AG MORTGAGE BANK PLC

2021 ANNUAL REPORT & ACCOUNTS

AGMB...a partner you can trust...

OUR VISION STATEMENT

To be the preferred
Primary Mortgage Institution
with a commanding
presence nation-wide

OUR MISSION STATEMENT

To consistently create value to stakeholders
by providing excellent services through
creative and caring employees using
innovative technology applications
in a first class ambience.

OUR VALUE STATEMENT

We strive to honour God
and be respectful of each other,
our customers and other stakeholders.

CORPORATE INFORMATION

DIRECTORS

Rev. Ejim Ejikeme - Chairman
Mr. Ngozi Anyogu - Managing Director/CEO
Rev. (Dr) Vincent Alaje - Director
Mr. (Surv) Ugochukwu Chime - Director
Mr. Sally Biose - Director
Barr. (Mrs.) Theresa Ntong - Director
Mr. Emmanuel Ocholi - Director
Amb. Felix Nwabuko - Director
Mr. Chris Okenwa - Director
Mr. Emmanuel Onuoha - Director
Mr. Simon Ogwu- Executive Director/COO

COMPANY SECRETARY:

Barr. Anthony Okonmah
Registered Number: RC 602252
Date of Registration: 21 July, 2004
Operating License Number: 000000005
Date Licensed: 31 December, 2004
Registered Office: 96, Opebi Road, Ikeja, Lagos
Principal Activities:
Mortgage Banking
Independent Auditors:
SIAO Partners (Chartered Accountants)
18B, Olu Holloway Road, Ikoyi, Lagos.
Correspondent Banks:
Access Bank Plc.
Fidelity Bank of Nig.
Keystone Bank Limited
Polaris Bank Limited
United Bank of Africa Plc.

AG MORTGAGE BANK PLC

AG MORTGAGE BANK PLC
REPORTS & FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2021

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THE BOARD

Rev. (Pastor) Ejikeme Ejim
Chairman

Barr. (Mrs) Theresa Ntong
Director

Rev. (Dr) Vincent Alaje
Director

Ngozi Anyogu
Director

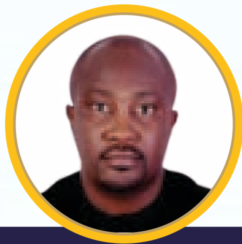
Mr Emmanuel Ocholi
Director

Amb. Felix Nwabuiko
Director

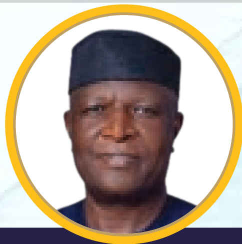
Simon Ogwu
ED/COO

Mr. Chris Okenwa
Director

Mr. Sally Biose
Director



Mr. Emmanuel Onuoha
Director



Rev. (Surv.) Ugochukwu Chime
Director

MORTGAGE BANK PLC

NOTICE OF 2021 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 17th Annual General Meeting of AG MORTGAGE BANK PLC will hold at The Providence 12A, Oba Akinjobi Way, G.R.A. Ikeja, Lagos State, at 11.00 am on Friday 18th day of August, 2023 to transact the following business: -

ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the year ended 31st December 2021, and the Reports of the Directors, and together with the report of the Auditors and the Audit Committee's thereon.
2. To elect and re-elect Directors;
3. To authorise the Directors to fix the remuneration of the Auditors; and
4. To elect members of the Audit Committee for the ensuing financial year.

NOTES:

COMPANIES MAY ACT THROUGH REPRESENTATIVES AT THE MEETING

Companies may, by resolution of their directors or other governing body, authorize such person(s) as they may think fit to act as their representative(s) at the meeting and any person so authorized shall be entitled to exercise the same powers on behalf of the company as the Company could exercise if it were an individual member of the Company.

PROXY

A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the Company. A proxy form is attached to the Annual Report. The proxy form should be completed, duly stamped by the Commissioner of Stamp Duties and deposited at the office of the Registrars, CardinalStone Registrars Limited, 358, Herbert Macaulay Way, Yaba Lagos, not later than 48 hours before the time of holding the meeting.

ONLINE STREAMING OF AGM

The AGM will be streamed live online. This will enable Shareholders and other stakeholders who will not be attending physically to follow the proceedings. The link for the AGM online live streaming will be made available on the Company's website - www.agmortgagebankplc.com.

CLOSURE OF REGISTER

The Register of Members and Transfer of Books of the Company will be closed from Monday, July 31, 2023 to Friday, August 04, 2023 2023, (both days inclusive).

STATUTORY AUDIT COMMITTEE

The Audit Committee comprises of 3 (three) shareholders and 2 (two) directors. As stipulated by Section 404(6) of the Companies and Allied Matters Act 2020, any member may nominate a Shareholder for election to the Audit Committee by giving notice in writing of such nomination to the Company Secretary at least 21 days before the Annual General Meeting. Section 404 (6) of the Companies and Allied Matters Act 2020 provides that all members of the Audit Committee should have basic financial literacy and be able to read financial statements, we therefore request that nominations be accompanied with the requisite curriculum vitae.

DIVIDEND PAYMENT

No dividend payment was recommended for the year ended 31st December, 2021.

UNCLAIMED DIVIDENDS

Shareholders are hereby informed that a number of dividend warrants have been returned to the Registrars as "Unclaimed". The list of all unclaimed dividends will be circulated with the Annual Report and Financial Statements. Any member affected by this notice is advised to write to or call the office of the Company's Registrars, CardinalStone Registrars Limited, 358 Herbert Macaulay Way, Yaba, Lagos during normal working hours. The list of unclaimed dividends can be accessed via the Company's website: www.agmortgagebankplc.com

E-DIVIDENDS

All shareholders whose name(s) appear on the register as at 31st December 2021 are advised to **URGENTLY** download and fill our Registrars' (CardinalStone Registrars Limited) e-mandate form and submit same at the nearest branch of their Bank or our Registrars to register for the collection of their unclaimed dividends and subsequent dividends electronically.

RIGHTS OF SHAREHOLDERS TO ASK QUESTIONS

Shareholders of the Company have a right to ask questions not only at the Annual General Meeting, but also in writing prior to the Meeting and such questions must be submitted at least one week before the meeting.

By Order of the Board

Anthony Okonmah, FCIS
FRC/2015/NBA/00000012622
Company Secretary
Dated this 10th day of July 2023
REGISTERED OFFICE
96 Opebi Road, Ikeja, Lagos

Fellow shareholders, distinguished guests, gentlemen of the press, ladies and gentlemen. It is my pleasure to welcome you to the 17th Annual General Meeting of your Bank and to lay before you the Annual Report and Accounts of your Bank for the financial year ended 31st December 2021. I am indeed honoured to preside over the meeting of Shareholders and the Board of Directors of our bank. Therefore, I count it a privilege to present an overview of your Bank's business and operations for the period under review.

THE GLOBAL ECONOMY

Arising from the global Corona Virus pandemic and the recovery process that is still ongoing, the global economic outlook in 2021 is best viewed with cautious optimism. The pandemic developments and changes in policy support to contain it is gathering momentum with the anticipated vaccine-powered recovery in the second half of 2021, and continued adaptation of economic activity to subdue further spread. This position has ignited positive anticipations, especially from the advanced economies. However, the prospect of the emergence of different variants of the virus continues to impede global confidence in a quick economic recovery. The resultant effect was that the global economy, according to the International Monetary Fund (IMF), was projected to grow at a conservative 6%. Various sectors of the world economy would continue to be more impacted than others for a long time to come. Such sectors include tourism and the aviation industry hence the overall recovery back to its pre-pandemic status will certainly be slow and tortious.

THE NIGERIAN ECONOMY IN 2021

The economic effect of the global pandemic continues to impact negatively on the Nigerian economy. The country continues to ride the storms of the current economic recession aggravated by the uncertainty of recovery from the pandemic and issues surrounding vaccine availability in Nigeria and other sub-Saharan African countries. This has resulted in an apparent lack of market confidence, shrunken consumer disposable income due to the loss of jobs; and eroded market demands for goods and services. The partial opening of the economy continues, and the country has a lot to hope for. The price of Crude oil, the mainstay of the economy, tends towards recovery from its position last year.

The upward swing to an average of 70 Dollars per barrel is a welcome development. However, the economy continues to battle with an escalating fiscal deficit which stood at 5.2%; a high unemployment rate and rising inflation that has eroded consumers' disposable income and worsened foreign exchange instability. This led to a significant Naira devaluation as the Central Bank adjusted the exchange rate from N380/$ to N403/$. Expectedly, the inflation rate shot up to 16.95% by year-end. The construction industry, particularly the housing sector which provides the core focus of our business, received a boost from the expressed determination of the Government to address the housing deficit which at the moment is estimated at between 16-17 million. The resolve to deliver at least 300,000 homes through the instrumentality of parastatals like the Family Homes Funds Limited boosted confidence in the real estate sector.

THE MORTGAGE INDUSTRY

The mortgage industry witnessed a resurgence of hope within the period following the revitalization of the Federal Mortgage Bank of Nigeria (FMBN) for the provision of long-term capital for both the development of housing stock via its Co-operative Housing Development and on-lending activities to contributors to the National Housing Fund (NHF). This is complemented by the opening of alternative financing windows of the Family Homes Funds and the Nigeria Mortgage Refinancing Company (NMRC).

However, Mortgage Banks remain hampered in their capacity to support housing delivery due to the level of funding available to the sub-sector outside the sources mentioned above. On the other hand, the slow capital market environment continually poses a challenge to Mortgage Banks in their bid to raise equity capital in fulfilment of the minimum capital requirements as demanded by the Central Bank of Nigeria (CBN).

FINANCIAL RESULTS

Despite significant challenges and uncertainties in the global economy as highlighted above, your Bank leveraged the opportunities within its environment and grew its earning through aggressive revenue generation, reduced operating costs and effective management of cost of funds. The Bank's Gross Earnings grew by 33 per cent from N1.15 billion in 2020 to N1.52 billion in 2021. Profit Before-Tax (PBT) rose by 56 per cent, from N180.3million in 2020 to N281.2miliion in 2021, while Profit-After-Tax (PAT) increased by 83 per cent, from N111.3million in 2020 to N203.9 million in 2021. Total Deposits stood at N5.8 billion for the year ended 31st December 2021, representing a 21 per cent increase over the previous year's figure of N4.7 billion. During the same period, the Bank's Total Assets grew by 21 per cent from N16.04 billion to N19.43 billion, while Shareholders' Funds rose by 3 per cent from N6.48 billion to N6.68 billion.

DIVIDENDS

As a result of Capital impairment, your Bank is unable to recommend the declaration of any Dividend.

Your Board and Management deeply appreciate the enduring spirit of Shareholders and are working tirelessly to ensure that this situation is reversed.

Rev. (Pastor) Ejikeme Ejim
Chairman

INTRODUCTION

Despite the global impact, the Nigerian economy showed a strong inclination to recover amidst the partial easing of the Covid-19-induced lockdown by the Federal Government. The GDP achieved a modest growth of 4.0 per cent. As expected, the inflationary trend continues to worsen, along with the instability in the foreign exchange market.

These and other challenges are quite cyclical in a developing economy such as ours, but the Bank has always weathered these storms as shown in the excellent operating results it posted during the review period. The Bank enjoyed resurgent activity across the product lines. The Bank also benefitted from a stable Management Team and the pool of experience brought in by the revitalized Board of Directors. These improvements in Quality product delivery earned the Bank an ISO 9001:2015 Quality Management Systems (QMS) Certification by the last quarter of 2020 and have continued to be one of the backbones of our improved performance in 2021.

FINANCIAL HIGHLIGHTS

Your Bank has continued to show continued resolve in achieving improving results in successive years despite the harsh operating environment. During the year 2021, it achieved significant growth in its key Financial Indicators. Gross Earnings grew by 33%, Shareholders' Funds grew by 3 per cent; Customers' Deposits by 21 per cent and Total Assets also grew by 21% also. The growth in these Key Financial Indicators influenced an increase of 56% in Profit Before Tax during the year 2021

THE FUTURE

As the economy slowly heals and more customers enter the housing market, we look forward to a brighter future. In this age of continuous connection, we are strengthening the collaboration with our value chain partners; particularly the Federal Mortgage Bank of Nigeria (FMBN), Development Finance providers, Developers and other End User Financiers to deliver value to home buyers. We shall work to strengthen our balance sheet, improve our brand visibility and our growing team of associates. There is no doubt the Bank is well-positioned to take advantage of the housing/mortgage market's continuing recovery.

CONCLUSION

We express our appreciation to our Customers, Capital Providers, Regulators and Service Providers. We thank our Directors and Colleagues for their enthusiasm, diligence, perseverance and commitment to service improvement for our Customers and Stakeholders.

Ngozi Anyogu

Managing Director/Chief Executive Officer

RESULTS AT A GLANCE

1. Major Statement of profit or loss and other comprehensive income items

	2021 ₦ '000	2020 ₦ '000	Change ₦ '000	Change %
Gross earnings	1,528,820	1,151,435	377,385	33
Interest expenses	519,357	428,276	91,081	21
Impairment allowance charged	35,403	92,382	(56,979)	(62)
Operating expenses	742,185	448,200	293,985	66
Profit before tax	281,213	180,318	100,895	56
Profit after tax	203,913	111,488	92,425	83

2. Major Statement of financial position items

	2021 ₦ '000	2020 ₦ '000	Change ₦ '000	Change %
Cash and cash equivalents	2,317,283	3,028,430	(711,147)	(23)
Loans and advances	12,913,301	9,096,625	3,816,676	42
Customers Deposits	5,800,433	4,791,497	1,008,936	21
Share capital	5,000,000	5,000,000	-	-
Shareholders' fund	6,685,758	6,481,845	203,913	3
Total assets	19,432,109	16,046,347	3,385,762	21

3. Earnings per share

Based on 10,000,000,000 ordinary shares of 50k each

	2021 Kobo	2020 Kobo
Earning	2.04	1.11
Net assets	67	65
Total assets	194	164

DIRECTORS' REPORT

The Directors have the pleasure in submitting their report on the financial statements of AG Mortgage Bank Plc for the year ended 31 December 2021.

1. Legal Form

The Bank was incorporated in Nigeria under the Companies and Allied Matters Act as a private limited liability company on 21 July 2004. The Bank was granted its banking licence with licence No. 000000005, dated 31 December 2004, to carry on the business of mortgage banking.

2. Principal activities and business review

The principal activities of the Bank is the provision of mortgage banking to individual and corporate customers, and it is also duly accredited by the Federal Mortgage Bank of Nigeria to access National Housing Fund (NHF) scheme.

The Bank has a branch at the Headoffice, two branches at Festac Town, a branch in Enugu and Abuja, and two cash centres at Surulere and Apapa.

There have been no material changes to the nature of the Bank's business from the prior year.

3. Review of financial results and activities

The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, 2020, the Banks and Other Financial Institutions Act, 2020 and the Financial Reporting Council of Nigeria Act, No 6 2011. The accounting policies have been applied consistently compared to the prior year.

Brief result for the year	**2021 N'000**	**2020 N'000**
Profit before tax	281,213	180,318
Tax expense	(77,300)	(68,830)
Profit after tax	**203,913**	**111,488**
Statutory reserve	-	-
Retained earnings	203,913	111,488
	203,913	**111,488**

Full details of the financial position, results of operations and cash flows of the Bank are set out in these financial statements.

4. Share capital

	2021 ₦ '000	**2020 ₦ '000**	**2021 Number of shares**	**2020 Number of shares**
Issued and fully paid				
10,000,000,000 Ordinary shares of 50k each	5,000,000	5,000,000	5,000,000,000	5,000,000,000

Refer to **note 18** of the financial statements for detail of the movement in authorised and issued share capital.

