HAGGAI MORTGAGE BANK LIMITED

REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

HAGGAI MORTGAGE BANK LIMITED

TABLE OF CONTENT

HAGGAI MORTGAGE BANK LIMITED

CORPORATE INFORMATION

Directors:	Elder Simeon M. Olakunri, SAN	- Chairman
	Mr. Bababode Osunkoya	- Member
	Mrs. Oyepero T. Abiodun	- Member
	Mr. Obafunmilayo Agusto	- Member
	Mr. Oluwatunji D. Adepetun	- Member
	Mrs. Kofoworola Owode	- MD

Company Secretaries: Adcax Nominees Limited
6th Floor, St Nicholas House,
Catholic Mission Street, **Lagos**

Registration number: RC 193894

Registered Office Address: 119, Bode Thomas Street,
Surulere, **Lagos**

Independent Auditors: Bakertilly Nigeria,
(Chartered Accountants),
Kresta Laurel Complex (4th Floor),
376, Ikorodu Road, Maryland,
Lagos

Bankers:

Guaranty Trust Bank Plc
94B Bode Thomas Street,
Surulere, Lagos

Stanbic IBTC Bank Plc
Adeniran Ogunsanya Shopping Complex
Surulere, Lagos

Ecobank Nig Limited
Adeniran Ogunsanya
Shopping Complex,
Adeniran Ogunsanya Street,
Surulere, Lagos.

Wema Bank Plc
24 Oba Akran Avenue,
Ikeja, Lagos.

Zenith Bank Plc
Plot 861 Adetokunbo Ademola Street,
Victoria Island, Lagos.

HAGGAI MORTGAGE BANK LIMITED

CORPORATE GOVERNANCE REPORT

Introduction

Haggai Mortgage Bank Limited ("the Bank") is committed to improving shareholders' value through the transparent conduct of its business in line with the principles of the "Code of Corporate Governance for Primary Mortgage Banks in Nigeria" issued by the Central Bank of Nigeria (CBN) and "Nigerian Code of Corporate Governance" (NCCG). The Bank benchmarks itself against the best global practices. Haggai Mortgage Bank Limited has instituted a Charter that provides the basis for promoting the highest standards of corporate governance and a Framework that facilitates checks and balances together with ensuring that appropriate controls are put in place. The Corporate Governance practices of the Bank are designed to ensure the accountability of the Board and Management to stakeholders.

The Bank's corporate governance framework establishes the Board of Directors as having ultimate responsibility for oversight functions. The Board has however delegated some of its oversight role to various Committees, namely, the Board Credit Committee, the Board Audit Committee, the Board Finance and Risk Management Committee and the Board Governance, Nomination and Remuneration Committee. These Committees each focus on specified areas of the business and present an avenue for effective dialogue and engagement with management with respect to strategic direction and policy setting.

The Bank has also instituted a Statutory Audit Committee, through which the Board engages with shareholder representatives on the audit function.

In addition to the Board Committees, governance is enhanced through six Management Committees namely: the Management Committee; Assets and Liability Committee; Management Credit Committee; Staff Disciplinary Committee; Management IT Steering Committee; and Enterprise Risk Management Committee. These Management Committees help to ensure effective oversight and implementation of directives from the Board.

The Board

Elder Simeon M. Olakunri, SAN	Chairman
Kofoworola Owode (Mrs.)	Managing Director
Oyepero T. Abiodun (Mrs.)	Non-Executive Director
Bababode Osunkoya	Non-Executive Director
Obafunmilayo Agusto	Non-Executive Director
Oluwatunji D. Adepetun	Independent Non-Executive Director

The Board of Directors of Haggai Mortgage Bank Limited comprises six (6) members: four (4) of whom (inclusive of the Chairman of the Board) are Non-Executive Directors, (1) Independent Non-Executive Director and the Managing Director. The Directors are listed above and in the

Directors' Report. The Board is made up of a crop of seasoned professionals who have excelled in their various professions including and not limited to banking, accounting, business and law. They all possess the requisite integrity, skills and experience to bring independent judgment to bear on the Board's deliberations. The primary purpose of the Board is to provide strategic direction for the Bank to deliver long-term value to Shareholders through its oversight functions over the Bank's business. The Board met four (4) times during the year.

Board Committees

The Board Committees during the year were the Board Credit Committee, Board Audit Committee, Board Finance and Risk Management Committee and the Governance Nomination and Remuneration Committee.

The Non-Executive Directors are provided with comprehensive information at each of the Committees' Meetings and were also briefed on business developments in between Board/Committee meetings.

Composition of the Board committees

Names	**Board Credit Committee**	**Statutory Audit Committee**	**Board Audit Committee**	**Board Finance and Risk Mgt Committee**	**Board Governance Nomination and Remuneration committee**
Elder Simeon M. Olakunri, SAN	N/A	N/A	N/A	N/A	N/A
Kofoworola Owode (Mrs.)	M	N/A	N/A	M	N/A
Oyepero T. Abiodun (Mrs.)	N/A	M	M	N/A	N/A
Bababode Osunkoya	C	M	N/A	C	M
Obafunmilayo Agusto	M	C	M	M	C
Oluwatunji D. Adepetun	N/A	M	C	M	N/A

Key:
C - Chairman of Committee
M - Member
N/A - Not applicable

The roles and responsibilities of these committees are discussed below.

Board Credit Committee

This Committee is responsible for the approval of the Bank's credit portfolio strategy, and subsequent revision thereto, the approval of the Bank's credit management structure, policies and processes, performs a quarterly review of the Bank's risk asset portfolio and approves all loan write-offs above N1m.

The Committee met seven (7) times during the financial year.

Board Audit Committee

This Committee is responsible for establishing an independent internal audit function, ensuring regular review and appraisal of the Bank's internal control system, the development and sustenance of a comprehensive internal control framework for the Bank, quarterly review and appraisal of the internal auditor's plan and reports.

The Committee met four (4) times during the financial year.

Board Finance and Risk Management Committee

The Committee approves and periodically reviews risk strategies and policies, approves the Bank's risk appetite, monitors the Bank's risk profile against set appetite, and ensures the risk strategy reflects the Bank's tolerance for risk.

The Committee is also responsible for reviewing and approving the Bank’s budget before presentation to the Board and reviews the Bank’s quarterly financial performance and the related accounting policies. It also approves the Bank’s investments and treasury management amongst others.

The Committee met five (5) times during the financial year.

Statutory Audit Committee

This Committee comprises equal members of the shareholders and members of the Board of Directors. It is responsible for ascertaining if the accounting and reporting policies of the Bank are in accordance with the accounting standards, legal requirements, and ethical best practices. They also ensure that the internal controls are being constantly and effectively monitored by reviewing the external auditors’ plan, scope, and the management letter on the audit of the Bank and management’s responses on the issues raised.

The Committee met two (2) times during the financial year.

Board Governance Nomination and Remuneration Committee

The Board Governance Nomination and Remuneration Committee is responsible for the review and assessment of the adequacy of the Corporate Governance structure, determining the Bank’s compensation plans for senior management, and advising the Board on best corporate practices.

The committee met two (2) times during the financial year.

Attendance at Board / Committee Meetings and Annual General Meeting

Key
BOD - Board of Directors' meeting
BCC - Board Credit Committee meeting
BAC - Board Audit Committee meeting
BF&RMC - Board Finance and Risk Management Committee meeting.
SAC – Statutory Audit Committee meeting.
BGNRC - Board Governance, Nominations and Remuneration Committee meeting.
AGM – Annual General Meeting

Membership and attendance at Board meetings are set out below:

Name of Directors	BOD	BAC	BCC	BF&RC	SAC	AGM	BGNRC
Elder Simeon M. Olakunri, SAN	4	N/A	N/A	N/A	N/A	1	N/A
Kofoworola Owode (Mrs.)	4	N/A	7	5	N/A	1	N/A
Oyepero T. Abiodun (Mrs.)	4	3	N/A	N/A	2	1	N/A
Bababode Osunkoya	4	N/A	7	5	N/A	1	2
Obafunmilayo Agusto	4	4	7	4	2	1	2
Oluwatunji D[1]. Adepetun	4	4	N/A	5	1	1	N/A

Directors' Remuneration

The Bank ensures that the remuneration paid to its Directors complies with the provision of the Codes of Corporate Governance issued by Regulatory Bodies. In compliance with Section 34(5) of the Code of Corporate Governance, the Bank makes disclosures of the remuneration paid to its Directors as follows:

PACKAGE	TYPES	DESCRIPTION
Basic salary and 13th-month	Fixed	This is part of the gross salary package for the Executive Director only
Directors' Fees	Fixed	This is paid quarterly to Non-Executive Directors only.
Sitting Allowance	Fixed	Sitting allowance is paid to Non-Executive Directors only for attending Board and Board Committee meetings.
Travelling Allowance	Fixed	This is paid quarterly to Non-Executive Directors only

HAGGAI MORTGAGE BANK LIMITED

RESULT AT A GLANCE

	2022 ₦'m	2021 ₦'m	% change
Major Profit and Loss Account Items;			
Gross earnings	1,562	1,361	15
Interest expenses	129	111	16
Operating expenses etc	883	944	(6)
Profit before taxation	536	307	75
Profit after taxation	384	257	49
Major Statement of Financial Position Items:			
Mortgage and other Loans and advances	4,765	4,142	15
Deposits	7,151	7,832	(9)
Share capital	2,177	2,177	-
Shareholders Fund	6,428	6,284	2
Total Assets	14,224	14,535	(2)
Per Share Data			
Based on 2,176,838,000 ordinary shares of N1 each			
Earnings	18	12	
Net Assets	295	289	
Total assets	653	668	
	===	===	
Number of Branches	2	2	
Number of Employees	73	81	
	===	===	

HAGGAI MORTGAGE BANK LIMITED

DIRECTORS' REPORT

In compliance with the Companies and Allied Matters Act 2020, the Directors hereby present their report on the affairs of the Bank, and the audited Financial Statements for the year ended 31 December, 2022.

		2022
1.	**Result of operations**	**₦'000**
	Profit before NITDA Levy & Income tax expense	536,020
	NITDA Levy & Income tax expense	(152,151)
	Profit after tax for the year	383,869
		=======

It is recommended that the profit after tax for the year be appropriated as follows:

Statutory reserve	76,773
Retained earnings	307,096
	383,869
	======

2. **Principal Activities**

The Bank is engaged in the business of mortgage banking.

3. **Directors Who Served During The Year**

Elder Simeon M. Olakunri, SAN	-	Chairman
Mr. Bababode Osunkoya	-	Member
Mrs. Oyepero T. Abiodun	-	Member
Mr. Obafunmilayo Agusto	-	Member
Mr. Oluwatunji D. Adepetun	-	Member
Mrs. Kofoworola Owode	-	MD

4. **Directors' Interest**

The interests of Directors in the ordinary shares (shares of ₦1.00 each) of the Bank as recorded in the Register of Shareholders as at 31 December, 2022 were as follows:

		Direct Interest	**Indirect interest**	**Direct interest**	**Indirect interest**
		31/12/2022	**31/12/2022**	**31/12/2021**	**31/12/2021**
	Names	**Shares of ₦1: 00 each**		**Shares of ₦1: 00 each**	
1	Elder Simeon M. Olakunri, SAN	118,260	235,333,476	118,260	235,333,476
2	Mr. Bababode Osunkoya	-	1,792,875,024	-	1,792,875,024
3	Mrs. Oyepero T. Abiodun	5,062,500	-	5,062,500	-
4	Mr.Obafunmilayo Agusto	-	40,294,629	-	40,294,629
5	Mrs Kofoworola Owode	272,641	-	156,360	-
6	Mr. Oluwatunji D. Adepetun	-	-	-	-

		Direct Interest	Indirect interest	Direct interest	Indirect interest
	Names	**Shares of ₦1: 00 each**		**Shares of ₦1: 00 each**	
	Elder Simeon M. Olakunri is representing Amen Trust Foundation				
	Mr. Bababode Osunkoya is representing Christ Crusade Foundation				
	Mr. Obafunmilayo Agusto is representing RCCG Ms. Nominees Limited				

5. **Frauds and Forgeries**
Information relating to frauds and forgeries is disclosed on page 68 in note 40 to the financial statements.

6. **Property, Plant and Equipment**
Movements in property, plant and equipment during the year are shown in Note 12 on page 60. In the opinion of the Directors, the market value of the Bank's property, plant and equipment is not less than the value shown in the financial statements.

7. **Compliance with the Laws and Regulations**
The Board ensures that Management complies with all laws relating to banking, especially the Money Laundering Laws, the Know Your Customer (KYC) Principles, Code of Corporate Governance for Primary Mortgage Bank and all the guidelines of the Central Bank of Nigeria and the Federal Mortgage Bank of Nigeria. The Board also ensures that the Bank cooperates with all statutory agencies in the course of carrying out its responsibilities.

