

2021 **ANNUAL REPORT** AND ACCOUNTS



Statement of Purpose:

To go beyond the regular delivery of mortgage and real estate financial services leveraging disruptive technology and our people.



Brand Promise:

...your FirstTrust in mortgage banking



Core Values:

P - Passion
I - Innovation
E - Excellence

About Us

FirstTrust Mortgage Bank Plc is a leading Primary Mortgage Bank (PMB) at the forefront of the Nigerian mortgage banking sector. We are strategically positioned to help our customers secure their future through home ownership by offering innovative mortgage and real estate financial solutions.

With a long history that dates back to 2003 and a combined management experience spanning over 100 years, FirstTrust has a strong balance sheet size totaling N34billion.

Our products and services are carefully designed to serve the mortgage and financial needs of Nigerians and we help facilitate the implementation of the National Housing Policy by supporting people in their aspiration to gain stability through home ownership, making it possible for our customers to have a tangible stake in the country's development.

We take pride in being our customers' FirstTrust in mortgage banking as we assist them in doing their homework whilst also providing superior services to meet their needs.



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Corporate Information

Directors:	Mr. Uduma O. Kalu Mr. Korede Adedayo Ms. Ngozi Ogunwa Mr. Adeniyi A. Akinlusi Mrs. Ola Ifezulike Mr. Muritala A. Olushekun	<i>Chairman</i> <i>Managing Director/ Chief Executive</i> <i>Executive Director</i> <i>Non-Executive Director</i> <i>Non-Executive Director</i> <i>Non-Executive Director</i>
Management Team:	Mr. Korede Adedayo Ms. Ngozi Ogunwa Mr. Luqman Bakare Mr. Mark Okoye Mr. Olusola Ajibade Mr. Jacob Esuga Mr. Michael Asalu Mr. Adetokunbo Aberuagba Mr. Yusuf Aiyepola Mr. Jubril Lawal	<i>Managing Director/Chief Executive</i> <i>Executive Director</i> <i>Regional Executive, Business Development, Lagos</i> <i>Company Secretary/Legal Adviser</i> <i>Regional Executive, Business Development, North & FCT</i> <i>Group Head, Business Development, Abuja</i> <i>Group Head, Business Development, Lagos</i> <i>Chief Risk Officer</i> <i>Chief Financial Officer</i> <i>Head, Internal Audit</i>
Company Secretary:	Mark Chukwugozie Okoye 124 Awolowo Road South West Ikoyi, Lagos, Nigeria	
Registered Office:	124 Awolowo Road South West Ikoyi, Lagos, Nigeria	
Tax Identification Number:	01634348-0001	
Auditors:	KPMG Professional Services KPMG Tower, Bishop Aboyade Cole Street, Victoria Island, Lagos, Nigeria	
Registrars:	Coronation Registrars Limited (formerly United Securities Limited) 10, Amodu Ojikutu Street Victoria Island, Lagos, Nigeria	
Bankers:	Access Bank Plc Guaranty Trust Bank Plc Sterling Bank Plc Polaris Bank Limited Ecobank Plc First City Monument Bank Plc First Bank of Nigeria Limited Fidelity Bank Plc Providus Bank Limited Zenith Bank Plc SunTrust Bank Nigeria Limited Nova Merchant Bank Limited	
Registration Number:	RC 196748	
CBN Banking License Number:	152	

The Board



Uduma O. Kalu
Chairman



Korede Adedayo
MD/CEO



Ngozi Ogunwa
Executive Director



Ola Ifezulike
Non Executive Director



Adeniyi Akinlusi
Non Executive Director



Muritala Olushekun
Non Executive Director

Board of Directors



Uduma O. Kalu – Chairman

Uduma Kalu is the Chairman, Board of Directors, FirstTrust Mortgage Bank Plc. With over two decades of banking experience, he brings a wealth of expertise in leading the Board and providing focus on strategic matters whilst overseeing the Bank and setting high governance standards.

Uduma, a graduate of Political Science, University of Nigeria, Nsukka (1982), and a Master of Public Administration holder from the same university (1985), is presently the Managing Director of SouthGlobe Limited. Prior to this, he had served in various senior managerial roles, including but not limited to his invaluable role as Executive Director, Consumer Banking, Treasury and Financial Institutions, Equity Bank of Nigeria Limited.



Korede Adedayo

Korede Adedayo is the Managing Director/Chief Executive Officer of FirstTrust Mortgage Bank Plc. He is best described as a visionary, a passionate banking executive and an ambitious goal-getter with an exemplary track record in the Nigerian Banking Sector.

He started his career with the West African Examination Council (WAEC) in 1990 and in pursuit for excellence, moved into the Banking Sector in 1997, when he worked with EIB International Bank (now Polaris Bank Limited). In 2001, he progressed to Indo-Nig Bank Limited (Now Sterling Bank Plc), then to United Bank for Africa (UBA), and later to Keystone Bank (Bank PHB) where he oversaw the Commercial Banking Group.

In 2009, Korede Adedayo moved to First Bank of Nigeria Limited where he served as a Group Head and played a major pioneering role in building the Private Banking Group of the bank; afterwards, he also became a pioneer member of the team that birthed the current Providus Bank.

As a seasoned banker with over two decades of experience that cuts across notable banks in Nigeria, he has built versatility and core competences across Retail Banking, Credit, Consumer Banking, Wealth Creation and Management.

Following the divestment of FirstBank from FBN Mortgages Limited, Korede Adedayo was appointed the Managing Director/CEO of FBN Mortgages Limited in 2018 and went on to play a lead role in the successful merger between the erstwhile FBN Mortgages Limited (FBN Mortgages) and TrustBond Mortgage Bank Plc which resulted in the emergence of FirstTrust Mortgage Bank Plc as the largest mortgage bank in Nigeria with a strong capital base and large asset size.

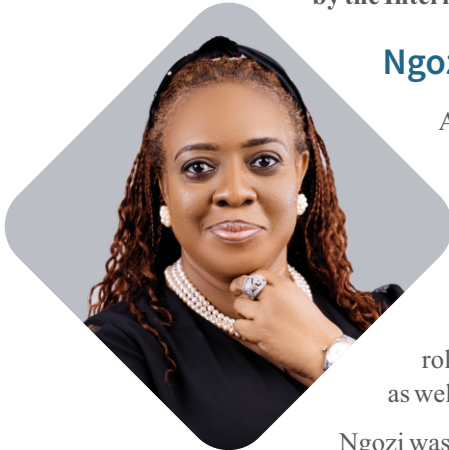
Korede is a graduate of Accounting from the Lagos State University. He is a Fellow, Institute of Credit Administration (FICA). He is also a member of the Institute of Directors (IODs); an Honorary Senior Member of the Chartered Institute of Bankers of Nigeria (HCIBN), and a member of the Economic Advisory Council, Kogi State. He currently sits on the Board of Mortgage Banking Association of Nigeria (MBAN) as the National Treasurer, as well as the Board of CIBN Press to mention a few. He has attended several executive trainings within and outside Nigeria including the renowned Global Business Schools - INSEAD Business School, France and The Wharton School of the University of Pennsylvania, Philadelphia, USA.

