in the cash flow hedge reserve to profit and loss.
- The assessment of the economic relationship between the hedged item and the hedging instrument.

For each of these reliefs, it is assumed that the benchmark on which the hedged cash flows are based (whether or not contractually specified) and/or, for relief three, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform. The fourth relief provides that, for a benchmark component of interest rate risk that is affected by IBOR reform, the requirement that the risk component is separately identifiable need be met only at the inception of the hedging relationship.

Where hedging instruments and hedged items may be added to or removed from an open portfolio in a continuous hedging strategy, the separately identifiable requirement need only be met when hedged items are initially designated within the hedging relationship.

To the extent that a hedging instrument is altered so that its cash flows are based on an RFR, but the hedged item is still based on IBOR (or vice versa), there is no relief from measuring and recording any ineffectiveness that arises due to differences in their changes in fair value. The reliefs continue indefinitely in the absence of any of the events described in the amendments.

When an entity designates a group of items as the hedged item, the requirements for when the reliefs cease are applied separately to each individual item within the designated group of items. The amendments also introduce specific disclosure requirements for hedging relationships to which the reliefs are applied.

**Amendments to IAS 39**
The corresponding amendments are consistent with those for IFRS 9, but with the following differences:

- For the prospective assessment of hedge effectiveness, it is assumed that the benchmark on which the hedged cash flows are based (whether or not it is contractually specified) and/or the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform.
- For the retrospective assessment of hedge effectiveness, to allow the hedge to pass the assessment even if the actual results of the hedge are temporarily outside the 80%-125% range, during the period of uncertainty arising from IBOR reform.
- For a hedge of a benchmark portion (rather than a risk component under IFRS 9) of interest rate risk that is affected by IBOR reform, the requirement that the portion is separately identifiable need be met only at the inception of the hedge.

**3.1.4 Revised Conceptual Framework for Financial Reporting**
The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting;
- reinstating prudence as a component of neutrality;
- defining a reporting entity, which may be a legal entity , or a portion of an entity;
- revising the definitions of an asset and a liability;
- removing the probability threshold for recognition and adding guidance on derecognition;
- adding guidance on different measurement basis; and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020.

The conceptual framework did not have any material impact on the Bank's financial statements.

**3.1.5 Amendments to IAS 1 and IAS 8 - Definition of Material**
In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments to the definition of material did not have a significant impact on the Bank's financial statements.

**3.2 Standards issued and effective on or after 1 January 2020**

**3.2.1 IFRS 17 Insurance contracts**
A comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 Insurance Contracts.
IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, 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. Retrospective application is required.
However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.
IFRS 17 is a comprehensive standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 Insurance Contracts.

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short-duration which typically applies to certain non-life insurance contracts.

The main features of the new accounting model for insurance contracts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows).
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e., coverage period).
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period.
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.
- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period.
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in profit or loss, but are recognised directly on the statement of financial position.
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense.
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

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

**3.2.2 Amendments to IAS 1 - Classification of liabilities as current or non-current**

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clañfy what IAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's inMentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023.

The effective date is 1 January 2022 (possibly deferred to 1 January 2023).

The impact of this amendment on the Bank financial statements is currently under assessment.

**3.2.3 Amendments to IAS 16 - Proceeds before intended use**

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Early application is permitted. It amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.
The Bank does not expect these amendments to have impact on its financial statements when it becomes effective.

**3.2.4 Amendments to IAS 37 - Onerous contracts - Cost of fulfilling a contract**
The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Early application is permitted.

The changes in Onerous Contracts - Cost of Fulfilling a Contract specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The Bank will not be affected by these amendments on the date of transition.

**3.2.5 Amendments to IFRS 16 - COVID-19-related rent concessions**
The amendment is effective for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorised for issue at 28 May 2020. The amendment is also available for interim reports. The changes in Covid-19-Related Rent Concessions (Amendment to IFRS 16) amend IFRS 16 to:

- provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification;
- require lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications;
- require lessees that apply the exemption to disclose that fact; and require lessees to apply the exemption retrospectively in accordance with IAS 8, but not require them to restate prior period figures.

The main change from the proposal in the exposure draft is that the IASB had proposed that the practical expedient should only be available for lease payments originally due in 2020. However, after having considered the feedback to the exposure draft, the IASB decided to extend this period to June 2021 to also capture rent concessions granted now and lasting for 12 months.
The Bank does not expect these amendments to have impact on its financial statements when they become effective.

**3.2.6 Amendments to IFRS 3 - Reference to the conceptual framework**
Minor amendments were made to îFRS 3 Business Combinatîons to update the reference to the Conceptual Framework lor Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provision. Contingent Liabilities and Contingent Aesets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

The effective date is 1 January 2022.

The amendment will have no material effect on the Bank's financial statements.

**3.2.7 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.
The Bank will apply these amendments when they become effective.

**3.2.8 Annual Improvement to IFRS Standards 2018 - 2020**
The following Improvements were finalised in May 2020:

- IFRS 9 Financial Instruments - clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- IFRS 16 Leases - To remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

The effective date is 1 January 2022.

**4. Statement of significant accounting policies**
The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

**4.1 Revenue recognition**
Interest income is recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the statement of comprehensive income include interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis. Interest income and expense on all trading assets and liabilities are considered to be incidental to the bank's trading operations and are presented together with all other changes in the fair value.

**4.2 Fees and commission**
Fees and commission income and expense that are integral to the effective interest rate on a financial asset or a 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.

**4.3 Net trading income**
Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realized and unrealized fair value changes, interest, dividends and foreign exchange differences.

**4.4 Net income from other financial Instruments at fair value through profit or loss**
Net income from other financial instruments at fair value through profit or loss relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships, financial assets mandatorily measured at fair value through profit or loss other than those held for trading, and financial assets and liabilities designated at fair value through profit or loss. It includes all realized and unrealized fair value changes, interest, dividends and foreign exchange differences.

**4.5 Dividends**

Dividend income is recognized when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividends are presented in net trading income or net income from other financial instruments at fair value through profit or loss based on the underlying classification of the equity investment. Dividends on equity instruments designated as at fair value through other comprehensive income are presented in other revenue in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment, in which case it is presented in other comprehensive income.

**4.6 Lease payments**

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

**4.7 Tax expense**

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss of the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

**4.8 Deferred taxation**

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

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets
and liabilities will be realized simultaneously.
Additional taxes that arise from the distribution of dividends by the Bank are recognized at the same time as the liability to pay the related dividend is recognized.

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

**4.9 Financial assets and financial liabilities**

**i) Recognition and initial measurement**
The bank initially recognizes loans and advances, deposits, debt securities issued and subordinated liabilities on the date at which they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on the trade date at which the bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

**ii) Classification**
Financial assets:
At inception a financial asset is classified as measured at amortized cost or fair value. A financial asset qualifies for amortized cost measurement only if the asset is held within a business model whose objective is to hold assets in order 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.

If a financial asset does not meet both of these conditions, then it is measured at fair value. The Bank makes an assessment of a business model at a portfolio level as this reflects best the way the business is managed and information is provided to management.

In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the bank considers:
- Management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- How management evaluates the performance of the portfolio;
- Whether management's strategy focus on earning contractual interest revenues;
- The degree of frequency of any expected asset sales;
- The reason or any asset sales; and
- Whether assets that are sold are held for an extended period of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

Financial assets held for trading are not held within a business model whose objective is to hold the asset in order to collect contractual cash flows.

The Bank has designated certain financial assets at fair value through profit or loss because the designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise. Financial assets are not reclassified subsequent to their initial recognition, except when the bank changes its business model or managing financial assets.

**Financial liabilities**
The bank classifies its financial liabilities as measured at amortized cost or fair value through profit or loss.

The bank designates financial liabilities at fair value through profit or loss when liabilities contain embedded derivatives that significantly modify the cash flows that would otherwise be required under the contract.

Financial guarantees and commitments to provide a loan at a below-market interest rate are subsequently measured at the higher of the amount determined in accordance with IAS 37 provisions, Contingent Liabilities and Contingent Assets and the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IAS 18 Revenue.

**iii) De-recognition**

The bank derecognizes 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 de-recognition that is created or retained by the bank is recognized as a separate asset or liability in the statement of financial position. On de-recognition 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 consideration received (including any new asset obtained less any new liability assumed) is recognized in profit or loss.

The bank enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

In transactions in which the bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the bank continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognized if it meets the de-recognition criteria. An asset or liability is recognized for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Retained interests are measured at amortized cost or fair value with fair value changes recognized profit or loss.

**iv) Off-setting**

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the bank has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions such as in the bank's trading activity.

**v) Amortized cost measurement**

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

**vi) Fair value measurement**

Fair value is price received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When available, the bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then the bank establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analysis and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the bank, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The bank calibrates valuation techniques and tests them for validity using prices form observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, i.e. without modification or repackaging, or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Any difference between the fair value at initial recognition and the amount that would be determined at that date using a valuation technique in a situation in which the valuation is dependent on unobservable parameters is not recognized in profit or loss immediately but is recognized over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value become observable.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price.

**vii) Identification and Measurement of Impairment**

At each reporting date the bank assesses whether there is objective evidence that financial assets carried at amortized cost are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the bank on terms that the bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable date relating to a group of assets such as adverse changes in the payment status of borrowers or issuers, or economic conditions that correlate with defaults.

The bank considers evidence of impairment for loans and advances and investment securities measured at amortized costs at both a specific asset and collective level. All individually significant loans and advances and investment securities measured at amortized cost found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and investment securities measured at amortized cost that are not individually significant are collectively assessed for impairment by grouping together loans and advances and investment securities measured at amortized cost with similar risk characteristics.

In assessing collective impairment the bank uses statistical modeling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modeling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognized in profit or loss and reflected in an allowance account against loans and advances. Interest on impaired assets continues to be recognized through the unwinding of the discount. When a subsequent event cause the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

The bank writes off loans and advances and investment securities when they are determined to be uncollectible.

**4.10 Cash and cash equivalents**

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with banks and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the bank in the management of its short term commitments. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

**4.11 Trading assets and liabilities**

Trading assets and liabilities are those assets and liabilities that the bank acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking. Trading assets and liabilities are measured at fair value with changes in fair value recognized as part of net trading income in profit or loss.

**4.12 Loans and advances**

Loans and advances are non-derivative financial assets with fixed or determinable payments, other than investment securities that are not held for trading.

When the bank is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of the asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognized and presented within loans and advances.