The Directors confirm that the Bank complied fully with the above within the financial year.

8. **Events after the reporting period**
There were no post balance sheet events which could have a material effect on the state of affairs of the company as at 31 December, 2022 and the profit for the year ended on the date.

9. **Employment and Employees**
It is the policy of the Bank that there should not be discrimination in considering applications for employment, including those from disabled persons. All employees, whether or not disabled, are given equal opportunities to develop their skills and knowledge and to qualify for promotion in furtherance of their career. During the period no disabled person applied for employment in the Bank.

i. **Health, Safety and Staff Welfare**
The Bank provides options to staff to choose their primary health providers under the National Health Insurance Scheme (NHIS) for the use of employees and their immediate families.

ii. **Employee Involvement and Training**

The Bank is committed to keeping employees as fully informed as possible regarding the Bank's performance and progress and seeking their views whenever applicable on matters that particularly affect them as employees.

iii. Incentive schemes designed to meet the circumstances of each individual are implemented whenever appropriate and some of these schemes include bonus, promotions, periodic review of remuneration, etc.

10. **Dividend**

The Directors have recommended the payment of a dividend of 15k per share (for the 2022 financial year) to Shareholders of the Bank whose names appear on the Register of Shareholders as at 31 December, 2022. A dividend of 11 kobo per share was declared for the 2021 financial year at the last Annual General Meeting (AGM) as recommended by the Board and paid during the year.

11. **Donations**

During the year under review, the Bank did not make any donation to any organisation or individual.

12. **Independent Auditors**

Messrs. Bakertilly Nigeria (Chartered Accountants), have indicated their willingness to continue in office as the company’s auditors in accordance with Section 401(2) of the Companies and Allied Matters Act 2020. A resolution will be passed at the Annual General Meeting to authorize the directors to fix their remuneration.

By order of the Board

Mrs. Felicia Mosuro
FRC/2014/NBA/0000007825
For: Adcax Nominees Limited
Company Secretaries

Lagos, Nigeria
28 March 2023

HAGGAI MORTGAGE BANK LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In accordance with the provisions of Section 377 of the Companies and Allied Matters Act 2020 and Financial Reporting Council Act 2011, the Directors are responsible for the preparation of annual financial statements which give true and fair view of the financial position at the end of the financial year of the Bank and of the operating result for the year ended.

The responsibilities include ensuring that:

- Appropriate and adequate internal controls are established to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities.
- The Bank keeps proper accounting records which disclose with reasonable accuracy, the financial position of the Bank and which ensure that the financial statements comply with the requirements of the International Financial Reporting Standard as issued by the International Accounting Standards Board, and the requirements of the Financial Reporting Council of Nigeria Act, No 6, 2011 and the Companies and Allied Matters Act 2020.
- 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
- The financial statements are prepared on a going concern basis unless it is presumed that the Bank will not continue in business.

The Directors accept responsibility for the year's financial statements, which have been prepared using appropriate accounting policies supported by reasonable, prudent judgments and estimates, in conformity with.

- International Financial Reporting Standards (IFRS):
- Companies and Allied Matters Act 2020 as amended.
- Pension Reform Act, 2014 as amended;
- BOFIA, CAP B3, LFN 2020: and
- Financial Reporting Council Act, No 6, 2011.

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 its operating result for the year ended.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of financial control.

Nothing has come to the attention of the Directors to indicate that Haggai Mortgage Bank Limited will not remain a going concern for at least twelve months from the date of these financial statements.

Signed on behalf of the Board by:

________________________	________________________
Mr. Obafunmilayo Agusto	**Elder Simeon M. Olakunri, SAN**
Director	**Chairman, Board of Directors**
28 March, 2023	**28 March, 2023**

CHAIRMAN'S STATEMENT

Distinguished shareholders, ladies, and gentlemen, it is with great pleasure that I welcome you to this year's Annual General Meeting. We thank God today for providing us the opportunity to present your institution's annual report and financial statements once again for the fiscal year that ended on December 31, 2022.

Without a doubt, the year 2022 was challenging in many respects, with global and domestic economic developments that impacted both individuals and businesses. However, your bank was able to make good of the available opportunities to add value to the shareholders' wealth.

The slower pace of growth is mainly attributable to challenging economic conditions that affected productive activities, such as the oil sector whose average daily production stood at 1.34 million barrels per day (mbpd), lower than the average daily production of 1.50 mbpd recorded in 2021.

The Nigeria economy maintained a growth trend in 2022 though slower than the year 2021. According to the National Bureau of Statistics (NBS), Nigeria's Gross Domestic Product (GDP) grew by 3.10% in 2022, lower than the 3.40% recorded in 2021.

In 2022, the Consumer Price Index (CPI), showed an upward trend, due to disruptions in the supply of food products because of Russia's invasion of Ukraine. The inflation rate increased from 16.95% in 2021 to 21.34% in December 2022.

The Central Bank of Nigeria implemented measures to curb the rising inflation rate by increasing the Monetary Policy Rate (MPR), four consecutive times to 16.5%. The committee also increased the Cash Reserve Requirement (CRR) by 500 basis points to 32.5% for Commercial Banks.

Operating Results

Despite the challenges faced in the year 2022, your Bank was able to post a modest performance for the period. Highlighted below is a summary of our operating results for the financial year ending 31st December 2022.

• Gross earnings increased by 15%, from N1.361billion in 2021 to N1.562billion in 2022.

• Profit Before Tax (PBT) consequently increased by 75%, from N307 million in 2021 to N536 million in 2022.

• Profit After Tax (PAT) increased by 49% from N257 million in 2021 to N384 million in 2022 whilst Earnings Per Share (EPS) was 12k and 18k in 2021 and 2022 respectively.

• Deposit Liabilities on the other hand declined from N7.832billion in 2021 to N7.151billion in 2022 whilst Mortgage & Other Loans moved up from N4.142billion in 2021 to N4.765billion in 2022. These represent a decrease of 9% in Deposit Liabilities and an increase of 15% in Mortgage and other Loans, respectively.

• Shareholders' Funds increased by 2% in 2022. In 2021 the Bank's shareholders Funds was N6.284 billion and in 2022 it was N6.428 billion. The increase in Shareholders' Funds in 2022 was attributable mainly to the increase in the operating profit for the year.

• Total Assets declined by 2% from N14.535billion in 2021 to N14.224billion in 2022.

I am however delighted to inform you that the Board of Directors has recommended for the approval of shareholders at this meeting, a dividend payment of 15 kobo per share from the Bank's Retained Earnings to all shareholders whose names were in the Bank's Shareholders' Register as at 31st December 2022.

The Way Forward

The social and economic challenges persist, and new ones are emerging with the recent removal of fuel subsidies and the floating of Nigerian currency. However, The Nigerian government has promised to put an end to the country's problems with insecurity and collapsed infrastructure. All of them, in our opinion, will start to affect our company more favorably. The recent introduction of The Bank will also keep focusing on the many strategies in place to make sure that our business is both lucrative and sustainable. A few of these are:

- Enhance and extend our market tentacles to reach our customers for a positive customer experience.
- Strengthening relationships with our core customers through the introduction of mortgage products that will appeal to their wallet capacities and tastes.
- Create mortgage products designed to attract salaried workers of government parastatals and blue-chip organizations.
- The National Pension Commission's approval to allow workers access to 25% of their retirement savings allowance will be leveraged upon by the Bank to create more mortgages.
- Sound and effective management of liquidity to ensure that the Bank meets its present and future obligations.
- Focus on robust digitalization of banking services and multiple payment systems to meet public demand.

I assure all our distinguished shareholders that securing and increasing shareholders' wealth will continue to be of paramount importance to us.

Appreciation

At this juncture, I would like to appreciate the Almighty God who made today possible. I heartily congratulate our distinguished shareholders, the members of the Board of Directors and Management for the privilege to witness another Annual General Meeting. May God in his infinite mercy reward you abundantly for your time and dedication in Jesus' Mighty Name.

… Distinguished ladies and gentlemen, thank you.

STATUTORY AUDIT COMMITTEE'S REPORT

TO THE MEMBERS OF
HAGGAI MORTGAGE BANK LIMITED

In accordance with the provisions of Section 401(7) of the Companies and Allied Matters Act 2020, we confirm that we have reviewed the audit plan and scope, and the management letter on the audit of the accounts of the Bank and the responses to the said letter.

In our opinion, the plan and scope of the audit for the year ended 31 December, 2022 were adequate. We have reviewed the External Auditors' findings and we are satisfied with the Management responses thereon.

We also confirm that the accounting and reporting policies of the Bank are in accordance with the legal requirements and ethical practices.

We also state that the internal controls were being constantly and effectively monitored.

As required by the provision of the Central Bank of Nigeria Circular BSD/1/2004 dated 18 February 2004 on "Disclosure of Insider Related Credits in Financial Statements", we reviewed the insider-related credits of the Bank and found them to be as analysed in the financial statements as at 31 December, 2022.

Dated this 22 Day of March, 2023

Mr. Obafunmilayo Agusto
Chairman, Audit Committee
FRC/2015/ICAN/00000012573

Members

Mr. Obafunmilayo Agusto	- Chairman	Representing Board of Directors
Mr. Lawrence Ojediran	- Member	Representing Shareholders
Mr. Imo-Abasi Jacob	- Member	Representing Shareholders
Mr. Akinboye Odeku	- Member	Representing Shareholders
Mrs Oyepero Abiodun	- Member	Representing Board of Directors
Mr Oluwatunji D Adepetun	- Member	Representing Board of Director

REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF
HAGGAI MORTGAGE BANK LIMITED

Report on the Audit of the Financial Statements

We have audited the financial statements of the Bank, which comprise the statement of financial position as at 31 December, 2022, and the statement of 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.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Haggai Mortgage Bank Limited as at 31 December, 2022, its financial performance and its cash flows for the year then ended in accordance with the provision of the Companies and Allied Matters Act 2020 and the Financial Reporting Council of Nigeria (FRCN) Act No. 6 of 2011.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the reports and financial statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (Parts 1 and 3) (IESBA Code) and other independence requirements applicable to performing audits of reports and financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Nigeria. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Going Concern

The Bank's financial statements have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless management either intends to liquidate the Bank or to cease operations or has no realistic alternative but to do so.

Management has not identified a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern, and accordingly none is disclosed in the financial statements. Based on our audit of the financial statements, we also have not identified such a material uncertainty.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements which are in compliance with the requirements of Financial Reporting Council of

Nigeria Act, No. 6 of 2011, the Companies and Allied Matters Act 2020, Bank and Other Financial Institutions Act Cap B3 LFN 2020, International Financial Reporting Standard and CBN Guidelines 2011 as amended. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatements, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the reports and 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 International Standards on Auditing 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 reports and financial statements.

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

- Identify and assess the risks of material misstatement of the reports and 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company'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 reports and 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the reports and financial statements, including the disclosures, and whether the reports and financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Contraventions

As stated in note 39, no contravention of the Central Bank regulations that would attract a penalty came to our notice during the audit.

Report on Other Legal and Regulatory Requirements

The Companies and Allied Matters Act 2020 requires that in carrying out our audit we consider and report to you on the following matters. 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 Company; and
iii) The Bank's statement of financial position and profit or loss and other comprehensive income are in agreement with the books of account.

Compliance with Section 27 (2) of the Banks and Other Financial Institutions Act, Cap 8.3, Laws of the Federation of Nigeria, 2004 and the Central Bank of Nigeria circular BSD/1/2020

i) The Bank did not contravene any Section of the Banks and Other Financial Institutions Act, Cap B.3, Laws of the Federation of Nigeria, 2020 during the year ended 31 December 2022.

2 **Insider related transactions and balances**

Insider-related transactions and balances were disclosed (Note 32) in accordance with the Central Bank of Nigeria circular BSD/ 1/2020.