Korede is also a recipient of many notable awards among which are **Best Mortgage Bank CEO of the Year, Nigeria, 2021**, by **International Business Magazine**; **Best Mortgage Bank CEO of the Year, Nigeria, 2021** by **Africa Housing Awards**; the **Asset Management Director of the Year 2021** by the **Institute of Credit Administration (ICA)**; the House of Representative Committee on Police Affairs “**Ambassador**

Board of Directors

for Peace and Unity Award”; Merit Award for notable contribution to his community development; **Meritorious Service Award by Confluence News Watch, Kogi State; Okun Youth Ambassador of the Year by Okun Youth Association.**

Under his leadership, FirstTrust Mortgage Bank has also won the award of **Best Mortgage Bank, Nigeria, 2021 by the Africa Housing Awards** as well as the award for **Best Mortgage Bank in Nigeria, 2021 by the International Financial Magazine.**



Ngozi Ogunwa

As the Executive Director, Business Development, FirstTrust Mortgage Bank Plc, Ngozi Ogunwa is a seasoned banking professional with over 26 years of industry experience. She started her career at the AllStates Trust Bank where she worked for 14 years traversing various areas of the bank including, but not limited to Operations, Electronic Banking, Customer Service and Private Banking. She joined First Bank of Nigeria Limited (FBN) in 2004 and completed her stint in four years prior to moving to FBN, United Kingdom, in 2008. At FBN (UK), she held the role of Head, Business Development whilst managing the Northern representative office as well as the South-South representative office in Nigeria.

Ngozi was the liaison person for FBN (UK) in Nigeria - profiling and assisting eligible Nigerians access mortgages in the United Kingdom, which contributed immensely to the bank's growth. Her stint at FBN (UK) came to an end in 2016 before she joined the Management and Board of FirstTrust Mortgage Bank Plc in 2019.

Ngozi obtained a Master of Business Administration (MBA) from The University of Hull, United Kingdom and has received both local and international executive education, developing extensive skill sets in various banking techniques and relationship management.



Ola Ifezulike

Ola Ifezulike is a non-Executive member of the Board of Directors, FirstTrust Mortgage Bank Plc. She is a Fellow of the Institute of Chartered Accountants (FCA) of Nigeria and Fellow of the Chartered Institute of Taxation of Nigeria (FCIT) with an enviable career in capital markets and banking spanning over 30 years. She has also attended several courses and programmes at home and abroad including the prestigious Harvard Business School (Boston, U.S.A).

Her experience cuts across Branch Operations, Financial Control and Advisory, Investment Management, Treasury, Private Banking and Management Information Systems.

Preceding her appointment, and due to her exemplary work whilst holding the position of General Manager, Corporate Finance, Afribank Capital, Ola became the pioneer Managing Director/Chief Executive Officer of Afribank Capital from 2007 to 2012. She is currently the Managing Director/Chief Executive Officer of Mahogany Capital Limited.

Having worked with Afribank International Limited (Merchant Bankers), Ojike, Okechukwu & Co (Chartered Accountants) as well as Kapital Securities Limited (a registered Capital Market Operator) and currently serving as Non-Executive Director on the board of Gresham Asset Management, Ola brings her professionalism, extensive knowledge in financial services and administration to impact her Board contribution.

Board of Directors



Adeniyi Akinlusi

Adeniyi Akinlusi is a non-Executive member of the Board of Directors, FirstTrust Mortgage Bank Plc. A multiple award-winning banker and visionary leader, Adeniyi possesses over two decades of extensive knowledge in leadership positions in Banking, Corporate Strategy, Restructuring, and Transformation.

He was the erstwhile Managing Director/Chief Executive Officer of TrustBond Mortgage Bank Plc (which merged with First Mortgages Limited to become FirstTrust Mortgage Bank Plc) and successfully birthed TrustBond Mortgage Bank Plc from Intercontinental Homes Savings & Loans Plc, following its transformation from Partnership Savings & Loans Limited.

Adeniyi is an alumnus of Harvard Business School (Boston, U.S.A), Institute for Management Development (Lausanne, Switzerland) and Lagos Business School (Lagos, Nigeria). He has also benefitted from leadership training in various internationally acclaimed business schools such as: The Wharton School of the University of Pennsylvania, IESE Business School (University of Navarra, Spain) and London Management Centre (one of UK's leading providers of Leadership and Management training).

He is a Fellow of the Institute of Chartered Accountants of Nigeria (FICA), Fellow of the Chartered Institute of Taxation of Nigeria (FCIT), Fellow of the Institute of Credit Administration (FICA), Fellow of the Association of Investment Advisers and Portfolio Managers (FAIAPM) and Honorary Senior Member of the Chartered Institute of Bankers of Nigeria (HCIB).



Muritala Olushekun

Muritala Olushekun is a non-Executive member of the Board of Directors, FirstTrust Mortgage Bank Plc. A Fellow of the Institute of Chartered Accountants of Nigeria, the Chartered Institute of Stockbrokers, and the Institute of Directors (IOD), he is also an Associate of the Chartered Institute of Taxation and The Nigerian Institute of Management. Olushekun is a full Member of the Chartered Institute for Securities & Investment, UK and an authorized Dealing Clerk of The Nigerian Stock Exchange and NASD Plc., duly registered by the Securities & Exchange Commission.

With over 33 years' experience of active participation in various aspects of Investment Banking, (eleven of which were spent at Centre-Point Merchant Bank Plc,) Muritala leveraged this experience to establish and manage Capital Assets Limited, a leading Investment Banking outfit in Nigeria and has participated in several Investment Banking transactions for corporate bodies and governments at the federal, state, and local levels.

Muritala Olushekun is a past President and Chairman of the Governing Council of the Chartered Institute of Stockbrokers (CIS). He is also a past Chairman of the CIS Disciplinary Tribunal as well as the Investigation Panel of The Nigerian Stock Exchange. He has served on the National Council of The Nigerian Stock Exchange as well as on the Board of its subsidiary, NSE Consult Limited. He has also served on the Board of Central Securities Clearing System Plc and as Chairman of Capital Market Literacy Master Plan Committee.

Currently, Muritala sits on several Boards including: NASD Plc - the Over-The-Counter Trading Platform of the Nigerian Capital Market, Cutix Plc, Unity Registrars Limited, Co-Link Investment Management Limited, and Applied Logic Limited, (operators of BroadStreetLagos.com, a Stock Market Research Portal).

He was a member of the Business Support Group of The Nigerian Vision 20:2020 as well as the Federal Government Capital Market Resuscitation Committee. He is currently a member of the Capital Market

Board of Directors

Master Plan Implementation Council (CAMMIC) of the Securities & Exchange Commission, the Nigerian Green Bond Advisory Group, and the Capital Market Support Committee on COVID-19 of which he is the Chairman.

Olushekun has attended several local and international courses on Corporate Governance, Risk Management, Investments, Banking and Finance. He has also made presentations at several seminars, workshops and Investment Fora in Nigeria, USA, UK, Ireland and Canada.

He holds HND (Upper Credit) in Accountancy from Yaba College of Technology as well as MBA (Marketing) from the University of Lagos. He is an Alumnus of the Advanced Management Programme (AMP) of IESE Business School, Barcelona, Spain as well as IOD Independent Directorship Certification Programme. He has also participated in Executive and Professional Development programmes at Harvard Business School, Boston USA, INSEAD Business School, Fontainebleau France, Lagos Business School, and New York Institute of Finance.