When the bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognized in the Bank's financial statements.

Subsequent to initial recognition loans and advances are measured at amortized cost using the effective interest method, except when the bank recognizes the loans and advances at fair value through profit or loss.

**4.13 Investment securities**

Subsequent to initial recognition investment securities are accounted for depending on their classification s either amortized cost, fair value through profit or loss or fair value through other comprehensive income.

Investment securities are measured at amortized cost using the effective interest method, if:

- They are held within a business model with an objective to hold assets in order 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; and
- They have not been designated previously as measured at fair value through profit or loss.

The bank elects to present changes in fair value of certain investments in equity instruments held for strategic purposes in other comprehensive income. The election is irrevocable and is made on an instrument-by-instrument basis at initial recognition.

**4.14 Property and equipment**

**i) Recognition and measurement**

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

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 or their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalized borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property and equipment. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that 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 and equipment. The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and is recognized in other income/other expenses in profit or loss.

**ii) Reclassification to investment property**

When the use of property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified as investment property. Any gain arising on re-measurement is recognized in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognized in other comprehensive income and presented in revaluation reserve in equity. Any loss is recognized immediately in profit or loss.

**iii) Subsequent costs**

The cost of replacing a component of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the bank and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-ay servicing of property and equipment are recognized in profit or loss as incurred.

**iv) Depreciation**

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative years are as follows:

| | |
|---|---|
| Building | 50 years |
| Plant & machinery | 5 years |
| Leasehold improvement | 5 years |
| Furniture & fittings | 5 years |
| Computer and office equipment | 5 years |
| Motor vehicles | 4 years |

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

**4.15 Investment property**

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. The bank holds some investment property as a consequence of the ongoing rationalization of its retail branch network. Other property has been acquired through the enforcement of security over loans and advances. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognized in profit or loss as part of other revenue.

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

**4.16 Intangible assets (computer software)**

**Software**

Software acquired by the Bank is stated at cost less accumulated amortization and accumulated impairment losses and depreciated over 5 years.

Expenditure on internally developed software is recognized as an asset when the bank is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development. The capitalized costs of internally developed software include all costs directly attributable to developing the software and capitalized borrowing costs, and are amortized over its useful life. Internally developed software is stated at capitalized cost less accumulated amortization and impairment.

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is three to five years.

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

**4.17 Leased assets – lessee**

Leases in terms of which the bank assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and are not recognized in the Bank's statement of financial position.

**4.18 Impairment of non-financial assets**

The carrying amounts of the bank's non-financial assets, other than investment property and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its Cash Generating Unit exceeds its estimated recoverable amount.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating unit.

The bank's corporate assets do not generate separate cash inflows and are utilized by more than one cash generating unit. Corporate assets are allocated to cash generating units on a reasonable and consistent basis and tested for impairment as part of the testing of the cash generating unit to which the corporate asset is allocated.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated first to reduce the carrying amount of the assets in the cash generating unit on a pro rata basis.

Impairment losses recognized in prior periods (on assets other than good will) are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**4.19 Deposits, debt securities issued and subordinated liabilities**

Deposits, debt securities issued and subordinated liabilities are the bank's sources of debt funding. When the bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (repo or stock lending), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognized in the bank's financial statements.

The bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The bank's convertible preference shares are classified as equity. Subsequent to initial recognition deposits, debts securities issued and subordinated liabilities are measured at their amortized cost using the effective interest method, except where the bank designates liabilities at fair value through profit or loss.

When the bank designates a financial liability as at fair value through profit or loss, the amount of change in the fair value of such liability that is attributable to its changes in credit risk is presented in other comprehensive income. At inception of a financial liability designated as at fair value though profit or loss, the bank assesses whether presentation of the amount of change in the fair value of the liability that is attributable to credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The assessment is first made qualitatively, on an instrument-by-instrument basis, as to whether there is an economic relationship between the characteristics of the liability and the characteristics of another financial instrument that would cause such an accounting mismatch. No such mismatch has been identified in respect of the financial liabilities entered into by the bank and therefore no further detailed analysis has been required.

**4.20 Provisions**

A provision is recognized if, as a result of a past event, the bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognized when the bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

**4.21 Financial guarantees**

Financial guarantees are contracts that require the bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are recognized initially at their fair value, and the initial fair value is amortized over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortized amount and the present value of any expected payment when a payment under the guarantee has become probable. Financial guarantees are included within other liabilities.

**4.22 Employee benefits**

**i) Defined contribution plans**

The bank makes use of defined contribution plans.

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Employees contributes 8% their basic, housing and transport allowances while the Bank contributes 10% of same. The total contribution is remitted to the Retirement Savings Accounts of the employees in line with Pension Reform Act 2004 (as amended). Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

Contributions to a defined contribution plan that are due more than 12 months after the end of the reporting period in which the employees render the service are discounted to their present value at the reporting date.

**ii) Termination benefits**

Termination benefits are recognized as an expense when the bank is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized if the bank has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the end of the reporting date, then they are discounted at their present value.

**iii) Short-term employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the bank has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

**4.23 Share capital and reserves**

**i) Ordinary share capital**

The Bank has issued ordinary shares that are classified as equity instruments.

**ii) Share premium**
This represents the excess of the proceeds from the issue of shares over the nominal value (par value) of the share.

**iii) Convertible preference shares**
The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The bank's convertible preference shares are not redeemable by holders. Accordingly, they are presented as a component of issued capital within equity.

**iv) Share Issue costs**
Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments. Other costs are applied against the Bank's share premium reserves.

**4.24 Earnings per share**
The bank presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise issued and fully paid convertible preference shares.

**4.25 Non-current assets held for sale**
Property, plant and equipment and intangible asset classified as Held for sale are not depreciated or amortized. The Bank recognizes all impairment losses for any initial or subsequent write down of the asset to fair value less cost to sell, a gain is recognized in any subsequent increase in fair value less cost to sell of an asset held for sale, up to the cumulative impairment loss that has been recognized. A gain or loss not previously recognized by the date of the sale of a non-current asset shall be recognized at the date of de-recognition. An impairment loss recognized will reduce the carrying amount of the non-current asset held for sale.

**4.26 Segment reporting**
An operating segment is a component of the Bank that engages in business activity from which it can incur expenses and earn revenues and expenses including those that relate to transactions with any of the Bank's other components, whose operating results are reviewed regularly by the Bank's Management Committee to make decisions about resources allocated to each segment and assess its performance, and for which specific information is available.

**4.27 Segment Information**
Segment information is based on geographical segments or business segments as primary reporting segments. A geographical segment is engaged in providing products and/or services within a particular economic environment that are subject to risks and returns different from those of segments operating in other economic environments.

The operating results of segments are monitored separately with the aim of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits and losses which in certain respects are measured differently from operating profits or losses in the financial statements. Reliance is placed primarily on growth in Deposit, Loans and Profit before taxes as measures of performance.

All transactions between segments are conducted on an arms length basis; the internal charges and transfer pricing adjustments are reflected in the performance of each segment units.

The activities of the segments are centrally financed, thus the cash flow is presented in the statement of cash flows for the whole entity.
The Bank's operations are in Osun State only and thus operates in just one geographical segment. The risks and reward of carrying on business in different locations in Osun State for the purpose of these financial statements are considered equitable.

The Bank is also engaged in one major line of business which is Mortgage Banking hence all its results are mortgage related.

**5. Capital management i) Objectives**

The primary objectives of the bank's capital management policy are to ensure that the bank complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

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, return capital to shareholders or issue capital securities. No changes have been made to the objectives, policies and processes from the previous years. However, they are under constant review by the Board.

**ii) Regulatory capital**

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 Basel Committee on Banking Supervision (BIS rules/ratios) and adopted by the Central Bank of Nigeria in supervising Banks. The Central Bank of Nigeria requires the Bank to maintain a prescribed ratio of total capital to total risk weighted assets.

The Bank's regulatory capital is analyzed into two tiers:

**Tier 1 Capital:** This includes ordinary share capital, share premium, retained earnings, deductions for intangibles and other regulatory adjustment relating to items that are included in equity but are treated differently for capital purposes.

**Tier 2 Capital:** Which includes qualifying subordinated liabilities, preference shares, revaluation reserves and the element of the fair value reserve relating to unrealized gains on equity instruments classified as available for sale.

Regulatory limits are applied to the capital base. The qualifying tier 2 cannot exceed tier 1 capital. There are also restrictions on the amount of collective impairment that may be included as part of tier 2 capital.

**iii) Capital Adequacy Ratio (CAR)**

This is the quotient of the capital base of the Bank and its risk weighted asset base. In compliance with the Central Bank of Nigeria regulations, a minimum ratio of 10% is to be maintained.

| | 2020 | 2019 |
|---|---|---|
| | ₦ | ₦ |
| **Regulatory capital** | | |
| **Tier 1 capital** | | |
| Share capital | **2,500,000,000** | 2,500,000,000 |
| Statutory reserves | **111,768,808** | 85,296,967 |
| Retained earnings | **107,591,409** | 65,975,321 |
| Intangible assets | **(32,154,050)** | (25,918,795) |
| Total qualifying Tier 1 capital | **2,687,206,167** | 2,625,353,492 |
| **Tier 2 capital** | | |
| Preference share | **-** | - |
| Long term loans | **646,115,748** | 550,945,060 |
| Fair value true other comprehensive income- FVTOCI | **(7,316,777)** | (3,201,276) |
| Total qualifying Tier 2 capital | **638,798,971** | 547,743,784 |
| **Total qualifying capital** | **3,326,005,138** | 3,173,097,276 |
| **Risk-weighted assets:** | | |
| On-balance sheet | **5,531,706,123** | 3,004,170,346 |
| Ratio | **60.13** | 105.62 |
| During the year, the highest and lowest peaks of the Bank's computed CAR are shown below: | | |
| Highest | **76.02** | 87.37 |
| Lowest | **51.83** | 77.93 |
| Average | **63.93** | 82.65 |

**6. Risk management framework**

The primary objective of LivingTrust Mortgage Bank Plc's risk management framework is to protect the bank's stakeholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Management recognises the critical importance of having efficient and effective risk management systems in place.

The bank has established a risk management function with clear terms of reference from the board of directors, its committees and the executive management committees.

This is supplemented with a clear organizational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. Lastly, the Internal Audit unit provides independent and objective assurance on the robustness of the risk management framework, and the appropriateness and effectiveness.