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Oluwole O. Ogundeji
FRC/2013/ICAN/00000002825
For: Bakertilly Nigeria
(Chartered Accountants)

Lagos, Nigeria
28 March, 2023

HAGGAI MORTGAGE BANK LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER, 2022

		2022	2021
Assets	**Note**	**₦'000**	**₦'000**
Cash and Cash Equivalents	5	5,549,683	4,199,883
Financial assets at fair value through profit or loss	6	103,220	104,091
Financial Assets at amortised cost	7	2,772,584	5,426,548
Mortgage, Other Loans and Advances	8	4,765,111	4,142,398
Other Assets	9	616,474	303,177
Inventories	10	75,637	13,420
Intangible Assets	11	25,377	45,738
Property, Plant and Equipment	12	316,062	299,909
Total Assets		**14,224,148**	**14,535,164**
Liabilities			
Deposits from Customers	13	7,150,899	7,831,949
Other Liabilities	14	397,314	227,801
Income Tax payable	15.1	148,257	114,161
Post-Employment Benefits	16	19,915	-
Deferred Tax Liabilities	15.4	80,071	77,544
Total Liabilities		**7,796,456**	**8,251,455**
Capital and Reserves			
Share Capital	17.1	2,176,838	2,176,838
Share Premium	18	2,723,508	2,723,508
Statutory Reserve	19	1,107,226	1,030,453
Statutory Credit Reserve	20	114,305	114,739
Retained earnings	21	305,815	238,171
Available to Equity Holders of the Bank		**6,427,692**	**6,283,709**
Total Liabilities and Equity		**14,224,148**	**14,535,164**

The financial statements were approved by the Board of Directors on 28 March 2023 and signed on its behalf by:

……………………………………	……………………………………	…………………………………....
Bababode Osunkoya	**Mr. Obafunmilayo Agusto**	**Oluwatayo Awopegba**
FRC/2013/ICAN/00000002054	**FRC/2015/ICAN/00000012573**	**FRC/2013/ICAN/00000003239**
Director	**Director**	**Chief Financial Officer**

The notes on pages 20 to 68 form an integral part of these financial statements.

HAGGAI MORTGAGE BANK LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 ₦'000	2021 ₦'000
Interest and similar income	22	1,259,139	975,277
Interest and similar expenses	23	(129,474)	(110,581)
Net interest income		**1,129,665**	**864,696**
Impairment write back/(charge) for credit losses	24	(12,930)	323
Net interest income after loan impairment charges		1,116,735	865,019
Fee and commission income	25	88,900	67,174
Fee and commission expense		(6,209)	(7,222)
Net fee and commission income		82,691	59,952
Other income	26	213,474	318,789
		1,412,900	1,243,760
Personnel expenses	27	(322,422)	(362,349)
Administrative expenses	28	(489,399)	(484,911)
Depreciation and amortization charges	29	(65,059)	(89,361)
Profit before Tax		536,020	307,139
Nigeria Information Tech Dev. Levy (NITDA)	15.2	(5,360)	(3,071)
Tax expense	15.2	(146,791)	(47,276)
Profit after tax		**383,869**	**256,792**
Basic earnings per share (kobo)		18	12

The notes on pages 20 to 68 form an integral part of these financial statements

HAGGAI MORTGAGE BANK LIMITED

STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER, 2022

	Share Capital ₦'000	Share Premium ₦'000	Statutory Credit Reserve ₦'000	Statutory Reserve ₦'000	Retained earnings ₦'000	Total ₦'000
Balance as at 1 January, 2022 (Restated note 21)	2,176,838	2,723,508	114,739	1,030,453	238,171	6,283,709
Profit for the year	-	-	-	-	383,869	383,869
Dividend paid	-	-	-	-	(239,452)	(239,452)
Transfer to statutory reserves	-	-	-	76,773	(76,773)	-
Transfer to statutory credit reserves	-	-	(434)	-	-	(434)
Balance as at 31 December, 2022	2,176,838	2,723,508	114,305	1,107,226	305,815	6,427,692
	=======	=======	======	=======	=======	=======
Balance as at 1 January, 2021 (Restated note 21)	2,176,838	2,723,508	106,284	979,095	233,894	6,219,619
Profit for the year	-	-	-	-	256,792	256,792
Dividend paid/declared	-	-	-	-	(217,684)	(217,684)
Transfer to statutory reserves	-	-	-	51,358	(51,358)	-
Transfer to statutory credit reserves	-	-	8,455	-	16,527	24,982
Balance as at 31 December, 2021	2,176,838	2,723,508	114,739	1,030,453	238,171	6,283,709
	=======	=======	======	=======	=======	=======

The notes on pages 20 to 68 form an integral part of these financial statements

HAGGAI MORTGAGE BANK LIMITED

STATEMENT OF CASH FLOWS
AS AT 31 DECEMBER 2022

	Note	2022 ₦'000	2021 ₦'000
Cash flows from operating activities			
Interest and other income	22.1	1,562,387	1,332,610
Interest Payments	23	(129,474)	(110,581)
Cash payments to Employees and Suppliers		(777,241)	(834,382)
Operating profit before changes in assets and liabilities		**655,675**	387,647
Tax paid	15.1	(111,090)	(47,842)
Police Trust Fund/NASENI		(783)	-
NITDA levy paid	15.1	(3,071)	(2,982)
		540,728	336,823
Changes in Operating Assets/Liabilities			
Increase in loans and other receivables	8	(625,387)	(14,435)
Decrease in inventories	10	(62,217)	(6,655)
Decrease in other assets	9	(316,462)	(95,184)
Increase/(decrease) in deposits and current accounts	13	(681,050)	663,118
Increase in other liabilities	14	140,791	12,995
Net cash (inflows)/outflows from operating activities		**(1,003,597)**	896,662
Cash flows from investing activities			
Additions to property, plant and equipment	12	(67,051)	(74,604)
Addition to intangible assets	11	-	(18,050)
Proceeds from sale of PPE		6,009	45
Change in financial asset at amortised cost	7	2,653,964	(1,711,606)
Net cash inflows from investing activities		**2,592,922**	(1,804,215)
Cash Flows from financing activities			
Dividend paid	14.1	(239,525)	(217,805)
Net cash outflows from financing activities		**(239,525)**	(217,805)
Net increase in cash and cash equivalents for the year		1,349,800	(1,125,358)
Cash and cash equivalents as at 1 January	5	4,199,883	5,325,241
Cash and cash equivalents as at 31 December	5	5,549,683	4,199,883
Represented by			
Cash balance	5	687,856	497,401
Balances and placements with local banks	5	4,861,827	3,702,482
		5,549,683	4,199,883

The notes on pages 20 to 68 form an integral part of these financial statements.

HAGGAI MORTGAGE BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. **The reporting entity**

1.1 **Legal form**

Haggai Mortgage Bank Limited is a product of several transformations. It is an offshoot of Haggai Investment Company which bought over Morogbo-Oto Community Bank on 2 February, 1998 which enabled it to commence community banking. The name was changed to Haggai Community Bank on 21 May, 1998 and Central Bank of Nigeria (CBN) subsequently granted an operating license to that effect on 24 January 2002. It converted to Microfinance Bank in July of 2007 when it was granted a provisional license to that effect by the Central Bank of Nigeria. In December, 2007, it acquired Perpetual Savings & Loans Limited. The Central Bank of Nigeria approved the acquisition and subsequent change of name to Haggai Savings & Loans Limited on 9 April 2008. In 2011, the Central Bank of Nigeria directed all Mortgage Banks to recapitalize to the tune of ₦2.5 billion or ₦5 billion to qualify for a State or National license respectively. The Bank's shareholders injected fresh funds to qualify for a National license. Central Bank of Nigeria subsequently approved its change of name to Haggai Mortgage Bank Limited.

1.2 **Principal activities**

The principal activity of the Bank is mortgage banking.

2. **Changes to accounting policies**

2.1 **New and amended standards and interpretations.**

Standards and interpretations issued/amended but not yet effective.
The standards listed below have been issued or amended by the IASB but are yet to become effective for annual periods beginning on or after 1 January 2021. The Bank has not applied the following new or amended standards in preparing these financial statements as it plans to adopt these standards at their respective effective dates as applicable to them. Insights on these new standards/amendments are provided below.

Standards/Amendments not yet effective not yet effective

Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8
The amendments aim to improve accounting policy disclosures and to help users of the financial statements, to distinguish between changes in accounting estimates and changes in accounting policies.

Published February 2021.
Effective date Annual periods beginning on or after 1 January 2023.

Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction.

These amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

Published May 2021.
Effective date Annual periods beginning on or after 1 January 2023.

IFRS 17, 'Insurance contracts'
This standard replaces IFRS 4, which permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

Published May 2017 with amendments in June 2020 and December 2021.
Effective date Annual periods beginning on or after 1 January 2023.

Amendment to IFRS 16 – Leases on sale and leaseback
These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

Published September 2022.
Effective date Annual periods beginning on or after 1 January 2024.

Amendment to IAS 1 – Non-current liabilities with covenants
These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

Published November 2022.
Effective date Annual periods beginning on or after 1 January 2024.

3. Summary of significant policies

3.1 *Basis of preparation*

The Bank's financial statements for the year ended 31 December, 2021 have been prepared in accordance with International Financial Reporting Standard (IFRSs) as issued by the International Accounting Standard Board (IASB). Additional information required by the local regulators is included where appropriate. These financial statements complied with requirements of the Companies and Allied Matters Act 2020, the Banks and Other Financial Institutions Act, CAP B3, LFN 2020 and Financial Reporting Council of Nigeria Act, No. 6, 2011. The financial statements comprise of a statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the financial statements.

3.2 ***Functional and presentation currency***

These financial statements are presented in Nigeria Naira, which is the functional currency.

3.3 ***Basis of measurement***

These financial statements have been prepared on the historical cost basis except for the following:

- The liability for defined benefit obligations is recognised as the present value of the defined benefit obligation less the fair value of the plan assets
- The plan assets for defined benefit obligation are measured at fair value
- Assets and liabilities are measured at amortised cost
- Loans and receivables are measured at amortised cost
- Financial assets measured at fair value through profit or loss
- Inventories measured at lower of cost or net realizable value.

3.4 ***Use of estimates and judgements***

The preparation of the financial statements in conformity with IFRS requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Management believes that the underlying assumptions are appropriate and that the Bank's financial statements present the financial position and the results fairly.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

3.5 ***Revenue***

This relates to the services provided to customers, exclusive value added tax and less any discounts. Revenue is recognised when the significant risks and rewards of ownership of the services have passed to the buyers, recovery of the consideration is possible, the associated costs and possible return of services can be estimated reliably, there is no continuing management involvement with the services provided and the amount of revenue can be measured reliably.

3.6 ***Interest***

Interest income and expense for all interest –earning and interest-bearing financial instruments are recognised in the income statement within "interest income' and interest expenses" using 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, the next re-pricing date) 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 instruments but not future credit losses.

The calculation of the effective interest rate includes contractual fees paid or received transaction costs and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue of disposal of a financial assets or liability.

Interest income and expenses presented in the income statement include:

- Interest on financial assets and liabilities measured at amortised cost calculated on an effective interest rate basis;
- Interest on financial assets measured at fair value through profit or loss calculated on an effective interest rate basis; and
- Interest on financial assets measured at fair value through OCI calculated on an effective interest rate basis.

3.7 *Fees and commission*

Fees and commission that are integral to the effective interest rate on a financial assets are included in the measurement of the effective interest rate. Fees such as processing and management fees charged for assessing the financial position of the borrower, evaluating and reviewing guarantee, collateral and other security, negotiation of instruments' term, preparing and processing documentation and finalizing the transaction are an integral part of the effective interest rate on a financial asset or liability and are included in the measurement of the effective interest rate of financial assets or liabilities.

Other fees and commissions which relate mainly to transaction and service fees, including loan account structuring and service fees, investment management and other fiduciary activity fees, sales commission, placement line fees, syndication fees and guarantee issuance fees are recognized as the related services are provided/performed.

3.8 *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 derivatives held for risk management purposes that do not form part of qualifying hedge relationships. Fair value changes on other derivatives held for risk management purposes, and other financial assets and liabilities carried at fair value through profit or loss, are presented in other operating income – mark to market gain/ (loss) on trading investments in the income statement.

3.9 *Unearned income*

Unearned income on Treasury Bill represents upfront discounted interest received on treasury bills held to maturity. Under IFRS, treasury bills held to maturity and held for trading are carried at amortised cost and fair value respectively.

3.10. ***Dividend income***

Dividend income is recognised when the right to receive income is established. Dividends on investment in equities are reflected as a component of net trading income. Dividend income on long-term equity investments is recognised as a component of other operating income.

3.11 ***Financial instruments***

Financial instruments carried at the date of financial positon include the loans and receivables, cash and cash equivalents and deposits. Financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, financial instruments are measured as described below:

Financial assets and liabilities

I. **Recognition**

The Bank on the date of origination or purchase recognizes loans, debt and equity securities and deposits at the fair value of consideration paid. For non-revolving facilities, origination date is the date the facility is disbursed while origination date for revolving facilities is the date the line is availed. Regular-way purchases and sales of financial assets are recognized on the settlement date. All other financial assets and liabilities are initially recognized on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

II. **Classification and Measurement**

Initial measurement of a financial asset or liability is at fair value plus transaction costs that are directly attributable to its purchase or issuance. For instruments measured at fair value through profit or loss, transaction costs are recognized immediately in profit or loss.

Financial assets are classified into one of the following measurement categories:

- Amortized cost
- Fair Value through Other Comprehensive Income (FVOCI)
- Fair Value through Profit or Loss (FVTPL) for trading related assets
- Equity Instruments

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset’s contractual cash flow characteristics.