5. Analysis of shareholding

The Ordinary Shares of the Bank as at 31 December, 2021 were held as follows:

Shareholders	**No. of ordinary shares held**	**% shareholding**
Assemblies of God Ministers Benefit Scheme	5,192,363,637	51.9
FSL Securities	2,245,605,000	22.5
AG Nigeria	1,502,133,333	15.0
Sally Best Properties	416,666,666	4.2
AGMB'S Nominees	363,000,000	3.6
Others	280,231,364	2.8
	10,000,000,000	**100**

DIRECTORS' REPORT

6. Dividends

The Directors do not recommend the declaration of a dividend for the year.

7. Directorate

The Directors in office at the date of this report are as follows:

Directors	Designation	Nationality	Changes
Rev. (Pastor) Ejikeme Ejim	Chairman	Nigerian	
Mr. Ngozi Anyogu	Managing Director	Nigerian	
Mr. Simon Ogwu	Executive Director	Nigerian	
Rev. (Dr.) Vincent Alaje	Non-executive Director	Nigerian	
Mr. Sally Biose	Non-executive Director	Nigerian	
Rev. (Surv.) Ugochukwu Chime	Non-executive Director	Nigerian	
Barr. (Mrs.) Theresa Ntong	Non-executive Director	Nigerian	
Mr. Emmanuel Ocholi	Non-executive Director	Nigerian	
Mr. Chris Okenwa	Non-executive Director	Nigerian	
Ambassador Felix Nwabuko	Non-executive Director	Nigerian	Appointed Thursday, 30 September 2021
Mr. Emmanuel Onuoha	Non-executive Director	Nigerian	Appointed Thursday, 30 September 2021

8. Directors' interests in shares

The interest of the Directors in the share capital of the Bank is as follows:

Name of Director	31/12/2021 Direct interest	31/12/2021 Indirect interest	31/12/2020 Direct interest	31/12/2020 Indirect interest
Mr. Sally Biose	-	416,666,666	-	416,666,666
Rev. (Dr.) Vincent Alaje	6,000,000	-	6,000,000	-
Mr. Ngozi O. Anyogu	22,000,000	-	22,000,000	-
Rev. (Pastor) Ejikeme Ejim	500,000	-	500,000	-

The register of interests of directors and others in shares of the Bank is available to the shareholders on request.

There have been no changes in beneficial interests that occurred between the end of the reporting period and the date of this report.

9. Directors' interests in contracts

During the financial year, no contracts were entered into which directors or officers of the Bank had an interest and which significantly affected the business of the Bank. None of the Directors has notified the Bank for the purpose of Section 303 of the Companies and Allied Matters Act, 2020 of any disclosable interest in contract which the Bank is involved as at 31 December 2021.

10. Property, plant and equipment

There was no change in the nature of the property, plant and equipment of the Bank or in the policy regarding their use.

At 31 December 2021 the Bank's investment in property, plant and equipment amounted to ₦634,968,000 (2020: ₦ 576,790,000), of which ₦93,067,000 (2020: ₦ 47,098,000) was added in the current year through additions.

DIRECTORS' REPORT

11. Interests in associate

Details of material interests in associate are presented in the financial statements in notes 10.

The interest of the Bank in the profits and losses of its associate for the year ended 31 December 2021 are as follows:

	Company	
	2021	2020
	₦ '000	₦ '000
Associates		
Total share of equity accounted profits	1,211	878

There were no significant acquisitions or divestitures during the year ended 31 December 2021.

12. Donations\Charitable gifts

During the year under review, the Bank's Eastern Regional Office donated a 40KVA generating set to the University of Nigeria Teaching Hospital (UNTH) as part of its Corporate Social Responsibility (2020: Nil).

13. Frauds and Forgeries

There were no reported cases of fraud and forgeries during the period under review.

14. Events after the reporting period

The Directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

15. Employment and employees

Employment of physically-challenged persons

It is the policy of the Bank that there should be no discrimination in considering applications for employment including those from physically-challenged persons. All employees are given equal opportunities for self-development. As at 31 December 2021, no physically-challenged person was in the employment of the Bank.

Employees' involvement and training

The Bank is committed to keeping employees fully informed as far as possible regarding its performance and progress and seeking their views wherever practicable on matters, which particularly affect them as employees.
Management, professional and technical expertise are the Bank's major assets and investment in their further development continues.
The Bank's expanding skill base has increased by a range of training programmes provided to its employees whose opportunities for career development within the company have thus been enhanced.

Health, safety at work and welfare of employees

Health and safety regulations are in force within the company's premises, and employees are aware of safety regulations. The Bank provides subsidies to all employees for medical, transportation, housing and lunch. Incentive schemes designed to meet the circumstances of each individual are implemented wherever appropriate and some of these include bonuses, salary reviews, promotions, etc.

16. Compliance with laws and regulations

The Board ensures that Management complies with all laws relating to banking, especially the Anti-Money Laundering Laws, the Know Your Customer (KYC) Principles, Code of Corporate Governance for Financial Institutions and all the guidelines of the Central Bank of Nigeria, the National Deposit Insurance Corporation (NDIC) 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 during the financial year ended 31 December 2021.

DIRECTORS' REPORT

17. Auditors

The Auditors, SIAO Partners (Chartered Accountants), have indicated their willingness to serve as the Bank's external auditors in accordance with section 401(2) of the Companies and Allied Matters Act, 2020. At the AGM, the members will be requested to reappoint SIAO Partners as the independent auditors of the Bank and a resolution will be proposed to authorise the Directors to fix their remuneration.

By Order of the Board

Anthony Okonmah, FCIS
Company Secretary
FRC/2020/NBA/00000012622

Date: 17/3/2022
Lagos, Nigeria

CORPORATE GOVERNANCE REPORT

1. Introduction

AG Mortgage Bank Plc has remained true to its reputation built within its sixteen years of mortgage banking practice as an organization founded on integrity, professionalism and exemplary corporate governance practices. Our strong values remain an important ingredient in sustaining shareholder value, while ensuring that behavior is ethical, legal and transparent. AG Mortgage Bank Plc is governed by a framework which, in line with the Central Bank's Code of Conduct for Board of Directors of Banks and financial institutions, ensures that checks and balances are facilitated and that appropriate controls are put in place. The corporate governance principles of the Bank are designed to promote high standards of corporate governance as we benchmark ourselves against best practices as the Board recognizes the importance of best corporate governance principles, its invaluable accountability to its shareholders.

The Shareholders at the General Meeting remain the highest decision making body of AG Mortgage Bank Plc. Effect is given to the Memorandum & Articles of Association of the Bank as well as any laws for the time being in force in Nigeria. Members are given opportunity to take part in decisions affecting the strategic direction of the Bank.

2. The Board

2.1 Board Committees

The Board's functions are dispensed through the six (6) standing committees each of which has clearly defined composition, duties, purpose and reporting lines to the Board. The standing committees are as listed hereunder:

- Board Credit Committee
- Board Audit Committee
- Governance & Nominations Committee
- IT Steering Committee
- Risk Management Committee

Board Credit Committee

The Board Credit Committee is responsible for approval of loans above Executive Management's authority limits as defined by the Board of Directors from time to time. The Committee ensures that internal control procedures in the area of risk assets remain high to safeguard the quality of the Bank's risk assets.

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

Board Audit Committee

Before the setup of the Statutory Audit Committee, the Bank as a public company exercised its oversight functions on credit through its Board Audit Committee which has the responsibility of ensuring that the Bank complies with all relevant policies and procedures from the regulators and as laid down by the Board of Directors. The four man Statutory Audit Committee consists of two executive and two non-executive directors. Although the Statutory Audit Committee is now in place considering the Bank's Plc status, the Board has retained its Audit Committee because of the importance attached to audit functions. The Internal Auditor has access to the Audit Committee and presents quarterly reports.

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

The Governance & Nominations Committee

The Governance & Nominations Committee is strategically positioned for its functions which includes human resource issues, investments and general operational matters. This Committee provides governance and strategic oversight for considering remunerations, human resources activities and senior management development.

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

CORPORATE GOVERNANCE REPORT

IT Steering Committee

The Committee was established to ensure that the Bank meets, at every point in time, the IT need of modern banking. The Committee exercises oversight functions over the IT Unit through the instrumentality of the Internal Control Unit of the Bank. It ensures the IT policy of the Bank is tailored to meet regulatory requirements. The Committee met four (4) times during the financial year.

Risk Management Committee

We recognize that the new dispensation has introduced a fresh approach to risk management which must be reflected in the operational principles of organisations such as ours. The Bank shall be repositioned to accommodate innovative techniques in credit administration and remedial services. We raised the bar in our risk management standards to enable us remain in tune with developments at all times. Our risk management framework and team were put in place within the financial year to ensure an adequate risk management. The Committee met four (4) times during the financial year.

Board of Directors

Directors	Office	Designation	Appointed on
Rev. (Pastor) Ejikeme Ejim	Chairman	Non-Executive	06/05/2015
Mr. Ngozi Anyogu	Managing Director/CEO	Executive	21/07/2004
Mr. Simon Ogwu	Executive Director/COO	Executive	24/09/2020
Rev. (Dr.) Vincent Alaje	Director	Non-Executive	02/02/2012
Mr. Sally Biose	Director	Non-Executive	06/05/2015
Rev. (Surv.) Ugochukwu Chime	Director	Non-Executive	27/09/2018
Barr. (Mrs.) Theresa Ntong	Director	Non-Executive	27/09/2018
Mr. Chris Okenwa	Director	Non-Executive	12/09/2019
Mr. Emmanuel Ocholi	Director	Non-Executive	27/09/2018
Amb. Felix Nwabuko	Director	Non-Executive	30/09/2021
Mr. Emmanuel Onuoha	Director	Non-Executive	30/09/2021

Management Staff	Position
Mr. Anthony Okonmah	Company Secretary/Head, Legal Services
Mrs. Gladys Laleye	Head, Risk Management
Mrs. Anthonia Okereafor	Head, Corporate Services
Mrs. Chinyere-ugo Obike	Regional Executive, West
Kingsley Onyebueke	Regional Executive, East
Toluwalase Mosuro	Regional Executive, North
Stephen Oluwasetire	Head, Internal Control Unit/Compliance
Mrs. Uju Obi	Head, Special Projects

Directors and the various Board Committees they belong:

Name of Director	Board Credit Committee	Board Audit Committee	The Governance & Nominations Committee	IT Steering Committee	Risk Management Committee	Board Membership
Rev. (Pastor) Ejikeme Ejim	N/M	N/M	N/M	N/M	N/M	C
Mr. Ngozi Anyogu	M	N/M	M	M	M	MD
Mr. Simon Ogwu	M	M	M	M	M	ED
Rev. (Dr) Vincent Alaje	N/M	M	N/M	C	N/M	M
Mr. Sally Biose	M	M	N/M	M	N/M	M
Rev. (Surv.) Ugochukwu Chime	N/M	C	N/M	M	N/M	M
Barr. (Mrs.) Theresa Ntong	M	M	C	N/M	M	M
Mr. Emmanuel Ocholi	C	N/M	M	M	M	M
Mr. Chris Okenwa	M	N/M	M	N/M	C	M
Amb. Felix Nwabuko **						
Mr. Emmanuel Onuoha **						

Key:
C - Chairman
M - Member
N/M - Not a Member
MD - Managing Director
ED - Executive Director
** Appointed in September 2021 and has not been assigned to any Board Committee.

CORPORATE GOVERNANCE REPORT

3. Attendance at Board Meetings

Directors' attendance at Board meetings are set out below:

Name of Director	Board Credit Committee	Board Audit Committee	The Governance & Nominations Committee	IT Steering Committee	Risk Management Committee	Board of Directors Meeting
Rev. (Pastor) Ejikeme Ejim	N/M	N/M	N/M	N/M	N/M	4
Mr. Ngozi Anyogu	4	N/M	4	4	4	4
Mr. Simon Ogwu	4	4	4	4	4	4
Rev. (Dr) Vincent Alaje	N/M	3	N/M	4	N/M	3
Mr. Sally Biose	3	3	N/M	3	N/M	3
Rev. (Surv.) Ugochukwu Chime	N/M	4	N/M	2	N/M	3
Barr. (Mrs.) Theresa Ntong	4	4	4	N/M	4	4
Mr. Emmanuel Ocholi	4	N/M	4	4	4	4
Mr. Chris Okenwa	4	N/M	4	N/M	4	3
Amb. Felix Nwabuko						1
Mr. Emmanuel Onuoha						1

4. Directors Remuneration

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

Package	Types	Description	Timing
Basic salary	Fixed	Paid to the Managing Director and Executive Director.	Monthly
Other Executive compensation	Fixed	Paid to the Managing Director and Executive Director.	Monthly
Directors fee	Fixed	Paid quarterly to Directors during Board & Committee meetings.	Quarterly
Sitting allowance	Fixed	Paid quarterly to Directors during Board & Committee meetings.	Quarterly

4.1 Corporate Social Responsibility

AG Mortgage Bank Plc in alignment with its commitment to the tenets of sustainable development has the objective of creating shared value within the society. This aims at developing innovative products and solutions for building a business model towards affordable and livable housing delivery nationwide.

The Bank is also committed to the socio-economic betterment of the communities within which it operates. During the period under review, the Bank's Eastern Regional Office donated a 40KVA generating set to the University of Nigeria Teaching Hospital (UNTH).

4.2. Sustainability and Environmental issues

AG Mortgage Bank Plc believes that as a responsible organization, it must meet the challenges of society, play active role in the development of the Regions/Communities within which it operates and that the implementation of proactive measures in favour of sustainability creates value not only for its shareholders but also for its teams, customers and all stakeholders.

The Bank's sustainability strategy is therefore in line with its corporate vision "To be the leading provider of mortgage solutions in Nigeria" as well as its objective to create shared values aimed at developing innovative products and solutions for building business models towards affordable and livable housing delivery.

CORPORATE GOVERNANCE REPORT

4.3. Employment and Labour Relations

AG Mortgage Bank Plc workforce remains its most valued asset as it continues to channel resources towards human capital development and maintaining a safe workplace.

The Bank has continued to train and re-train Staff as well as provide competitive welfare package to all employees. This is based on its awareness of the importance of workforce in achieving its strategic business objective. Its Human Resources Management group ensures, through various fora, that employees are informed on matters concerning them. Formal and informal channels are also employed in communication with employees with an appropriate two-way feedback mechanism. In accordance with the Bank's policy of continuous development, training facilities are provided in well-equipped training centers. These are complemented by on-the-job training.

4.4. Human Rights

AG Mortgage Bank Plc fully demonstrates respect for human rights and this is properly documented in its Staff Hand book and Code of Conduct. The Bank demonstrates its respect for the rights of all people, through gender-inclusive, equal opportunities and non-discriminatory workplace culture. At AG Mortgage Bank Plc, the rights of all people, men, women, old, young, People living with physical and health challenges are respected.

The Bank has continued to maintain a grievance mechanism on human rights, among other issues, through its whistleblowing line by which internal and external stakeholders can report any human rights abuses. Clearly, the availability of this line has strongly guarded and prevented members of the Bank's staff from indulging in human rights abuses.

4.5. Whistle Blowing Policy

AG Mortgage Bank Plc is committed to conducting its affairs ethically and responsibly. Unethical behaviors cost the Bank money, time, human resources and can negatively affect the Bank's reputation before its stakeholders.

All ethical abuses and fraud can be reported through the Bank's internal whistle blowing process.

