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EXPLANATORY STATEMENT ON THE PROPOSED REDUCTION OF SHARE PREMIUM ACCOUNT BY ABBEY MORTGAGE BANK PLC ("THE CAPITAL REDUCTION")

1. BACKGROUND

A review of Abbey Mortgage Bank Plc's (the Company) financial statements for the year ended 31st December 2022 established a deficit of ₦3,540,633,102 as accumulated permanent losses from legacy transactions.

2. RATIONALE

The balance sheet restructuring proposed will not affect the Company's Issued Share Capital or Regulatory Capital but would result in a reduction of the credit balance in the Company's Share Premium Account. The shareholders' funds would remain unchanged. It would not impact on the Company's creditors but rather pave the way for shareholders to receive dividends out of the Company's future profits.

3. MECHANICS

In terms of mechanics and structure, the Company's Board of Directors is proposing a reduction of ₦3,540,633,102 from the Company's Share Premium Account of N5,117,137,249.90 pursuant to the provisions of Sections 131 and 132 of the Companies and Allied Matters Act 2020. The reserve arising from the reduction would be deployed to eliminate the negative retained earnings as at 2022 Financial Year End (FYE).

4. EFFECT OF THE TRANSACTION

The effect of the proposed reorganization of the Company's capital is as follows:

EQUITY	FYE2022	EFFECT OF	FYE 2022
N'm	Pre-Transaction	TRANSACTION	Post Transaction

Share Capital	5,076	—	5,076
Share Premium	5,117	(3,540)	1,577
Retained Deficit	(3,540)	3,540	—
Statutory Reserve	298	—	298
Regulatory Reserve	747	—	747
	7,698		7,698

5. PROCESS AND IMPLEMENTATION

At the Extraordinary General Meeting scheduled to hold on 29TH September, 2023, the shareholders of the Company will consider and, if thought fit, approve the Capital Reduction and Share Capital Reorganization.

Thereafter, an application will be made to the Federal High Court for an order sanctioning the Capital Reduction and Share Capital Reorganization. Upon the confirmation of the Court, the Court Order would be registered at the Corporate Affairs Commission (“CAC”) to become effective.

6. CONTACT

Geoff O. Amaghereonu,
Company Secretary/Legal Adviser.
Address: 23, Karimu Kotun Street, Victoria Island, Lagos.
Email: g.amaghereonu@abbeymortgagebank.com



Mazi Emmanuel Kanu Ivi
Chairman of the Board