The bank's principal significant risks are assessed and mitigated under three broad headings:

**Strategic risks –** This specifically focused on the economic environment, the products offered and market. The strategic risks arises from the bank's ability to make appropriate decisions or implement appropriate business plans, strategies, decision making , resource allocation and its inability to adapt to changes in its business environment.

**Operational risks** – These are risks associated with inadequate or failed internal processes, people and systems, or from external events.

**Financial risks –** Risk associated with the financial operation of the bank, including underwriting for appropriate pricing of plans, provider payments, operational expenses, capital management, investments, liquidity and credit.

The board of directors approves the bank's risk management policies and meets regularly to approve any commercial, regulatory and organizational requirements of such policies. These policies define the bank's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting to the corporate goals, and specify reporting requirements to meet.

**6.1 Strategic risks**

Capital management policies, objectives and approach.

The following capital management objectives, policies and approach to managing the risks which affect the capital position are adopted by the bank.

- To maintain the required level of financial stability thereby providing a degree of security to clients and plan members.
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders.
- To retain financial flexibility by maintaining strong liquidity.
- To align the profile of assets and liabilities taking account of risks inherent in the business and regulatory requirements.
- To maintain financial strength to support new business growth and to satisfy the requirements of the regulators and stakeholders.

The Bank's operations are subject to regulatory requirements of Central Bank Nigeria (CBN) and Nigeria Deposit Insurance Corporation (NDIC), Nigerian Stock Exchange (NSE) in addition, annual returns must be submitted to Corporate Affairs Commission (CAC) on a regular basis.

**6.2 Operational risks**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the bank's processes, personnel, technology and infrastructure, and from external factors. Others are legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the bank's operations.

The bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each unit. This responsibility is supported by the development of operational standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including independent authorisation of transactions.
- requirements for the reconciliation and monitoring of transactions.
- compliance with regulatory and other legal requirements.
- documentation of controls and procedures.
- training and professional development.
- ethical and business standards.

**6.3 Financial risks**

The bank's operations exposes it to a number of financial risks. Adequate risk management procedures have been established to protect the bank against the potential adverse effects of these financial risks. There has been no material change in these financial risks since the prior year. The following are the risks the bank is exposed to due to financial instruments:

- Credit risks
- Liquidity risks
- Market risks

**6.3.1 Credit risks**

Credit risks arise from a customer delays; inability to fully meet contractual obligations by customers.

Exposure to this risk results from financial transactions with customers.

The bank has policies in place to mitigate its credit risks.

The bank's risk management policy sets out the assessment and determination of what constitutes credit risk for the bank. Compliance with the policy is monitored and exposures and breaches are reported to the bank's Board of Directors. The policy is regularly reviewed for pertinence and for changes in the risk environment.

The carrying amount of the bank's financial instruments represents the maximum exposure to credit risk.

## NOTES TO THE FINANCIAL STATEMENTS
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**Exposure to risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows:

| | 2020 | 2019 |
|---|---|---|
| | N | N |
| **Financial assets** | | |
| Cash and balances with CBN | **112,892,165** | 88,941,652 |
| Due from banks | **1,346,859,860** | 1,291,080,532 |
| Loans and advances to customers | **4,078,129,669** | 1,801,288,480 |
| -At amortised cost | **-** | 599,961,776 |
| -At Fairvalue through other comprehensive income | **106,716,594** | 710,793,871 |
| Other assets | **69,953,348** | 145,200,570 |
| | **5,714,551,636** | 4,637,266,881 |

**6.3.2a Liquidity risks**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments.

The bank maintains sufficient amount of cash for its operations. Management reviews cashflow forecasts on a regular basis to determine whether the bank has sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities.

The bank employs policies and procedures to mitigate it's exposure to liquidity risk. The bank complies with minimum regulatory requirements.

**6.3.2b Liquidity risks**

Below is the contractual maturities of financial liabilities in Nigerian naira presented in the financial statements.

| | Current | Non-current | Total |
|---|---|---|---|
| | N | N | N |
| **31 December 2020** | | | |
| Deposit from customers | **2,619,301,655** | **-** | **2,619,301,655** |
| Borrowings | **-** | **63,034,993** | **63,034,993** |
| On-lending facility | **-** | **583,080,755** | **583,080,755** |
| Other liabilities | **227,138,519** | **-** | **227,138,519** |
| | **2,846,440,174** | **646,115,748** | 3,492,555,922 |
| **31 December 2019** | | | |
| Due to customers | 1,209,131,736 | - | 1,209,131,736 |
| Borrowings | - | 130,214,627 | 130,214,627 |
| On-lending facility | | 420,730,433 | 420,730,433 |
| Other liabilities | 170,162,054 | - | 170,162,054 |
| | 170,162,054 | 550,945,060 | 721,107,114 |

The bank's focus on the maturity analysis of its financial liabilities is as stated above, the bank classifies their financial liabilities into those due within one year (current) and those due after one year (non-current).

The contractual cashflows disclosed in the maturity analysis are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount stated in the financial statements which is based on the discounted cash flows using the effective interest rate.

The financial liabilities affected by discounting are the long term borrowings (including the current portion), all other financial liabilities stated are assumed to approximate their carrying values due to their short term nature and are therefore not discounted.

**6.3.3 Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

**6.3.4 Currency risk**

All transactions of the company have been carried out and consummated in the local currency which is Naira. Hence the Bank is not exposed to any currency risk

**6.3.5 Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that are used by the bank. Interest bearing assets comprise cash and cash equivalents and loans to subsidiaries which are considered short term liquid assets. The bank's interest rate liability risk arises primarily from borrowings issued at variable interest rates which exposes the bank to cash flow interest rate risk. It is the bank's policy to settle trade payables within the credit limit terms allowed, thereby not incurring interest on overdue balances. Borrowings are sourced from local financial markets, covering short and long term funding.

The bank manages interest rate risk on borrowings by ensuring access to diverse sources of funding, reducing risks of refinancing by establishing and managing in accordance with target maturity profiles.

**6.3.6 Market price risk**

Exposure to this risk is minimal as the bank has no investment in listed securities.

## NOTES TO THE FINANCIAL STATEMENTS
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### 6.4. Interest rate risk

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

| | Up to 1 Month ₦ | 1 to 3 Months ₦ | 3 to 6 Months ₦ | 6 to 12 Months ₦ | 1 to 3 Years ₦ | Total ₦ |
|---|---|---|---|---|---|---|
| **a) As at 31 December 2020** | | | | | | |
| **Assets** | | | | | | |
| Due from Banks | **113,404,568** | **925,279,316** | **103,000,000** | **127,352,828** | **77,823,148** | **1,346,859,860** |
| Loans and advances to customers | **166,016,127** | **235,452,331** | **82,051,520** | **357,333,631** | **3,237,276,060** | **4,078,129,669** |
| | **279,420,695** | **1,160,731,647** | **185,051,520** | **484,686,459** | **3,315,099,208** | **5,424,989,529** |
| **Liabilities** | | | | | | |
| Deposit from customers | **2,150,250,114** | **426,136,585** | **25,748,974** | **17,165,982** | **-** | **2,619,301,655** |
| Borrowings | **-** | **-** | **-** | **-** | **63,034,993** | **63,034,993** |
| On-lending facility | **-** | **-** | **-** | **3,187,319** | **579,893,436** | **583,080,755** |
| | **2,150,250,114** | **426,136,585** | **25,748,974** | **20,353,301** | **642,928,429** | **3,265,417,403** |
| **Gap** | **(1,870,829,419)** | **734,595,062** | **159,302,546** | **464,333,158** | **2,672,170,779** | **2,159,572,126** |

| | Up to 1 Month ₦ | 1 to 3 Months ₦ | 3 to 6 Months ₦ | 6 to 12 Months ₦ | Over 12 Months ₦ | Total ₦ |
|---|---|---|---|---|---|---|
| **b) As at 31 December 2019** | | | | | | |
| **Assets** | | | | | | |
| Due from Banks | 515,420,187 | 723,198,263 | 52,462,082 | - | - | 1,291,080,532 |
| Loans and advances to customers | 8,571,853 | 150,086,056 | 42,994,593 | 238,693,956 | 1,349,699,146 | 1,790,045,604 |
| | 523,992,040 | 873,284,319 | 95,456,675 | 238,693,956 | 1,349,699,146 | 3,081,126,136 |
| **Liabilities** | | | | | | |
| Deposit from customers | 1,051,616,772 | 157,514,964 | - | - | - | 1,209,131,736 |
| Borrowings | - | - | - | - | 130,214,627 | 130,214,627 |
| On-lending facility | - | - | - | - | 420,730,433 | 420,730,433 |
| | **1,051,616,772** | **157,514,964** | **-** | **-** | **550,945,060** | **1,760,076,796** |
| **Gap** | **(527,624,732)** | **715,769,355** | **95,456,675** | **238,693,956** | **798,754,086** | **1,321,049,340** |

### 6.5. Maturity analysis

### 6.5.1 Maturity profile 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.

**a) As at 31 December 2020**

| | Up to 1 Month ₦ | 1 to 3 Months ₦ | 3 to 6 Months ₦ | 6 to 12 Months ₦ | Over 12 Months ₦ | Total ₦ |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and balances with CBN | 74,711,657 | - | - | - | 38,180,508 | 112,892,165 |
| Due from Banks | 113,404,568 | 925,279,316 | 103,000,000 | 127,352,828 | 77,823,148 | 1,346,859,860 |
| Loans and advances to customers | 166,016,127 | 235,452,331 | 82,051,520 | 357,333,631 | 3,237,276,060 | 4,078,129,669 |
| -At Fairvalue through other comprehensive Income | - | - | - | - | 106,716,594 | 106,716,594 |
| Other assets | 45,341,822 | 27,205,093 | 18,136,729 | - | - | 90,683,643 |
| Property and equipment | - | - | | - | 260,430,241 | 260,430,241 |
| Intangible assets | - | - | - | - | 32,154,050 | 32,154,050 |
| Deferred tax assets | - | - | - | - | 5,573,620 | 5,573,620 |
| Non current assets held for sale | - | - | 268,050,761 | | - | 268,050,761 |
| **Total assets** | 399,474,174 | 1,187,936,740 | 471,239,010 | 484,686,459 | 3,758,154,221 | 6,301,490,603 |
| **Liabilities** | | | | | | |
| Deposit from customers | 2,150,250,114 | 426,136,585 | 25,748,974 | 17,165,982 | - | 2,619,301,655 |
| Borrowings | - | - | - | - | 63,034,993 | 63,034,993 |
| On-lending facility | - | - | - | 3,187,319 | 579,893,436 | 583,080,755 |
| Current income tax liabilities | - | - | - | 9,761,091 | - | 9,761,091 |
| Deferred income tax liability | - | - | - | - | - | - |
| Other liabilities | 230,138,519 | - | - | - | - | 230,138,519 |
| **Total liabilities** | 2,380,388,633 | 426,136,585 | 25,748,974 | 30,114,392 | 642,928,429 | 3,505,317,013 |
| **Gap** | (1,980,914,460) | 761,800,155 | 445,490,036 | 454,572,067 | 3,115,225,792 | 2,796,173,590 |