Chairman's Statement

Distinguished shareholders, members of the Board of Directors, ladies and gentlemen, I am pleased to welcome you to the 12th Annual General Meeting of FirstTrust Mortgage Bank Plc and present to you our Annual Report for the year ended December 31st, 2021.

Let me start by expressing our deep appreciation for the opportunity afforded us to serve on the Board of FirstTrust Mortgage Bank Plc. I am indeed privileged to be at the helm of leadership of this Board at this critical time of creating a robust platform for delivering premium real estate and mortgage financial solutions for the Nigerian populace.

Clearly, these are challenging times for our Nation and the economy. Undue pressures on our macro fundamentals, insecurity and general instability in the polity continue to challenge business performance and profitability. However, I have complete confidence in the ability of our leadership team to unlock new and exciting opportunities that will unleash the potential of our Company for long-term growth and sustainable returns.

As the world gradually recovers from the hard-kick of the outbreak of the COVID-19 with various variants following, 2021 resuscitated hopes for global economic recovery and growth. Whilst the variants of the virus expanded the already-wrecking impact of the pandemic, consumer demand and business confidence accelerated much more rapidly than expected. Consequently, the International Monetary Fund (IMF), adjusted its aggregate projection for global growth in 2021 from 6.0% to 5.9%; but increased its projection for the Advanced Economies to 5.6% from a previous 5.1%. In the same vein, the projected growth for the Emerging Markets and Developing Economies (EMDEs) was downgraded to 6.3% from 6.7%.

At FirstTrust, we took strategic steps towards creating channels which contributed enormous value without losing sight of our long-term objectives. We ended 2021 on the high, giving us hope that our potential to remain the pacesetter in the industry is realizable. With your cooperation and support,



our Bank was able to deliver a Profit Before Tax of ₦132m, a great comeback from the previous year's performance.

Against this background, I hereby present an overview of the performance of your Company as reflected in the 2021 Reports and Audited Financial Statements.

Macroeconomic Overview And Operating Environment

Nigeria's economic recovery accelerated in the year under review on the back of aggressive infrastructure drive and accommodative monetary policies of the Central Bank of Nigeria. The Central Bank, in particular, continued its intervention in the agricultural and power sectors through the Commercial Agriculture Credit Scheme (CACS) and Power and Aviation Intervention Fund (PAIF) respectively.

Nigeria's real GDP growth stood at 3.4% in full year (FY) 2021, the strongest growth since 2014 – when the GDP growth was about 6.3%. This commendable performance was

Chairman's Statement

largely due to several factors, including a positive base effect and more effective management of the pandemic.

The non-oil sector grew by 4.7% in Q4 2021 compared to 5.4% recorded in Q3 2021 and 1.7% in Q4 2020. Non-oil sector growth in the 2021 financial year stood at 4.4% compared to the contraction of - 1.3% recorded in 2020. Meanwhile, the oil sector remains stuck in negative territory, contracting by -8.1% in Q4 2021 which is slightly lower than the -10.7% contraction posted in Q3 2021. Interestingly, the non-oil sector accounted for 92.8% of Nigeria's GDP in 2021 and remained the largest source of foreign exchange. Security challenges held back the growth of the agricultural sector; however, the passage of the Petroleum Industry Act (PIA) is expected to have massive positive impact on the oil sector and increase government's revenue.

Nigeria began the new year amidst worries over its inflation figures and its ripple effects on the standard of living. The country witnessed a persistent surge in inflation rates, reaching the highest levels in four years, amid skyrocketed food prices and poor purchasing power. Inflation soared far above the CBN target of 6-9% and the 11.95% benchmark set by the Federal Government in the 2021 budget. According to the Consumer Price Index report released by the National Bureau of Statistics (NBS), inflation increased to 18.17% in Q1 and plummeted to 15.4% in Q4. Regardless of the crash in the inflation rate and CBN's frequent intervention in the foreign exchange market to support the Naira, (including the stoppage of the sale of foreign exchange to Bureau De Change (BDC) operators and adoption of NAFEX rate as the unifying rate), the pressure on the Naira continued unabated, with consequent increase in the price of goods and services.

To sustain the flow of credit to productive sectors of the economy, the Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) retained the benchmark interest rate – the Monetary Policy Rate (MPR) – at 11.5% throughout 2021, the lowest rate since 2016. Also, the asymmetric corridor was maintained at +100/- 700 basis points around the MPR, while the Cash Reserve Ratio (CRR) at 27.5%. The Liquidity Ratio (LR) was retained at 30%. The CBN had cut the benchmark interest rate in September 2020 as part of strategies to aggressively boost credit to the real estate sector and stimulate output growth in the face of economic recession triggered by the COVID-19 pandemic.

FirstTrust Financial Performance Review

Our performance for the year ended 2021 was commendable in spite of the challenging operating environment, the impact of Covid-19 pandemic and its attendant economic upheaval.

In 2021, Gross Earnings increased by 28.6% to ₦3.6bn from ₦2.8bn in 2020; Gross loans and advances closed at ₦19.8 billion while Customers' Deposits sat at ₦14.3bn. The operating profit before tax grew significantly by 252% to ₦146m. Leveraging the launching of our e-platforms, our NIP (NIBSS Instant Payments) transaction volume grew significantly by 68% when compared with the previous year's volumes. It is noteworthy that our Company closed the 2021 financial year with a Shareholders' fund of ₦3.6bn and a Total Asset of ₦33.5bn.

As a Bank, we continue to prioritize the interest of our shareholders while maintaining adequate capital to support the sustainable growth of the business. We remain committed to delivering value to our shareholders as we continue to strengthen our balance sheet, uplift our service delivery to world class standards, retain trust and drive the profitability of our business towards creating a world-class financial institution of choice.

Future Projections

We expect subdued growth in 2022 as The Central Bank of Nigeria hikes rates to contain inflation. Furthermore, as inflation continues to outpace wage growth, disposable income will come under intense pressure. Also, being a pre-election year, distractions to government may affect its focus on the enemy. Significantly looming over the globe is the Russian/Ukraine War which is sure to negatively affect world economic activities and production, with the potential to seriously drag down growth projections. These factors will negatively affect the overall demand for home ownership – despite the massive available market due to the current home deficit in Nigeria. In general, the economic prospects in 2022 remain in the cautious optimism territory, given these potential headwinds threatening the country.

Given the successes recorded in the year 2021 and also recognizing the challenges ahead, we have worked assiduously with the leadership team to create a strategic framework to create even greater value for our stakeholders. With regards to our domestic economy, we expect a large

Chairman's Statement

percentage of growth to be driven by Information and Communications Technology, Manufacturing and Trade. Therefore, we will consolidate the digital transformation of the Bank, whilst developing new products to deepen retail acquisition and retention. The Bank is also not relenting in its efforts to create sufficient value by making mortgage loans very accessible to private individuals and corporates alike by fostering valuable partnerships and intensifying brand visibility.

In closing, I hereby reiterate our Bank's commitment to taking full advantage of the opportunities that will be presented in 2022. The Bank will grow its earnings, improve profitability and asset quality, and deliver competitive returns to our esteemed shareholders.

Permit me to conclude this address by giving thanks to the Almighty God for the gift of life and to our esteemed shareholders for trusting us with the mandate to lead the company on your behalf at this critical time by supporting our strategic initiatives. On behalf of the Board, I sincerely thank all our regulators, customers and other stakeholders for their immense support and trust through 2021. I also thank our team across all our locations for their hard work and commitment to the execution of our strategy.