Business Model Assessment

Business model assessment involves determining whether financial assets are managed in order to generate cash flows from collection of contractual cash flows, selling financial assets or both. The Bank assesses business model at a portfolio level reflective of how groups of assets are managed together to achieve a particular business objective. For the assessment of business model, the Bank takes into consideration the following factors:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets
- How the performance of assets in a portfolio is evaluated and reported to management and other key decision makers within the Bank's business lines;
- The risks that affect the performance of assets held within a business model and how those risks are managed;

Management determines the classification of the financial instruments at initial recognition. The business model assessment falls under three categories:

Business Model 1 (BM1): Financial assets held with the sole objective to collect contractual cash flows;

Business Model 2 (BM2): Financial assets held with the objective of both collecting contractual cash flows and selling; and

Business Model 3 (BM3): Financial assets held with neither of the objectives mentioned in BM1 or BM2 above. These are basically financial assets held with the sole objective to trade and to realize fair value changes.

The Bank may decide to sell financial instruments held under the BM1 category with the objective to collect contractual cash flows without necessarily changing its business model if one or more of the following conditions are met:

- When the Bank sells financial assets to reduce credit risk or losses because of an increase in the assets 'credit risk. The Bank considers sale of financial assets that may occur in BM1 to be infrequent if the sales is one-off during the Financial Year and/or occurs at most once during the quarter or at most three (3) times within the Financial Year.
- Where these sales are infrequent even if significant in value. A Sale of financial assets is considered infrequent if the sale is one-off during the Financial Year and/or occurs at most once during the quarter or at most three (3) times within the Financial Year.
- Where these sales are insignificant in value both individually and in aggregate, even if frequent. A sale is considered insignificant if the portion of the financial assets sold is equal to or less than five (5) per cent of the carrying amount (book value) of the total assets within the business model.
- When these sales are made close to the maturity of the financial assets and the proceeds from the sales approximate the collection of the remaining contractual cash flows. A sale is considered to be close to maturity if the financial assets has a tenor to maturity of not more than one (1) year and/or the difference between the remaining contractual cash flows expected from the financial asset does not exceed the cash flows from the sales by ten (10) per cent.
- Other reasons: The following reasons outlined below may constitute 'Other Reasons' (infrequent in occurrence) that may necessitate selling financial assets from the BM1 category that will not constitute a change in business model:

- Selling the financial asset to realize cash to deal with unforeseen need for liquidity.
- Selling the financial asset to manage credit concentration risk.
- Selling the financial assets as a result of changes in tax laws.
- Other situations also depend upon the facts and circumstances which need to be judged by the management

Cash flow characteristics assessment

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI). Principal is defined as the fair value of the instrument at initial recognition. Principal may change over the life of the instruments due to repayments. Interest is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding and for other basic lending risks and costs (liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Bank’s claim to cash flows from specified assets; and
- Features that modify consideration of the time value of money – e.g. periodical reset of interest rates. The Bank holds a portfolio of medium to long-term fixed rate loans for which it has the option to propose a revision of the interest rate periodically. These reset rights are limited to the market rate at the time of revision. The right to reset the rates of the loans based on the revision in market rates are part of the contractually agreed terms on inception of the loan agreement, therefore the borrowers are obligated to comply with the reset rates without any option of repayment of the loans at par at any reset date. The Bank has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies with the interest rate in a way that is considered a consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

a) **Financial assets measured at amortized cost**

Financial assets are measured at amortized cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortized cost using the effective interest rate method. Amortized cost is calculated considering any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate. Amortization is included in Interest income in the Statement of

Income. Impairment on financial assets measured at amortized cost is calculated using the expected credit loss approach. Loans measured at amortized cost are presented net of the allowance for credit losses (ACL) in the statement of financial position.

b) **Financial assets measured at FVOCI**

Financial assets are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the assets' cash flows represent payments that are solely payments of principal and interest. Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVOCI are recorded in other comprehensive Income (OCI). Upon derecognition, realized gains and losses are reclassified from OCI and recorded in Other Income in the Statement of Income. Premiums, discounts and related transaction costs are amortized over the expected life of the instrument to Interest income in the Statement of Income using the effective interest rate method. Impairment on financial assets measured at FVOCI is calculated using the expected credit loss approach.

c) **Financial assets measured at FVTPL**

Debt instruments measured at FVTPL include assets held for trading purposes, assets held as part of a portfolio managed on a fair value basis and assets whose cash flows do not represent payments that are solely payments of principal and interest. Financial assets may also be designated at FVTPL if by so doing eliminates or significantly reduces an accounting mismatch which would otherwise arise. These instruments are measured at fair value in the Statement of Financial Position, with transaction costs recognized immediately in the Statement of Income as part of Other Income. Realized and unrealized gains and losses are recognized as part of Other Income in the Statement of Income.

d) **Equity Instruments**

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, any contract that evidences a residual interest in the issuer's net assets. Equity instruments are measured at FVTPL, unless an election is made to designate them at FVOCI upon purchase. For equity instruments measured at FVTPL, changes in fair value are recognized as part of Other Income in the Statement of Income.

The Bank can elect to classify non-trading equity instruments at FVOCI. This election will be used for certain equity investments for strategic or longer -term investment purposes. The FVOCI election is made upon initial recognition, on an instrument-by-instrument basis and once made is irrevocable. Gains and losses on these instruments including when derecognized/sold are recorded in OCI and are not subsequently reclassified to the Statement of Income. Dividends received are recorded in other income in the Statement of Income. Any transaction costs incurred upon purchase of the security are added to the cost basis of the security and are not reclassified to the Statement of Income on sale of the security. Transaction cost on disposal of equity instruments is recognized as an expense in the income statement.

Financial liabilities are classified into one of the following measurement categories:

- Amortised cost
- Fair Value through Profit or Loss (FVTPL)

e) **Financial Liabilities at amortised cost**

Financial liabilities that are not classified at fair value through profit or loss fall into this category and are measured at amortised cost using the effective interest rate method. Financial liabilities measured at amortised cost are deposits from banks or customers and other borrowed funds

f) **Financial Liabilities at fair value through profit or loss**

Financial liabilities accounted for at fair value through profit or loss fall into two categories: financial liabilities held for trading and financial liabilities designated at fair value through profit or loss on inception. A financial liability is classified as held for trading if it is incurred principally for the purpose of repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Gains and losses arising from changes in fair value of financial liabilities classified as held for trading are included in the income statement and are reported as 'Net gains/(losses) on financial instruments classified as held for trading'. Interest expenses on financial liabilities held for trading are included in 'Net interest income'. Financial Liabilities are designated at FVTPL when either the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise, or the financial liability contains one or more embedded derivatives which significantly modify the cash flows otherwise required. For liabilities designated at fair value through profit or loss, all changes in fair value are recognized in Other Income in the Statement of Income, except for changes in fair value arising from changes in the Bank's own credit risk which are recognized in OCI. Changes in fair value of liabilities due to changes in the Bank's own credit risk, which are recognized in OCI, are not subsequently reclassified to the Statement of Income upon derecognition/extinguishment of the liabilities.

Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks, balances held with other banks, Money market placements and highly liquid financial assets with original maturities of less than three months, which are subject to 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 amortised cost in the Statements of financial position.

III. **Reclassifications**

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets. A change in the Bank's business model will occur only when the Bank either begins or ceases to perform an activity that is significant to its operations such as significant internal restructuring and any other reason that might warrant a change in the Bank's business model as determined by management based on facts and circumstances.

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

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

When reclassification occurs, the Bank reclassifies all affected financial assets in accordance with the new business model. Reclassification is applied prospectively from the ‘reclassification date’. Reclassification date is ‘the first day of the first reporting period following the change in business model. For example, if the Bank decides to shut down the corporate mortgage business segment, the reclassification date is the first day of the next reporting period.

IV. **Modification of financial assets and liabilities**

a. Financial assets

When the contractual terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized, and a new financial asset is recognized at fair value. Any difference between the amortized cost and the present value of the estimated future cash flows of the modified asset or consideration received on derecognition is recorded as a separate line item in profit or loss as ‘gains and losses arising from the derecognition of financial assets measured at amortized cost’. If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If the contractual cash flows on a financial asset have been renegotiated or modified and the financial asset was not derecognized, the Bank shall assess whether there has been a significant increase in the credit risk of the financial instrument by comparing:

- the risk of a default occurring at the reporting date (based on the modified contractual terms); and
- the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms)

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

Quantitative criteria

A modification would lead to derecognition of existing financial asset and recognition of a new financial asset, i.e. substantial modification, if the discounted present value of the cash flows under the new terms, including any fees received net of any fees paid and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

In addition to the above, the bank shall also consider qualitative factors as detailed below:

Qualitative criteria

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

- The exchange of a loan for another financial asset with substantially different contractual terms and conditions such as the restructuring of a loan to a bond; conversion of a loan to an equity instrument of the borrower.
- Roll up of interest into a single bullet payment of interest and principal at the end of the loan term.

Other factor to be considered:

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

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of it’s derecognition.

b. Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. The Bank derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss.

De-recognition of financial instruments

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and recognizes a collateralized borrowing for the proceeds received. Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the statement of financial position as 'Assets pledged as collateral', if the transferee has the right to sell or repledge them. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

V. Impairment of Financial Assets

In line with IFRS 9, the Bank assesses the under listed financial instruments for impairment using Expected Credit Loss (ECL) approach:

- Amortized cost financial assets;

Equity instruments and financial assets measured at FVTPL are not subjected to impairment under the standard.

Expected Credit Loss Impairment Model

The Bank's allowance for credit losses calculations are outputs of models with several underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either over the following twelve months or over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts. The Bank adopts a three-stage approach for impairment assessment based on changes in credit quality since initial recognition.

Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.

Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.

Stage 3 – Financial instruments that are considered to be in default are included in this stage. Like Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

The guiding principle for ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments since initial recognition. The ECL allowance is based on credit losses expected to arise over the life of the asset (lifetime expected credit loss), unless there has been no significant increase in credit risk since origination.

Accounts classified as either "Substandard", "Doubtful" or "Loss" are, for the purpose of this model, classified as defaulted accounts (and classified as Stage 3). All accounts classified as "Watchlist" are classified as Stage 2. In addition to this, and in line with CBN expectations, all loans that have been restructured or the term extended, are assumed to have significantly increased credit risk since origination and are thus classified as Stage 2, if not already classified as Stage 2 or Stage 3. Thus, all accounts flagged as forbearance are classified as Stage 2. However, if the Bank has evidence that not all of these accounts' credit risk has significantly increased since initial recognition, then these accounts can be re-classified as Stage 1. The Bank generates credit ratings for each obligor. Loans rated “D” are classified as stage 3 loans.

Measurement of Expected Credit Losses

The probability of default (PD), exposure at default (EAD), and loss given default (LGD) inputs used to estimate expected credit losses are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio. Details of these statistical parameters/inputs are as follows:

Probability of Default – The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognized and is still in the portfolio.

- **12-month PDs** – This is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12-month ECLs. The Bank obtains the constant and relevant coefficients for the various independent variables and computes the outcome by incorporating forward looking macroeconomic variables and computing the forward probability of default.

- **Lifetime PDs** – This is the estimated probability of default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECLs for ‘stage 2’ and ‘stage 3’ exposures. PDs are limited to the maximum period of exposure required. The Bank obtains 3 years forecast for the relevant macroeconomic variables and adopts exponentiation method to compute cumulative PD for future time periods for each obligor.

Exposure at Default – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

Loss Given Default – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

Forward-looking information

IFRS 9 specifies that ECLs should include a forward-looking element which translates into an allowance for changes in macro-economic conditions and forecasts when estimating lifetime ECLs. It is important to understand the effect of forecasted changes in the macro-economic environment on ECLs, so that an appropriate level of provisions can be raised. The most acceptable way of allowing for macro-economic conditions is to build a regression model that aims to explain and predict the impact of macro-economic indicators on default rates. Such regression models are usually built on a history of default rates and macro-economic variables covering at least one economic cycle, but preferable more. Information gathering is based on historical Nigerian macro-economic indicators from a host of reliable sources, including the International Monetary Fund. As a proxy for default rates, the Bank uses its non-performing loans as a percentage of gross loans ("NPL%") metric. The following steps were followed in quantifying the impact of macro-economic scenarios on ECLs.

Step 1

Using the statistical methodology of multiple Regression, estimate the relationship between collected historical non-performing loans and on a list of macro-economic indicators.

Step 2

Identify variables that are statistically significant (that is variables that have the most significant predictive power)

Step 3

Forecast macroeconomic forward-looking information for periods over which lifetime PD will be determined

Step 4

Using the equation derived in step one as, significant coefficient obtained in step 2 as well as forecast macroeconomic forward-looking information in step 3, predict the default probability for relevant periods

Step 5

Determine Scalars for relevant period. In order to remove the impact of any historical trends included in the data, the scalar denominator is adjusted based on the estimation period used to derive the PDs.