4.6. Anti-Bribery and Corruption Policy

The Board of Directors of the Bank in recognizing the need for adopting global best practices and high standards of Corporate Governance adopted the following as its Anti-Bribery and Corruption Statement: "AG Mortgage Bank Plc ("the Bank") is committed to:

- Conducting its business dealings and relationships in an ethical manner and with the highest level of integrity in accordance with the Bank's Code of Business Conduct as well as applicable laws;

- Complying with relevant Anti-Bribery and Corruption laws such as Independent Corrupt Practices and Other Related Offences Act 2000;

- Ensuring the implementation and enforcement of effective systems to counter the risks of bribery and corrupt practices in the form of gifts and entertainment, reciprocal agreements, favors, discounts and other forms of improper benefits for which the Bank could be held liable; and

- Prohibiting the Bank as well as third parties acting on its behalf from engaging in fraudulent acts, corrupt practices and other forms of bribery, gratification, facilitation payments or improper payments or benefits to public officials or their family members.

AG Mortgage Bank Plc commits to comply with applicable laws on anti-bribery and corruption as well as ensure its business practices reflect these commitments.

CORPORATE GOVERNANCE REPORT

4.7. Complaints Management Policy

The Board and Management of AG Mortgage Bank Plc ensure that communication and dissemination of information regarding the operations of the Bank, its shareholders, stakeholders, potential investors and the general public is timely, accurate and continuous.

In compliance with the requirements of the Securities and Exchange Commission (SEC) Rules relating to the Complaints Management Framework of the Nigerian Capital Market dated 16th February 2015 to all listed Companies, the Bank has put in place a Complaints Management Framework.

Under the framework, the Bank engaged a Consultant to liaise with its Registrars in providing assistance regarding shareholders' issues and concerns. It also provides the opportunity for the Bank's shareholders to provide feedback on matters that affect them.

In addition, information on performance of the Bank and other major corporate information are available to shareholders and the general public at the Bank's website www.info@agmortgagebankplc.com.ng.

4.8. Board Evaluation

In line with the Securities and Exchange Commission (SEC) Code of Corporate Governance 2011, a formal assessment of the Board's operations during the year 2021 was carried out using a detailed questionnaire approved by the Board. The review was to verify that important issues were properly prepared and debated within the Board and to assess the effective participation and involvement of each Director on the Board.

The assessment also included a debate on the Board's organization and practices as well as an assessment of the Board Committees and the Directors individually. A summary of the 2021 Performance Evaluation Report which was duly submitted to the Central Bank of Nigeria in line with regulation revealed that the Chairman and other Directors were highly rated. Board practices were also found to be satisfactory.

Signed on behalf of the Governance & Nominations Committee

....
Mr. Chris Okenwa
FRC/2014/CISN/00000007540

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In accordance with the provisions of Section 377 of the Companies and Allied Matters Act 2020, 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 Standards 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 and prudent judgments and estimates, in conformity with the requirements of:

- International Financial Reporting Standards (IFRSs);
- Companies and Allied Matters Act, 2020;
- Banks and Other Financial Institution Act (BOFIA), 2020;
- Pension Reform Act, 2014; and
- Financial Reporting Council of Nigeria 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 AG Mortgage Bank Plc will not remain a going concern for at least twelve months from the date of these financial statements.

Mr. Ngozi Anyogu
Managing Director
FRC/2018/CIBN/00000018170

Mr. Chris okenwa
Director
FRC/2014/CISN/00000007540

REPORT OF THE AUDIT COMMITTEE

In accordance with the provisions of Section 404 of the Companies and Allied Matters Act, 2020, the members of the Audit Committee of AG Mortgage Bank Plc hereby report as follows:

- We have exercised our statutory functions under Section 404 (7) of the Companies and Allied Matters Act 2020 and acknowledged the co-operation of management and staff in the conduct of these responsibilities;
- We are of the opinion that the accounting and reporting policies of the Bank are in accordance with legal requirements and agreed ethical practices and that the scope and planning of both the external and internal audits for the year ended 31 December 2021 were satisfactory and reinforce the Bank's internal control systems;
- We are satisfied that the Bank has complied with the provisions of Central Bank of Nigeria circular BSD/1/2004 dated 18 February, 2004 on "Disclosure of insider related credits in the financial statements of banks", and hereby confirm that the insider related credits of the Bank are as analyzed in the financial statements as at 31 December 2021. The status of performance of insider related credits is as disclosed in Note 39; and
- We have deliberated with the External Auditors, who have confirmed that necessary cooperation was received from management in the course of their statutory audit and we are satisfied with management's responses to the External Auditor's recommendations on accounting and internal control matters and with the effectiveness of the Bank's system of accounting and internal control.

Dated this .... day of .... 2022.

Engr. Eme Tasie
Chairman Audit Committee
FRC/2014/IODN/00000008633

Members of the Audit Committee

Engr. Eme Tasie - Chairman
Barr. (Mrs) Theresa Ntong - Member
Barr. Monday Ubani - Member
Mr. Emmanuel Attah Ocholi - Member
Mrs Blessing Ekanem - Member

CERTIFICATION PURSUANT TO SECTION 405 OF CAMA 2020

We, the undersigned, hereby certify the following with regards to our Audited Financial Statements for the year ended 31 December 2021 that:

(a) We have reviewed the report:;

To the best of our knowledge, the report does not contain any untrue statement of a material fact, or omit to state a material fact, which would make the statements misleading in the light of circumstances under which such statements were made;

(b) To the best of our knowledge, the financial statement and other financial information included in this report fairly present in all material respects the financial condition and results of operation of the Bank as of, and for the periods presented in this report.

(c) We:

- are responsible for establishing and maintaining internal controls.
- have designed such internal controls to ensure that material information relating to the Bank is made known to such officers by others within the Bank particularly during the period in which the periodic reports are being prepared;
- have evaluated the effectiveness of the Bank's internal controls as of date within 90 days prior to the report;
- have presented in the report our conclusions about the effectiveness of our internal controls based on our evaluation as of that date;

(d) We have disclosed to the auditors of the Bank and the Audit Committee

- All significant deficiencies in the design or operation of internal controls which would adversely affect the Bank's ability to record, process, summarize and report financial data and have identified for the Bank's auditors any material weakness in internal controls.

We have identified in the report whether or not there were significant changes in internal controls or other factors that could significantly affect internal controls subsequent to the date of our evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Mr. Ngozi Anyogu	**Mrs. Anthonia Lloyd Okereafor**
Managing Director	**Chief Financial Officer**
FRC/2018/CIBN/00000018170	**FRC/2014/ICAN/00000008792**

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AG MORTGAGE BANK PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **AG MORTGAGE BANK PLC** which comprise the Statement of Financial Position as at 31 December 2021, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of **AG MORTGAGE BANK PLC** as at 31 December 2021 and of its financial performance and cash flows for the year ended on that date in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act, 2020, the Banks and Other Financial Institutions Act, 2020, the Financial Reporting Council of Nigeria Act, No.6, 2011 and relevant circulars issued by the Central Bank of Nigeria.

Basis for 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 financial statements section of our report. We are independent of **AG MORTGAGE BANK PLC** in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the Audit of the Financial Statements section of our report, including relation to these matters. Audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements.

The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Impairment of loans and other receivables

Loans and advances to customers make up a significant portion of the total assets of the Bank, and the impairment charges is also significant. The allowance for impairment of loans and advances to customers is a key judgmental area of our audit due to the level of our subjectivity inherent in estimating the impact of key assumptions on the recoverability of loan balances.

The Bank has adopted the International Financial Reporting Standards (IFRS 9) — Financial Instruments recognition and measurement which became effective 1 January 2018 which introduced expected credit loss model [ECL) for recognizing the impairment for financial instruments.

The use of the ECL model for the computation of impairment allowance requires the application of certain parameter which are estimated from historical financial data within and outside the Bank, this includes;

- the determination of criteria for significant increase in credit risk (SICR) for staging purpose. (At origination, loan is classified as stage 1, when there is significant increase in credit risk the loan is migrated to stage 2 and subsequently to stage 3 when there is a default;
- assessing the relationship between the quantitative factors incorporated in determining the Probability of Default (PD], the Loss Given Default (LGD), Recovery Rate and the Exposure at Default (EAD);
- factors considered in cashflow estimation including timing and amount; and
- factors considered in collateral valuation.

Given the level of complexity and judgement involved in the determination of the ECL, and the material balance of the provision, we considered the impairment of loans and advances as a key audit matter in the financial statements.

How the matter was addressed in the Audit

Our audit procedures with respect to the audit included but were not limited to the following:

- We checked and understood the key data sources and assumptions used in the Expected Credit Loss model used by the Bank to determine impairment allowance;
- We checked the reasonableness of the Bank's ECL methodology by considering whether it reflects unbiased and probability-weighted amounts that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information at the reporting date about past events, current conditions and forecasts of the future economic condition, information considered include: industry historical default rates, foreign exchange rate, inflation rate and Gross Domestic Product (GDP) growth rates;
- For forward looking assumptions used by the Bank in its ECL calculations, we held meetings with management and assessed the assumptions using public available information comprising foreign exchange rate, inflation rate and Gross Domestic Product (GDP) growth rate;
- We evaluated the appropriateness of the basis of determining Exposure at Default, including the contractual cash flows, outstanding loan balance, loan repayment type, loan tenor and effective interest rate;
- For Probability of Default (PD) used in the ECL calculations, we checked the historical movement in the balances of facilities between default and non- default categories;
- We checked the calculation of the Loss Given Default (LGD) used by the Bank in the ECL calculations, including the appropriateness of the use of collateral and the resultant arithmetical calculations;

- We re-performed the calculations of impairment allowance for loans and other receivables using the Banks impairment model and assessed key inputs. For loans and other receivables which have shown a significant increase in credit risk, the recalculation was based on the amount which the Bank may not recover throughout the life of the loans while for loans and advances that have not shown significant increase in credit risk, the recalculation was based on the losses expected to result from default events within a year.

The Bank's accounting policy on impairment and related disclosures on credit risk are shown in accounting policy 1.4 and note 3 to the financial statements.

Other Matters

The financial statements of AG Mortgage Bank Plc for the year ended 31 December 2020 were audited by Bakertilly Nigeria (Chartered Accountants), who expressed an unmodified opinion on those financial statements in the Independent Auditors' Report dated 30th March 2021.

Other information

The Directors are responsible for the other information. The other information comprises the Directors' Report and the Statutory Audit Committee's Report as required by the Companies and Allied Matters Acts, 2020 which we obtained prior to the date of this report. Other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard.

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. As part of our audit of the financial statements, we have concluded that management's use of the going concern basis of accounting in the preparation of the Bank's financial statements is appropriate.

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. However, neither management nor the auditor can guarantee the Bank's ability to continue as a going concern.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Acts 2020, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a 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.

Report on other legal and regulatory requirements

The Companies and Allied Matters Act, 2020 and the Banks and Other Financial Institutions Act, 2020 require 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. the Bank has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from all the branches;
III. the Bank's statement of financial position, statement of profit or loss and other comprehensive income are in agreement with the books of account;
IV. the Bank did not contravene any section of the Revised Guidelines for Mortgage Banks in Nigeria, as disclosed in **Note 42** to the financial statements;
V. related party transactions and balances are disclosed in **Note 39** to the financial statements in accordance with the Central Bank of Nigeria Circular BSD/1/2004 on insider related credits; and
VI. the Bank has complied with the requirements of the relevant circulars issued by the Central Bank of Nigeria.

Compliance with Section 4.3 of the Revised Guidelines for Primary Mortgage Banks in Nigeria 2011.

We report that nothing has come to our attention to indicate that the Bank will not remain in business for at least twelve months from the date of this report.

....
Abiodun Ariyibi, FCA
FRC/2013/ICAN/00000001548

For: SIAO Partners (Chartered Accountants)

Date: 29th March 2022

Lagos, Nigeria.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Note(s)	2021 ₦ '000	2020 ₦ '000
Assets			
Cash and cash equivalents	5	2,317,283	3,028,430
Due from other banks	6	71,051	39,965
Loans and advances	7	12,913,301	9,096,625
Financial assets through profit or loss	9	33,950	39,083
Other assets	8	434,911	114,695
Investment in associate	10	37,385	36,174
Non-current assets held for sale	11	2,914,302	3,080,824
Property, plant and equipment	12	634,968	576,790
Intangible assets	13	44,336	3,139
Deferred tax asset	14	30,622	30,622
Total Assets		**19,432,109**	**16,046,347**
Liabilities			
Customers' deposits	15	5,800,433	4,791,497
Borrowings from FMBN	16	6,134,078	4,191,948
Income tax payable	34.2	143,173	111,695
Deferred tax liability	14	124,744	126,121
Other liabilities	17	543,923	343,241
Total Liabilities		**12,746,351**	**9,564,502**
Equity			
Share capital	18	5,000,000	5,000,000
Share premium	19	712,871	712,871
Statutory reserve	20	112,560	112,560
Regulatory Credit Risk Reserve	21	2,007,133	2,641,116
General reserve	22	(1,146,806)	(1,984,702)
Total Equity		**6,685,758**	**6,481,845**
Total Equity and Liabilities		**19,432,109**	**16,046,347**

The financial statements were approved by the Board of Directors on 17 March 2022 and were signed on its behalf by:

Mr. Ngozi Anyogu
Managing Director
FRC/2018/CIBN/00000018170

Mr. Chris Okenwa
Director
FRC/2014/CISN/00000007540

Mrs. Anthonia Lloyd Okereafor
Chief Financial Officer
FRC/2014/ICAN/00000008792

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Note(s)	2021 ₦ '000	2020 ₦ '000
Interest income	23	1,335,527	1,036,474
Interest Expenses	24	(519,357)	(428,276)
Net interest income		**816,170**	**608,198**
Impairment allowance	25	(35,403)	(92,382)
Net interest income after impairment loss on financial and non-financial instruments		**780,767**	**515,816**
Net income on fees and commission	26	134,843	81,979
Other operating income	27	58,450	32,982
Other operating gain\(loss)	28	53,260	530
Employee costs	29	(276,786)	(192,785)
Depreciation and amortisation expenses	30	(37,338)	(31,248)
Other operating expenses	31	(428,061)	(224,167)
Operating profit (loss)	32	**285,135**	**183,107**
Income from equity accounted investments	10.3	1,211	878
Other non-operating gains (losses)	33	(5,133)	(3,667)
Profit (loss) before taxation		**281,213**	**180,318**
Taxation	34	(77,300)	(68,830)
Profit (loss) for the year		**203,913**	**111,488**
Total comprehensive income (loss) for the year		**203,913**	**111,488**
Earnings per share			
Per share information			
Basic earnings per share (kobo)	36	2.04	1.11
Diluted earnings per share (kobo)	36	2.04	1.11

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2021

	Share capital	Share premium	Total share capital	Regulatory credit risk reserve	Statutory reserve	Total reserves	General reserve	Total equity
	₦ '000	₦ '000	₦ '000	₦ '000	₦ '000	₦ '000	₦ '000	₦ '000
Balance at 1 January 2020	**3,877,197**	**619,694**	**4,496,891**	**2,592,672**	**112,560**	**2,705,232**	**(2,047,746)**	**5,154,377**
Profit for the year	-	-	-	-	-	-	111,488	111,488
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**111,488**	**111,488**
Issue of shares	1,122,803	93,177	1,215,980	-	-	-	-	1,215,980
Transfer between reserves	-	-	-	48,444	-	48,444	(48,444)	-
Total contributions by and distributions to owners of company recognised directly in equity	**1,122,803**	**93,177**	**1,215,980**	**48,444**	**-**	**48,444**	**(48,444)**	**1,215,980**
Balance at 1 January 2021	**5,000,000**	**712,871**	**5,712,871**	**2,641,116**	**112,560**	**2,753,676**	**(1,984,702)**	**6,481,845**
Profit for the year	-	-	-	-	-	-	203,913	203,913
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**203,913**	**203,913**
Transfer between reserves	-	-	-	(633,983)	-	(633,983)	633,983	-
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**-**	**(633,983)**	**-**	**(633,983)**	**633,983**	**-**
Balance at 31 December 2021	**5,000,000**	**712,871**	**5,712,871**	**2,007,133**	**112,560**	**2,119,693**	**(1,146,806)**	**6,685,758**
Note(s)	18	18	18	21	20		22	