Thank you all and God bless.

Uduma O. Kalu
Chairman

Chief Executive's Review

Introduction

I am honoured to welcome you – our distinguished shareholders and our regulators to the 12th Annual General Meeting of FirstTrust Mortgage Bank Plc.

The last two years have been dominated by headlines of the Covid -19 pandemic and all businesses, FirstTrust inclusive, have worked hard to re-adapt to the changing work climate globally. The Covid-19 has not gone away, it is manifesting in different variants but we are very gradually learning to live with it and resuming our routines in a panic-free mode.

We remain fully committed to the well-being, health, and safety of all our stakeholders by finding ways to scale up in the midst of all the economic, social and indeed, cultural upheaval caused by the pandemic; this is because we recognise that we will only continue to thrive in a safe and healthy environment. Following the aftermath of the pandemic, the smooth harmonization and delivery of our operational activities, product and service offerings, as well as our people and culture remains our priority, as this was critical to maintaining profitability, achieving core organizational goals, and presenting a unified brand identity.

We have continued to make investment in improving operational efficiency through enhanced IT infrastructure as well as engaging top-grade staff with a view to simplifying and streamlining our processes whilst enhancing professionalism. Looking forward, I am particularly excited about our ongoing Internet and Mobile Banking Application which is designed to enhance easy and comfortable banking for our customers.

Our team members are integral to our commitment to providing great service to our customers and create value. As an employer, we attract, develop and nurture a diverse range of talent and ensure a conducive workplace culture that supports and engages our employees, enabling them to build their careers and unlock their full potential. Our aspiration is to maintain a pool of highly motivated and productive workforce.

Corporate Social Responsibility

As a Bank that has the heart of people, we are always aware of our corporate social responsibility, therefore we play a positive role in the community and support the vulnerable in the society.



In line with the Bank's Corporate Social Responsibility policy which covers Health, Education, Environment and Poverty Alleviation, the following CSR activities were carried out during the year:

- FirstTrust donated some funds to Babatunde Olusola Sanwo-Olu Youth Academy.
- Some funds were donated for the completion of Mortgage Banking Association of Nigeria (MBAN) Permanent Secretariat
- 30 computers were donated to Ijumu Anglican Science Secondary School to support technological education.

Outlook

Although 2021 being a post-pandemic year and having the Nation still generally adjusting to the 'new normal', we are still focused on being the dominant player in the mortgage

Chief Executive's Review

industry. We expect Nigeria's GDP to rebound in the 1st quarter of 2022, stimulated by increased economic activities in the non-oil sector, and the various Government interventions and economic recovery and growth plan.

At FirstTrust, we see opportunities for growth in key sectors that were beginning to witness increased activities by the end of the year 2020, and we will seize these opportunities to create selective risk assets that meet our key risk assessment criteria and make us more profitable.

We are confident in our growth strategy and assured that we are on the right path to sustaining our position as the leading Mortgage Bank in Nigeria.

Conclusion

On a final note, I would especially like to thank the Board for their immense support, continued trust and confidence. Through all the challenges of 2021, I have been overwhelmed by the loyalty shown to us by our customers and shareholders, and by the hard work, dedication, and professionalism of our employees. We are grateful to you all for your faith in us as we look forward to better days ahead in 2022. Thank you all.

Korede Adedayo
Managing Director / CEO

Management Team



Korede Adedayo
Managing Director/CEO



Ngozi Ogunwa
Executive Director



Luqman Bakare
Regional Executive
Business Development,
Lagos



Mark Okoye
Company Secretary/
Legal Adviser



Olusola Ajibade
Regional Executive
Business Development,
FCT/North



Jacob Esuga
Group Head,
Business Development,
Abuja



Michael Asalu
Group Head,
Business Development,
Lagos



Adetokunbo Aberuagba
Chief Risk Officer



Yusuf Aiyepola
Chief Financial Officer



Jubril Lawal
Head, Internal Audit

FINANCIAL STATEMENTS

Directors' Report

For the year ended 31 December 2021

The Directors hereby present the annual report on the affairs of FirstTrust Mortgage Bank Plc ("the Mortgage Bank"), together with the financial statements and the auditor's report thereon, for the year ended 31 December 2021.

Legal form

FirstTrust Mortgage Bank Plc (formerly TrustBond Mortgage Bank Plc) began operations as Partnership Savings & Loans Limited. It was incorporated on 26 May 1992, and licensed to carry on mortgage banking business on 31 December 1993.

Gateway Bank Plc acquired the Mortgage Bank in March 2003. Following the merger of Intercontinental Bank Plc with Equity Bank of Nigeria Plc, Global Bank Plc and Gateway Bank Plc in October 2005, the Mortgage Bank became a subsidiary of Intercontinental Bank Plc. Its name was changed to Intercontinental Homes Savings and Loans Plc in August 2006 to reflect the new ownership. The Mortgage Bank became a Public Liability Mortgage Bank in June 2007. The Mortgage Bank became a subsidiary of Access Bank in 2012 following the acquisition of Intercontinental Bank Plc and the subsequent merger of the two financial institutions into a single entity.

In January 2013, Access Bank sold its interest in the Mortgage Bank to Interrec Limited in compliance with the Central Bank of Nigeria's (CBN) revised banking model. Consequently, Interrec Limited became the majority shareholder in the Mortgage Bank. In line with the sale agreement, the Mortgage Bank's name was changed from Intercontinental Homes Savings and Loans Plc to TrustBond Mortgage Bank Plc.

In August 2015, TrustBond Mortgage Bank Plc listed its shares on the NASD. The NASD known as the National Association of Securities Dealers, was formally launched on 1 July 2014 and opened for trading on 2 July 2014. The NASD is registered with the Securities and Exchange Commission (SEC) as an over-the-counter (OTC) trading platform for unquoted securities; including equities and bond.

Effective 30 September 2019, TrustBond Mortgage Bank Plc consummated a business combination with First Mortgages Limited via a Scheme of Merger to become FirstTrust Mortgage Bank Plc. All the assets and liabilities of First Mortgages Limited were transferred to the new Bank.

First Mortgages Limited (formerly FBN Mortgages Limited) was incorporated on 17 March 2003 as a wholly owned subsidiary of First Bank of Nigeria Limited and commenced operations on 1 May 2004. On 21 February 2018, the bank was acquired by Afriswiss Asset Management Limited. However, First Mortgages Limited ceased to exist as at 30 September 2019 following the merger with TrustBond Mortgage Bank Plc.

The Mortgage Bank was primarily set up to carry on business as a mortgage institution in accordance with the provisions of the Mortgage Institutions Act 1989 and the revised guidelines of the Central Bank of Nigeria for Primary Mortgage Institutions (2004). The Mortgage Bank has a national licence and currently operates from the head office in Lagos and another business office in Abuja.

In compliance with the provisions of the Revised Central Bank of Nigeria (CBN) guidelines for Primary Mortgage Institutions (PMIs) and the directive from the Central Bank of Nigeria (CBN) that all Primary Mortgage Banks are to dispose off all the real estate developments on their books, the Mortgage Bank, in 2013, committed to a plan to sell and commenced disposal of its investment and trading properties.