Step 6

Apply the scalars calculated in Step 5 to the lifetime PDs as derived. A scalar factor of one means that the probability of default for the forecast year is expected to be in line with historical average probability of default. A scalar factor less than one means that the probability of default for the forecast year is expected to be less than the historical average probability of default. A scalar factor greater than one means that the probability of default for the forecast year is expected to be greater than the historical average probability of default.

Assessment of Significant Increase in Credit Risk (SICR)

At each reporting date, the Bank assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors. The common assessments for SICR on retail and non-retail portfolios include macroeconomic outlook, management judgement, and delinquency and monitoring. Forward looking macroeconomic factors are a key component of the macroeconomic outlook. The importance and relevance of each specific macroeconomic factor depends on the type of product, characteristics of the financial instruments and the borrower and the geographical region. The Bank adopts a multi factor approach in assessing changes in credit risk. This approach considers: Quantitative (primary), Qualitative (secondary) and Back stop indicators which are critical in allocating financial assets into stages. The quantitative models consider deterioration in the credit rating of obligor/counterparty based on the Bank's internal rating system or External Credit Assessment Institutions (ECAI) while qualitative factors consider information such as expected forbearance, restructuring, exposure classification by licensed credit bureau, etc. A backstop is typically used to ensure that in the (unlikely) event that the primary (quantitative) indicators do not change and there is no trigger from the secondary (qualitative) indicators, an account that has breached the 30 days past due criteria for SICR and 90 days past due criteria for default is transferred to stage 2 or stage 3 as the case may be except there is a reasonable and supportable evidence available without undue cost to rebut the presumption.

Definition of Default and Credit Impaired Financial Assets

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

- Significant changes in internal price indicators of credit risk as a result of a change in credit risk since inception
- Other changes in the rates or terms of an existing financial instrument that would be significantly different if the instrument was newly originated or issued at the reporting date
- Significant changes in external market indicators of credit risk for a financial instrument or similar financial instruments with the same expected life.
- An actual or expected significant change in the financial instrument's external credit rating.
- An actual or expected internal credit rating downgrade for the borrower
- Existing or forecast adverse changes in business, financial or economic conditions
- An actual or expected significant change in the operating results of the borrower
- Significant increases in credit risk on other financial instruments of the same borrower.

- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower
- Significant changes in the value of the collateral supporting the obligation
- Significant changes, such as reductions, in financial support from a parent entity or other affiliate or an actual or expected significant change in the quality of credit enhancement
- Significant changes in the expected performance and behavior of the borrower
- Changes in the entity's credit management approach in relation to the financial instrument
- Deterioration of relevant credit risk drivers for an individual obligor (or pool of obligors);
- Expectation of forbearance or restructuring due to financial difficulties;
- Evidence that full repayment of interest and principal without realization of collateral is unlikely, regardless of the number of days past due; and
- A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, loans that are more than 30 days past due are considered impaired.

Presentation of allowance for ECL in the statement of financial position

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

- Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component, the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

VI. **Write-off**

The Bank writes off an impaired financial asset (and the related impairment allowance), either partially or in full, where there is no reasonable expectation of recovery as set out in IFRS 9, paragraph 5.4.4. After a full evaluation of a non-performing exposure, in the event that either one or all of the following conditions apply, such exposure shall be recommended for write-off (either partially or in full):

- continued contact with the customer is impossible;
- recovery cost is expected to be higher than the outstanding debt;
- The bank's recovery method is foreclosing collateral and the value of the collateral is such that there is no reasonable expectation of recovering the balance in full.

- Where all possible avenues for recoveries have been explored and it is evident that the financial capacity of the borrower makes it impossible to recover part or the whole amount of indebtedness.

  All credit facility write-offs shall require endorsement at the appropriate level, as stated in the Bank's Credit Policy. Credit write-off approval shall be documented in writing and properly initialed by the approving authority. A write-off constitutes a derecognition event. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amount due. Whenever amounts are recovered on previously written off credit exposures, such amount recovered is recognized as income on a cash basis only.

VII. **Investment securities**

Investment securities are initially measured at fair value plus, in case of investment securities not at fair value through profit or loss, incremental direct transaction costs are subsequently accounted for depending on their classification as amortized cost, fair value through profit or loss or fair value through other comprehensive income.

VIII. **Repossessed Collateral**

In certain circumstances, property may be repossessed following the foreclosure on loans that are in default. Repossessed properties are measured at the lower of carrying amount and fair value less costs to sell and reported within 'Other assets'

3.13 Property, plant and equipment

3.13.1 Recognition and measurement

The bank recognises items of property, plant and equipment at the time the cost is incurred. These costs include costs incurred initially to acquire or construct an item of property, plant and equipment as well as the costs of its dismantlement, removal or restoration, the obligation for which an entity incurs as a consequence of using the item during a particular period.

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. 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 assets' depreciation methods, useful lives and residual values are reviewed, and written down if appropriate, at each reporting date. Assets are impaired whenever events or changes in circumstances indicate that the carrying amount is less than the recoverable amount.

3.13.2 Subsequent costs

The cost of replacing part of an item of property or equipment is recognised 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-day servicing of property and equipment are recognised in the income statement as incurred.

3.13.3 Depreciation of property, plant and equipment

Depreciation is recognised in the income statement on a straight-line basis to write down the cost of each asset, to their residual values over the estimated useful lives of each part of an item of property and equipment.

Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognized or classified as held for sale in accordance with IFRS 5. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

Property plant and equipment are tested for impairment annually. Where there is no indication of impairment, recognition is cost less accumulated depreciation.

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

Items of Property, Plant and Equipment	**Estimated Useful Life**
Land	-
Building	2%
Furniture and fittings	15%
Computer Equipment	25%
Motor Vehicles	16.67%
Plant and Office Equipment	20%

Capital work in progress is not depreciated. Upon completion, it is transferred to the relevant asset category. Depreciation methods, useful lives and residual values are reassessed at each reporting date.

Depreciable life of property, plant and equipment

The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items.

3.13.4 De-recognition

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

3.13.5 Intangible assets

Software

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

Development costs previously expensed cannot be capitalized. The capitalized costs of internally developed software include all costs directly attributable to developing the software, 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 capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

The intangible assets' amortization methods, useful lives and residual values are reviewed, and written down if appropriate, at each reporting date.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The maximum useful life of software is five years. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Amortisation periods and methods are reviewed annually and adjusted if appropriate.

Item	
Computer software	20%

3.14 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, inclusive of 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. For intangible assets that have indefinite useful life or that are available for use, the recoverable amount is estimated each year.

However, the Bank chooses the cost model measurement to reassess investment property after initial recognition i.e. depreciated cost less any accumulated impairment losses.

An impairment loss is recognised in the income statement if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent of other assets and groups. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (a group of units) on a pro rata basis.

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.

Impairment losses recognized in prior periods 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 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.

3.15 Equity instruments

Equity instruments issued by the Bank are recorded at the value of proceeds received, net of costs directly attributable to the issue of the instruments. Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

3.16 Employee benefits

3.16.1 Defined contribution plans

A defined contribution plan is a pension plan under which the Bank pays fixed contributions to a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Bank pays contributions to privately administered Pension Funds Administrators (PFA) on a mandatory, contractual or voluntary basis. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense in the Statements of Comprehensive Income when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The defined contribution plans comply with the provision of the Pension Reform Act 2014 as amended. The Company contributes 10% while the employees contribute 8% of employees’ total emolument. The Company’s contribution of 10% of employees’ emolument is charged to statement of profit or loss accounts.

3.16.2 Defined benefit plans

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The liability recognized in the Statements of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the date of the Statements of financial position less the fair value of plan assets. The defined benefit obligation is calculated every other year by independent actuaries using the projected unit credit method. In determining the appropriate discount rate, the Bank considers the market yields on high quality corporate bonds, and where no such market exists, the discount rate is based on Government Bonds as compiled by the Debt Management Office.

Re-measurements arising from experience adjustments and changes in actuarial assumptions in excess of the plan assets or of the defined benefit obligation are charged or credited to Other Comprehensive Income in the financial year in which they arise. Past service costs are recognised immediately in the Income statement.

3.16.3 Termination Benefits

Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognizes termination benefits at the earlier of the following dates: (a) when the Bank can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the ‘case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

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

3.16.5 Share-based payment transactions

The Bank operates a cash-settled share based compensation plan for the Managing Director only. The Managing Director is entitled to share-based compensation plan only after spending ten years in the Bank. This amount is recognised as an expense and reflected as part of the share capital but not settled in cash during the period of service. The cash settlement may be done at the instance of the Managing Director at the point of exit from the Bank.

3.17 Income Tax

3.17.1 Current income tax

Income tax payable is calculated on the basis of the applicable tax law in the respective jurisdiction and it consists of Company Income Tax, Education tax and NITDA levy. Company Income tax is assessed at a statutory rate of 30% of total profit. Education tax is computed as 2.50% of assessable profit while NITDA levy is a 1% levy on Profit before tax of the Bank.

The Nigeria Police Trust Fund Act 2019 was passed into law. The Act requires every company in Nigeria to pay a levy of 0.005% of their net profit to the Trust Fund for a period of 6 years from commencement of the Act, after which it ceases to exist unless extended for any further period by an Act of the National Assembly.

Current income tax is recognised as an expense for the period except to the extent that current tax is related to items that are charged or credited to other comprehensive income or directly to equity. In these circumstances, deferred tax is charged or credited to other comprehensive income or to equity (for example, current tax on available-for-sale investment).

Where the Bank has tax losses that can be relieved only by carrying it forward against taxable profits of future periods, a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the statement of financial position. The Bank evaluates positions stated in tax returns; ensuring information disclosed are in agreement with the underlying tax liability, which has been adequately provided for in the financial statements.

3.17.2 **Deferred tax**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. However, the deferred income tax is not recognized for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised when it is probable that future taxable profit will be available against which these temporary differences can be utilised. The tax effects of carry forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

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.

3.17.3 **Withholding tax**

The withholding tax credit is set off against income tax payable. Tax credits, which are considered irrecoverable, are written off as part of the tax charge for the year.

3.18 **Deposits**

Deposits are the Bank's sources of funding from customers. The estimated fair value of deposits is the amount payable on demand.

3.19 **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 recognised when the Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. The Bank recognises no provision for future operating losses.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognizes any impairment loss on the assets associated with that contract.

3.20 Earnings per Share

The Bank presents Basic Earnings per Share (EPS) 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 that is attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding for effects of all dilutive potential ordinary shares.

3.20.1 Dividend on the Bank's ordinary shares

Dividends on the Bank’s ordinary shares are recognised in equity when approved by the Bank’s shareholders.

3.20.2 Share capital and reserves

Share issue costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instrument.

3.20.3 Fair value determination

Fair value is the amount at which an asset or liability is exchanged between knowledgeable willing parties in an arm’s length transaction.

The carrying values of the Bank’s financial assets and liabilities are a reasonable approximation of fair values as at the applicable reporting periods.

Fair values of equity securities with active markets were derived with reference to their markets prices as at the reporting period.

3.30 Critical judgment in applying the Bank’s accounting policies

The Bank makes estimate and assumption about the future that affects the reported amounts of assets and liabilities. Estimates and judgment are continually evaluated and based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumption.

The effect of a change in an accounting estimate is recognized prospectively by including it in the comprehensive income in the period of the change if the change affects that period only or in the period of change and future period, if the change affects both.

The estimates and assumptions that have significant risks of causing material adjustment to the carrying amount of asset and liabilities within the next financial are discussed below:

3.30.1 Impairment of Equity financial assets

The Bank determines that equity financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost.

This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flow. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows.

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them.

All models are certified before they are used and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

3.30.2 Determination of impairment of property, plant and equipment, and intangible assets

Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, the cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. .

3.31 **Inventories**

Inventories are stated at the lower of cost or net realizable value. Costs of inventories are determined on a First-in the First-out basis. Net realized value is the amount that can be realized from the sale of the inventory in the normal course of business after allowing for the cost of realization.

3.32 **Segment reporting**

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

4.0 **Risk management framework**

The primary objective of Haggai Mortgage Bank'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 recognizes the critical importance of having efficient and effective risk management systems in place.

The Bank has established risk management functions with clear terms of reference from the Board of Directors, its Committees and the Executive Management Committees. This is supplemented with a clear organisational 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, its appropriateness and effectiveness.

Haggai Mortgage 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 arise from a 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

The risk associated with the financial operation of the Bank, including pricing of loans and advances, 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 organisational 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.