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| | Up to 1 Month ₦ | 1 to 3 Months ₦ | 3 to 6 Months ₦ | 6 to 12 Months ₦ | Over 12 Months ₦ | **Total** ₦ |
|---|---|---|---|---|---|---|
| **b) Maturity profile of assets and Liabilities** | | | | | | |
| **As at 31 December 2019** | | | | | | |
| Cash and balances with CBN | 63,574,244 | - | - | - | 25,367,408 | 88,941,652 |
| Due from banks | 515,420,187 | 723,198,263 | 52,462,082 | - | - | 1,291,080,532 |
| Loans and advances to customers | 8,571,853 | 150,086,056 | 42,994,593 | 238,693,956 | 1,349,699,146 | 1,790,045,604 |
| -At amortised cost | - | - | - | - | 599,961,776 | 599,961,776 |
| -At Fairvalue through other comprehensive Income | - | - | - | - | 110,832,095 | 110,832,095 |
| Other assets | - | - | - | 75,250,018 | 74,000,000 | 149,250,018 |
| Property and equipment | - | - | | - | 226,894,615 | 226,894,615 |
| Intangible assets | - | - | - | - | 25,918,795 | 25,918,795 |
| Non current assets held for sale | - | - | - | 295,250,136 | - | 295,250,136 |
| **Total assets** | 587,566,284 | 873,284,319 | 95,456,675 | 609,194,110 | 2,412,673,835 | 4,578,175,223 |
| **Liabilities** | | | | | | |
| Deposit from customers | 1,051,616,772 | 157,514,964 | - | - | - | 1,209,131,736 |
| Borrowings | - | - | - | - | 130,214,627 | 130,214,627 |
| On-lending facility | | | - | - | 420,730,433 | 420,730,433 |
| Current income tax liabilities | - | - | - | 12,887,708 | - | 12,887,708 |
| Deferred income tax liability | - | - | - | - | - | - |
| Other liabilities | - | - | 6,593 | 173,155,461 | - | 173,162,054 |
| **Total liabilities** | 1,051,616,772 | 157,514,964 | 6,593 | 186,043,169 | 550,945,060 | 1,946,126,558 |
| Gap | (464,050,488) | 715,769,355 | 95,450,082 | 423,150,941 | 1,861,728,775 | - |

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2020

| | 2020 ₦ | 2019 ₦ |
|---|---|---|
| **7. Interest and similar income** | | |
| National Housing Fund loans | **28,218,909** | 19,521,508 |
| Other mortgage loans and advances to customers | **345,920,500** | 204,344,823 |
| | **374,139,409** | 223,866,331 |
| **8. Interest and similar expense** | | |
| Borrowings | **35,145,834** | 30,177,849 |
| Fixed deposits accounts | **16,065,778** | 19,248,401 |
| Savings deposit | **1,347,561** | 647,704 |
| Current account | **202,651** | 274,955 |
| | **52,761,824** | 50,348,909 |
| **9. Fees and commission income** | | |
| Credit related fees and commission (Note 9.1) | **53,686,501** | 15,391,297 |
| Commissions and account maintenance charges | **14,337,402** | 14,231,664 |
| | **68,023,903** | 29,622,961 |

**9.1** Credit related fees and commissions above exclude amounts included in determining the effective interest rate on financial assets that are not at fair value through profit or loss.

| | 2020 ₦ | 2019 ₦ |
|---|---|---|
| **10. Other operating income** | | |
| **Investment Income:** | | |
| - Government treasury bills - | **55,364,262** | 110,136,713 |
| Other investment income | **356,502** | - |
| Interest from bank | **56,461,577** | 79,792,960 |
| placement Other income | **98,270,144** | 58,986,883 |
| (Note 10.1) | **210,452,485** | 248,916,556 |

**10.1** Other income include non interest and non commission incomes earned in the deployment of banking services. These include income from SMS alerts, E-business, cheque book issuance and other electronic income.

| | 2020 ₦ | 2019 ₦ |
|---|---|---|
| **11. Impairment loss charge/(write back)** | | |
| Loans and advances to customers (Note 18.6) | **39,611,682** | (16,909,774) |
| Other assets (Note 20.1) | **-** | (18,001,365) |
| Treasury bills (Note 19.1) | **(38,224)** | 30,150 |
| Placement with other banks (Note 17) | **(3,781)** | (1,204) |
| Financial investments (Note 19.2) | **-** | 214,253 |
| | **39,569,677** | (34,667,940) |

## LIVINGTRUST MORTGAGE BANK PLC

### NOTES TO THE FINANCIAL STATEMENTS
### FOR THE YEAR ENDED 31 DECEMBER 2020

**12. Personnel expenses**

| | 2020 ₦ | 2019 ₦ |
|---|---|---|
| Salaries and wages | **151,212,236** | 135,875,788 |
| Other staff costs | **28,137,267** | 16,006,795 |
| Pension costs – defined contribution plan | **8,597,124** | 7,461,745 |
| | **187,946,627** | 159,344,328 |

**12.1.** Other staff costs include training expenses and other welfare costs

**13. Other operating expenses**

| | 2020 ₦ | 2019 ₦ |
|---|---|---|
| Office expenses | **2,758,663** | 1,882,258 |
| Light and power | **4,178,420** | 4,455,489 |
| Office rent | **5,088,995** | 4,043,077 |
| Other expenses | **375,870** | 925,543 |
| Travelling expenses | **1,155,300** | 1,892,177 |
| Hotel accommodation | **1,564,450** | 1,924,812 |
| Telephone expenses | **2,305,000** | 2,347,700 |
| Advert and promotions | **1,739,300** | 1,127,648 |
| Legal and other professional fees | **4,219,167** | 5,886,500 |
| Audit fee expenses | **3,000,000** | 3,000,000 |
| Printing and stationery expenses | **2,820,667** | 2,303,795 |
| Diesel, fuel and lubricant | **6,927,748** | 7,256,628 |
| Loss on disposal of asset held for sale | **-** | 12,661,425 |
| Loss on disposal of fixed assets | **2,496,048** | 2,034,546 |
| Registrations and subscriptions | **7,564,607** | 6,350,599 |
| Postage and courier services expenses | **179,000** | 224,977 |
| Other IT related expenses | **19,644,931** | 20,880,754 |
| Donation | **6,946,500** | 6,934,500 |
| Business development expenses | **8,259,056** | 3,801,995 |
| Fines from other regulatory agencies | **378,000** | - |
| Technology levy expenses | **-** | - |
| Bank and other non interest charges | **7,164,194** | 2,513,040 |
| Security services expenses | **11,171,000** | 10,687,000 |
| Other assets written off | **-** | 11,932,627 |
| Assets held for sale written off | **2,958,774** | 21,202,700 |
| Bad debts written off | **6,573,198** | - |
| Insurance expenses | **3,950,150** | 8,588,396 |
| NDIC premium | **4,486,997** | 4,225,741 |
| Annual general meeting expenses | **1,641,643** | 3,564,716 |
| Repairs and maintenance expenses | **11,991,621** | 10,696,076 |
| Recapitalisation expenses | **4,038,945** | 8,140,760 |
| Directors' fee | **12,000,000** | 6,999,700 |
| Directors' sitting allowance | **10,410,000** | 7,862,000 |
| Other Directors' expenses | **12,013,765** | 24,059,547 |
| | **170,002,009** | 210,406,726 |

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2020

| | 2020 | 2019 |
|---|---|---|
| | ₦ | ₦ |
| **14. Taxation** | | |
| **14.1 Income tax expense** | | |
| Income tax | **19,636,162** | - |
| Minimum tax | **-** | 2,512,439 |
| Education tax | **3,927,232** | 38,808 |
| Information technology levy | **1,514,239** | 575,320 |
| Police fund levy | **7,571** | 2,877 |
| Total current tax charge | **25,085,204** | 3,129,444 |
| Over provision in prior years | **(9,761,091)** | - |
| Deferred tax liability (write back)/charge | **(5,771,707)** | 37,211,877 |
| Deferred tax assets charge/(write back) | **9,512,323** | (45,554,999) |
| **Total income tax expense/(credit)** | **19,064,729** | (5,213,678) |
| **14.2 Reconciliation of effective tax rate** | | |
| Profit before income tax | **151,423,934** | 57,317,765 |
| Tax thereon at 30% (2019: 30%) | **45,427,180** | 17,195,330 |
| Non-deductible expenses | **100,301,951** | 18,293,848 |
| Non-taxable Income | **(55,364,262)** | (33,041,014) |
| Accelerated capital allowance | **-** | - |
| Effect of Minimum Tax | **-** | - |
| Effect of education tax levy | **3,927,232** | 38,808 |
| Effect of information technology levy | **1,514,239** | 575,320 |
| Effect of Police fund levy | **7,571** | 2,877 |
| Effect of deferred tax | **3,740,616** | (8,343,122) |
| | **99,554,527** | (5,277,953) |
| Effective tax rate | **66%** | -9% |
| **14.3 Current income tax liability** | | |
| At 1 January | **12,887,708** | 20,596,605 |
| Charge for the year | **25,085,204** | 3,129,444 |
| Over provision in prior years | **(9,761,091)** | **-** |
| Payments | **(3,126,617)** | (10,838,341) |
| **At 31 December** | **25,085,204** | 12,887,708 |

LIVINGTRUST MORTGAGE BANK PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

| | 2020 ₦ | 2019 ₦ |
|---|---|---|
| **14.4 Deferred tax assets** | | |
| At 1 January | **45,554,999** | - |
| (Charge)/write back in the year (Note 14.1) | **(9,512,323)** | 45,554,999 |
| **At 31 December** | **36,042,676** | 45,554,999 |
| **14.5 Deferred tax liability** | | |
| At 1 January | **39,981,379** | 2,769,502 |
| (Write back)/charge in the year (Note 14.1) | **(5,771,707)** | 37,211,877 |
| **At 31 December** | **34,209,672** | 39,981,379 |
| **Net deferred tax assets** | **1,833,004** | 5,573,620 |
| **14.6 Deferred tax liability are attributable to the following:** | | |
| Property and equipment | **34,209,672** | 34,908,447 |
| Loans and advances | **-** | 5,072,932 |
| | **34,209,672** | 39,981,379 |
| **14.7 Deferred tax assets are attributable to the following:** | | |
| Unutilised capital allowance | **24,171,773** | 45,554,999 |
| Impairment | **11,870,903** | - |
| | **36,042,676** | 45,554,999 |

The Company has adopted the International Accounting Standard (IAS) 12 Income tax.