Operating results

The following is a summary of the operating results for the year:

	31-Dec-21	31-Dec-20
	₦' 000	₦' 000
Gross earnings	3,384,313	2,870,577
Profit/(Loss) before taxes	145,903	(1,203,056)
Tax expense	(12,931)	(25,885)
Profit/(Loss) for the year, after tax	132,972	(1,228,941)
Other comprehensive income for the year	17,019	136,775
Total comprehensive Profit/(loss) for the year	149,991	(1,092,166)

Dividends

No dividend was proposed by the Board of Directors in respect of the year ended 31 December 2021 (2020: Nil).

Directors' report
for the year ended 31 December 2021

Board of Directors

Uduma O. Kalu	Chairman
Mr. Korede Adedayo	Managing Director/ Chief Executive
Ms. Ngozi Ogunwa	Executive Director
Mr. Adeniyi A. Akinlusi	Non-Executive Director
Mrs. Ola Ifezulike	Non-Executive Director
Mr. Muritala A. Olushekun	Non-Executive Director

Directors' interest in contracts

None of the Directors notified the Mortgage Bank for the purpose of section 303 of the Companies and Allied Matters Act (CAMA) 2020 of any interest in a transaction or a proposed transaction with which the Mortgage Bank was involved as at 31 December 2021 (31 December 2020: Nil).

Directors' shareholding

The direct and indirect interest of Directors in the issued share capital of the Mortgage Bank as recorded in the register of shareholding and/or as notified by the Directors for the purposes of sections 301 and 302 of the Companies and Allied Matters Act (CAMA) 2020 are as follows:

Directors' report

For the year ended 31 December 2021

Number of shares held are as follows;

	31-Dec-21		
	Direct	Indirect	Total
Uduma O. Kalu	-	25,713,413	25,713,413
Mr. Adeniyi A. Akinlusi	16,159,203	-	16,159,203
Mrs. Ola Ifezulike	321,163	-	321,163
Mr. Korede Adedayo	5,946	-	5,946
TOTAL	16,486,312	25,713,413	42,199,725

	31-Dec-20		
	Direct	Indirect	Total
Uduma O. Kalu	-	25,713,413	25,713,413
Mr. Adeniyi A. Akinlusi	16,159,203	-	16,159,203
Mrs. Ola Ifezulike	321,163	-	321,163
Mr. Korede Adedayo	5,946	-	5,946
TOTAL	16,486,312	25,713,413	42,199,725

Share capital and shareholding analysis

The authorised share capital of the Mortgage Bank for the year ended 31 December 2021 was N7billion (2020: N7 billion) divided into 7 billion ordinary shares of N1.00 each while the paid – up capital of the Mortgage Bank is N6,027,514,905 (2020: N6,027,514,905).

Major Shareholding

According to the register of members, no shareholder other than the under-mentioned held more than 5% of the issued share capital of the Bank as at 31 December 2021.

	31 December 2021		31 December 2020	
	No. of holdings	% share holdings	No. of holdings	% share holdings
Interrec Limited	2,547,094,526	42.26%	2,547,094,526	42.26%
Afriswiss Asset Management Limited	1,352,515,793	22.44%	1,352,515,793	22.44%

The shareholding pattern of the Mortgage Bank was as follows:

Share Range	31-Dec-21		31-Dec-20	
	No. of Shareholders	% of Shareholders	No. of Holdings in thousands	% Share Holdings
1 - 50,000	213	12.41%	2,068	0.03%
50,001-100,000	63	3.67%	5,002	0.08%
100,001-500,000	940	54.78%	239,421	3.97%
500,001-1,000,000	107	6.23%	75,044	1.25%
1,000,001-5,000,000	339	19.76%	831,018	13.79%
5,000,001-10,000,000	25	1.46%	206,193	3.42%
10,000,001-2,000,000,000	28	1.63%	2,121,674	35.20%
2,000,000,001-5,000,000,000	1	0.06%	2,547,095	42.26%
TOTAL	1,716	100.00%	6,027,515	100.00%

Share Range	31-Dec-20		31-Dec-20	
	No. of Shareholders	% of Shareholders	No. of Holdings in thousands	% Share Holdings
1 - 50,000	213	12.41%	2,068	0.03%
50,001-100,000	63	3.67%	5,002	0.08%
100,001-500,000	940	54.78%	239,421	3.97%
500,001-1,000,000	107	6.23%	75,044	1.25%
1,000,001-5,000,000	339	19.76%	831,018	13.79%
5,000,001-10,000,000	25	1.46%	206,193	3.42%
10,000,001-2,000,000,000	28	1.63%	2,121,674	35.20%
2,000,000,001-5,000,000,000	1	0.06%	2,547,095	42.26%
TOTAL	1,716	100.00%	6,027,515	100.00%

Acquisition of Own Shares

The Bank did not acquire its own shares during the period under review. The Bank has a Board approved Global Personal Investment Policy, which covers directors, staff, and related parties. The policy prohibits employees, directors and related individuals/companies from insider dealings on the shares of the bank and related parties. The purpose of the policy is to prevent the abuse of confidential non-public information that may be gained during the execution of FirstTrust Mortgage Bank Plc businesses. In addition, the policy serves to ensure compliance with the local regulations and/or law requirements.

Attendance at Board Committee meetings

Directors' attendances at meetings are as shown below;

S/N	NAMES OF DIRECTORS	BOD	BAC	BCFC	BGRC	BRMC
	Total number of meetings	6	4	4	4	4
1	Uduma O. Kalu	6	N/A	N/A	N/A	N/A
2	Mrs. Ola Ifezulike	6	4	4	4	4
3	Mr. Adeniyi A. Akinlusi	6	4	4	4	4
4	Mr. Korede Adedayo	6	4	4	4	4
5	Ms. Ngozi Ogunwa	4	N/A	4	4	4
6	Mr. Muritala A. Olushekun	6	4	4	4	4

Directors' report

For the year ended 31 December 2021

Key

BOD – Board of Directors
 BAC – Board Audit Committee
 BCFA – Board Credit and Finance Committee
 BGRC – Board Governance and Remuneration Committee
 BRMC – Board Risk Management Committee
 N/A – Not Applicable (Not a Committee Member)

Property and Equipment

Information relating to the changes in property and equipment during the year is given in Note 23 to the financial statements. In the Directors' opinion, the Banks's property and equipment is not less than the value shown in the financial statements.

Contributions for charitable purposes

During the year under review, the Mortgage Bank made donations amounting to N6.932 Million for charitable purposes (December 2020: N4,798 Million)

The Beneficiaries are as follows:

	31 December 2021	31 December 2020
	N'000	N'000
Ijumu Anglican Science Secondary School Kogi State	2,678	-
Lagos State BOS Youth Academy	1,000	-
Glory Jackson	199	-
Mortgage Banking Association of Nigeria (MBAN)	2,000	-
Sponsorship for Book Launch and Foundation Unveiling	55	-
Annual Ejiwa Festival	1,000	-
Candlelight Foundation	-	1,040
UNIPORT 80'S Covid-19 Funds Raising -	-	1,000
Covid-19 Relief	-	1,000
Oniru Community Development	-	1,758
	6,932	4,798

Compliance with the laws and regulations

The Board of Directors ensured that Management complied with the laws relating to banking operations, particularly the Money Laundering Laws, The Know Your Customer (KYC) Principles, Code of Corporate Governance for Nigerian Banks and all the policies of the Central Bank of Nigeria and the Federal Mortgage Bank of Nigeria. The Board also ensured that the Mortgage Bank cooperated with all statutory agencies in the course of carrying out its responsibilities.