4.1 Strategic risks

4.1.1 Capital management policies, objectives and approach

The following capital management objectives, policies and approach to managing the risks which affect its capital position are adopted by Haggai Mortgage Bank Limited:

- To maintain the required level of financial stability thereby providing a degree of security to customers.
- 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.

Haggai Mortgage Bank’s operations are also subject to regulatory requirements of the CBN and NDIC. In addition, annual returns must be submitted to CAC, FIRS and other regulatory authorities on a regular basis.

4.1.2 Approach to capital management

The Bank seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and customers.

The Bank's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital level on a regular basis.

4.1.3 Regulatory capital

The Central Bank of Nigeria, sets and monitors capital requirements for the Bank. In implementing current capital requirements, 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 analysed into two tiers:

i. Tier 1 capital: includes share capital, share premium, retained earnings and reserves created by appropriations, statutory reserve and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

ii. Tier 2 capital: includes qualifying subordinated liabilities, collective impairment allowances and the element of the fair value reserve relating to unrealized gains on equity financial asset.

The Bank's primary source of capital used is by equity shareholders' funds.

There are no significant changes to its capital structure during the year under review.

4.1.4 Capital adequacy ratio

The capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk weighted asset base.

The capital adequacy ratio is computed as follows:

	2022	2021
Tier 1 Capital	**₦'000**	**₦'000**
Ordinary share capital	2,176,838	2,176,838
Share premium	2,723,508	2,723,508
Statutory reserve	1,107,226	1,030,458
Retained earnings	305,815	238,171
Intangible Assets	(25,377)	(45,738)
Total Tier 1	**6,288,010**	**6,123,237**
Tier 2 Capital	-	-
Risk weighted assets		
On balance sheet	6,852,784	5,649,191
Off balance sheet	-	-
Total risk weighted assets	6,852,784	5,649,191
Bank's risk-weighted capital adequacy ratio	92%	109%
Minimum Regulatory requirement ratio	10%	10%

4.2 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 such as regulatory levies, fees and prompt loan repayment. 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 authorization 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.

4.3 Financial risks

The Bank has exposure to the following risks from financial instruments:

- Credit risks
- Liquidity risks
- Market risks

Financial risk management

The Bank's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice. The Bank's aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance. The Bank defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors. Risk management is carried out by a central Risk Management Department under policies approved by the Board of Directors. Risk Management Department identifies, evaluates and hedges financial risks in close co- operation with the Bank's operating units. The risks arising from financial instruments to which the Bank is exposed are financial risks, which include credit risk, liquidity risk and market risk (which are discussed below).

4.3.1 Credit risk

Mortgage lending and other financial activities form the core business of the Bank. The Bank recognises this and has placed great emphasis on effective management of its exposure to credit risk. The Bank defines credit risk as the risk of counterparty failure to meet the terms of any lending contract with the Bank or otherwise to perform as agreed.

Credit risks arise any time the Bank's funds are extended, committed, invested or otherwise exposed through actual or implied contractual agreements.

The bank's specific credit risk objectives as contained in the risk management framework are:

- Effective evaluation of portfolio for efficiency.

- Establishment of a credit culture that reflects the Bank's risk tolerance limits.
- Establishment of formal underwriting standards for on-balance sheet assets.
- Development of a standard best practice process in credit risk management.

The Product and Assets Management Department is required to implement credit policies and procedures in line with the credit approval authorities granted by the Board. The Product and assets Management Department is responsible for the quality and Performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolio, including those subject to Management Credit Committees approval.

The Internal Audit and Risk Management units respectively undertake regular audits of the department and credit quality reviews. The Bank continues to focus attention on intrinsic and concentration risks inherent in its business to manage the Bank's portfolio risk. It sets portfolio concentration limits that are measured under the following parameters; concentration limits per obligor, industry, and rating grade. The limits reflect the risk appetite of the Bank.

Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to its Board Credit Committee. The Management Credit committee reporting to the Board Credit Committee is responsible for the oversight of the Bank's credit risk.

4.3.2 a. **Credit risk measurement**

In measuring credit risk of loans and advances to customers, the Bank reflects the following components:

- The character and capacity to pay up the customer on its contractual obligations
- Current exposures to the counterparty and its likely future development
- The likely recovery ratio in the case of default obligations — value of collateral and other ways out.

The Bank's rating scale reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are reviewed and upgraded when necessary. The Bank regularly validates the performance of the rating and their predictive power with regard to default events.

Collateral Risk Rating (CRR) Facility Risk Rating (FRR)

- The bank does not lend to speculative obligors on an unsecured basis. The Facility Risk Rating (FRR) is different from the Obligor Risk Rating (ORR) to the extent of the perceived value of enhancement provided.
- The collateral risk rating grid indicates the acceptable collateral types rated 1.10 from best to worst in order of liquidity.
- Ratings and scoring models are in use for all key credit portfolios and form the basis for measuring default risks;

- In measuring credit risk of loan and advances at a counterparty level, the Bank considers three components:

  1. The probability of default (PD)
  2. Exposure to the counterparty and its likely future development, from which the Bank derive the ‘exposure at default’ (EAD); and
  3. The likely recovery ratio on the defaulted obligations (the “loss given default”) LGD.

1. **Probability of Default**

The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to various categories of the counterparty. They have been developed internally and combined Statistical analysis with Risk Management officer’s judgment. The rating template combines both qualitative and quantitative factors to arrive at a rating which is comparative to internationally available standards.

The rating methods are subject to semi-annual validation and recalibration so that they reflect the latest projection in the light of all actually observed defaults.

The rating grid with description is as follows:

Rating Grade	**Description**	**Score**	**Group Description**
1	Exceptional Capacity	AAA	
2	Very Strong Capacity	AA	
3	Strong Repayment Capacity	A	
4	Good Credit Quality & Adequate Repayment	BBB	Performing
5	Possibility that Credit Risk may occur	BB	
6	Significant Credit Risk may occur but meets all obligations	B	
7	Default is a real possibility	CCC	Watch list
8	Default is probable	CC	
9	Default is imminent	C	Non-performing
10	Default/Loss	D	

The first six ratings apply to active credits or newly proposed credits while the last four ratings apply to watch-list and delinquent credits, which are due to be called in or already handed over to debt collectors.

Performing (Rating 1-6) — Facility has a strong tendency of repayment within approved tenor; interest and principal are being repaid as and when due.

Watch-list (Rating 7) — Facility demonstrates some early warning signal of deficiency and has a tendency to default either in respect of the principal or accrued interest.

Substandard and Doubtful — (Ratings 8 & 9) - this rating is applied where a strong doubt exists that full repayment of principal and interest will occur. The exact extent of the potential loss is not, however, certain at the time of classification.

Loss (Rating 10) — facility is actually in default and principal and or interest overdue remain unpaid for more than 365 days for legacy loans, (i.e Commercial loans existing before the Revised Guidelines for Primary Mortgage Banks in Nigeria), 2 years from due date for Mortgage Loans and more than 3 years for Commercial Real Estate Finance.

2. **Exposure at Default (EAD)**

EAD is the amount the Bank expects to be owed at the time of default or reporting date. For example, for a loan, this is the face value (principal plus interest). The Bank includes any amount already drawn plus the further amount that may have been drawn by the time of default should it occur.

3. **Loss Given Default (LGD)**

LGD represents the Bank's expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure. It typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support.

The measurement of exposure to default and loss given default is based on the risk parameters standard under Basel II.

(b) **Risk limit control and mitigation policies**

The Bank manages, limits and controls concentrations of credit risk wherever they are identified “in particular, to individual, churches and corporate bodies.

The Bank structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers. Such risks are monitored on a revolving basis and subject to an annual or more frequent review when considered necessary.

Lending limits are reviewed in the light of changing market and economic conditions and periodic credit reviews and assessments of the probability of default.

(c) **Collateral**

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for loans and other receivables, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation.

The principal collateral types for loans and advances are:

- Mortgages over residential properties/commercial properties.
- Charges over business assets such as premises, inventory and accounts receivable.
- Charges over financial instruments such as debt securities and equities.
- Undertakings/ guarantees of the church council, province, area and parishes for churches.

Longer-term finance and lending to corporate entities are generally secured by any of the security type stated above.

4.4 Use of estimates and judgements and disclosure of financial risk management

The preparation of the financial statements in conformity with IFRS 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 recognised in the period in which the estimates are revised and in any future periods affected.

Management discusses with the Board Finance and Risk Committee on the development, selection and disclosure of the Bank's critical accounting policies and their application, and assumptions made relating to major estimation uncertainties. Information about assumptions and estimation of ' uncertainties that have a significant risk of resulting in a material adjustment within the next financial year and about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the individual financial statements is disclosed below.

These disclosures supplement the commentary on financial risk management note 4.3 to these financial statements.

4.5 Determination of regulatory risk reserves

Provisions under prudential guidelines are determined using the time base provisioning regime prescribed by the Revised Central Bank of Nigeria (CBN) Prudential Guidelines for Primary Mortgage Institutions. This is at variance with the expected credit loss model required by IFRS under IFRS 9. As a result of the differences in the methodology/provision regime, there will be variances in the impairments allowances required under the two methodologies.

By CBN (OFISD) circular letter to All Other Financial Institutions dated October 11, 2013, impairment for loans recognised in the statement of comprehensive income account is determined based on the requirements of IFRS. However, the IFRS impairment is compared with provisions determined under prudential guidelines and the expected impact/changes are recognised in general reserve as follows:

- If a prudential provision is greater than IFRS impairment; the excess provision resulting therefrom is transferred from the general reserve account to a "regulatory risk reserve".
- If a prudential provision is less than IFRS impairment; IFRS determined impairment is charged to the statement of comprehensive income. The cumulative balance in the regulatory risk reserve is thereafter reversed to the general reserve account.

The regulatory risk reserve is considered a non-distributable reserve and classified under Tier 1 as part of the core capital. The Bank has complied with the requirements of the guidelines.

4.6 Key sources of estimation uncertainty

Allowance for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in the accounting policy 3.11(v).

The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counter party's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances and held to maturity investment securities with similar economic characteristics when there is objective evidence to suggest that they contain impaired loans and advances and held to maturity investment securities, but the individually impaired items cannot yet be identified. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances are estimated.

4.7 Maximum exposure to credit risk before collateral held or other credit enhancements

Credit risk exposures relating to financial assets are as follows:

	Maximum Exposure	
	2022	**2021**
	₦’000	**₦’000**
Mortgage loans	4,687,486	4,045,179
Overdrawn balances	127,725	133,311
Staff loans	8,154	19,488
Financial asset through profit or loss	103,220	104,091
Financial assets @ amortised cost	2,772,584	5,426,548
Other assets	616,474	303,177
	8,315,643	10,031,794
	========	========

The above table represents a worse-case scenario of credit risk exposure to the Bank at 31 December, 2022 and 2021, without taking account of any collateral held or other credit enhancements’ attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As shown above, 58% of the total maximum exposure is derived from loans and advances to banks and customers (2021: 42%); 42% represents investments in government debt securities (2021: 58%).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both its loan and advances portfolio and debt securities based on the following:

- Mortgage loans, which represents the Bank's biggest portfolio, are backed by collateral;
- 96% of the loans and advances portfolio are considered to be neither past due nor impaired (2021: 97%)
- The Bank has introduced a more stringent selection process on granting loans and advances.

4.8 **Loans and other receivables**

Loans and other receivables are summarized as follows:

	Mortgage Loans ₦'000	Overdraft ₦'000	Total ₦'000
Neither Past due nor impaired	4,713,980	-	4,713,980
Past due but not impaired	-	-	-
Individually impaired	-	109,385	109,385
Gross	4,713,980	109,385	4,823,365
Less: allowance for Impairment	(19,094)	(39,160)	(58,254)
	4,694,886	70,225	4,765,111
	=======	======	=======

4.9 **Market risk**

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

4.10 **Liquidity risk**

Liquidity risk is the risk that the Bank is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from commitments and other cash outflows. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the statement of financial position and sales of assets, or potentially an inability to fulfil lending commitments.