**15. Earnings per share**

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding at the reporting date. The following reflects the income and share data used in the basic earnings per share computations:

| | 2020 | 2019 |
|---|---|---|
| Net profit attributable to ordinary shareholders | **128,243,704** | 62,575,831 |
| Weighted average number of ordinary shares | **5,000,000,000** | 5,000,000,000 |
| Basic earnings per ordinary share (kobo) | **2.56** | 1.25 |

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2020

| | 2020 | 2019 |
|---|---|---|
| | ₦ | ₦ |
| **16. Cash and balances with CBN** | | |
| Cash on hand | **74,711,657** | 63,574,244 |
| Deposit with the Central Bank of Nigeria (CRR) (Note 16.1) | **38,180,508** | 25,367,408 |
| | **112,892,165** | 88,941,652 |

**16.1** This represents restricted bank balances with the Central Bank of Nigeria (CBN) and is not available for use in the Bank's day to day operations. The cash reserve ratio represents a mandatory cash deposit which should be held with the CBN as a regulatory requirement.

| | 2020 | 2019 |
|---|---|---|
| **17. Due from banks** | | |
| Placements with banks and other financial institutions (Note 17.1) | **562,975,842** | 1,081,651,399 |
| Balances with banks within Nigeria (Note 17.2) | **783,887,918** | 209,436,814 |
| | **1,346,863,760** | 1,291,088,213 |
| Allowance for impairment losses (Note 17.3) | **(3,900)** | (7,681) |
| | **1,346,859,860** | 1,291,080,532 |

| | 2020 | 2019 |
|---|---|---|
| **17.1 Analysis of placements with banks and other financial institutions** | | |
| Access Bank Plc | **-** | 200,000,000 |
| First Bank Plc | **30,000,000** | 30,000,000 |
| First City Monument Bank Plc | **-** | 203,079,961 |
| Guaranty Trust Bank Plc | **-** | 54,470,417 |
| Heritage Bank Plc | **220,981,148** | 50,000,000 |
| Polaris Bank Limited | **-** | 207,450,596 |
| Sterling Bank Plc | **-** | 100,000,000 |
| United Bank For Africa Plc | **-** | 52,881,049 |
| Wema Bank Plc | | 168,518,815 |
| Core Asset Management Limited | **250,000,000** | - |
| Providus Bank Limited | **50,000,000** | - |
| Interest receivable on placements | **11,994,694** | 15,250,561 |
| | **562,975,842** | 1,081,651,399 |

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2020

| | 2020 | 2019 |
|---|---|---|
| | ₦ | ₦ |
| **17.2 Analysis of balances with banks within Nigeria** | | |
| Access Bank Plc | **5,378,714** | 76,387,154 |
| Ecobank Plc | **545,496** | 545,496 |
| Heritage Bank Plc | **173,120** | 592,653 |
| Fidelity Bank Plc | **860** | 860 |
| First Bank Plc | **22,998,929** | 38,694,050 |
| First City Monument Bank Plc | **4,098,771** | 17,181,728 |
| Sterling Bank Plc | **89,726** | 923,413 |
| Polaris Bank Limited | **14,595,395** | 6,244,848 |
| United Bank For Africa Plc | **5,181,445** | 54,962,944 |
| Union Bank Plc | **41,923** | 41,922 |
| Unity Bank Plc | **229,365** | 1,131 |
| Wema Bank Plc | **8,380** | 46,647 |
| Zenith Bank Plc | **2,660,437** | 2,706,477 |
| Stanbic Bank Plc | **77,164,731** | 4,437,584 |
| Guaranty Trust Bank Plc | **43,314,324** | 6,669,907 |
| First Option Microfinance Bank | **161,435** | - |
| Providus Bank Limited | **607,244,867** | - |
| | **783,887,918** | 209,436,814 |

| | 2020 | 2019 |
|---|---|---|
| **17.3 Impairment allowance on due from banks** | | |
| **Gross carrying amount as at 1 January** | **7,681** | 8,886 |
| Impairment writeback | **(3,781)** | (1,205) |
| **At 31 December** | **3,900** | 7,681 |

| | 2020 | 2019 |
|---|---|---|
| **18. Loans and advances to customers** | | |
| **18.1 Analysis by product type** | | |
| Mortgage loans (Note 18.2) | **2,658,786,807** | 1,461,053,491 |
| Estate development loans (Note 18.3) | **957,295,079** | 223,734,920 |
| Other loans (Note 18.4) | **598,572,935** | 213,413,539 |
| **Gross loans and advances to customers** | **4,214,654,821** | 1,898,201,950 |
| ECL impairment allowance (Note 18.5) | **(136,525,152)** | (96,913,470) |
| **Net carrying amount** | **4,078,129,669** | 1,801,288,480 |

| | 2020 | 2019 |
|---|---|---|
| **18.2 Analysis of mortgage loans** | | |
| National Housing Fund (on-lending facilities) | **597,580,391** | 379,158,854 |
| Residential | **1,542,637,452** | 842,833,464 |
| Commercial | **479,168,397** | 202,686,617 |
| Interest receivable | **39,400,567** | 36,374,556 |
| | **2,658,786,807** | 1,461,053,491 |

| | 2020 | 2019 |
|---|---|---|
| | ₦ | ₦ |
| **18.3 Analysis of estate development loans** | | |
| Estate development loans | **941,511,446** | 220,997,784 |
| Interest receivable | **15,783,633** | 2,737,136 |
| | **957,295,079** | 223,734,920 |
| **18.4 Analysis of other loans** | | |
| Term loans | **65,260,833** | 86,215,630 |
| Staff loans | **520,833,803** | 114,641,231 |
| Unauthorised overdrafts | **6,919,820** | 11,242,876 |
| Interest receivable | **5,558,479** | 1,313,802 |
| | **598,572,935** | 213,413,539 |
| **18.5 Impairment allowance for loans and advances to customers as analysed below:** | | |
| Impairment allowance on stage 1-12 months ECL (Note 18.8) | **129,393,875** | 32,074,413 |
| Impairment allowance on stage 2 -lifetime ECL not credit impaired (Note 18.8) | **23,960** | 79,012 |
| Impairment allowance on stage 3 -Non-performing loans (Note 18. | **7,107,317** | 64,760,045 |
| | **136,525,152** | 96,913,470 |
| **18.6 Analysis of Impairment loss (charge)/writeback in the statement of profit or loss and other comprehensive income** | | |
| Impairment charge/(write-back) on stage 1-12 months ECL | **97,319,462** | (42,258,530) |
| Impairment writeback on stage 2 -lifetime ECL not credit impaired (Note 18.8) | **(55,052)** | (8,714,990) |
| Impairment (write-back)/charge on stage 3 -Non-performing loans (Note 18.8) | **(57,652,728)** | 34,063,746 |
| **Total** | **39,611,682** | (16,909,774) |
| **18.7 Analysis of ECL by IFRS Bucket** | | |
| Commercial Mortgages | **24,741,929** | 12,357,902 |
| Micro-Finance | **508,771** | 30,318,674 |
| Residential | **110,187,903** | 49,010,101 |
| Social residential | **1,086,549** | 5,226,793 |
| | **136,525,152** | 96,913,470 |

## LIVINGTRUST MORTGAGE BANK PLC

### NOTES TO THE FINANCIAL STATEMENTS
### FOR THE YEAR ENDED 31 DECEMBER 2020

**18.8 Reconciliation of impairment allowances on loans and advances to customers as follows:**

| For the year 2020 | Stage 1 12 months ECL | Stage 2 Lifetime ECL- not credit impaired | Stage 3 Lifetime ECL- credit impaired | Total |
|---|---|---|---|---|
| | N | N | N | N |
| At 1 January | | | | |
| Changes due to | 32,074,413 | 79,012 | 64,760,045 | 96,913,470 |
| modification not derecognised | - | - | | - |
| Impairment charge/(write back) for the year (Note 11) | 97,319,462 | (55,052) | (57,652,728) | 39,611,682 |
| Written off | - | - | - | - |
| **At 31 December** | **129,393,875** | **23,960** | **7,107,317** | **136,525,152** |

| For the year 2019 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | N | N | N | N |
| At 1 January | 74,332,943 | 8,794,002 | 30,696,299 | 113,823,244 |
| Changes due to modification not derecognised | - | - | - | - |
| Impairment charge/(write back) for the year (Note 11) | (42,258,530) | (8,714,990) | 34,063,746 | (16,909,774) |
| Written off | - | - | - | - |
| At 31 December | 32,074,413 | 79,012 | 64,760,045 | 96,913,470 |