Employment of Physically Challenged Persons

The Mortgage Bank operated an equal opportunity recruitment policy which made the Mortgage Bank's employment open to all classes of persons (including the physically challenged), however no disabled person applied for employment, nor was employed by the Mortgage Bank during the year under review (2020:Nil)

Health, Safety and Welfare of Employees

The Mortgage Bank has continued to operate a well equipped first aid box within the Mortgage Bank's premises, for the in-house treatment of minor ailments occurring at work. Also, the Mortgage Bank subscribed to medicare providers under the National Health Insurance Scheme to facilitate quick medical attention to the medical needs of all staff and their qualified dependants.

The Mortgage Bank's premises are equipped with up-to-date safety gadgets such as smoke detectors, fire alarms and fire extinguishers which are strategically positioned to forestall and control fire outbreaks and are regularly tested to ensure their effectiveness. Fire prevention and control drills are also regularly held for the benefit of the Mortgage Bank's staff and customers.

The Mortgage Bank maintains a Pension Scheme for all its staff and Group Personal Accident and the Workmen's Compensation Insurance covers are also maintained for all staff to cushion the effect of work-related hazards.

Employees' Involvement and Training

The Mortgage Bank has continued to encourage active involvement of its staff in the Mortgage Bank's affairs. Regular co-ordination meetings are held at different levels (Department/Unit) with staff members to deliberate on and proffer suggestions in respect of matters which affect both the staff and the Mortgage Bank.

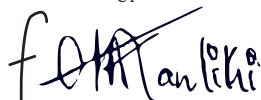
In line with its belief in continuous education and human resources development, suitable training courses are provided as deemed necessary. Towards also sharpening and better positioning the staff to the realization of the Mortgage Bank's aims, the Mortgage Bank constantly organises formal in-house training programmes for all members of staff. These formal trainings re complimented by regular on-the-job training.

Events after Reporting Period

Information regarding events after reporting period has been disclosed in Note 35 of the financial statements

Auditors

Messrs. KPMG Professional Services, having satisfied the relevant corporate rules on their tenure in office have indicated their willingness to continue in office in accordance with Section 401(2) of the Companies and Allied Matters Act 2020 (CAMA 2020), therefore the auditor will be re-appointed at the next Annual General Meeting of the Bank without any resolution being passed.



MARK CHUKWUGOZIE OKOYE
 FRC/2013/NBA/00000000956
 Mortgage Bank Secretary
 05 May 2022

Management Discussion & Analysis

(a) Introduction and overview

FirstTrust Mortgage Bank Plc ("the Mortgage Bank") has a well-established risk governance structure and an experienced risk management team. The risk management framework provides essential tools to enable the Mortgage Bank take timely and informed decisions to maximise opportunities and mitigate potential threats. The Mortgage Bank has taken pre-emptive actions to reshape the portfolio and increase the frequency of risk monitoring and stress testing in case of adverse scenarios or downturns.

(b) The Mortgage Bank's approach to risk

Risk is an inherent part of the Mortgage Bank's business activities. FirstTrust Mortgage Bank Plc's overall risk tolerance is established in the context of the Mortgage Bank's earnings power, capital, and diversified business model. Effective risk management is critical to any financial institution for achieving financial soundness.

In view of this, aligning risk management to the Mortgage Bank's organisational structure and business strategy has become integral in our business. FirstTrust Mortgage Bank Plc's risk management framework and governance structure are intended to provide comprehensive controls and ongoing management of the major risks inherent in its business activities. It is also intended to create a culture of risk awareness and personal responsibility throughout the Mortgage Bank. The Mortgage Bank has taken pre-emptive action to reshape its credit portfolio and increase the frequency of risk monitoring and integrated stress testing for all the risks it undertakes. These actions will not immunise the Mortgage Bank from the effects of a cyclical downturn in its core markets, but should significantly mitigate their impact.

The Mortgage Bank's risk management architecture is carefully crafted to balance corporate oversight with well-defined risk management functions which fall into one of three categories where risk must be managed: lines of business, governance and control and corporate audit. The Board of Directors and management of the Mortgage Bank are committed to constantly establishing, implementing and sustaining tested practices in risk management to match those of leading international Mortgage Banks. We are convinced that the long-term sustainability of our Mortgage Bank depends critically on the proper governance and effective management of our business. As such, risk management occupies a significant position in terms of relevance and importance in the Mortgage Bank.

The Board of Directors determines the Mortgage Bank's overall objectives in terms of risk by issuing risk policies. These policies define acceptable levels of risk for day-to-day operations as well as the willingness of the Mortgage Bank to assume risk, weighed against the expected rewards. The umbrella risk policy is detailed in the Enterprise Risk Management (ERM) Framework, which is a structured approach to identifying opportunities, assessing the risk inherent in these opportunities and actively managing these risks in a cost-effective manner. It is a top-level integrated approach for continuous events identification and analysis for proper assessment, monitoring and identification of business opportunities. Specific policies are also in place for managing risks in the different core risk areas of credit, market, liquidity, compliance, and operational risks while policies on strategic and reputational risk are now in place.

The evolving nature of risk management practices and the dynamic character of the Mortgage Banking industry necessitate regular review of the effectiveness of each enterprise risk management component. In light of this, the Mortgage Bank's ERM Framework is subject to continuous review to ensure effective and cutting-edge risk management. The review is done in either or both of the following ways: via continuous self-evaluation and monitoring by the risk management and compliance functions in conjunction with internal audit; and through independent evaluation by external auditors, examiners and consultants.

The Chief Risk Officer has primary responsibility for risk management and the review of the ERM Framework and to provide robust challenge to the management teams based on quantitative and qualitative metrics. All amendments to the Mortgage Bank's ERM Framework require Board approval. The risk management division is responsible for the enforcement of the Mortgage Bank's risk policy by constantly monitoring risk, with the aim of identifying and quantifying significant risk exposures and acting upon such exposures as necessary. Overall, we view risk not only as a threat or uncertainty, but also as a potential opportunity to grow and develop the business, within the context of our clearly articulated and Board driven risk appetite.

Hence our approach to risk management is not limited to considering downside impacts or risk avoidance; it also encompasses taking risk knowingly for competitive advantage. The Mortgage Bank approaches risk, capital and value management robustly and we believe that our initiative to date have positioned the Mortgage Bank at the leading edge of risk management.

(c) Risk and capital drive value

The pursuit of value requires us to balance risk assumed against capital required. Hence, we have embarked on a journey, which requires us to undertake analysis involving optimising the upside and minimising the downside on an ongoing and rigorous basis. We believe that this process will add value for our shareholders, and provide security to our other capital providers and clients, as well as ensure overall sustainability in our business activities.