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	Note(s)	2021 ₦ '000	2020 ₦ '000
Cash flows from operating activities			
Profit before taxation		281,213	180,318
Adjustments for:			
Depreciation and amortisation	30	37,338	31,248
Gains on disposals of Non-current assets	28	(53,260)	(530)
Income from equity accounted investments	10.3	(1,211)	(878)
Fair value losses	33	5,133	3,667
Impairment losses and reversals	25	35,403	92,382
Bad loans written off	31	57,858	-
Changes in working capital:			
Other assets	8	(324,609)	14,726
Loans and advances	7	(3,905,517)	(2,279,192)
Customers' deposits	15	1,008,936	1,382,781
Other liabilities	17	200,682	(1,015,529)
Cash used in operations		**(2,658,034)**	**(1,589,685)**
Tax paid	35	(47,199)	(20,661)
Net cash from operating activities		**(2,705,233)**	**(1,610,346)**
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(93,067)	(47,099)
Sale of property, plant and equipment		-	530
Sale of investment property	11.2	219,782	12,500
Purchase of other intangible assets	13	(43,646)	(1,950)
Purchase of due from other banks	6	(31,113)	605,000
Net cash from investing activities		**51,956**	**568,981**
Cash flows from financing activities			
Proceeds on share issue	18	-	1,215,980
Borrowing from FMBN	16	1,942,130	1,719,220
Net cash from financing activities		**1,942,130**	**2,935,200**
Total cash movement for the year		**(711,147)**	**1,893,835**
Cash and cash equivalents at the beginning of the year		3,028,430	1,134,595
Total cash and cash equivalents at the end of the year	5	**2,317,283**	**3,028,430**

NOTES TO THE FINANCIAL STATEMENTS

Corporate information

The Bank was incorporated in Nigeria under the Companies and Allied Matters Act as a private limited liability company on 21 July 2004. The Bank was granted its banking licence with licence No. 000000005, dated 31 December 2004, to carry on the business of mortgage banking.
The principal activities of Bank is the provision of mortgage banking to individual and corporate customers, and it is also duly accredited by the Federal Mortgage Bank of Nigeria to access National Housing Fund (NHF) scheme.

1. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

1.1 Basis of preparation

Statement of Compliance

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRSs") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these financial statements and in compliance with the requirements of the the Companies and Allied Matters Act, 2020 and the Financial Reporting Council of Nigeria Act, No 6 2011 and the relevant Central Bank of Nigeria circulars..

These accounting policies are consistent with the previous period.

Composition of the financial statements

The financial statements comprise Statement of financial position, Statement of profit or loss and other comprehensive income, Statement of changes in equity, Statement of cash flows and the Notes to the financial statements.

Financial period

These financial statements cover the financial year ended 31 December 2021, with comparative figures for the financial year ended 31 December 2020.

Functional currency

These financial statements are presented in Naira which is the Bank’s functional and presentation currency. All values are rounded to the nearest thousands unless otherwise stated.

Basis of measurement

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

- Financial asset measured at fair value through profit or loss;
- Financial Asset designated as fair valued through OCI;
- Loans and receivables are measured at amortised cost; and
- Financial liabilities are measured at amortised cost.

1.2 Segmental reporting

Nigeria is the Bank's primary geographical segment as all income is generated in Nigeria. Accordingly, no further business or geographical segment information is required.

NOTES TO THE FINANCIAL STATEMENTS

1.3 Significant judgements and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The 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.

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Going Concern

The financial statements have been prepared on the going concern basis and there is no intention to curtail business operations. The Directors have made assessment of the Bank's ability to continue as a going concern and have no reason to believe that the Bank will not remain a going concern in the next 12 months ahead.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Bank based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

Impairment of financial assets

The impairment requirements of IFRS 9 apply to all debt instruments that are measured at amortised cost.
The determination of impairment loss and allowance moves from the incurred credit loss model whereby credit losses are recognised when a defined loss event occurs under IAS 39, to expected credit loss model under IFRS 9, where expected credit losses are recognised upon initial recognition of the financial asset based on expectation of potential credit losses at the time of initial recognition.
The Bank does not originate or purchase credit impaired loans or receivables.
The determination of whether a financial asset is credit impaired focuses exclusively on default risk, without taking into consideration the effect of credit risk mitigants such as collateral or guarantees. Specifically, the financial asset is credit impaired and in stage 3 when the Bank considers the obligor is unlikely to pay its credit obligations to the Bank. The termination may include forbearance actions, where a concession has been granted to the borrower or economic or legal reasons that a qualitative indicators of credit impairment; or contractual payments of either principal or interest by the obligor are pass due by more than 90 days.
For financial assets considered to be credit impaired, the ECL allowance covers the amount of loss the Bank is expected to suffer. The estimation of ECLs is done on a case by case basis for non-homogenous portfolios, or by applying portfolio-based parameters to individual financial assets in this portfolio by the Bank's ECL model for homogenous portfolios.

Forecast of future economic conditions when calculating ECLs are considered. The lifetime expected losses are estimated based on the probability – weighted present value of the difference between:

The contractual cash flows that are due to the Bank under the contract; and

The cash flows that the Bank expects to receive.

Elements of ECL models that are considered accounting judgements and estimates include:

- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment.
- The development of ECL models, including the various formulas and the choice of inputs, determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs.

NOTES TO THE FINANCIAL STATEMENTS

1.3 Significant judgements and sources of estimation uncertainty (continued)

- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Expected lifetime:

The expected life time of a financial asset is a key factor in determine the life time expected credit losses. Lifetime expected credit losses represents default events over the expected life of a financial asset. The Bank measures expected credit losses considering the risk of default over the maximum contractual period (including any borrower's extension option) over which it is exposed to credit risk.

Fair value estimation

For disclosure purpose, the determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Bank measures fair values using the following hierarchy of methods.

- Level 1: Quoted market price in an active market for an identical instrument.

- Level 2: Valuation techniques based on observable inputs either directly- i.e. as prices or indirectly- i.e. derived from prices. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- Level 3: This includes financial instruments, the valuation of which incorporate significant inputs for the asset or liability that is not based on observable market data (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product.

These inputs are generally determined based on inputs of a similar nature, historic observations on the level of the input or analytical techniques. This category includes investment securities.

Impairment testing

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

The Bank applies the impairment assessment to its separate cash generating units. This requires management to make significant judgments and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgment is also required when assessing whether a previously recognised impairment loss should be reversed. No property and equipment, and intangible asset was impaired at the year end.

Useful lives of property, plant and equipment

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

Deferred tax assets

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

NOTES TO THE FINANCIAL STATEMENTS

1.3 Significant judgements and sources of estimation uncertainty (continued)

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 incurred loss model required by IFRS under IAS 39. 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.

1.4 Financial instruments

Financial instruments held by the Bank are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the Bank, as applicable, are as follows:

Financial assets which are equity instruments:
- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Financial assets which are debt instruments:
- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or
- Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Derivatives which are not part of a hedging relationship:
- Mandatorily at fair value through profit or loss.

Financial liabilities:
- Amortised cost; or
- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or
- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

Note 3 Financial instruments and risk management presents the financial instruments held by the Bank based on their specific classifications.

NOTES TO THE FINANCIAL STATEMENTS

1.4 Financial instruments (continued)

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Bank are presented below:

Financial Assets

Classification

The Bank classifies all of its fnancial assets based on the business model for managing the assets and the asset's contractual cashflow characteristics.

Business Model Assessment

Business model assessment involves determining whether fnancial assets are managed in order to generate cashflows from collection of contractual cashflows, 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 cashflows 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 classi?cation 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 cashflows;

Business Model 2 (BM2): Financial assets held with the objective of both collecting contractual cashflows 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 cashflows 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 approximates the collection of the remaining contractual cashflows. 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 cashflows expected from the financial asset does not exceed the cashflows 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.

NOTES TO THE FINANCIAL STATEMENTS

1.4 Financial instruments (continued)

– 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

Cashflow characteristics assessment

The contractual cashflow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cashflows that are consistent with a basic lending arrangement. Contractual cashflows are consistent with a basic lending arrangement if they represent cashflows 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 cashflows 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 cashflows 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 cashflows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Bank's claim to cashflows 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 cashflows 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.

Recognition and measurement

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 cashflows where those cashflows 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 cashflows and for selling financial assets, where the assets' cashflows 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.

1.4 Financial instruments (continued)

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 cashflows 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-byinstrument 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.

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.

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 and subsequently accounted for depending on their classification as amortized cost, fair value through profit or loss or fair value through other comprehensive income.

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'

Impairment of Financial Assets

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

- Financial assets at Amortized Cost
- Debt securities at FVOCI

Equity instruments and finacial assets measured at FVTPL are not subject 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.

NOTES TO THE FINANCIAL STATEMENTS

1.4 Financial instruments (continued)

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 Loss (ECL)

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 coeficients 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 by IFRS 9. 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 di?erence between the contractual cashflows 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. To estimate expected credit loss for off- balance sheet exposures, credit conversion factor (CCF) is usually computed. CCF is a modelled assumption which represents the proportion of any undrawn exposure that is expected to be drawn prior to a default event occurring. It is a factor that converts an off-balance sheet exposure to its credit exposure equivalent. In modelling CCF, the Bank considers its account monitoring and payment processing policies including its ability to prevent further drawings during periods of increased credit risk. CCF is applied on the off-balance sheet exposures to determine the EAD and the ECL impairment model for financial assets which is applied on the EAD to determine the ECL on the off-balance sheet exposures.

NOTES TO THE FINANCIAL STATEMENTS

1.4 Financial instruments (continued)

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 macroeconomic 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 coeficient 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 classi?cation 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 cashflows 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

NOTES TO THE FINANCIAL STATEMENTS

1.4 Financial instruments (continued)

- 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 aflliate 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 dificulties;
- 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 cashflows 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
- Debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

Write off policy

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):

NOTES TO THE FINANCIAL STATEMENTS

1.4 Financial instruments (continued)

- 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 reasonable expectation of recovering the balance in full; and
- Where all possible avenues for recoveries have been explored and it is evident that the ?nancial 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.

Modification of Financial Assets

When the contractual terms of a financial asset are modified, the Bank evaluates whether the cashflows of the modified asset are substantially different. If the cashflows are substantially different, then the contractual rights to cashflows 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 cashflows 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 cashflows 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 cashflows 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 occuring at the reporting date (based on the modified contractual terms); and
- the risk of a default occuring 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 cashflows 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 cashflows 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; and
- Conversion of a loan from one currency to another currency.

NOTES TO THE FINANCIAL STATEMENTS

1.4 Financial instruments (continued)

Other factors 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 diffculties 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 cashflows 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 cashflow from the existing financial asset at the time of its derecognition.

Derecognition

The Bank derecognizes a financial asset only when the contractual rights to the cashflows 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.

Financial Liabilities and Equity Insruments

Classification

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

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

Recognition and measurement

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.

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. Financial liabilities at fair value through profit or loss are financial liabilities held for trading. 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 cashflows 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.

NOTES TO THE FINANCIAL STATEMENTS

1.4 Financial instruments (continued)

Modification of 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 cashflows 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.

Reclassification

Financial assets

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 chnages 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.

Financial liabilities

Financial liabilities are not reclassified.

1.5 Investment in associate

An associate is an entity over which the Bank has significant influence and which is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. It generally accompanies a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method. Under the equity method, investments in associates are carried in the Statement of Financial Position at cost adjusted for post-acquisition changes in the Bank's share of net assets of the associate, less any impairment losses.

The Bank's share of post-acquisition profit or loss is recognised in profit or loss, and its share of movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. Losses in an associate in excess of the Bank's interest in that associate, including any other unsecured receivables, are recognised only to the extent that the Bank has incurred a legal or constructive obligation to make payments on behalf of the associate.

Any goodwill on acquisition of an associate is included in the carrying amount of the investment, however, a gain on acquisition is recognised immediately in profit or loss.

Profits or losses on transactions between the Bank and an associate are eliminated to the extent of the Bank's interest therein. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Bank.

NOTES TO THE FINANCIAL STATEMENTS

1.5 Investment in associate (continued)

When the Bank reduces its level of significant influence or loses significant influence, the group proportionately reclassifies the related items which were previously accumulated in equity through other comprehensive income to profit or loss as a reclassification adjustment. In such cases, if an investment remains, that investment is measured to fair value, with the fair value adjustment being recognised in profit or loss as part of the gain or loss on disposal.

1.6 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell (distribute).

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as such.

Interest and other expenses attributable to the liabilities of assets classified as held for sale are recognised in profit or loss.

1.7 Property, plant and equipment

Property, plant and equipment are tangible assets which the Bank holds for its own use and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Bank, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Bank and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Bank. Hence, the Bank use the straight-line method to allocate the cost of its assets to their residual value over their estimated useful lives. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

Land is not depreciated.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	50 years
Plant and machinery	Straight line	5 years
Furniture and fixtures	Straight line	5 years
Motor vehicles	Straight line	4 years
Office equipment	Straight line	5 years
Computer equipment	Straight line	5 years
Leasehold improvements	Straight line	5 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

NOTES TO THE FINANCIAL STATEMENTS

1.7 Property, plant and equipment (continued)

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.8 Intangible assets

An intangible asset is recognised when:
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight line	31/2 years

1.9 Impairment of non-financial assets

The Bank assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Bank estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the Bank also:

NOTES TO THE FINANCIAL STATEMENTS

1.9 Impairment of non-financial assets (continued)

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.10 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

1.10 Tax (continued)

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

It is measured using tax rates enacted or substantively enacted at the reporting date and is assessed as follows:

- Company income tax is computed on taxable profits.

- Tertiary education tax is computed on assessable profits.

- National Information Technology Development Agency levy is computed on profit before tax.

- Nigeria Police Trust Fund levy is computed on net profit (i.e. profit after deducting all expenses and taxes from revenue earned by the company during the year).

- Science and Engineering levy is computed on profit before tax.

Total amount of tax payable under CITA is determined based on the higher of two components namely Company Income Tax (based on taxable income (or loss) for the year); and minimum tax. Taxes based on profit for the period are treated as income tax in line with IAS 12.

Minimum tax

The Finance Act, 2020 stipulates that the minimum tax to be levied and paid shall be 0.25% of gross turnover of the company less franked investment income.

1.11 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The Bank operates a defined contributory pension scheme for eligible employees. The employee and the company contribute 8% and 10% respectively of the employees' basic salary, housing and transport allowances in line with the provisions of the Pension Reform Act 2014.

Liabilities in respect of the defined contribution scheme are charged against the profit of the period in which they become payable. Payments are made to Pension Fund Administration Companies, who are appointed by respective staff of the Bank.

1.12 Provisions and contingencies

Provisions for restructuring costs and legal claims are recognised when: the Bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

NOTES TO THE FINANCIAL STATEMENTS

1.12 Provisions and contingencies (continued)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

1.13 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity.
Dividends are recognised as a liability in the Bank when they are declared and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Bank. Dividends for the year that are approved after the statement of financial position date are disclosed as an event after the statement of financial position date..

1.14 Interest Income and Interest Expense

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 cashflows 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 and 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.

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.

Net income from other financial instruments at FVTPL

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

NOTES TO THE FINANCIAL STATEMENTS

1.14 Interest Income and Interest Expense (continued)

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.