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2020

| | 2020 | 2019 |
|---|---|---|
| | ₦ | ₦ |
| **18.8 Analysis by internal rating** | | |
| AA | **3,144,500,582** | 1,015,546,508 |
| A | **347,490,543** | 271,682,637 |
| BB | **409,642,931** | 157,409,582 |
| C | **108,450,113** | 253,052,681 |
| D | **204,570,652** | 189,267,666 |
| | **4,214,654,821** | 1,886,959,074 |
| **18.9 Analysis by security** | | |
| Secured against real estate | **2,578,150,512** | 1,524,027,757 |
| Otherwise secured | **1,573,169,659** | 200,856,861 |
| Unsecured | **63,334,650** | 162,074,456 |
| | **4,214,654,821** | 1,886,959,074 |
| **18.10 Analysis by maturity** | | |
| Under 1 month | **166,016,127** | 94,242,448 |
| 1-3 months | **235,452,331** | 150,086,056 |
| 3-6 months | **82,051,520** | 54,237,468 |
| 6-12 months | **357,333,631** | 238,693,956 |
| Over 12 months | **3,373,801,212** | 1,349,699,146 |
| | **4,214,654,821** | 1,886,959,074 |
| **18.11 Analysis by performance** | | |
| Performing | **3,816,215,924** | 1,697,691,542 |
| Non-performing: | | |
| Watchlist | **80,076,860** | 68,802,000 |
| Substandard | **207,255,339** | 66,676,315 |
| Doubtful | **25,614,659** | 19,114,191 |
| Lost | **85,492,039** | 34,675,026 |
| | **4,214,654,821** | 1,886,959,074 |
| **18.12 Loan and Advances analysis by IFRS buckets** | | |
| Commercial | **575,943,904** | 281,879,645 |
| Micro | **7,158,458** | 92,294,547 |
| Residential | **2,998,461,084** | 1,133,626,028 |
| Social residential | **633,091,375** | 379,158,854 |
| | **4,214,654,821** | 1,886,959,074 |

| | 2020 | 2019 |
|---|---|---|
| | ₦ | ₦ |

**18.13 Concentration of credit risk**

Credit Risk concentration is measured in line with the provisions of the revised guidelines for Primary Mortgage Banks in Nigeria as follows:

| | | |
|---|---|---|
| Residential Mortgages | | - Not less than 75% of mortgage assets. |
| Real Estate Construction finance | | - Not more than 25% of total assets. |
| Single obligor | - Individual | - Not more than 5% of shareholders funds unimpaired by losses. |
| Single obligor | - Corporate | - Not more than 20% of shareholders funds unimpaired by losses. |

| | 2020 | 2019 |
|---|---|---|
| | % | % |
| Residential Mortgages (75% floor) | **80.50** | 83.64 |
| Real Estate Construction finance (25% cap) | **14.95** | 4.81 |
| Single obligor - Individual (5% cap) | **1.62** | 1.97 |
| Single obligor - Corporate (20% cap) | **8.30** | 4.71 |

**19. Investment Securities**

| | 2020 | 2019 |
|---|---|---|
| At amortised cost (Note 19.1) | **-** | 599,961,776 |
| At FVTOCI (Note 19.2) | **106,716,594** | 110,832,095 |
| | **106,716,594** | 710,793,871 |

**19.1 -At amortised cost:**

| | 2020 | 2019 |
|---|---|---|
| Treasury bills (Note 19.1.1) | **-** | 599,961,776 |

**19.1.1 Treasury bills**

| | 2020 | 2019 |
|---|---|---|
| At 1 January | **-** | 600,000,000 |
| Allowance for impairment (ECL) | **-** | (38,224) |
| **At 31 December** | **-** | 599,961,776 |

**19.2 -At Fairvalue through other comprehensive income (FVTOCI):**

| | 2020 | 2019 |
|---|---|---|
| Quoted equities (Note 19.2.1) | **3,249,931** | 2,743,207 |
| Unquoted equities (Note 19.2.2) | **103,466,663** | 108,088,888 |
| | **106,716,594** | 110,832,095 |

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2020

| | 2020 | 2019 |
|---|---|---|
| | ₦ | ₦ |
| **19.2.1. Quoted equity instrument** | | |
| At 1 January | **2,743,207** | 2,913,072 |
| Fair value gain/(loss) transferred to FVTOCI (Note 29.3) | **506,724** | 44,388 |
| Impairment allowance | **-** | (214,253) |
| **At 31 December** | **3,249,931** | 2,743,207 |
| **19.2.2 Unquoted equity instrument-** | | |
| **Nigeria Mortgage Refinancing company** | | |
| At 1 January | **108,088,888** | 100,000,000 |
| Fair value gain/(loss) transferred to FVTOCI | **(4,622,225)** | - |
| Bonus received | **-** | 8,088,888 |
| **At 31 December** | **103,466,663** | 108,088,888 |
| **20. Other assets** | | |
| Prepayments | **18,436,186** | 629,711 |
| Stationery and other stocks | **2,294,109** | 3,419,736 |
| Account receivables | **69,953,348** | 145,200,570 |
| | **90,683,643** | 149,250,017 |
| **20.1 Impairment allowance** | | |
| At 1 January | **-** | 18,001,365 |
| Write back in the year | **-** | (18,001,365) |
| Charge in the year | **-** | |
| At 31 December | | - |
| **20.2 Analysis by maturity** | | |
| Under 1 month | **73,798,055** | 74,000,000 |
| 1-3 months | **15,249,651** | - |
| 3-6 months | **9,189,031** | - |
| 6-12 months | **-** | - |
| Over 12 months | **-** | 75,250,017 |
| | **98,236,737** | 149,250,017 |

### 21. Property and equipment

| | Land ₦ | Building ₦ | Computer Equipment ₦ | Office Equipment ₦ | Furniture & Fittings ₦ | Motor Vehicle ₦ | Household Asset ₦ | Plant and Equipment ₦ | Work In Progress ₦ | Total ₦ |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | |
| At 1 January 2019 | 41,082,000 | 120,905,711 | 26,954,336 | 39,987,714 | 36,390,615 | 40,812,200 | 2,645,305 | 53,537,179 | - | 362,315,060 |
| Additions | - | 5,718,433 | 547,500 | 5,919,070 | 2,020,198 | 6,557,400 | 1,092,300 | 802,500 | - | 22,657,401 |
| Disposal | - | - | - | (4,804,850) | (5,244,712) | (7,500,000) | - | - | - | (17,549,562) |
| **At 31 December 2019** | 41,082,000 | 126,624,144 | 27,501,836 | 41,101,934 | 33,166,101 | 39,869,600 | 3,737,605 | 54,339,679 | - | 367,422,899 |
| **At 1 January 2020** | 41,082,000 | 126,624,144 | 27,501,836 | 41,101,934 | 33,166,101 | 39,869,600 | 3,737,605 | 54,339,679 | - | 367,422,899 |
| Additions | - | 7,293,779 | 4,022,500 | 1,922,067 | 3,484,734 | 31,006,500 | 141,000 | 11,230,730 | 30,882,500 | 89,983,810 |
| Disposal | - | (13,000,000) | - | (1,925,466) | - | - | - | - | - | (14,925,466) |
| **At 31 December 2020** | 41,082,000 | 120,917,923 | 31,524,336 | 41,098,535 | 36,650,835 | 70,876,100 | 3,878,605 | 65,570,409 | 30,882,500 | 442,481,243 |
| **Accumulated depreciation/ Impairment** | | | | | | | | | | |
| At 1 January 2019 | - | 11,434,733 | 19,632,218 | 20,278,206 | 16,477,115 | 19,539,826 | 504,038 | 24,041,299 | - | 111,907,435 |
| Charged for the year | - | 2,531,003 | 2,760,011 | 6,574,414 | 7,112,629 | 15,042,181 | 745,488 | 10,849,936 | - | 45,615,662 |
| Disposal | - | - | - | (4,562,600) | (5,244,712) | (7,187,500) | - | - | - | (16,994,812) |
| **At 31 December 2019** | - | 13,965,736 | 22,392,229 | 22,290,020 | 18,345,032 | 27,394,507 | 1,249,526 | 34,891,235 | - | 140,528,285 |
| **At 1 January 2020** | - | 13,965,736 | 22,392,229 | 22,290,020 | 18,345,032 | 27,394,507 | 1,249,526 | 34,891,235 | - | 140,528,285 |
| Charged for the year | - | 2,583,899 | 2,369,094 | 6,228,459 | 6,242,356 | 14,141,319 | 760,221 | 12,102,013 | - | 44,427,361 |
| Disposal | - | (736,666) | - | (2,167,978) | - | - | - | - | - | (2,904,644) |
| **At 31 December 2020** | - | 15,812,969 | 24,761,323 | 26,350,501 | 24,587,388 | 41,535,826 | 2,009,747 | 46,993,248 | - | 182,051,002 |
| **Carrying amount:** | | | | | | | | | | |
| **At 31 December 2020** | **41,082,000** | **105,104,954** | **6,763,013** | **14,748,034** | **12,063,447** | **29,340,274** | **1,868,858** | **18,577,161** | **30,882,500** | **260,430,241** |
| At 31 December 2019 | 41,082,000 | 112,658,408 | 5,109,607 | 18,811,914 | 14,821,069 | 12,475,093 | 2,488,079 | 19,448,444 | - | 226,894,614 |

Depreciation charged is included in the statement of profit or loss and other comprehensive income.
The Bank's property and equipment was not pledged as collateral for borrowings.

| | 2020 | 2019 |
|---|---|---|
| | ₦ | ₦ |
| **22. Intangible assets** | | |
| **Purchased Software** | | |
| **Cost** | | |
| At 1 January | **100,598,539** | 85,090,539 |
| Additions (Note 22a) | **12,719,620** | 15,508,000 |
| Disposal | **-** | - |
| **At 31 December** | **113,318,159** | 100,598,539 |
| **Accumulated amortisation and impairment** | | |
| At 1 January | **74,679,744** | 60,639,346 |
| Charge for the year | **6,484,365** | 14,040,398 |
| Disposal | **-** | - |
| **At 31 December** | **81,164,109** | 74,679,744 |
| **Carrying amount** | **32,154,050** | 25,918,795 |

**22a** Addition to intangible assets of ₦12.72million (2019: ₦15.51 million) million represent amount incurred on a new bank website, mobile application and human resources application.

| | 2020 | 2019 |
|---|---|---|
| **23. Non-current assets held for sale** | | |
| At 1 January | **295,250,134** | 332,589,100 |
| Additions | **17,514,288** | 35,307,832 |
| Written off during the year | **(2,958,774)** | (21,202,700) |
| Disposals | **(41,754,887)** | (51,444,098) |
| **At 31 December** | **268,050,761** | 295,250,134 |

The balance on non-current assets held for sale represents the stock of houses previously held by the Bank as investment properties while additions represents necessary improvement on the properties to make it sellable to willing buyers as well as assets reposessed from customers as a result of consistent default in repayment. In line with CBN regulations on permissable business of PMBs, they were derecognised as investment properties and classified as held for sale in line with IFRS 5. They were expected to have been sold before the year end, but due to market conditions, some of them are still unsold at the year end. However, the Bank is still committed to disposing them off. They are held at cost. No impairment have been recognised on the properties since the market value is much higher than the cost.

| | 2020 | 2019 |
|---|---|---|
| | ₦ | ₦ |
| **24. Deposits from customers** | | |
| **24.1 Analysis by type** | | |
| Demand accounts | **1,979,858,210** | 972,154,827 |
| Savings accounts | **170,391,904** | 79,461,945 |
| Time deposits | **469,051,541** | 157,514,964 |
| | **2,619,301,655** | 1,209,131,736 |

| | 2020 | 2019 |
|---|---|---|
| | ₦ | ₦ |
| **24.2 Analysis by maturity** | | |
| Under 1 month | **2,150,250,114** | 1,051,616,772 |
| 1-3 months | **469,051,541** | 157,514,964 |
| 3-6 months | - | |
| 6-12 months | - | - |
| Over 12 months | - | - |
| | **2,619,301,655** | 1,209,131,736 |

**25. Borrowings**

| | 2020 | 2019 |
|---|---|---|
| Nigeria Mortgage Refinancing Company | **63,034,993** | 130,214,627 |

**25.1 Nigeria Mortgage Refinancing Company**

| | 2020 | 2019 |
|---|---|---|
| At 1 January | **130,214,627** | 21,749,001 |
| Receipts during the year | **-** | 113,175,279 |
| Repayments in the year | (67,179,634) | (4,709,653) |
| **At 31 December** | **63,034,993** | 130,214,627 |
| | | |
| Current | **-** | - |
| Non-current | 63,034,993 | 130,214,627 |
| | **63,034,993** | 130,214,627 |

The balance relates to outstanding balance of refinancing loan granted by Nigeria Mortgage Refinancing Company on 9 April 2018. The principal and interest are repayable over 15 years on a monthly basis effective October 2018. The interest rate is 14.5% per annum.