The risk that the Bank will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

(a) **Maturity Profiling**

Maturity profiles of the Bank's financial instrument liabilities -

2022

The table below summarizes the maturity profile of the financial liabilities of the Bank based on the remaining undiscounted contractual obligations:

	On demand	Less than a year	Between 1 and 5 years	Above 5 years
	₦'000	**₦'000**	**₦'000**	**₦'000**
Deposit from Customers	3,644,010	3,501,347	5,542	–
Income tax Payables	-	-	-	-
Deferred tax liabilities	–	–	80,071	–
	3,644,010	3,501,347	85,613	-
	=======	=======	======	====

2022

Maturity profiles of the Bank's financial assets

	On demand	Less than A year	Between 1 and 5 years	Above 5 years
	₦'000	**₦'000**	**₦'000**	**₦'000**
Cash and cash equivalent	687,856	4,861,827	-	-
Financial asset held through profit or loss	103,220	-	-	-
Financial assets at amortised cost	-	2,772,584	-	-
Loans and other receivables	127,725	-	4,695,640	-
	918,801	7,634,411	4,695,640	-
	=======	=======	=======	=====

2021

The table below summarizes the maturity profile of the financial liabilities of the Bank based on the remaining undiscounted contractual obligations:

	On demand	Less than a year	Between 1 and 5 years	Above 5 years
	₦'000	**₦'000**	**₦'000**	**₦'000**
Deposit from Customers	3,758,308	3,782,191	291,450	–
Income tax Payables	51,620	-	-	-
Deferred tax liabilities	-	-	77,544	-
	3,809,928	3,782,191	368,994	-
	=======	=======	======	====

2021
Maturity profiles of the Bank's financial assets

	On demand ₦'000	Less than A year ₦'000	Between 1 and 5 years ₦'000	Above 5 years ₦'000
Cash and cash equivalent	497,401	3,702,482	-	-
Financial asset through profit or loss	104,091	-	-	-
Financial asset at amortised cost	-	5,426,548	-	-
Loans and other receivables	131,311	-	4,064,667	-
	734,803	9,129,030	4,064,667	-
	======	=======	=======	=====

b) **Liquidity risk management process**

The Bank's liquidity management process as carried out within the Bank and monitored by Bank Treasury department, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers.
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring the liquidity ratios of the statement of financial position against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

c) **Assets held for managing liquidity risk**

The Bank holds a diversified portfolio of cash and high-quality, high-liquid securities to support payment obligations and contingent funding in a stressed market environment. The Bank's assets held managing liquidity risk comprise:

- Cash and balances with correspondent banks
- Government Treasury bills

4.11 **Fair value measurement of financial assets and liabilities**

Fair value hierarchy
IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflect market data obtained from independent sources; unobservable inputs reflect the

bank's market assumptions. These three types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC derivative contracts, traded loans and issued structured debts. The sources of input parameters like LIBOR yield curve or counterpart credit risk are Bloomberg and Reuters.

- Level 3 – input for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

		2022	2021
5	**Cash and cash equivalents**	**₦'000**	**₦'000**
	Cash in vault	13,630	9,434
	Balances with other Banks	495,720	309,461
	Cash reserves with CBN	178,506	178,506
	Placements with other banks and financial institutions	4,779,801	3,650,311
	Interest receivables on placements	82,026	52,171
		5,549,683	4,199,883
		=======	=======
6	**Financial assets through profit or loss**	103,220	104,091
		======	======
i.	***Listed***		
	As at 1 January	4,091	3,179
	Unrealised (loss)/gain on investment Valuation	(871)	912
	As at 31 December	3,220	4,091
		=====	====
ii.	***Unlisted***		
	As at 1 January	100,000	100,000
	Addition during the year	-	-
	As at 31 December	100,000	100,000
		======	======

This represents the Bank's investment in the Nigeria Mortgage Refinance Company Plc ordinary shares of ₦1 each having been allotted 25,000,000 units at ₦4 per share. This investment is not an interest yielding one. In 2017, the company announced a bonus dividend of 1 for every 9 shares held. Consequently, the Bank's share holding increased from 25, 000,000 ordinary shares to 27,777,777 ordinary shares @₦4 each.

		2022	2021
7	**Financial Assets at amortised cost**	**₦'000**	**₦'000**
	Treasury bills	1,900,000	5,586,672
	Commercial Paper	1,000,000	-
	Unearned Interest Income	(127,416)	(160,124)
		2,772,584	5,426,548
		=======	=======
8	**Mortgage loans and Advances**		
	Loans to customers	4,687,486	4,045,179
	Overdrawn balances	127,725	133,311
	Staff loans	8,154	19,488
	Total loans	4,823,365	4,197,978
	Less provision for impairment (note 8.1)	(58,254)	(55,580)
		4,765,111	4,142,398
		=======	=======
8.1	***Provision for impairment***		
	As at 1 January	55,580	109,557
	(Write back)/Charge for the year	9,766	(1,275)
	Amount written off	(7,526)	-
	Transfer to statutory credit reserve/allowance no longer required	434	(52,702)
	As at 31 December	58,254	55,580
		======	======

Total impairment recognised in the financial statement is as follows:

As per IFRS

	Amount 2022 ₦'000	ECL 2022 ₦'000	Amount 2021 ₦'000	ECL 2021 ₦'000
Stage 1	4,566,569	11,997	4,066,648	8,608
Stage 2	147,411	7,097	134	4
Stage 3	109,385	39,160	131,196	46,968
	4,823,365	58,254	4,197,978	55,580
	=======	=====	=======	======

As per CBN prudential guidelines

	Amount 2022 ₦'000	Provision 2022 ₦'000	Amount 2021 ₦'000	Provision 2021 ₦'000
Performing	4,627,940	46,279	3,912,318	39,124
Watch list	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Lost	109,385	109,385	131,196	131,195
	4,737,325	155,664	4,043,514	170,319
Interest receivables	86,040	-	154,464	-
	4,823,365	155,664	4,197,978	170,319
	==========	========	=========	========

		2022 ₦'000	2021 ₦'000
	Statutory Credit Reserve	114,306	114,739
		======	======
8.2	**Analysis by types of loans**		
	Mortgage loans	3,930,124	3,341,679
	Residential Mortgage loan	757,362	703,500
	Overdrawn balances	127,725	133,311
	Staff loan	8,154	19,488
		4,823,365	4,197,978
		=======	=======
9	**Other assets**		
	Prepayments	8,154	12,606
	Prepaid sundry expenses	5,074	15,289
	Sundry debtors	52,018	204
	Remita receivable	504,433	250,967
	NIP receivables	53,022	27,173
		622,701	306,239
	Less collective allowances for impairment (Note 9.1)	(6,227)	(3,062)
		616,474	303,177
		=========	=========
9.1	**Collective allowances for impairment**		
	As at 1 January	3,063	2,111
	Charged for the year	3,164	952
	As at 31 December	6,227	3,063
		======	======
10	**Inventories**		
	Stock of stationaries	75,637	13,420
		=======	=======
11	**Intangible Assets**		
	Cost		
	As at 1 January	188,518	170,468
	Additions during the year	-	18,050
	As at 31 December	188,518	188,518
		=========	=========
	Amortization		
	As at 1 January	142,780	119,589
	Charge for the year	20,361	23,191
	As at 31 December	163,141	142,780
		=========	========
	Carrying amount		
	31 December, 2022	25,377	70,113
		========	=======
	31 December, 2021	45,738	45,738
		========	=======

12 **Property, plant & equipment**

	Land	Building	Plant and Office Equipment	Furniture &Fittings	Computer Equipment	Motor Vehicle	Total
	₦'000	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Cost:							
As at 1 Jan 2022	**76,244**	**162,151**	**70,717**	**34,530**	**192,846**	**187,442**	**723,930**
Additions	-	-	9,238	197	29,616	28,000	67,051
Disposal	-	-	345	-	(471)	(131,870)	(132,686)
As at 31st Dec 2022	**76,244**	**162,151**	**79,610**	**34,727**	**221,991**	**83,572**	**658,295**
	=====	======	=====	=====	======	=======	=======
Depreciation							
As at 1 Jan 2022	**-**	**35,556**	**59,987**	**32,304**	**136,186**	**159,988**	424,021
Charge for the year	-	3,243	5,342	1,062	24,183	10,868	44,698
Disposal	-	-	(342)	-	(275)	(125,871)	(126,488)
As at 31st Dec 202	**-**	**38,799**	**64,987**	**33,366**	**160,094**	**44,985**	342,231
	====	=====	=====	=====	======	======	=======
Carrying amount							
As at 31 December 2022	**76,244**	**123,352**	**14,620**	**1,359**	**61,899**	**38,587**	**316,062**
	=====	======	=====	====	=====	=====	======
As at 31 December 2021	**76,244**	**126,595**	**10,730**	**2,226**	**56,660**	**27,454**	**299,909**
	=====	======	=====	=====	======	=====	======

		2022	2021
13	**Deposit from Customers**	**₦'000**	**₦'000**
	Current accounts	3,313,017	3,340,566
	Savings accounts	330,992	260,865
	Fixed deposits	3,506,890	4,230,518
		7,150,899	7,831,949
		=======	=======
13.1	**Analysis by maturity**		
	Maturity under 1 month	3,644,010	3,758,308
	Maturity between 1 - 3 months	822,308	1,980,201
	Maturity between 3 - 6 months	2,565,544	1,105,106
	Maturity between 6 - 12 months	113,495	696,884
	Over 1 year	5,542	291,450
		7,150,899	7,831,949
		=======	=======
14	**Other Liabilities**		
	Dividend payable (14.1)	17,665	17,738
	Sundry accounts payable	379,649	210,063
		397,314	227,801
		======	======
14.1	**Dividend payable**		
	As at 1 January	17,738	17,859
	Dividend declared	239,452	217,684
	Dividend paid	(239,525)	(217,805)
	As at 31 December	17,665	17,738
		======	======

14.2 In respect of the current year, the director proposed a dividend of 15k (2021-11k per ordinary shares)

		2022	2021
14.3	**Sundry accounts payable**		
	Perfection/Search fee accrued	24,655	7,195
	Corporate tithe accrued	54,503	34,090
	Manager's cheque payable	4,501	2,059
	Unearned interest	48,671	-
	Interest payable	21,345	19,610
	Other accounts payable (Note 14.3.1)	225,974	147,109
		379,649	210,063
		======	======

		2022	2021
14.3.1	**Other accounts payables**	**₦'000**	**₦'000**
	Remita payable	81,091	65,801
	Sundry creditors	28,036	29,562
	Accrued expenses	32,495	11,957
	Stale Draft Account	7,355	7,355
	Remita transit account	4,905	7,070
	Mobile app payable account	21,885	6,670
	CBN NIPOST stamp duty collection account	210	6,524
	Provision for industrial training fund	3,214	3,643
	PAYE	3,714	3,095
	Shortage and overages	1,793	1,768
	Naseni levy	1,340	768
	Mortgage Licence Acquisition Retainership	710	710
	ATM payable account	706	665
	Withholding tax payable - FG	1,452	539
	USSD payable account	473	408
	Autopay A/C interswitch	222	349
	Withholding tax payable – State Government	191	73
	Police trust fund levy (14.3.1.1)	42	30
	Provision for credit bureau	121	18
	Withholding tax on professional fee	100	100
	Staff performance bonus scheme	28,211	-
	Mobile App VAT account	6,418	4
	Provision for staff training	1,290	-
		225,974	147,109
		======	======

14.3.1.1	**Police Trust Fund levy**		
	As at 1 January	30	15
	Charge for the year	27	15
	Payment trade during the year	(15)	-
	As at 31 December	42	30
		===	===

15	**Tax**		
15.1	***Income tax payable***		
	As at 1 January	114,161	50,824
	Charge for the year	148,257	51,620
	Additional tax charge	-	62,541
	Payment made during the year	(114,161)	(50,824)
	As at 31 December	148,257	114,161
		=======	======

		2022	2021
15.2	**Income tax expense**	**₦'000**	**₦'000**
	Education tax	12,353	5,674
	Company income tax	130,544	42,875
	NITDA levy	5,360	3,071
		148,257	51,620
	Nigeria police trust fund levy	27	15
	NASENI levy	1,340	768
	Deferred tax	2,527	(2,056)
		152,151	50,347
		======	=====
15.3	**Tax Reconciliation**		
	Profit before tax	536,020	307,139
		======	======
	Tax calculated at statutory rate	174,206	99,820
	Tax effect of:		
	Disallowable expenses	52,199	59,137
	Non-taxable income	(65,813)	(85,193)
	Capital allowance	(17,695)	(25,215)
	Income tax expenses for the year	142,897	48,549
		======	======
	Effective tax rate	27%	16%
		====	====
15.4	**Deferred tax**		
	As at 1 January	77,544	79,600
	(Release)/Charge for the year	2,527	(2,056)
	As at 31 December	80,071	77,544
		=====	=====
16	**Post Employee Benefit**		
	Defined benefit plan	19,915	-
		=====	=====
16.1	**Movement in the present value of defined benefit obligation**		
	Defined benefit obligation as at 1 January	-	-
	Benefit paid by the plan	(32,000)	-
	Fund from asset management	32,000	-
	Transfer to asset management	19,915	-
		19,915	-
		======	=====

16.2 The most recent valuation of the plan assets and the present value of the defined benefit obligation was carried out as at 31 December, 2022 by Bestwole Developments Limited (FRC/2013/NAS/00000000986). The present value of the defined benefit obligation and the related current service cost and past service cost were measured using the projected credit method by IAS 19. The surplus on the plan with the asset manager is detailed below:

		2022	2021
	Defined benefit plan	**₦'000**	**₦'000**
	Fair value of asset plan	154,914	266,050
	Present value of obligations	(174,829)	(234,936)
	(Default)/surplus during the year	(19,915)	31,114
		=======	======
17	**Authorised share capital**		
	5,000,000,000 ordinary shares of ₦1 each	5,000,000	5,000,000
		=======	=======
17.1	**Issued and fully paid**		
	₦2,176,838,000 shares of ₦1 each	2,176,838	2,176,838
		=======	=======
18	**Share premium**	2,723,508	2,723,508
		=========	=========
19	**Statutory reserves**		
	As at 1 January	1,030,453	979,095
	Transfer from income statement	76,773	51,358
	As at 31 December	1,107,226	1,030,453
		========	========
20	**Statutory credit risk reserves**		
	As at 1 January	114,739	106,284
	Recoveries	-	(27,720)
	Transfer from IFRS impairment allowance	(434)	52,702
	Transfer (to)/from IFRS retained earnings	-	(16,527)
	As at 31 December	114,305	114,739
		=======	=======

			Restated	
			12 Month ended	**12 Month ended**
		31/12/2022	**31/12/2021**	**31/12/2021**
21	**Retained earnings**	**₦'000**	**₦'000**	**₦'000**
	As at 1 January	238,171	233,894	296,435
	Transfer to statutory reserve	(76,773)	(51,358)	(51,358)
	Transfer from/to statutory credit reserve	-	16,527	16,527
	Dividend declared	(239,452)	(217,684)	(217,684)
	Transfer from income statement	383,869	256,792	256,792
		305,815	238,171	300,712
		========	========	========

During the year, additional tax liabilities was given to the Bank after an assessment carried out between 2016-2019. This gives rise to the opening balance of 2022 being restated.

