

CENTRAL BANK OF NIGERIA



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CIRCULAR LETTER TO ALL OTHER FINANCIAL INSTITUTIONS (OFIs)

PRUDENTIAL ADJUSTMENTS TO FINANCIAL STATEMENTS OF OTHER FINANCIAL INSTITUTIONS

Following the adoption of the International Financial Reporting Standards (IFRS) in line with the national roadmap timelines, it has become necessary to reiterate, for the attention of all OFIs, the need to exercise due care and caution in financial reporting in order that financial statements present a true and fair view of their operating results and financial positions.

The Central Bank of Nigeria (CBN), on its part, remains committed to the strict adherence by all OFIs, to the extant prudential requirements which have been drawn up for the sustained resilience of the financial system. While Provisions for loans recognized in the profit and loss account should be determined based on the requirements of IFRS, it is mandatory for all OFIs to insert a "Statement of Prudential Adjustments" in their financial statements, in the "Notes to the Financial Statements". The statement will compare impairment losses under IFRS with losses determined under the prudential guidelines with differences adjusted under the Statement of Changes in Equity through the Non-distributable Regulatory Reserve as follows:

- a) Where Prudential Provisions is greater than IFRS provisions; transfer the difference from the general reserve to a Non-distributable Regulatory Reserve.
- b) Prudential Provisions is less than IFRS provisions; the excess charges resulting should be transferred from the Regulatory Reserve Account to the General Reserve to the extent of the Non-distributable Reserve previously recognized.

A handwritten signature in blue ink, appearing to read 'Olufemi A. Fabamwo'.

Olufemi A. Fabamwo

Director, Other Financial Institutions Supervision Department