**26 On-lending facility**

**26.1 Federal Mortgage Bank of Nigeria**

| | 2020 | 2019 |
|---|---|---|
| At 1 January | **420,730,433** | 302,996,350 |
| Receipts during the year | **187,247,000** | 140,102,000 |
| Repayments in the year | **(24,896,678)** | (22,367,917) |
| **At 31 December** | **583,080,755** | 420,730,433 |

The balance on the Federal Mortgage Bank of Nigeria (FMBN) represents outstanding balance due to FMBN for amount disbursed to the Bank for on-lending for duly prequalified and approved National Housing Fund benefitiaries.

All loans from the Federal Mortgage Bank are secured by Bank Guarantees with the exception of loans with Legal Mortgages.

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2020

| | 2020 | 2019 |
|---|---|---|
| | ₦ | ₦ |
| **27. Other liabilities** | | |
| Accrued expenses | **3,000,000** | 3,000,000 |
| Other payables | **199,981,165** | 93,766,655 |
| Unearned incomes (Note 27.1) | **252,355** | 55,366,618 |
| Interest in suspense | **26,808,256** | **21,022,188** |
| Defined contribution plan (Note 27. 3) | **96,743** | 6,593 |
| | **230,138,519** | 173,162,054 |

**27.1** Unearned income represent unrealised interest on Nigerian
Government treasury bills.

**27.2** Interest in suspense represents interest on past due loan
facilities.

**27.3 Defined contribution plan**

| **Retirement benefit plan** | | |
|---|---|---|
| At 1 January | **6,593** | 1,647,360 |
| Contribution for the period | **8,687,274** | 5,820,978 |
| Payment to fund administrators (Note 10) | **(8,597,124)** | (7,461,745) |
| **At 31 December** | **96,743** | 6,593 |

A defined contribution plan is a pension plan under which the Bank pays fixed contributions; There is no legal or constructive obligation to pay further benefits. This is in compliance with the Pension Reform Act, 2004. Both employees and employer contribute to the plan based on specified rates as stated in the Act. The employees contribute 8% of basic, housing and transport allowances, while the Bank contributes 10% of same making a total contribution of 18%, into employees RSA, maintained with Pension Fund Administrators.

| | 2020 | 2019 |
|---|---|---|
| | ₦ | ₦ |
| **28. Share capital** | | |
| **Ordinary shares** | | |
| **a) Authorised** | | |
| 11,000,000,000 ordinary shares of 50 kobo each | **5,500,000,000** | 5,500,000,000 |
| **b) Issued and fully paid:** | | |
| 5,000,000,000 ordinary shares of 50k each | **2,500,000,000** | 2,500,000,000 |

| | 2020 | 2019 |
|---|---|---|
| | ₦ | ₦ |
| **29 Reserves** | | |
| **29.1 Statutory reserve** | | |
| At 1 January | | |
| Transfer from retained earnings (Note: 29.2) | **85,296,967** | 72,747,828 |
| | **26,471,841** | 12,549,139 |
| **At 31 December** | | |
| | **111,768,808** | 85,296,967 |

The revised guidelines for Primary Mortgage Banks in Nigeria require mortgage banks to make an annual appropriation to a statutory reserve. As stipulated by section 5.4 of the revised guidelines, an appropriation of 20% of profit after tax is made if the statutory reserve is less than the paid up share capital and 10% of profit after tax if the statutory reserve is equal to or in excess of the paid up capital.

| | 2020 | 2019 |
|---|---|---|
| **29.2 Retained earnings** | | |
| At 1 January | **65,975,321** | 4,236,558 |
| Profit for the year | **132,359,205** | 62,531,443 |
| Transfer to statutory reserve (Note: 29.1) | **(26,471,841)** | (12,549,139) |
| Transfer to regulatory risk reserve (Note 29.4) | **(64,271,276)** | 11,756,459 |
| **At 31 December** | **107,591,409** | 65,975,321 |
| **29.3 Fair value reserve** | | |
| **At 1 January** | **(3,201,276)** | (3,245,664) |
| Net gains/(loss) on Fair Value Through Other Comprehensive Income (Note 19.2) | **(4,115,501)** | 44,388 |
| **At 31 December** | **(7,316,777)** | (3,201,276) |

Fair value reserve are measured at fair value through other comprehensive income in statement of profit or loss and other comprehensive income. The fair value changes are recognised through other comprehensive income.

| | 2020 | 2019 |
|---|---|---|
| **29.3.1 Analysis of Fair Value Through Other Comprehensive Income** | | |
| Quoted equities | **506,724** | 44,388 |
| Unquoted equities | **(4,622,225)** | - |
| | **(4,115,501)** | 44,388 |
| **29.4 Regulatory risk reserve** | | |
| At 1 January | **794,145** | 12,550,604 |
| Arising in the year (Note 29.2) | **64,271,276** | (11,756,459) |
| **At 31 December** | **65,065,421** | 794,145 |

**30. Fair value of financial instruments**

**Financial instruments recorded at fair value**

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the bank's estimate of assumptions that a market participant would make when valuing the instruments.

**Financial investments – FVTOCI**

Financial assets at FVTOCI valued using valuation techniques or pricing models primarily consist of unquoted equities.

These assets are valued using models that use both observable and un-observable data. The un-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

**Determination of fair value and fair value hierarchy**

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

**Level 1:** quoted (unadjusted) prices in active markets for identical assets or liabilities.

**Level 2:** other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

**Level 3:** techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The Bank has no transactions fitting into these categories.

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.

| | **Carrying amount** **₦** | **Fair value** **₦** | Carrying amount ₦ | Fair value ₦ |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash and balances with Central Bank | **112,892,165** | **112,892,165** | 88,941,652 | 88,941,652 |
| Due from banks | **1,346,859,860** | **1,346,859,860** | 1,291,080,532 | 1,291,080,532 |
| Loans and advances to customers | **4,078,129,669** | **4,051,321,413** | 1,801,288,480 | 859,280,927 |
| | **5,537,881,694** | **5,511,073,438** | 3,181,310,664 | 2,239,303,111 |
| **Financial investments** | | | | |
| FVTOCI | **106,716,594** | **106,716,594** | 110,832,095 | 110,832,095 |
| | **5,644,598,288** | **5,617,790,032** | 3,292,142,759 | 2,350,135,206 |
| **Financial liabilities** | | | | |
| Due to customers | **2,619,301,655** | **2,619,301,655** | 1,209,131,736 | 1,209,131,736 |
| Borrowings | **63,034,993** | **63,034,993** | 130,214,627 | 130,214,627 |
| On-lending facility | **583,080,755** | **583,080,755** | 420,730,433 | 420,730,433 |
| | **3,265,417,403** | **3,265,417,403** | 1,760,076,796 | 1,760,076,796 |

**Fair value of financial assets and liabilities not carried at fair value**
The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

**i) Assets for which fair value approximates carrying value**
For financial assets and financial liabilities that have a short term maturity (0 - 6 months) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits, and savings accounts without a specific maturity.

**ii) Fixed rate financial instruments**
The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments.

**iii) Fair value of financial assets attributable to changes in credit risk**
In respect of any net gain on Available for Sale Financial Assets (Debt Securities), recognised in equity, the fair value changes are attributable to changes in market interest rate and not the credit risk of the issuer.

**31. Contingent liabilities, commitments and lease arrangements a)**
**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.

The Bank in the ordinary course of business is presently involved in 5 litigation suits. All 5 cases were instituted by the Bank against defaulting customers, which is not likely to give rise to any material contingent liability, or have any material effect on the Bank. The Directors are not aware of any other pending or threatened claims and litigations.

**b) Capital commitments**
As at 31 December 2020, the Bank has no capital commitments at the end of the year (2019: Nil) in respect of authorized and contracted capital projects.

**32. Lease arrangements**
**Operating lease commitments – Bank as lessee**
The Bank did not enter into commercial leases for premises and equipment during the financial year (2019 : Nil).

**33. Related party disclosures**
Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition include directors and key management personnel among others. Key management personnel is defined to include executive and non executive directors of the Bank The bank enters into transactions, arrangements and agreements involving directors, and their related concerns in the ordinary course of business at commercial interest and commission rates.

| | 2020 | 2019 |
|---|---|---|
| | ₦ | ₦ |
| **33.1** The directors remuneration below relates to payment to non-executive directors and charged as expense in the year. The non-executive directors do not receive pension entitlements from the Bank. | | |
| Fees and sitting allowances | **22,410,000** | 14,861,700 |
| Other director expenses | **12,013,765** | 24,059,547 |
| | **34,423,765** | 38,921,247 |
| **33.2** The following table provides the total amount of transactions, which have been entered into with key management personnel and their related parties for the relevant financial years. | | |
| Loans and advances | **138,117,028** | 113,291,865 |
| Deposit liabilities | **18,785,868** | 12,626,512 |

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2020

**33.3 Insider related credits outstanding as at 31 December 2020**

Further disclosure of related party's loans is shown in the table below in compliance with Central Bank of Nigeria circular BSD/1/2004.