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

1.15 Operating expenses

Expenses are decreases in economic benefits during the accounting period in the form of outflows, depletion of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants.Expenses are recognized on an accrual basis regardless of the time of spending cash. Expenses are recognized in the income statement when a decrease in future economic benefit related to a decrease in an assets or an increase of a liability has arisen that can be measured reliably. Expenses are measured at historical cost.

Only the portion of cost of a previous period that is related to the income earned during the reporting period is recognized as an expense. Expenses that are not related to the income earned during the reporting period, but expected to generate future economic benefits, are recorded in the financial statement as assets. The portion of assets, which is intended for earning income in the future periods, shall be recognized as an expense when the associated income is earned.

Expenses are recognized in the same reporting period when they are incurred in cases when it is not probable to directly relate them to particular income earned during the current reporting period and when they are not expected to generate any income during the coming years.

NOTES TO THE FINANCIAL STATEMENTS

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

Amendments to the following standard(s) became effective in the annual period starting from 1st January, 2021. The new reporting requirements as a result of the amendments and/or clarifications have been evaluated and their impact or otherwise are noted below:

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 7

The amendment sets out additional disclosure requirements related to interest rate benchmark reform.

The effective date of the amendment is for years beginning on or after 1 January 2021.

The Bank has adopted the amendment for the first time in the 2021 financial statements.

The impact of the amendment is not material.

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9

When there is a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform then the entity is required to apply paragraph B5.4.5 as a practical expedient. This expedient is only available for such changes in basis of determining contractual cash flows.

Additional temporary exemptions from applying specific hedge accounting requirements as well as additional rules for accounting for qualifying hedging relationships and the designation of risk components have been added to hedge relationships specifically impacted by interest rate benchmark reform.

The effective date of the amendment is for years beginning on or after 1 January 2021.

The Bank has adopted the amendment for the first time in the 2021 financial statements.

The impact of the amendment is not material.

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 16

If there is a lease modification as a result of the interest rate benchmark reform, then as a practical expedient the lessee is required to apply paragraph 42 of IFRS 16 to account for the changes by remeasuring the lease liability to reflect the revised lease payment. The amendment only applies to modifications as a result of the interest rate benchmark reform.

The effective date of the amendment is for years beginning on or after 1 January 2021.

The Bank has adopted the amendment for the first time in the 2021 financial statements.

The impact of the amendment is not material.

Interest Rate Benchmark Reform - Phase 2: Amendments to IAS 39

Temporary exemptions from applying specific hedge accounting requirements as well as additional rules for accounting for qualifying hedging relationships and the designation of financial items as hedged items have been added to hedge relationships specifically impacted by interest rate benchmark reform.

The effective date of the amendment is for years beginning on or after 1 January 2021.

The Bank has adopted the amendment for the first time in the 2021 financial statements.

The impact of the amendment is not material.

NOTES TO THE FINANCIAL STATEMENTS

2. New Standards and Interpretations (continued)

COVID-19 - Related Rent Concessions - Amendment to IFRS 16

The COVID-19 pandemic has resulted in an amendment to IFRS 16 Leases. Lessees may elect not to assess whether a rent concession that meets the conditions in paragraph 46B is a lease modification. If this election is applied, then any change in lease payments must be accounted for in the same way as a change would be accounted for it were not a lease modification. This practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payment affects only payments originally due on or before 30 June 2022 and
- there is no substantive change to other terms and conditions of the lease.

The effective date of the amendment is for years beginning on or after 1 June 2021.

The Bank has adopted the amendment for the first time in the 2021 financial statements.

The impact of the amendment is not material.

2.2 Standards and interpretations not yet effective

Standards issued but not yet effective up to the date of issuance of the Bank's financial statements are listed below. This listing is of standards and interpretations issued, which the Bank reasonably expects to be applicable at a future date. The Bank intends to adopt those standards when they become effective. The Bank expects the adoption of these standards, amendments and interpretations in most cases not to have any significant impact on the Bank's financial position or performance in the period of initial application but additional disclosures will be required. In cases where it is likely to have an impact, the Bank is still assessing the possible impact:

Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12

The amendment adds an additional requirement for transactions which will not give rise to the recognition of a deferred tax asset or liability on initial recognition. Previously, deferred tax would not be recognised on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit or loss. The additional requirement provides that the transaction, at the time of the transaction must not give rise to equal taxable and deductible temporary differences.

The effective date of the amendment is for years beginning on or after 1 January 2023.

The impact of this amendment is currently being assessed.

Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2.

IAS 1 was amended to require that only material accounting policy information shall be disclosed in the annual report and financial statements. The amendment will not result in changes to measurement or recognition of financial statement items, but management will undergo a review of accounting policies to ensure that only material accounting policy information is disclosed.

The effective date of the amendment is for years beginning on or after 1 January 2023.

The impact of this amendment is currently being assessed.

Definition of accounting estimates: Amendments to IAS 8

The definition of accounting estimates was amended so that accounting estimates are now defined as "monetary amounts in annual report and financial statements that are subject to measurement uncertainty."

The effective date of the amendment is for years beginning on or after 1 January 2023.

The impact of this amendment is currently being assessed.

NOTES TO THE FINANCIAL STATEMENTS

2. New Standards and Interpretations (continued)

Classification of Liabilities as Current or Non-Current - Amendment to IAS 1

The amendment changes the requirements to classify a liability as current or non-current. If an entity has the right at the end of the reporting period, to defer settlement of a liability for at least twelve months after the reporting period, then the liability is classified as non-current.

If this right is subject to conditions imposed on the entity, then the right only exists, if, at the end of the reporting period, the entity has complied with those conditions.

In addition, the classification is not affected by the likelihood that the entity will exercise its right to defer settlement. Therefore, if the right exists, the liability is classified as non-current even if management intends or expects to settle the liability within twelve months of the reporting period. Additional disclosures would be required in such circumstances.

The effective date of the amendment is for years beginning on or after 1 January 2023.

The impact of this amendment is currently being assessed.

Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 1

A subsidiary that uses the cumulative translation differences exemption, may elect in its financial statements, to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary.

The effective date of the amendment is for years beginning on or after 1 January 2022.

The impact of this amendment is currently being assessed.

Reference to the Conceptual Framework: Amendments to IFRS 3

The amendment makes reference to the Conceptual Framework for Financial Reporting issued in 2018 rather than to the IASC's Framework for the Preparation and Presentation of Financial Statements. The amendment specifically points to the treatment of liabilities and contingent liabilities acquired as part of a business combination, and which are in the scope of IAS 37 Provisions, Continent Liabilities and Contingent Assets or IFRIC 21 Levies. It clarifies that the requirements of IAS 37 or IFRIC 21 should be applied to provisions, contingent liabilities or levies to determine if a present obligation exists at the Acquisition date. The amendment further clarifies that contingent assets of acquirees share not be recognised as part of the business combination.

The effective date of the amendment is for years beginning on or after 1 January 2022.

It is unlikely that the amendment will have a material impact on the Bank's financial statements.

Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9

The amendment concerns fees in the '10 per cent' test for derecognition of financial liabilities. Accordingly, in determining the relevant fees, only fees paid or received between the borrower and the lender are to be included.

The effective date of the amendment is for years beginning on or after 1 January 2022.

The impact of this amendment is currently being assessed.

Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16

The amendment relates to examples of items which are included in the cost of an item of property, plant and equipment. Prior to the amendment, the costs of testing whether the asset is functioning properly were included in the cost of the asset after deducting the net proceeds of selling any items which were produced during the test phase. The amendment now requires that any such proceeds and the cost of those items must be included in profit or loss in accordance with the related standards. Disclosure of such amounts in now specifically required.

The effective date of the amendment is for years beginning on or after 1 January 2022.

The impact of this amendment is currently being assessed.

NOTES TO THE FINANCIAL STATEMENTS

2. New Standards and Interpretations (continued)

Onerous Contracts - Cost of Fulfilling a Contract: Amendments to IAS 37

The amendment defined the costs that are included in the cost of fulfilling a contract when determining the amount recognised as an onerous contract. It specifies that the cost of fulfilling a contract comprises the costs that relate directly to the contract. These are both the incremental costs of fulfilling the contract as well as an allocation of other costs that relate directly to fulfilling contracts (for example depreciation allocation).

The effective date of the amendment is for years beginning on or after 1 January 2022.

The impact of this amendment is currently being assessed.

NOTES TO THE FINANCIAL STATEMENTS

3. Financial instruments and risk management

Financial risk management

Overview

AG Mortgage Bank Plc uses its financial skills to provide mortgage banking business to a broad range of customers.

Risk management is essential to help ensure business sustainability thereby providing customers and the shareholders with a long-term value proposition.

Key elements of risk management are:

- Strong corporate governance including relevant and reliable management information and internal control processes;
- Ensuring significant and relevant skills and services are available consistently to the company;
- Keeping abreast of technology and consumer trends and investing capital and resources where required.
- The overall company focus within an appropriate risk framework is to give value to the customers through effective and effcient execution of trades.

The board of directors acknowledges its responsibility for establishing, monitoring and communicating appropriate risk and control policies.

Significant risks

The Bank has exposure to significant risks which are categorised as follows:

- Regulatory risk (capital adequacy, legal, accounting and taxation);
- Business environment (reputation and strategic risks);
- Operational risk (people, information technology and internal control processes);
- Market risk (currency risk, interest rate risk and price risk).
- Liquidity risk; and.
- Concentration risk.

Regulatory risk

Regulatory risk is the risk arising from a change in regulations in any legal, taxation and accounting pronouncements or specific industry regulations that pertain to the business of the Bank. In order to manage this risk, the Bank is an active participant in the industry and preferred bodies, such as The Chartered Institute of Bankers of Nigeria, and the Mortgage Bankers Association of Nigeria. (MBAN) and engages in discussions with policy makers and regulators.

Regulatory capital risk

Regulatory capital risk is the risk that the Bank does not have sufficient capital to meet either minimum regulatory or internal amounts.

Central Bank of Nigeria sets and monitors capital requirements for the Bank. The Bank is required to maintain a prescribed minimum level of risk adjusted capital of N5,000,000,000 calculated in accordance with such requirements as the Central Bank of Nigeria may from time to time prescribe.

The Bank's objectives in managing capital are:

- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for the shareholders and benefits for other stakeholders; and
- To provide an adequate return to the shareholder commensurately with the level of risk

The Bank’s regulatory capital is analysed into two tiers:

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.

NOTES TO THE FINANCIAL STATEMENTS

3. Financial instruments and risk management (continued)

Tier 2 capital: includes qualifying subordinated liabilities, debentures, Loan stocks, investments in associates and unconsolidated debentures.

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

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

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:

	2021 ₦ '000	2020 ₦ '000
Tier 1 capital		
Share capital - Ordinary	5,000,000	5,000,000
Share premium	712,871	712,871
Statutory reserve	112,560	112,560
Regulatory Credit Risk Reserve	2,007,133	2,641,116
Accumulated loss	(1,146,806)	(1,984,702)
Intangible assets	(44,336)	(3,139)
	6,641,422	**6,478,706**
Tier 2 capital		
Investment in associate	37,385	36,174
Risk-weighted assets		
On balance sheet	17,395,334	13,508,417
Off balance sheet	-	-
	17,395,334	**13,508,417**
Bank's risk-weighted capital adequacy ratio	38%	48%
Minimum Regulatory requirement ratio	10%	10%

Legal risk

Legal risk is the risk that the Bank will be exposed to contractual obligations which have not been provided for.

The Bank has a policy of ensuring all contractual obligations are documented and appropriately evidenced to agreements with the relevant parties to the contract.

All significant contracted claims are reviewed by independent legal resources and amounts are provided for if there is consensus as to any possible exposure. At 31 December 2021, the directors are not aware of any significant obligation that has not been provided for in these financial statements.

Taxation risk

Taxation risk is the risk of suffering a loss, financial or otherwise, as a result of an incorrect interpretation and application of taxation legislation or due to the impact of new taxation legislation on existing products.

Taxation risk occurs in the following key areas:

- Transactional risk;

NOTES TO THE FINANCIAL STATEMENTS

3. Financial instruments and risk management (continued)

- Operational risk;
- Compliance risk; and
- Financial accounting risk.

Transactional risk

The risk which concerns specific transactions entered into by the Bank, including restructuring projects and re-organisations.

Operational risk

The underlying risks of applying tax laws, regulations and decisions to the day-to-day business operations of the Bank.

Compliance risk

The risk associated with meeting the Bank's statutory obligations.

Financial accounting risk

The risk relates to the inadequacy of proper internal controls over financial reporting, including tax provisioning. In managing the Bank's taxation risk, the Bank's tax policy is as follows: The Bank will fulfill its responsibilities under tax law in each of the jurisdictions in which it operates, whether in relation to compliance, planning or client service matters. Tax law includes all responsibilities which the Bank may have in relation to company taxes, personal taxes, capital gains taxes, indirect taxes and tax administration.
Compliance with this policy is aimed at ensuring that:

- All taxes due by the Bank are correctly identified, calculated, paid and accounted for in accordance with the relevant tax legislation;
- The Bank continually reviews its existing operations and planned operations in this context; and
- The Bank ensures that, where clients participate in Bank products/services, these clients are either aware of the probable tax consequences, or are advised to consult with independent professionals to assess these consequences, or both.

The identification and management of tax risk is the primary objective of the Bank tax function, and this objective is achieved through the application of a formulated tax risk approach, which measures the fulfillment of tax responsibilities against the specific requirements of each category of tax to which the Bank is exposed, in the context of the various types of activities the Bank conducts.

Accounting risk

Accounting risk is the risk that the Bank fails to explain the current events of the business in the financial statements.

- Maintain proper books and records, accounting systems and to have proper accounting policies;
- Establish proper internal controls system;
- Prepare periodic financial statements that reflect an accurate financial position; and
- Be transparent and fully disclose all important and relevant matters.

Business environment

Reputational risk

Reputational risk is the risk of loss caused by a decline in the reputation of the Bank or any of its specific business units from the perspective of its stakeholders, customers, staff, business partners or the general public.

Reputational risk can both cause and result from losses in all risk categories such as market or credit risk.

NOTES TO THE FINANCIAL STATEMENTS

3. Financial instruments and risk management (continued)

Customers expectations regarding service delivery is managed by regular communication and ongoing reviews.

Strategic risk

Strategic risk is the risk of an unexpected negative change in the Bank value, arising from the adverse effect of executive decisions on both business strategies and their implementation. This risk is a function of the compatibility between strategic goals, the business strategies developed to achieve those goals and the resources deployed to achieve those goals. Strategic risk also includes the ability of management to effectively analyse and react to external factors, which could impact the future direction of the relevant business unit.

Operational risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.

The initiation of all transactions and their administration is conducted on the foundation of segregation of duties that has been designed to ensure materially the completeness, accuracy and validity of all transactions. These controls are augmented by management and executive review of control accounts and systems, electronic and manual checks and controls, back-up facilities and contingency planning. The internal control systems and procedures are also subjected to regular internal audit reviews.

Market risk

Market risk includes asset liability matching risk, currency risk, interest rate risk and equity price risk.

Asset liability matching risk

Asset liability mismatches and market risks are assessed by means of a number of stress tests each designed to examine a different component of market and mismatch risk.

Liquidity requirements and cash resources are reviewed on a monthly basis by the asset liability matching and capital management committees.

The Bank's assets are relatively liquid with placement, listed equities and cash being easily realisable.

The Bank is exposed to market risk through its financial assets and financial liabilities. The most important components of this risk are interest rate risk, market price risk and currency risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Bank is exposed to credit risk on loans and advances, debt instruments at fair value through other comprehensive income, other assets, cash and cash equivalents, loan commitments and financial guarantees.

Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring. The Bank only deals with reputable counterparties with consistent payment histories. Sufficient collateral or guarantees are also obtained when necessary. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties as well as external bureau data (where available). Counterparty credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

Credit risk exposure arising on cash and cash equivalents is managed by the Bank through dealing with well-established financial institutions with high credit ratings.

Credit loss allowances for expected credit losses are recognised for all debt instruments, but excluding those measured at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3. Financial instruments and risk management (continued)

In order to calculate credit loss allowances, management determine whether the loss allowances should be calculated on a 12 month or on a lifetime expected credit loss basis. This determination depends on whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12 month expected credit losses. This determination is made at the end of each financial period. Thus the basis of the loss allowance for a specific financial asset could change year on year.

The maximum exposure to credit risk is presented in the table below:

		2021			2020		
		Gross carrying amount ₦ '000	Credit loss allowance ₦ '000	Amortised cost / fair value ₦ '000	Gross carrying amount ₦ '000	Credit loss allowance ₦ '000	Amortised cost / fair value ₦ '000
Loans receivable	7	13,752,296	(838,995)	12,913,301	9,846,780	(750,155)	9,096,625
Investments at fair value through profit or loss	9	(18,571)	-	(18,571)	(13,438)	-	(13,438)
Trade and other receivables	8	439,304	(4,393)	434,911	114,695	-	114,695
Cash and cash equivalents	5	2,317,283	-	2,317,283	3,028,430	-	3,028,430
		16,490,312	**(843,388)**	**15,646,924**	**12,976,467**	**(750,155)**	**12,226,312**

Amounts are presented at amortised cost or fair value depending on the accounting treatment of the item presented. The gross carrying amount for debt instruments at fair value through other comprehensive income is equal to the fair value because the credit loss allowance does not reduce the carrying amount. The credit loss allowance is only shown for disclosure purposes. Debt instruments at fair value through profit or loss do not include a loss allowance. The fair value is therefore equal to the gross carrying amount.

Liquidity risk

The Bank is exposed to liquidity risk, which is the risk that the Bank will encounter difficulties in meeting its obligations as they become due.
AG Mortgage Bank Plc is a registered financial service Bank and is required to hold minimum liquid capital. Central Bank of Nigeria is the regulatory authority that regularly reviews compliance with these minimum capital requirements.

The Bank manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows.

There have been no significant changes in the liquidity risk management policies and processes since the prior reporting period.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

2021

		Less than 1 year ₦ '000	Total ₦ '000	Carrying amount ₦ '000
Current liabilities				
Customers' deposits	15	5,800,433	5,800,433	5,800,433
Borrowings	16	6,134,078	6,134,078	6,134,078
Other liabilities	17	541,083	541,083	543,923

NOTES TO THE FINANCIAL STATEMENTS

3. Financial instruments and risk management (continued)

2020

		Less than 1 year ₦ '000	Total ₦ '000	Carrying amount ₦ '000
Current liabilities				
Customers' deposits	15	4,791,498	4,791,498	4,791,498
Borrowings	16	4,191,948	4,191,948	4,191,948
Other liabilities	17	343,241	343,241	343,241

Interest rate risk

Interest rate risk is the risk that the value and cashflow of a financial instrument will fluctuate due to changes in market interest rates.

Price risk

The Bank is exposed to price risk because of its investments in equity instruments which are measured at fair value. The exposure to price risk on equity investments is managed through a diversified portfolio.

There have been no significant changes in the price risk management policies and processes since the prior reporting period.

4. Fair value information

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Bank can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Level 1

		2021 ₦ '000	2020 ₦ '000
Recurring fair value measurements			
Assets	Note(s)		
Financial assets mandatorily at fair value through profit or loss	9		
Listed shares		52,521	52,521
Fair value change		(18,571)	(13,438)
Total financial assets mandatorily at fair value through profit or loss		**33,950**	**39,083**
Total		**33,950**	**39,083**

NOTES TO THE FINANCIAL STATEMENTS

	2021 ₦ '000	2020 ₦ '000
5. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash	27,738	17,453
Balances with Banks and Other Financial Institutions (Note 5.1)	2,126,306	2,909,900
Short-term deposits with Banks	51,041	12,170
Balance with the Central Bank of Nigeria (CBN)	112,198	88,907
	2,317,283	**3,028,430**
5.1 Balances with Banks and Other Financial Institutions		
Access Bank Plc	1,334,039	1,157,671
Fidelity Bank Plc	726,292	1,227,580
First City Monument Bank Plc	8,052	307,846
First Bank of Nigeria Limited	8,188	28,923
Keystone Bank Limited	9,569	2,967
Heritage Bank Limited	-	32
United Bank for Africa	23,849	29,263
Unity Bank Plc	292	117
Zenith Bank Plc	16,025	155,276
Polaris Bank Limited	-	225
	2,126,306	**2,909,900**

6. Due from other Banks

	2021 ₦ '000	2020 ₦ '000
Access Bank Plc	71,113	40,000
Impairment allowance (note 6.1)	(62)	(35)
	71,051	**39,965**

This amount represents treasury bills and fixed deposit with other Banks which is rolled over on a yearly basis.

	2021 ₦ '000	2020 ₦ '000
6.1 Impairment allowance		
Balance as at 1 January	35	479
Impairment bank placements	27	(444)
Balance as at 31 December	**62**	**35**

NOTES TO THE FINANCIAL STATEMENTS

7. Loans and advances

	2021 ₦ '000	2020 ₦ '000
Mortgage loans	12,823,070	8,931,906
Other loans and advances	929,226	914,873
Gross loans and advances	13,752,296	9,846,779
Impairment allowance (Note 7.1)	(838,995)	(750,154)
	12,913,301	**9,096,625**

7.1 Loan impairment computation and analysis of inputs to the ECL model shown below:

Net Impairment	**2021**				**2020**			
Description	**Stage 1 ₦ '000**	**Stage 2 ₦ '000**	**Stage 3 ₦ '000**	**Total ₦ '000**	**Stage 1 ₦ '000**	**Stage 2 ₦ '000**	**Stage 3 ₦ '000**	**Total ₦ '000**
ECL Allowance as at 1 January	2,083	56,481	691,590	750,154	280,802	14	376,512	657,328
New originated	126,680	(55,587)	17,748	88,841	(278,719)	56,467	315,078	92,826
Asset derecognised or repaid	-	-	-	-	-	-	-	-
Transferred to stage 2	-	-	-	-	-	-	-	-
Transferred to stage 3	-	-	-	-	-	-	-	-
Asset written-off	-	-	-	-	-	-	-	-
Total IFRS loan Impairment	128,763	**894**	**709,338**	**838,995**	**2,083**	**56,481**	**691,590**	**750,154**

Loans and advances inherently exposes the Bank to credit risk, being the risk that the Bank will incur financial loss if counterparties fail to make payments as they fall due.

Credit rating framework

Internal credit grade	**Description**	**Basis for recognising expected credit losses**
Performing	Low risk of default and no amounts are past due	12m ECL
Watchlist, restructured	Either 30 days past due, restructured, tenure extended or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL (not credit impaired)
Substandard, doubtful, lost or rated 'D'	Either 180 days past due or there is evidence that the asset is credit impaired	Lifetime ECL (credit impaired)

NOTES TO THE FINANCIAL STATEMENTS

7. Loans and advances (continued)

7.1.1 Reconciliation of loss allowances

The following tables show the movement in the loss allowances for loans and advances.

	2021 ₦ '000	2020 ₦ '000
Balance as at 1 January	750,154	720,568
Impairment loss allowance charged for the year	88,841	29,586
Balance as at 31 December	**838,995**	**750,154**

See Note 21. 2 for provisioning per the CBN guidelines.

	2021 ₦ '000	2020 ₦ '000
Analysis of Impairment loss allowance by stages		
ECL on loans and advances categorised into Stage 1	128,763	2,083
ECL on loans and advances categorised into Stage 2	894	56,481
ECL on loans and advances categorised into Stage 3	376,336	371,796
	505,993	**430,360**
Analysis of loans and advances by stages		
Stage 1	10,395,879	6,624,197
Stage 2	940,153	1,253,277
Stage 3	2,416,264	1,969,305
	13,752,296	**9,846,779**
Analysis of loans and advances by type		
Real estate loans	4,183,431	2,754,081
Residential mortgage loans	8,639,639	6,177,824
Staff loans	62,360	61,919
Overdrawn balances	805,608	843,141
Other loans and advances	61,258	9,814
	13,752,296	**9,846,779**
Analysis of loans and advances by security		
Secured against real estate	12,823,070	8,931,905
Otherwise secured	-	-
Unsecured	929,226	914,874
	13,752,296	**9,846,779**
Analysis of loans and advances by performance as per CBN prudential guidelines		
Performing	8,637,156	6,400,612
Pass and Watch	112,372	531,609
Substandard (Mortgage loans)	916,783	-
Substandard (Commercial loans)	54,808	393,718
Doubtful	504,632	385,452
Very doubtful	542,439	-
Lost	1,984,106	2,135,388
	12,752,296	**9,846,779**

NOTES TO THE FINANCIAL STATEMENTS

7. Loans and advances (continued)

Analysis of loans and advances by maturity

	2021 ₦ '000	2020 ₦ '000
Past due	2,496,993	-
Under 3 month	752,460	-
3 - 6 months	538,550	-
6 - 12 months	1,106,076	914,874
Over 12 months	8,858,217	8,931,905
	13,752,296	**9,846,779**

Exposure to interest rate risk

Refer to note 3 for details of interest rate risk management for investments in loans and advances.

Fair value of loans receivable

The fair value of loans and advances approximates their carrying amounts.

8. Other assets

	2021 ₦ '000	2020 ₦ '000
Accrued income	3,739	3,664
Interest receivables	170,336	105,634
Deposits for property	250,000	-
Stock of stationeries	2,645	2,080
E-business NIP receivable	567	781
Prepayments	12,017	2,536
Loss allowance (Note 8.4)	(4,393)	-
	434,911	114,695
	434,911	**114,695**

8.1 Interest Receivable-Mortgage Loans

This is a bridging account between when the interest of loan is earned and when it is collected based on the loan agreement.

8.2 E-business Receivable

These relate to the transactions carried out through the Bank's e-business platform for which they are yet to get value from the settlement banks at the end of the year.

8.3 Exposure to credit risk

Other assets inherently expose the Bank to credit risk, being the risk that the Bank will incur financial loss if customers fail to make payments as they fall due. It is required by the prudential guidelines issued by the CBN, for banks to make 1% loss allowance for total other assets.

8.4 Reconciliation of loss allowances

The following table shows the movement in the loss allowance for other assets:

	2021 ₦ '000	2020 ₦ '000
Balance as at 1 January	**-**	**-**
Provision charged for the year	4,393	-
Closing balance	**4,393**	**-**

NOTES TO THE FINANCIAL STATEMENTS

	2021 ₦ '000	2020 ₦ '000

9. Investments at fair value

Investments held by the Bank which are measured at fair value through profit or loss, are as follows:

	2021 ₦ '000	2020 ₦ '000
Mandatorily at fair value through profit or loss:		
Listed shares	52,521	52,521
This is the investment in the equity securities of Skye Shelter Fund and Union Homes.		
Fair value change	(18,571)	(13,438)
	33,950	**39,083**

This represents the Bank's investment in the SFS Real Estate Investment Trust (Formerly Skye Shelter Fund) ordinary shares of N1.00 each having been allotted 500,000 units at N100 per share and the Union Homes ordinary shares of N1 each having been allotted 1,467,753 units at N1.72 per share. The SFS Real Estate Investment Trust share's market price was N67.9 per share as at 31 December 2021 (2020: N78.166), while the market price for Union Homes share was N0.5 and the shares are no longer traded, hence it has been fully impaired.

Fair value information

Refer to note 4 Fair value information for details of valuation policies and processes.

Risk exposure

The investments held by the Bank expose it to various risks, including credit risk, currency risk, interest rate risk and price risk. Refer to note 3 Financial instruments and risk management for details of risk exposure and the processes and policies adopted to mitigate these risks.

10. Investment in associate

The following table lists all of the associates in the Bank:

Name of company	Held by	% ownership interest 2021	% ownership interest 2020	Carrying amount 2021 ₦ '000	Carrying amount 2020 ₦ '000
Evangel Properties Limited		30.00 %	30.00 %	37,385	36,174

10.1 Material associate

The following associate is material to the Bank:

	Country of incorporation	Method	% Ownership interest 2021	% Ownership interest 2020
Evangel Properties Limited	Nigeria	Equity	30 %	30 %

The Bank holds 30% interest in Evangel Properties Limited, a property development company based in Lagos. This investment is accounted for using equity method as stipulated by International Accounting Standard (IAS) 28 – Investment in Associate.

NOTES TO THE FINANCIAL STATEMENTS

	2021 ₦ '000	2020 ₦ '000

10. Investment in associate (continued)

10.2 Summarised financial information of material associate

Summarised Statement of Profit or Loss and Other Comprehensive Income

	2021	2020
Other income and expenses	4,036	2,928
Profit before tax	4,036	2,928
Tax expense	-	-
Profit after tax	4,036	2,928
Total comprehensive income	4,036	2,928

Summarised Statement of Financial Position

	2021	2020
Assets		
Non-current	1	1
Current	627,058	621,860
Total assets	627,059	621,861
Liabilities		
Current	478,378	475,626
Total liabilities	478,378	475,626
Total net assets	148,681	146,235

10.3 Movement in investment in associate:

	2021	2020
Investment at the beginning of the year	36,174	35,296
Income from equity accounted investments	1,211	878
Investment at the end of the year	**37,385**	**36,174**

The summarised information presented above reflects the financial statements of the associates after adjusting for differences in accounting policies between the company and the associate.