Every business activity in our Mortgage Bank requires us to put capital at risk, in exchange for the prospect of earning a return. In some activities, the level of return is quite predictable, whereas in other activities the level of return can vary over a very wide range, ranging from a loss to a profit. Accordingly, over the past year we have expended substantial energy on improving our risk and capital management framework, to focus on taking risks where we:

Management Discussion & Analysis (Cont'd)

- Understand the nature of the risks we are taking, and what the range of outcomes could be under various scenarios,for taking these risk.
- Understand the capital required in order to assume these risks;
- Understand the range of returns that we can earn on the capital required to back these risks; and
- Attempt to optimise the risk-adjusted rate of return we can earn by reducing the range of outcomes and capital required and increasing the certainty of earning an acceptable return.

Our objective of balancing risk, return and capital has led us to enhance substantially our risk management methodologies, in order to be able to identify threats, uncertainties and opportunities and in turn develop mitigation and management strategies to achieve an optimal outcome. Value is added for shareholders if our process allows us to demonstrate sustainable risk-adjusted returns in excess of our cost of capital. The process provides security to our capital providers and clients by assuring them that we are not taking on incremental risks which adversely affect the outcomes we have contracted to deliver to them.

(d) Enterprise-wide stress testing

As a part of our core risk management practices, the Mortgage Bank conducts enterprise-wide stress tests on a periodic basis to better understand earnings, capital and liquidity sensitivities to certain economic scenarios, including economic conditions that are more severe than anticipated. These enterprise-wide stress tests provide an understanding of the potential impacts to our risk profile, capital and liquidity. It generates and considers pertinent and plausible scenarios that have the potential to adversely affect our business.

Stress testing and scenario analysis are used to assess the financial and management capability of FirstTrust Mortgage Bank Plc to continue operating effectively under extreme but plausible trading conditions. Such conditions may arise from economic, legal, political, environmental and social factors. Scenarios are carefully selected and impacts to each line of business from each scenario are then analysed and determined, primarily leveraging the models and processes utilised in everyday management routines.

Impacts are assessed along with potential mitigating actions that may be taken in each scenario. Analysis from such stress scenarios is compiled for and reviewed through our Assets and Liabilities Committee (ALCO), and the Enterprise Risk Management Committee and serves to inform and be incorporated, along with other core business processes, into decision making by management and the Board. The Mortgage Bank would continue to invest in and improve stress testing capabilities as a core business process.

Our stress testing framework is designed to: contribute to the setting and monitoring of risk appetite, identify key risks to our strategy, financial position, and reputation, examine the nature and dynamics of the risk profile and assess the impact of stresses on our profitability and business plans ensure effective governance, processes and systems are in place to co-ordinate and integrate stress testing inform senior management and ensure adherence to regulatory requirements.

(e) Risk Management Philosophy, Culture, Appetite and Objectives

(i) Risk Management Philosophy and Culture

Risk management is at the core of the operating structure of the Mortgage Bank. We seek to limit adverse variations in earnings and capital by managing risk exposures within agreed levels of risk appetite. Our risk management approach includes minimising undue concentrations of exposure, limiting potential losses from stress events and the prudent management of liquidity.

Risk management is integral to the Mortgage Bank's decision-making and management process. It is embedded in the role and purpose of all employees via the organisational culture, thus enhancing the quality of strategic, capital allocation and day-to-day business decisions. FirstTrust Mortgage Bank Plc. considers risk management philosophy and culture as the set of shared beliefs, values, attitudes and practices that characterise how the Mortgage Bank considers risk in everything it does, from strategy development and implementation to its day-to-day activities. In this regard, the Mortgage Bank's risk management philosophy is that a moderate and guarded risk attitude ensures sustainable growth in shareholder value and reputation.

The Mortgage Bank believes that enterprise risk management provides the superior capabilities to identify and assess the full spectrum of risks and to enable staff at all levels to better understand and manage risks. This will ensure that:

- Risk acceptance is done in a responsible manner;
- The Executives and the Board of the Mortgage Bank have adequate risk management support;
- Uncertain outcomes are better anticipated;
- Accountability is strengthened; and
- Stewardship is enhanced.

The Mortgage Bank identifies the following attributes as guiding principles for its risk culture.

(a) Management and staff:

- Consider all forms of risk in decision-making;
- Create and evaluate business-unit risk profile to consider what is best for their individual business units/department and what is best for the Mortgage Bank as a whole;
- Adopt a portfolio view of risk in addition to understanding individual risk elements;
- Retain ownership and accountability for risk and risk management at the business unit or other point of influence level;

- Accept that enterprise risk management is mandatory, not optional;
 - Strive to achieve best practices in enterprise risk management;
 - Document and report all significant risks and enterprise-risk management deficiencies;
 - Adopt a holistic and integrated approach to risk management and bring all risks together under one or a limited number of oversight functions;
 - Empower risk officers to perform their duties professionally and independently without undue interference;
 - Ensure a clearly defined risk management governance structure;
 - Ensure clear segregation of duties between market facing business units and risk management/control functions;
 - Strive to maintain a conservative balance between risk and profit considerations; and
 - Continue to demonstrate appropriate standards of behaviour in development of strategy and pursuit of objectives.
- (b) Risk officers work as allies and thought partners to other stakeholders within and outside the Mortgage Bank and are guided in the exercise of their powers by a deep sense of responsibility, professionalism and respect for other parties
- (c) Risk management is a shared responsibility. Therefore, the Mortgage Bank aims to build a shared perspective on risks that is based on consensus.
- (d) Risk management is governed by well-defined policies, which are clearly communicated within the Mortgage Bank.
- (e) Equal attention is paid to both quantifiable and non-quantifiable risks
- (f) The Mortgage Bank avoids products and businesses it does not understand.

(ii) The Mortgage Bank risk oversight approach

Our oversight starts with the strategy setting and business planning process. These plans help us articulate our appetite for risk, which is then set as risk appetite limits for each business unit to work within.

The Mortgage Bank's risk management and compliance division provides a central oversight of risk management within the Mortgage Bank to ensure that the full spectrum of risks facing the Mortgage Bank are properly identified, measured, monitored and controlled in order to minimise adverse outcomes.

The division is complemented by the financial control and regulatory/reputation risk group in the management of strategic and reputational risks respectively. The Chief Risk Officer coordinates the process of monitoring and reporting risks across the Mortgage Bank. Internal audit has the responsibility of auditing the risk management and control function to ensure that all units charged with risk management perform their roles effectively on a continuous basis. Internal audit also tests the adequacy of internal control and makes appropriate recommendations where there are weaknesses.

(iii) Strategy and Business Planning

Risk management is embedded in our business strategy and planning cycle. Testament to this is the inclusion of risk management as one of our strategic priorities. By setting the business and risk strategy, we are able to determine appropriate capital allocation and target setting for the Mortgage Bank and each of our businesses.

All business units are required to consider the risk implications of their annual plans. These plans include analysis of the impact of risk exposure on objectives. Throughout the year, we monitored business performance regularly focusing both on financial performance and risk exposure. The aim is to continue the process of integrating risk management into the planning and management process and to facilitate informed decisions.

Through ongoing review, the links between risk appetite, risk management and strategic planning are embedded in the business so that key decisions are made in the context of the risk appetite for each business unit.

(iv) Risk Appetite

Risk appetite is an articulation and allocation of the risk capacity or quantum of risk the Mortgage Bank is willing to accept in pursuit of its strategy, duly set and monitored by the executive committee and the Board, and integrated into our strategy, business, risk and capital plans. Risk appetite reflects the Mortgage Bank's capacity to sustain potential losses arising from a range of potential outcomes under different stress scenarios.