	₦'000
Balance as at 1 January, 2021	296,435
Additional company income tax	(77,371)
Withholding tax (WHT) credit notes	19,173
Additional pension liabilities charged	(4,343)
	233,894
	======

		2022	2021
22	**Interest and similar income**	**₦'000**	**₦'000**
	Interest on placements	461,327	203,975
	Interest income on overdrawn balances	87,393	68,921
	Interest income on loans and advances	710,419	702,381
		1,259,139	975,277
		=========	========
22.1	**Interest and Other income**		
	Interest and similar income (Note 22)	1,259,139	975,277
	Fees and commission (Note 25)	88,900	67,174
	Other income (Note 26)	213,474	318,789
	Unrealised loss on investment valuation	871	-
	Others	3	-
		1,562,387	1,361,240
		=========	========
23	**Interest and similar expenses**		
	Interest paid on savings accounts	5,104	3,103
	Interest paid on deposits accounts	124,370	107,478
		129,474	110,581
		=======	=======
24	**Impairment charge**		
	Specific impairment for loans and advances	6,787	28,380
	Collective impairment for loans and advances	2,979	(29,655)
	Impairment on other assets	3,164	952
		12,930	(323)
		======	======
25	**Fees and commission income**		
	Current account maintenance charge	40,884	34,677
	Management fees	48,016	32,497
		88,900	67,174
		======	======
26	**Other Income**		
	Interest on treasury bills (Note 26.1)	202,505	248,016
	Interest on SAML Fund (Note 26.1)	-	37,551
	Dividend income	-	10,250
	Sundry income	8,686	18,415
	(Loss)/gain on financial assets through fair value		
	Through profit or loss account	(871)	911
	SMS charges	1,494	1,259
	Income from sale of cheque books	1,167	1,580
	Cashless service charges/fees	493	807
		213,474	318,789
		=======	=======

26.1 The classification of interest on treasury bills and bonds to other income is by regulatory requirement of the Central Bank of Nigeria.

		2022	2021
27	**Personnel expenses**	**₦'000**	**₦'000**
	Staff salaries and allowances	278,348	320,185
	Staff training	16,268	10,398
	Staff pension employer contribution	27,105	31,466
	Staff uniform	701	300
		322,422	362,349
		======	======
28	**General and Administrative expenses**		
	Repairs and maintenance	18,270	38,535
	Printing and stationaries	10,145	10,189
	Audit fee	4,000	4,000
	Consulting/Professional fees	11,552	4,731
	Business development	33,899	46,046
	Telephone and postages	3,614	4,530
	Provision for staff performance bonus	28,211	-
	Corporate tithe	51,127	34,089
	Other overhead cost (note 28.1)	328,581	342,791
		489,399	484,911
		======	======
28.1	**Other overhead cost**		
	Internet service	36,030	45,613
	NDIC insurance premium	30,381	30,529
	Subscription	29,805	27,938
	Directors travelling allowance	20,125	26,927
	Transport and travelling	17,252	24,368
	End of year expenses	16,054	22,193
	Loss on the sale of assets	189	21,586
	Office expenses	7,274	21,072
	Insurance	9,879	14,889
	Directors' fees	10,781	14,578
	Office entertainment	8,066	12,802
	Directors sitting allowance	13,650	12,150
	Seminar/conference	7,488	11,105
	Electricity/electrical	10,533	10,818
	Diesel & lubricants	28,369	9,325
	Security expenses	8,163	8,812
	Premises maintenance	5,601	7,662
	Fuel & lubricant	5,917	7,324
	Industrial training fund	3,609	3,933
	NSITF expense account	2,735	3,203
	Rates	1,113	2,176
	Annual general meeting	1,248	1,787
	Water	1,345	1,114
	Credit search expenses	519	-
	Debit card expenses	-	469
	Newspaper/periodicals	375	284
	Professional Member. Subscription	165	134
	Post-employment benefit	51,915	-
		328,581	342,791
		======	======

		2022	2021
29	**Depreciation and Amortization charges**	**₦'000**	**₦'000**
	Depreciation	44,698	65,470
	Amortization	20,361	23,891
		65,059	89,361
		=====	=====
30	**Profit before tax is arrived at after charging**		
	Depreciation and amortization	65,059	89,361
	Auditors' remuneration	4,000	4,000
	Directors' fees and allowances	44,556	53,655
		======	======
31	**Directors Emoluments**		
	Fees	10,781	14,578
	Sitting allowance	13,650	12,150
	Travel allowance	20,125	26,927
		44,556	53,655
		======	======

Fees and emoluments disclosed above includes amount paid to:

	2022	2021
Chairman	5,436	5,436
Highest paid Director	5,125	5,125
	=====	=====

32 **Related party disclosures**

The under-listed related party transactions occurred during the year:

Insider related credits

		Director related to	Type of facility	Outstanding amount	Status
i.	ABAX OOSA Professional	Bababode Osunkoya	Mortgage Loan	13,566	Performing
ii.	Bababode Osunkoya		mortgage loan	18,868	Performing
iii.	Elder Olakunri S. M		mortgage loan	4,740	Performing
iv.	Simply sweet enterprise	Bababode Osunkoya	mortgage loan	4,335	Performing
				41,509	
				=======	

33 a	Employee remunerated at higher rate		2022	2021
	₦	₦	Number	Number
	30,001	- 100,000	-	21
	100,001	- 200,000	21	3
	200,001	- 300,000	6	7
	300,001	- 400,000	4	-
	400,001	- 500,000	2	13
	500,001	- 600,000	12	-
	600,001	- 700,000	-	-
	700,001	- 800,000	4	10
	800,001	- 900,000	4	6
	900,001	- 1,000,000	5	9
	1,000,001	- 1,200,000	4	3
	1,200,001	- 1,400,000	2	3
	1,500,001	- 2,400,000	6	2
	2,400,000 and above		3	6
			73	81
			====	====

b	Average number of persons employed during the year	2022 Number	2021 Number
	Managerial	10	14
	Others	63	67
		73	81
		===	===

		2022	2021
c	Related staff costs amount to:	₦'000	₦'000
	Staff salaries and allowances	278,348	320,185
	Staff training	16,268	10,398
	Staff pension employer contribution	27,105	31,466
	Staff uniform	701	300
		322,422	362,349
		======	======

34. **Guarantees and other financial commitments**

The Directors are of the opinion that there are no known commitments and liabilities which are relevant in assessing the state of affairs of the company during the period under review.

35. **Contingent Liabilities**

The Directors are of the opinion that there are no known contingent liabilities as at the end of the year.

36. **Foreign currency transactions**

The company has no transaction denominated in foreign currency within the reporting year.

37. **Events after the reporting period**
No material transactions have occurred after the reporting period requiring disclosure in or adjustment to the financial statements for the year ended 31 December, 2022.

38. **Going concern**
The Bank's financial statements have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless management either intends to liquidate the Bank or to cease operations or has no realistic alternative but to do so.

39. **Contravention of laws and regulation**
The Bank did not contravene any regulations that required the payment of penalty during the year.

40. **Fraud and forgeries**
During the year, no incident of fraud or forgeries occurred.

41. **Approval of financial statements**
The financial statements were approved by the Board of Directors on 28 March, 2023.

OTHER NATIONAL DISCLOSURES

HAGGAI MORTGAGE BANK LTD

VALUE ADDED STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022		2021	
	₦'000	**%**	**₦'000**	**%**
Gross earnings (Note 22.1)	1,562,387		1,361,241	
Interest expenses (Note 23)	(129,474)		(110,581)	
	1,432,913		**1,250,660**	
Bought in materials and services	(509,412)		(491,812)	
Value added	**923,501**	**100**	**758,848**	**100**
	=======	===	=======	===
Applied as follows:				
In payment to employees				
Salaries and other benefits	322,422	35	362,349	47
In payment to government				
Taxation	149,624	16	52,404	7
Retained for future maintenance of assets				
Depreciation & amortisation	65,059	7	89,361	12
Deferred tax	2,527	-	(2,056)	-
Retained profit for the year	383,869	42	256,790	34
Value added	**923,501**	**100**	**758,848**	**100**
	======	===	======	===

HAGGAI MORTGAGE BANK LTD

FIVE YEAR FINANCIAL SUMMARY

	2022	2021	2020	2019	2018
ASSETS	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Cash and Cash Equivalents	5,549,683	4,199,883	5,325,241	2,889,662	1,211,024
Financial assets at fair value through profit or loss	103,220	104,091	103,179	104,391	104,241
Financial assets at amortized cost	2,772,584	5,426,548	3,714,943	2,216,857	2,428,352
Mortgage, Other Loans & Advances	4,765,111	4,142,398	4,073,986	6,587,193	7,176,019
Other Assets	616,474	303,177	208,944	152,891	94,392
Inventories	75,637	13,420	6,765	6,669	6,664
Intangible Assets	25,377	45,738	50,879	70,113	85,070
Property, Plant and Equipment	316,062	299,909	312,405	328,499	369,163
Total Assets	**14,224,148**	**14,535,164**	**13,796,342**	**12,356,275**	**11,474,925**
	========	========	========	========	========
Liabilities					
Deposits from Customers	7,150,899	7,831,949	7,168,831	5,378,169	4,568,202
Other Liabilities	397,314	227,801	210,569	256,046	230,839
Income Tax payable	148,257	51,620	50,839	131,067	58,610
Post-Employment Benefits	19,915	-	-	-	36,000
Deferred Tax Liabilities	80,071	77,544	79,600	79,570	83,272
Total Liabilities	**7,796,456**	**8,188,914**	**7,509,839**	**5,844,852**	**4,976,923**
	=======	=======	=======	=======	=======
Capital and Reserves					
Share Capital	2,176,838	2,176,838	2,176,838	2,176,838	2,176,838
Share Premium	2,725,508	2,723,508	2,723,508	2,723,508	2,723,508
Statutory Reserve	1,107,226	1,030,453	979,095	929,628	825,635
Statutory Credit Reserve	114,365	114,739	106,284	114,198	129,050
Retained earnings	305,815	300,712	300,778	567,251	642,971
Available to Equity Holders of the Bank	**6,427,692**	**6,346,250**	**6,286,503**	**6,511,423**	**6,498,002**
Total Liabilities and Equity	**14,224,148**	**14,535,164**	**13,796,342**	**12,356,275**	**11,474,925**
	========	========	========	========	========
Gross earnings	**1,561,513**	**1,361,241**	**1,279,532**	**1,877,848**	**1,934,037**
	=======	=======	=======	=======	=======
Profit before tax	**536,020**	**307,139**	**298,200**	**647,330**	**669,287**
	======	======	======	======	======
Profit after tax	**383,869**	**256,792**	**247,331**	**519,965**	**592,151**
	======	======	======	======	======

PER SHARE DATA

Based on the total number of ordinary shares of each in issue at the end of each year

	k	k	k	k	k
Earnings	**18**	**12**	**11**	**24**	**27**
	==	==	==	==	==
Net Assets	**295**	**292**	**289**	**299**	**298**
	===	===	===	===	===
Total Assets	**653**	**668**	**633**	**567**	**527**
	===	===	===	===	===