NOTES TO THE FINANCIAL STATEMENTS

	2021 ₦ '000	2020 ₦ '000

11. Non-current assets held for sale

In line with the Central Bank of Nigeria (CBN) circular dated October 11, 2013, which required that Primary Mortgage Bank (PMBs) should commence the disposal of all real estates development in their books, the bank has opted to classify the investment properties as noncurrent asset held for sale in line with IFRS 5. The details of these assets and their carrying amount as at 31 December, 2021 is shown below:

Assets and liabilities

	2021 ₦ '000	2020 ₦ '000
Non-current assets held for sale		
Investment property	2,914,302	3,080,824

11.1 Investment Property	Carrying amount as at 1 January 2021	Addition	Disposal	Carrying amount as at 31 Decemebr 2021
Evangel Estate Ofada, Papalanto Road	253,934	-	-	253,934
Layout Enugu North LGA, Enugu State	166,522	-	(166,522)	-
Evangel Estate Ikorodu	42,075	-	-	42,075
CBN Properties Lagos	13,932	-	-	13,932
Ogbeke Obagwa Estate Enugu LGA, Enugu State	245,513	-	-	245,513
Plot 1038 A Close Gwarinpa II Estate Abuja	446,448	-	-	446,448
Plot 1131 Chikakore Kubwa Layout, Abuja	302,975	-	-	302,975
Plot 1130 Chikakore Kubwa Layout Abuja	266,091	-	-	266,091
Plot 1132 Chikakore Kubwa Layout Abuja	286,572	-	-	286,572
Lexim Estate 1, Sabon Lugbe Abuja	1,056,762	-	-	1,056,762
	3,080,824	**-**	**(166,522)**	**2,914,302**

	2021 ₦ '000	2020 ₦ '000
11.2 Gain on disposal of Investment Property		
Sales value of the real estate Investment Pocket Layout	219,782	-
Carrying amount of the Real Estate Investment (Note 11.1)	(166,522)	-
Gain on disposal of the investment property	**53,260**	**-**

NOTES TO THE FINANCIAL STATEMENTS

12. Property, plant and equipment

Reconciliation of property, plant and equipment

	Buildings	Plant and machinery	Furniture and fixtures	Motor vehicles	Office and computer equipment	Leasehold improvements	Total
	₦ '000	₦ '000	₦ '000	₦ '000	₦ '000	₦ '000	₦ '000
Cost							
At 1 January 2020	598,491	27,768	58,051	119,984	52,620	39,430	896,344
Additions	-	7,370	2,863	23,000	8,334	5,531	47,098
Adjustment/disposals	(5,000)	(4,854)	-	(62,261)	-	-	(72,115)
At 31 December 2020	**593,491**	**30,284**	**60,914**	**80,723**	**60,954**	**44,961**	**871,327**
Additions	-	11,032	6,762	53,480	20,014	1,779	93,067
Disposals and scrappings	-	(2,535)	-	-	(2,954)	-	(5,489)
At 31 December 2021	**593,491**	**38,781**	**67,676**	**134,203**	**78,014**	**46,740**	**958,905**
Depreciation and impairment							
At 1 January 2020	(76,371)	(23,065)	(57,863)	(103,954)	(36,772)	(39,361)	(337,386)
Depreciation	(11,870)	(1,135)	(1,890)	(6,320)	(5,935)	(2,116)	(29,266)
Adjustment/disposal	5,000	4,855	-	62,260	-	-	72,115
At 31 December 2020	**(83,241)**	**(19,345)**	**(59,753)**	**(48,014)**	**(42,707)**	**(41,477)**	**(294,537)**
Disposals	-	2,535	-	-	2,954	-	5,489
Depreciation	(11,870)	(1,895)	(1,218)	(14,029)	(4,375)	(1,502)	(34,889)
At 31 December 2021	**(95,111)**	**(18,705)**	**(60,971)**	**(62,043)**	**(44,128)**	**(42,979)**	**(323,937)**
Carrying amount							
Cost	593,491	30,284	60,914	80,723	60,954	44,961	871,327
Accumulated depreciation and impairment	(83,241)	(19,345)	(59,753)	(48,014)	(42,707)	(41,477)	(294,537)
At 31 December 2020	**510,250**	**10,939**	**1,161**	**32,709**	**18,247**	**3,484**	**576,790**
Cost	593,491	38,781	67,676	134,203	78,014	46,740	958,905
Accumulated depreciation and impairment	(95,111)	(18,705)	(60,971)	(62,043)	(44,128)	(42,979)	(323,937)
At 31 December 2021	**498,380**	**20,076**	**6,705**	**72,160**	**33,886**	**3,761**	**634,968**

- The Bank has no capital commitment as at 31st December 2021 (2020: Nil).

- No leased assets are included in the above schedule of property, plant and equipment.

- There was no capitalised borrowing cost relating to the acquisition of property, plant and equipment during the year.

NOTES TO THE FINANCIAL STATEMENTS

13. Intangible assets

Reconciliation of intangible assets

	Computer software ₦ '000	Total ₦ '000
Cost		
At 1 January 2020	26,878	26,878
Additions	1,950	1,950
At 31 December 2020	**28,828**	**28,828**
Additions	43,646	43,646
At 31 December 2021	**72,474**	**72,474**
Depreciation and impairment		
At 1 January 2020	(23,709)	(23,709)
Amortisation	(1,980)	(1,980)
At 31 December 2020	**(25,689)**	**(25,689)**
Amortisation	(2,449)	(2,449)
At 31 December 2021	**(28,138)**	**(28,138)**
Carrying amount		
Cost	28,828	28,828
Accumulated amortisation and impairment	(25,689)	(25,689)
At 31 December 2020	**3,139**	**3,139**
Cost	72,474	72,474
Accumulated amortisation and impairment	(28,138)	(28,138)
At 31 December 2021	**44,336**	**44,336**

The computer software was assessed for impairment at the end of the year. There were no indicators of impairment on the assets.

NOTES TO THE FINANCIAL STATEMENTS

	2021 ₦ '000	2020 ₦ '000

14. Deferred tax

Deferred tax liability

Deferred tax liability	(124,744)	(126,121)

Deferred tax asset

Deferred tax asset	30,622	30,622

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Deferred tax liability	(124,744)	(126,121)
Deferred tax asset	30,622	30,622
Total net deferred tax liability	**(94,122)**	**(95,499)**

Reconciliation of deferred tax asset / (liability)

At beginning of year	(95,499)	(79,634)
Taxable / (deductible) temporary difference movement on tangible fixed assets	1,377	(15,865)
	(94,122)	**(95,499)**

Recognition of deferred tax asset

An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:

- the utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences; and
- the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

15. Customers' deposits

Current accounts	1,375,606	897,255
Savings accounts	880,400	738,725
Time deposits	3,544,427	3,155,517
	5,800,433	**4,791,497**

Analysis of customers' deposits by maturity		
Under 1 month	2,256,005	1,635,981
6-12 months	3,544,428	3,155,517
Over 1 year	-	-
	5,800,433	**4,791,498**

Exposure to liquidity risk

Refer to note 3 Financial instruments and financial risk management for details of liquidity risk exposure and management.

Exposure to interest rate risk

Refer to note 3 Financial instruments and financial risk management for details of interest rate risk management for customers' deposits.

NOTES TO THE FINANCIAL STATEMENTS

	2021 ₦ '000	2020 ₦ '000

15. Customers' deposits (continued)

Fair value of trade and other payables

The fair value of customers' deposits approximates their carrying amounts.

16. Borrowings from FMBN

	2021 ₦ '000	2020 ₦ '000
Mortgage loans from Federal Mortage Bank of Nigeria	6,134,078	4,191,948
Terms and conditions		

Split between non-current and current portions

	2021 ₦ '000	2020 ₦ '000
Non-current liabilities	383,455	383,455
Current liabilities	5,750,623	3,808,493
	6,134,078	**4,191,948**

	2021 ₦ '000	2020 ₦ '000
Movement in borrowings:		
As at 1st January	4,191,948	2,472,728
Additional amount received from FMBN during the year	2,325,585	2,037,166
Repayments during the year	(383,455)	(317,946)
	6,134,078	**4,191,948**

Amount represents long term loan secured from the Federal Mortgage Bank of Nigeria (FMBN) for onward disbursement to customers under the National Housing Scheme. During the year, additional funds were disbursed to the Bank for customers whose loans were approved.

Exposure to liquidity risk

Refer to note 3 Financial instruments and financial risk management for details of liquidity risk exposure and management.

Exposure to interest rate risk

Refer to note 3 for details of interest rate risk management for borrowings from FMBN.

NOTES TO THE FINANCIAL STATEMENTS

	2021 ₦ '000	2020 ₦ '000
17. Other liabilities		
Accounts payable	45,123	86,795
Statutory deductions	72,626	28,957
Deposit for shares (Note 17.2)	400,000	200,000
Deposit for real estate	15,815	15,815
Unidentified deposit	2,318	6,071
Provision for infrastructure	67	67
Cash overage	140	78
Pension (Note 17.1)	3,834	458
Accrued audit fee	4,000	5,000
	543,923	**343,241**
17.1 Pension		
Balance as at 1 January	458	820
Defined contribution for the year		
Employees	9,871	6,789
Employers	12,530	10,304
Contribution remitted	(19,025)	(17,455)
Balance as at 31 December	**3,834**	**458**
17.2 Deposit for shares		
Balance as at 1 January	200,000	1,302,451
Deposits received during the year	200,000	200,000
Alloted during the year	-	(1,122,803)
Transferred to share premium	-	(179,648)
	400,000	**200,000**
18. Share capital		
Issued and fully paid		
10,000,000,000 Ordinary shares of 50k each	5,000,000	5,000,000
Balance as at 1 January	5,000,000	3,877,197
Shares allotted during the year	-	1,122,803
Balance as at 31 December	**5,000,000**	**5,000,000**
19. Share Premium		
Balance as at 1 January	712,871	619,694
Transferred from deposit for shares	-	179,648
Share offer expenses	-	(86,471)
Balance as at 31 December	**712,871**	**712,871**
20. Statutory Reserve		
Balance as at 1 January	112,560	112,560
Addition to the reserve during the year	-	-
Balance as at 31 December	**112,560**	**112,560**

The Central Bank of Nigeria (CBN) Guidelines on PMIs requires that every Primary Mortgage Institution shall maintain a reserve fund and shall

NOTES TO THE FINANCIAL STATEMENTS

	2021 ₦ '000	2020 ₦ '000

20. Statutory Reserve (continued)

out of its net profit after taxation and before any dividend is declared, transfer to the statutory reserve: where the reserve fund is less than the paid-up share capital, a minimum of 20% of the net profit, or where the reserve fund is equal to or in excess of the paid-up share capital, a minimum of 10% of net profit. Section 5.4(C) of the CBN Revised Guidelines for Primary Mortgage Banks in Nigeria states that no transfer to reserve fund shall be made untill all identifiable losses have been made good.

21. Regulatory Credit Risk Reserve

	2021 ₦ '000	2020 ₦ '000
Balance as at 1 January	2,641,116	2,592,672
Movement in prudential adjustment (Note 21.1)	(633,983)	48,444
Balance as at 31 December	**2,007,133**	**2,641,116**

The Central Bank of Nigeria Prudential Guidelines for Deposit Money Banks in Nigeria requires Banks to create a non-distributable credit reserve to account for the difference between impairment/provisioning for loans and receivables in line with the requirements of IFRS and the CBN guideline. Where:

i. Prudential provision is greater than IFRS provision; transfer the difference from retained earnings to a non-distributable regulatory reserve;
ii. Prudential provision is less than IFRS provision; the excess charges resulting should be transferred from the regulatory reserve account to the retained earnings to the extent of the non-distributable reserve previously recognised.

21.1 Statement of Prudential Adjustment

	2021 ₦ '000	2020 ₦ '000
Impairment allowance per IFRS 9 for Loans and advances:		
- Expected credit loss (A) (Note 7.1)	838,995	750,154
Provision per CBN prudential guidelines for Loans and advances:		
- Total provision (B) (Note 21.2)	2,846,128	3,391,270
Difference (A-B)	2,007,133	2,641,116
Movement in regulatory credit risk reserve		
Balance as at 1 January	2,641,116	2,592,672
Movement for the year	(633,983)	48,444
Balance as at 31 December (A-B)	**2,007,133**	**2,641,116**

	2021 ₦ '000		2020 ₦ '000	
21.2 Provision per CBN Prudential Guidelines	**Gross Loans**	**Provision**	**Gross Loans**	**Provision**
Performing: 1% (2020: 1%)	8,637,156	86,372	6,400,612	64,006
Pass and Watch: 1% (2020: 1%)	112,372	11,124	531,609	53,161
Substandard (Mortgage loans): 10% (2020: 10%)	916,783	91,678	393,718	78,744
Substandard (Commercial loans) 25%	54,808	13,702	-	-
Doubtful: 50% (2020: 50%)	504,632	252,316	385,452	253,528
Very doubthful: 75%	542,439	406,830	-	-
Lost: 100% (2020: 100%)	1,984,106	1,984,106	2,135,388	2,135,388
Subtotal	12,752,296	2,846,128	9,846,779	2,584,827
Additional provision	-	-	-	806,443
Total Provision	**12,752,296**	**2,846,128**	**9,846,799**	**3,391,270**

NOTES TO THE FINANCIAL STATEMENTS

	2021 ₦ '000	2020 ₦ '000
22. General Reserve		
Balance as at 1 January	(1,984,702)	(2,047,746)
Profit for the year	203,913	111,488
Transferred from/(to) regulatory credit risk reserve	633,983	(48,444)
	(1,146,806)	**(1,984,702)**
23. Interest income		
Analysis by nature		
Interest on mortgage loans	739,505	490,142
Interest on term loans and overdrafts	551,735	498,128
IInterest on fixed placements	40,321	45,582
Interest on staff loan	3,966	2,622
	1,335,527	**1,036,474**
Analysis by source		
Interest income from mortgage sources	1,291,240	988,270
Interest income from non-mortgage sources	40,321	45,582
Interest income on staff loan	3,966	2,622
	1,335,527	**1,036,474**
24. Interest expense		
Savings accounts	119,860	56,856
Deposit accounts	273,884	299,217
FMBN loans	125,613	72,203
	519,357	**428,276**
24.1 Analysis by Sources		
Interest expenses - mortgage sources	393,744	356,073
Interest expenses - non-mortgage sources	125,613	72,203
	519,357	**428,276**
25. Movement in credit loss allowances		
Impairment on loans & advances	88,841	92,826
Provision on loans written off now reversed	(57,858)	-
Impairment bank placements	27	(444)
Provision for other assets PL	4,393	-
	35,403	**92,382**
26. Fees and Commission		
Fees and Commission Income		
Processing fees	75,796	37,114
Management fees	56,809	38,081
Commitment fees	2,238	6,784
Fees and Commission expense		
Net Fees and commission income	**134,843**	**81,979**

NOTES TO THE FINANCIAL STATEMENTS

	Note	2021 ₦ '000	2020 ₦ '000
27. Other operating income			
Maintenance fee		9,365	7,703
Rental income		756	720
Other income		35,980	16,563
Legal fee income		11,162	6,510
Income from cheque books and e-business		1,187	1,486
		58,450	**32,982**
28. Other operating gains (losses)			
Gains (losses) on disposals of assets			
Non-current assets held for sale (Investment Property)	11.2	53,260	-
Property, plant and equipment		-	530
		53,260	**530**
29. Employee costs			
Employee costs			
Salaries and wages		264,255	182,481
Defined contribution pension plan		12,531	10,304
		276,786	**192,785**
Average number of persons employed during the year			
Management		18	18
Senior Staff		21	18
Junior		55	48
		94	**84**

The table shows the number of employees (excluding directors) whose earnings during the year fell within the ranges shown below:

	2021	2020
₦0 - ₦1,000,000	17	15
₦1,000,001 - ₦2,000,000	30	25
₦2,000,001 - ₦3,000,000	23	20
₦3,000,001 - ₦4,000,000	6	6
₦4,000,001 - ₦5,000,000	9	9
₦5,000,001 and above	9	9
	94	**84**

	2021 ₦ '000	2020 ₦ '000
30. Depreciation and amortisation		
Depreciation		
Property, plant and equipment	34,889	29,268
Amortisation		
Intangible assets	2,449	1,980
Total depreciation, amortisation and impairment		
Depreciation	34,889	29,268
Amortisation	2,449	1,980
	37,338	**31,248**

NOTES TO THE FINANCIAL STATEMENTS

31. Other operating expenses

	2021 ₦ '000	2020 ₦ '000
Advertisement & Business Promotion	33,084	13,143
Audit fee	4,300	5,000
Bad loans written off	57,858	-
Consulting and professional fees	34,090	18,711
Entertainment	12,802	3,655
Rent	12,541	20,010
Office expenses	30,290	20,780
NDIC Premium	11,000	10,111
Hotel & Accommodation	18,576	8,513
Bank charges	5,576	115
Directors allowance	16,893	13,335
Insurance	3,962	3,652
Medical expenses	838	262
Motor vehicle expenses	35,315	19,246
Water & Electricity	6,077	6,216
Telephone and postages	9,232	5,486
Printing and stationery	12,135	5,123
Repairs and maintenance	33,739	21,509
Security	7,258	8,545
Subscriptions	19,909	13,057
Training	30,900	14,012
Travelling	31,686	13,686
	428,061	**224,167**

** The Auditors, SIAO Partners (Chartered Accountants) did not render any non-audit services to the Bank nor earn any non-audit fee during the year under review.