**31 December, 2020**

| Name of Borrower | Relationship to reporting Institution | Date granted | Expiry Date | Outstanding Balance | Status | Interest Rate | Nature of security |
|---|---|---|---|---|---|---|---|
| 1. Adewole Adeniran | Non-Executive Director | 8/27/2020 | 8/27/2030 | 43,221,869 | Performing | 18% | Legal mortgage over property |
| 2. Oyebamiji Bola | Non-Executive Director | 7/29/2020 | 7/29/2024 | 12,593,037 | Performing | 14.8% | Legal mortgage over property |
| 3. Aworonke Olaitan | Executive Director | 2/1/2018 | 2/1/2033 | 37,598,170 | Performing | 4.50% | Legal mortgage over property |
| 4. Ajayi Dorcas | Staff | 10/16/2017 | 10/16/2032 | 5,236,932 | Performing | 4.50% | |
| 5. Abugan Johnson | Staff | 12/23/2020 | 12/23/2028 | 5,000,000 | Performing | 4.50% | |
| 6. Oyedemi Anthonia | Staff | 12/23/2020 | 12/23/2028 | 5,000,000 | Performing | 4.50% | |
| 7. Kudaisi Tunde Azeez | Staff | 8/6/2020 | 8/6/2024 | 4,520,323 | Performing | 4.50% | |
| 8. Olowu Oyewole | Executive Director | 12/18/2020 | 6/18/2022 | 4,000,000 | Performing | 4.50% | |
| 9. Akinbode Taiwo | Staff | 10/16/2017 | 10/16/2032 | 3,848,269 | Performing | 4.50% | |
| 10. Adesina Yemisi | Staff | 10/13/2017 | 10/13/2032 | 3,438,089 | Performing | 4.50% | |
| 11. Other Staff | | | | 13,660,339 | Performing | | |
| | | | | 138,117,028 | | | |

**34. Employees**

| | 2020 Number | 2019 Number |
|---|---|---|
| The average number of persons employed by the Bank during the year was as follows: | | |
| Directors | **3** | 1 |
| Management | **19** | 18 |
| Non-management | **63** | 49 |
| | **85** | 68 |

**35. Distribution proposed**

The Directors proposed a dividend of N0.01 per share (2019: Nil) from the retained earnings account based on the 2020 financial year results. The dividend amount of N50 million (2019: Nil) which is liable to withholding tax at a rate of 10% is subject to approval by the shareholders at the Annual General Meeting. Consequently, the dividend has not been included as a liability in these financial statements.

**36. Contraventions**

There was no penalty paid in the current year and no other contravention occurred during the year of such regulatory bodies like Banks and Other Financial Institutions Act, CAP B3, LFN 2020 and Central Bank of Nigeria circulars (2019 : Nil).

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2020

**37. Comparative figures**
Certain comparative figures have been reclassified in order to have a more meaningful comparison.

**38. Events after the reporting date**
There are no events after reporting date which could have a material effect on the financial statements of the Bank as at 31 December 2020 or the financial performance for the year ended that have not been adequately provided for or disclosed.

**39. Material disclosure on the impact of COVID-19**
The COVID-19 pandemic which started in China in December 2019 and rapidly spread across the world is impacting all aspects of life in a manner that is unprecedented. The impact cuts across businesses, the economy and social interactions. These impacts seem like they will remain for the foreseeable future. In a bid to curtail the spread the virus, the Federal Government of Nigeria imposed movement restrictions while various state governments established protocols to combat the spread of the virus.

In adapting to the government's response to COVID-19, the Group responded appropriately by activating its Business Continuity Plan to ensure continuous service to customers and safety of employees and other stakeholders. This was mostly achieved through the deployment of necessary secured technology for remote working and the observance of universally accepted Covid 19 protocols.

**Impact of COVID-19 on Impairment (Expected Credit Loss) of Financial Assets**
The Bank does not see a significant impairment impact on its financial assets as a result of COVID-19. The Bank's financial assets are predominantly loans and advances to customers and cash and cash equivalents in nature and are subsequently classified appropriately between stage 1, 2 and 3. The stage allocation remains unchanged as there is no significant increase in credit risk. The impact of forward looking information has also been considered in assessing the impact of COVID-19 on impairment of financial assets. These include GDP growth, exchange rate, country rating, bank rating, inflation and oil price. Whilst COVID-19 could ptentially negatively impact all of the forward looking information, other variables in the computation ensured that the impact remains minimal.

**Going Concern Assessment**
The Bank will continue to assess the status of the fight against the pandemic and its impact on the Bank's business. However, based on current assessment and result for the year just concluded, the Directors are confident that the Going Concern of the Comapny will not be threatened and would be able to continue to operate post COVID-19 and in the foreseeable future.

# Other national disclosures

# LIVINGTRUST MORTGAGE BANK PLC

## STATEMENT OF VALUE ADDED
## FOR THE YEAR ENDED 31 DECEMBER 2020

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | ₦ | % | ₦ | % |
| Gross earnings | **652,615,797** | | 502,405,848 | |
| Interest expense | **(52,761,824)** | | (50,348,909) | |
| | **599,853,973** | | 452,056,939 | |
| Net impairment | **39,569,677** | | (34,667,940) | |
| Bought-in-materials and services - local | **(271,258,155)** | | (148,734,519) | |
| | **368,165,495** | **100** | 268,654,480 | 100 |
| **Applied to pay:** | | | | |
| Employees as salaries, wages and pensions | **159,809,360** | **43** | 143,337,533 | 54 |
| Government taxes | **25,085,204** | **7** | 3,129,444 | 1 |
| **Retained in business:** | | | | |
| - Depreciation and amortisation | **50,911,726** | **14** | 59,656,060 | 22 |
| - Profit for the year | **132,359,205** | **36** | 62,531,443 | 23 |
| | **368,165,495** | **100** | 268,654,480 | 100 |

Value added is the wealth created by the efforts of the Bank and its Employees. The statement shows the allocation of the wealth amongst employees, government, capital providers and that retained in the business for expansion and future wealth creation.

## LIVINGTRUST MORTGAGE BANK PLC

### FIVE-YEAR FINANCIAL SUMMARY

| 31 DECEMBER | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| | ₦ | ₦ | ₦ | ₦ | ₦ |
| **Assets** | | | | | |
| Cash and balances with CBN | **112,892,165** | 88,941,652 | 77,847,661 | 37,235,120 | 14,437,902 |
| Due from banks | **1,346,859,860** | 1,291,080,532 | 860,699,355 | 1,996,398,590 | 1,681,629,689 |
| Loans and advances to customers | **4,078,129,669** | 1,801,288,480 | 1,567,802,366 | 861,051,528 | 548,813,500 |
| Investment Securities | **106,716,594** | 710,793,871 | 902,904,998 | 104,223,123 | 102,604,902 |
| Other assets | **90,683,643** | 149,250,017 | 207,608,972 | 546,745,750 | 110,373,613 |
| Property and equipment | **260,430,241** | 226,894,614 | 250,407,626 | 232,646,945 | 226,564,049 |
| Intangible assets | **32,154,050** | 25,918,795 | 24,451,193 | 30,475,240 | 35,785,774 |
| Deferred tax assets | **1,833,004** | 5,573,620 | - | - | - |
| Non current assets held for sale | **268,050,761** | 295,250,134 | 332,589,100 | 349,396,405 | 584,947,509 |
| **Total assets** | **6,297,749,987** | 4,594,991,715 | 4,224,311,271 | 4,158,172,700 | 3,305,156,938 |
| **Liabilities and equity** | | | | | |
| **Liabilities** | | | | | |
| Deposits from customers | **2,619,301,655** | 1,209,131,736 | 1,110,438,933 | 1,229,794,828 | 388,914,723 |
| Borrowings | **63,034,993** | 130,214,627 | 21,749,001 | 117,866,652 | 8,122,069 |
| On-lending facility | **583,080,755** | 420,730,433 | 302,996,350 | - | - |
| Current income tax liabilities | **25,085,204** | 12,887,708 | 20,596,605 | 36,348,318 | 20,100,362 |
| Deferred inocme tax liability | **-** | - | 2,769,502 | - | - |
| Other liabilities | **230,138,519** | 173,162,054 | 179,471,554 | 165,842,692 | 454,780,281 |
| **Total liabilities** | **3,520,641,126** | 1,946,126,558 | 1,638,021,945 | 1,549,852,490 | 871,917,435 |
| **Equity** | | | | | |
| Issued share capital | **2,500,000,000** | 2,500,000,000 | 2,500,000,000 | 2,500,000,000 | 2,500,000,000 |
| Statutory reserve | **111,768,808** | 85,296,967 | 72,747,828 | 63,418,627 | 28,558,281 |
| Retained earnings | **107,591,409** | 65,975,321 | 4,236,559 | 46,837,197 | (91,764,943) |
| Fair value reserve | **(7,316,777)** | (3,201,276) | (3,245,664) | (1,935,613) | (3,553,834) |
| Regulatory risk reserve | **65,065,421** | 794,145 | 12,550,604 | - | - |
| **Total equity** | **2,777,108,861** | 2,648,865,157 | 2,586,289,327 | 2,608,320,211 | 2,433,239,503 |
| **Total liabilities and equity** | **6,297,749,987** | 4,594,991,715 | 4,224,311,272 | 4,158,172,702 | 3,305,156,938 |
| **Statement of comprehensive income** | | | | | |
| **Gross earnings** | **652,615,797** | 502,405,848 | 460,932,915 | 518,378,573 | 304,930,527 |
| Total operating income | **599,853,973** | 452,056,939 | 425,908,674 | 494,082,935 | 304,609,102 |
| Operating expenses | **(408,860,362)** | (429,407,114) | (388,859,524) | (346,925,689) | (274,631,623) |
| Impairment write-back / (losses) | **(39,569,677)** | 34,667,940 | 58,881,011 | 40,379,270 | 48,892,017 |
| Profit before tax | **151,423,934** | 57,317,765 | 95,930,161 | 187,536,516 | 78,869,496 |
| Income tax | **(19,064,729)** | 5,213,678 | (16,400,010) | (14,074,029) | (7,992,524) |
| Profit after tax | **132,359,205** | 62,531,443 | 79,530,151 | 173,462,487 | 70,876,972 |
| Other comprehensive income/(loss) | **(4,115,501)** | 44,388 | (1,310,051) | 1,618,221 | (3,553,834) |
| | **128,243,704** | 62,575,831 | 78,220,100 | 175,080,708 | 67,323,138 |