32. Operating profit (loss)

Operating profit (loss) for the year is stated after charging (crediting) the following, amongst others:

	2021 ₦ '000	2020 ₦ '000
Auditors remuneration - external auditors	4,300	5,000
Directors' allowance	16,893	13,335
Depreciation	34,889	29,268
Amortisation	2,449	1,980
Impairment allowance	35,403	92,382

33. Fair value gains (losses) on equity instruments

	2021 ₦ '000	2020 ₦ '000
Fair value gains (losses)		
Financial assets mandatorily at fair value through profit or loss	(5,133)	(3,667)

NOTES TO THE FINANCIAL STATEMENTS

34. Taxation

Major components of the tax expense

	2021 ₦ '000	2020 ₦ '000
Current		
Information Technology Fund Levy	2,812	1,803
Nigeria Police Trust Fund levy	14	6
Science & Engineering Levy	703	-
Tertiary Education tax	8,977	4,879
Company income tax	66,171	46,277
	78,677	**52,965**
Deferred		
Originating and reversing temporary differences	(1,377)	15,865
	77,300	**68,830**

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

	2021 ₦ '000	2020 ₦ '000
Accounting (loss) profit	281,213	180,318
Tax at the applicable tax rate of 30% (2020: 30%)	84,364	54,095
Tax effect of adjustments on taxable income		
Disallowable expenses	23,362	20,359
Capital allowance	(41,555)	(28,177)
Tertiary Education tax	8,977	4,879
Police Trust Fund levy	14	6
Deferred tax	(1,377)	15,865
Information Technology levy	2,812	1,803
Science & Engineering Levy	703	-
	77,300	**68,830**
Effective tax rate	27%	38%

Nigeria Information Technology Development Levy (NITDA)
The Nigeria Information Technology Development Agency (NITDA) Act was signed into law on 24 April 2007. Section 12(2a) of the Act stipulates that, specified companies contribute 1% of their profit before tax to the Nigerian Information Development Agency. In line with the Act, the Bank has provided for NITDA Levy at the specified rate.

Tertiary Education Trust Fund Tax
The Tertiary Education Trust Fund (Establishment) Act 2011 as amended repealed the Education tax Act Cap E4 LFN 2004 and the Eduaction Tax Fund (Amendment) Act No 17, 2003. Section 2 of the Act stipulates that the tax at the rate of 2% shall be charged on the assessable profit of a company registered in Nigeria.

Nigeria Police Trust Fund Levy (NPTF)
The Nigeria Police Trust Fund (Establisment) Act 2019 was signed into law on 24 June 2019. Section 4(1)(b) of the Act provides various sources of funding for the Trust Fund which include a levy of 0.005% of the Net Profit of companies operating in Nigeria.

Science & Engineering Levy (S&EL)
The 2021 Finance Act imposed a Science and Engineering Levy (S&EL) of 0.25% on profit before tax payable by companies engaged in banking, mobile telecommunication, ICT, aviation, maritime, and oil & gas with turnover of N100m and above.

NOTES TO THE FINANCIAL STATEMENTS

	2021 ₦ '000	2020 ₦ '000
34. Taxation (continued)		
34.2 Income Tax Payable		
Movement in income tax payable is as follows:		
Balance as at 1 January	111,695	79,391
Income tax charged for the year (Note 34)	78,677	52,965
Paid during the year	(47,199)	(20,661)
Balance as at 31 December	**143,173**	**111,695**
35. Tax paid		
Balance at beginning of the year	(111,695)	(79,391)
Current tax for the year recognised in profit or loss	(78,677)	(52,965)
Balance at end of the year	143,173	111,695
	(47,199)	**(20,661)**

36. Earnings per share

	2021	2020
Basic earnings per share		
Earning per share (kobo)	2.04	1.11

Basic earnings per share was based on earnings (loss) of ₦ 203,913,000 (2020: ₦ 111,488,000) and a weighted average number of ordinary shares of 10,000,000,000 (2020: 10,000,000,000).

	2021	2020
Diluted earnings per share		
Earning per share (kobo)	2.04	1.11

Diluted earnings per share is equal to earnings per share because there are no dilutive potential ordinary shares in issue.

37. Commitments

There are no material commitments for capital expenditure that has not been provided for in these financial statements.

38. Contingencies

The Directors are of the opinion that there are no known contigent liabilities as at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

	2021 ₦ '000	2020 ₦ '000

39. Related parties Disclosures

Related party balances

Insider related Credits

Names of related parties	Relationship	Type of Facility	Amount ₦'000	Status
Sallybest Properties Limited	Common director	Mortgage loan	18,714	Performing
Evangel Properties Ltd	Associate	Mortgage loan	199,542	Performing
Josephine A. Anyogu	Family member of a director	Mortgage loan	10,471	Perfoming
Mr. & Mrs. Nnabugwu Anyogu	Family member of a director	Mortgage loan	90,687	Lost (Court judgement)
			319,414	

Loans granted to related parties are secured over real estate and other assets of the respective borrowers. Loans granted to related parties are performing except for those categorised as lost. Life time impairment has been recognised in respect of loans granted to related parties categorised as lost.

Key management personnel

Key management personnel is defined as the Bank's executive, non-executive directors and chief officers, including their close members of family and any entity over which they exercise control. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with the Bank.

	2021 ₦ '000	2020 ₦ '000
Compensation to directors and other key management		
Salaries	39,712	39,712
Post-employment benefits - Pension - Defined contribution plan	1,213	1,213
	40,925	**40,925**
40. Directors' emoluments		
Fees	2,502	1,833
Sitting allowance	14,390	17,414
Executive Compensation	37,167	19,607
	54,059	**38,854**
Chairman	1,520	1,520
Highest paid director	21,567	21,567

The number of directors who received fees and other emoluments (excluding pension, contributions and reimbursable expenses) in the following ranges was:	**Number**	**Number**
₦1,000,000 - ₦2,000,000	9	5
₦10,000,000 and above	2	1
	11	**6**

NOTES TO THE FINANCIAL STATEMENTS

41. Comparative figures

Certain comparative figures have been reclassified in line with the presentation in the current year for a more meaningful comparison and in line with IFRS requirement.

42. Contravention of Laws and Regulations

The Bank did not contraven any laws and regulations during the year under review.

43. Fraud and Forgeries

There were no reported cases of fraud and forgeries during the period under review.

44. Events after the reporting period

There were no significant events after the reporting date which require adjustment to, or disclosure in these financial statements.

45. Approval of the Financial Statements

The financial statements were approved by the Board of Directors on 17 March 2022.

OTHER NATIONAL DISCLOSURE
STATEMENT OF VALUE ADDED

	2021 ₦ '000	2021 %	2020 ₦ '000	2020 %
Value Added				
Value added by operating activities				
Gross earnings	1,528,820		1,151,435	
Interest expense, overheads and payment for goods and services	(1,045,193)		(780,598)	
Other operating income	58,450		32,982	
Other operating gains (losses)	53,260		530	
	595,337	**100**	**404,349**	**100**
Value Distributed				
To Pay Employees				
Salaries, wages, medical and other benefits	276,786		192,785	
	276,786	**46**	**192,785**	**48**
To Pay Government				
Income tax	69,700		51,162	
ITDF	8,977		1,803	
	78,677	**13**	**52,965**	**13**
To be retained in the business for expansion and future wealth creation:				
Value reinvested				
Depreciation, amortisation and impairments	37,338		31,246	
Deferred tax	(1,377)		15,865	
	35,961	**6**	**47,111**	**12**
Value retained				
Retained profit	203,913		111,488	
	203,913	**34**	**111,488**	**28**
Total Value Distributed	**595,337**	**100**	**404,349**	**100**

Value added represents the additional wealth which the Bank has been able to create by its own and employees efforts.

This statement shows the allocation of that wealth among employees, government, capital providers and that retained in the business for expansion and future creation of more wealth.

OTHER NATIONAL DISCLOSURE
FIVE-YEAR FINANCIAL SUMMARY

	2021 ₦ '000	2020 ₦ '000	2019 ₦ '000	2018 ₦ '000	2017 ₦ '000
Statement of Financial Position					
Assets					
Cash and cash equivalents	2,317,283	3,028,430	1,134,595	560,354	402,116
Due from other Banks	71,051	39,965	644,521	220,000	300,000
Mortgage, other loans and advances	12,913,301	9,096,625	6,910,259	6,117,344	5,340,292
Investments at fair value	33,950	39,083	42,750	50,000	50,000
Other assets	434,911	114,695	129,421	56,060	140,668
Investment in associate	37,385	36,174	35,296	34,914	34,036
Assets of disposal groups held for sale	2,914,302	3,080,824	3,093,324	3,113,316	3,113,316
Property, plant and equipment	634,968	576,790	558,958	558,526	573,165
Intangible assets	44,336	3,139	3,169	5,619	8,732
Deferred tax asset	30,622	30,622	30,622	30,622	30,622
Total assets	**19,432,109**	**16,046,347**	**12,582,915**	**10,746,755**	**9,992,947**
Liabilities					
Customer deposits	5,800,433	4,791,498	3,408,716	3,115,766	2,950,903
Borrowings	6,134,078	4,191,948	2,472,728	2,132,933	1,629,900
Current tax payable	143,173	111,695	78,730	89,417	67,328
Other liabilities	543,923	343,240	1,358,108	74,002	116,434
Deferred tax liability	124,744	126,121	110,256	97,138	85,612
Total liabilities	**12,746,351**	**9,564,502**	**7,428,538**	**5,509,256**	**4,850,177**
Equity					
Share capital	5,000,000	5,000,000	3,877,197	3,877,197	3,877,197
Share premium	712,871	712,871	619,694	619,694	619,694
Statutory reserve	112,560	112,560	112,560	112,560	112,560
Reserves	2,007,133	2,641,116	2,592,672	1,487,529	912,912
General reserve	(1,146,806)	(1,984,702)	(2,047,746)	(859,481)	(379,593)
Total equity	**6,685,758**	**6,481,845**	**5,154,377**	**5,237,499**	**5,142,770**
Total equity and liabilities	**19,432,109**	**16,046,347**	**12,582,915**	**10,746,755**	**9,992,947**
Statement of Profit or Loss and Other Comprehensive Income					
Gross earnings	1,528,820	1,151,435	944,758	882,975	724,446
Interest Expenses	(519,357)	(428,276)	(349,118)	(486,978)	(295,615)
Net interest margin	**1,009,463**	**723,159**	**595,640**	**395,997**	**428,831**
Operating profit (loss)	**285,135**	**183,107**	**66,068**	**137,930**	**(190,040)**
Profit (loss) before taxation	**281,213**	**183,318**	**66,068**	**137,930**	**(190,040)**
Taxation	(77,300)	(68,830)	(43,908)	(43,201)	(56,370)
Profit after taxation	**203,913**	**114,488**	**22,160**	**94,729**	**(246,410)**
Other comprehensive income	-	-	-	-	-
Total Comprehensive income	**203,913**	**114,488**	**22,160**	**94,729**	**(246,410)**
Transferred to statutory reserve	-	-	-	-	-

OTHER NATIONAL DISCLOSURE
FIVE-YEAR FINANCIAL SUMMARY

	2021 ₦ '000	2020 ₦ '000	2019 ₦ '000	2018 ₦ '000	2017 ₦ '000
Per share data					
	kobo	**kobo**	**kobo**	**kobo**	**kobo**
Earnings per share (Basic)	2.04	1.11	0.28	1.22	(3.18)
Earnings per share (Diluted)	2.04	1.43	0.71	3.10	(3.18)
Net assets per share	67.00	65.00	67.00	69.00	66.00

Earnings per share are based on profit\(loss) after tax and the number of issued and fully paid ordinary shares at the end of each financial year.

Net assets per share is based on the net assets total and the number of issued and fully paid ordinary shares at the end of each financial year.

PROXY FORM

17TH ANNUAL GENERALMEETING TO BE HELD AT 11.00 A.M. ON FRIDAY18TH AUGUST 2023 AT THE PROVIDENCE 12A, OBA AKINJOBI WAY, G.R.A., IKEJALAGOS.

I/WE ____

(Name of Shareholder in block letters)

Being a member/members of the above named company, hereby appoint.

____

or failing him, the Chairman of the meeting as my/our proxy to act and vote for me/us and on my/our behalf at the 17th Annual General Meeting of the company to be held to be held on and at any adjourned date thereof.

Dated this _____ day of ____________2023

Shareholder's Signature_____________________________

IF YOU ARE UNABLE TO ATTEND THE MEETING

A member (Shareholder) who is unable to attend an Annual General Meeting is allowed by law to vote by proxy. The above proxy form has been prepared to enable you exercise your right to vote, in case you cannot personally attend the meeting.

Please sign this proxy form and forward it so as to reach the office of the Secretary, 96 Opebi Road, Ikeja, Lagos, not later than 48 hours before the time fixed for the meeting.

If executed by a Corporation, the proxy form should be duly executed by the appointor.

It is a requirement of the law under the Stamp Duties Act CAP S8, Laws of the Federation of Nigeria, 2004 that any instrument of proxy to be used for the purpose of voting by any person entitled to vote at any meeting of shareholders must be stamped by the Commissioner for Stamp Duties.

	The manner in which the proxy is to vote should be indicated by inserting "X" in the appropriate box space.		
	Number of Shares		
	ORDINARY RESOLUTIONS	FOR	AGAINST
1	That the audited financial statements of the Company for the year ended 31st December 2021 and the reports of the Directors and Auditors thereon and the Audit Committee Reports		
2	To re-elect Barr(Mrs) Theresa Ntong & Mr Emmanuel Ocholi and Mr Sally Biose as Directors:		
3	To authorise the Directors to fix the remuneration of the Auditors.		
4	That members of the Audit Committee be elected for the year 2022.		
	Please indicate with an "X" how you wish your votes to be cast on the resolutions set out above. Unless otherwise instructed, your proxy will vote or abstain from voting at his discretion.		

The proxy must produce the Admission Card below to obtain entrance to the meeting.

AG MORTGAGE BANK PLC 17TH ANNUAL GENERAL MEETING

ADMISSION CARD

Please admit the shareholder named on this card or his duly appointed proxy to the 17th Annual General Meeting of the Company to be held on the 18th of August 2023 at The Providence 12A, Oba Akinjobi Way, G.R.A. Ikeja, Lagos State.

The admission card must be presented

By the shareholder in order to obtain entrance to the Annual General Meeting.

____

Name of Shareholder

____

Name of Proxy

____

Number of shared held

____

Signature

AG MORTGAGE BANK PLC

....a Partner you can trust

OUR PRODUCTS & SERVICES

AG MORTGAGE BANK PLC
SAVE-4-IT
ACCOUNT

TENANT OWNER MORTGAGE
TOM
Designed to make your owning a home easier

LIMO
LEAP INTO MORTGAGE

SPRINT

AG MORTGAGE BANK PLC
NHF
mortgage loan scheme

AGMB
ASSET-BIN
AGMB ASSET-BACKED INVESTMENT NOTE

Construction Finance
CONFIN

Flexi Accounts
which is a Special Cheque operated Mortgage focused demand deposit account.

VISA
AG MORTGAGE BANK PLC
AGMB
Victory
Savings Account

MFDs
Mortgage Focused Deposits

...Plus many other valuable products and services

Head Office/Opebi Branch:	Surulere Branch:	Festac office:	Abuja Office:	Enugu Branch:
96, Opebi Road, Ikeja, Lagos. P.M.B 21810 Ikeja, Lagos. Tel: 08074534384 E-mail: info@agmortgagebankplc.com Website: www.agmortgagebankplc.com	12, Ogunlana drive, Lagos. Tel: 08074534694	22 Road, 2 Avenue, Festac Town Plaza, Lagos. Tel: 08074534523	Federal Mortgage Bank of Nigeria Building 266, Casdastral A. O. Central Business District, Wuse Abuja. Tel: 08074534694	48 Ogui Road, Enugu Tel: 0803 448 8784 Marketing Unit Number Tel: 0807 407 1540

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