The Mortgage Bank defines its risk appetite in terms of both volatility of earnings and the maintenance of minimum regulatory capital requirements under stress scenarios. Our risk appetite can be expressed in terms of how much variability of return the Mortgage Bank is prepared to accept in order to achieve a desired level of result. It is determined by considering the relationship between risk and return. We measure and express risk appetite qualitatively and in terms of quantitative risk metrics. The quantitative metrics include earnings at risk (or earnings volatility) and, related to this, the chance of regulatory insolvency, chance of experiencing a loss and economic capital adequacy. These comprise the Mortgage Bank's risk appetite metrics. In addition, a large variety of risk limits, triggers, ratios, mandates, targets and guidelines are in place for all the financial risks (e.g. credit, market and asset and liability management risks).

The Mortgage Bank's risk profile is assessed through a 'bottom-up' analytical approach covering the Mortgage Bank's products. The risk appetite is approved by the Board and forms the basis for establishing the risk parameters within which the businesses must operate, including policies, concentration limits and business mix.

Management Discussion & Analysis (Cont'd)

(v) *Risk management objectives*

The broad risk management objectives of the Mortgage Bank are:

- To identify and manage existing and new risks in a planned and coordinated manner with minimum disruption and cost;
- To protect against unforeseen losses and ensure stability of earnings;
- To maximise earnings potential and opportunities;
- To maximise share price and stakeholder protection;
- To enhance credit ratings and depositor, analyst, investor and regulator perception; and
- To develop a risk culture that encourages all staff to identify risks and associated opportunities and to respond to them with cost effective actions.

(vi) *Responsibilities and functions*

The responsibilities of the Risk Management and Compliance unit, the Financial Control unit, Strategy unit, Regulatory/Reputation Risk group with respect to risk management are highlighted below:

- Champion the implementation of the ERM Framework within the Mortgage Bank.
- Develop risk policies, principles, process and reporting standards that define the Mortgage Bank's risk strategy and appetite in line with the Mortgage Bank's overall business objectives.
- Ensure that controls, skills and systems are in place to enable compliance with the Mortgage Bank's policies and standards.
- Facilitate the identification, measurement, assessment, monitoring and control of the level of risks in the Mortgage Bank.
- Collect, process, verify, monitor and distribute risk information within the Mortgage Bank and other material risk issues to senior management, the Board and regulators.
- Monitor compliance within the Mortgage Bank risk policies and limits.
- Provide senior management with practical, cost effective recommendations for improvement of risk management.
- Act as a key contact for senior management who may wish to request ad hoc reviews/investigations.
- Ensure that laws, regulations and supervisory requirements are complied with including consequence management.
- Promote risk awareness and provide education on risk.
- Provide assurance on compliance with internal and external policies with respect to risk management.

(vii) *Financial Control*

- Prepare and monitor the implementation of the Mortgage Bank's strategic plan.
- Conduct strategic and operational review of the Mortgage Bank's activities.
- Conduct regular scanning of the Mortgage Bank's operating environment.
- Coordinate and monitor the Mortgage Bank's rating exercises by external rating agencies.
- Prepare business intelligence reports for the Mortgage Bank's management.
- Prepare periodic management reports on subsidiaries and associates.
- Perform competitive analysis in comparison with industry peers.
- Conduct strategic/operational review of branches.

(viii) *Risk Management Governance Framework*

- The enterprise-wide risk management and corporate governance committee forums.
- The executive management committees.
- Risk management responsibilities per risk area.
- Ensure that the Mortgage Bank implements a sound methodology that facilitates the identification, measurement, monitoring and control of credit risk.
- Ensure that detailed policies and procedures for credit risk exposure creation, management and recovery are in place.
- Appoint credit officers and delegate approval authorities to individuals and committees.

(f) **Board of Directors**

The Board is made up of the Chairman, the Managing Director, an Executive Director and two (2) Non-Executive Directors. The directors are listed in the directors' report. The Board is made up of seasoned professionals who have excelled in their various professions including Mortgage Banking and law and possess the requisite integrity, skills and experience to bring independent judgment to bear on the Board's deliberations.

The primary purpose of the Board is to provide strategic direction for the Mortgage Bank in order to deliver long term value to shareholders through its oversight function of the Mortgage Bank's business.

Management Discussion & Analysis (Cont'd)

Other functions of the Board include:

- to review management succession plans and determine their compensation;
- to ensure that the Mortgage Bank operates ethically and complies with applicable laws and regulations;
- to approve capital projects and investments;
- to consider and approve the annual budget of the Mortgage Bank and monitor its performance;
- to ensure that adequate system of internal control; financial reporting and compliance are in place;
- to ensure that an effective risk management process exists and is sustained; and
- to constitute board committees and determine their terms of reference and procedures; including reviewing and approving the reports of these committees.

The Board meets quarterly and additional meetings are convened as required. Decisions may be taken between meetings by way of written resolution, as provided for in the Articles of Association. The non-executive directors are provided with comprehensive Mortgage Bank information at each of the quarterly board meetings and are also briefed on business developments between board meetings.

The Board carries out the above responsibilities through its standing committees. All committees have clearly defined terms of reference, which set out their roles, responsibilities, functions and scope of authority. All committees in the exercise of their powers so delegated conform to the regulations laid down by the board. The committees render reports to the Board at its quarterly meetings.

(g) Whistle blowing

FirstTrust Mortgage Bank has a whistle-blowing policy which provides the procedure for reporting suspected breaches of their internal policies, laws and regulations. There is a special e-mail address and telephone hotline dedicated for whistle blowing. The Mortgage Bank's Chief Compliance Officer (CCO) is responsible for monitoring and reporting on whistle blowing.

Statement of Directors' Responsibilities

in relation to the financial statements for the year ended 31 December 2021

The Directors accept responsibility for the preparation of the annual financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act (CAMA) 2020, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act 2020 and relevant Central Bank of Nigeria Guidelines and Circulars.

The Directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act (CAMA) 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.

The Directors have made an assessment of the Mortgage Bank's ability to continue as a going concern and have no reason to believe the Mortgage Bank will not remain a going concern in the year ahead.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:



Uduma O. Kalu
Chairman
FRC/2014/NIM/00000008402
05 May 2022



Mr. Korede Adedayo
Managing Director/CEO
FRC/2018/IMN/00000018513
05 May 2022

Statement of Corporate Responsibility

for the Financial Statements for the year ended 31 December 2021

Further to the provision of Section 405 of the Companies and Allied Matters Act (CAMA), 2020, we, the Managing Director and Chief Financial Officer, hereby certify the Financial statements of First Trust Mortgage Bank Plc. For the year ended 31 December 2021 as follows:

- a) That we have reviewed the audited financial statements of the Mortgage Bank for the year ended 31 December 2021
- b) That the audited financial statements do not contain any untrue statement of material fact or omit to state a material fact which would make the statements misleading, in the light of the circumstances under which such statement was made
- c) That the audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Mortgage Bank as of and for, the year ended 31 December 2021
- d) That we are responsible for establishing and maintaining internal controls and have designed such internal controls to ensure that material information relating to the Mortgage Bank is made known to the officer by other officers of the Mortgage Bank, during the period ended 31 December 2021
- e) That we have evaluated the effectiveness of the Mortgage Bank's internal controls within 90 days prior to the date of audited financial statements, and certify that the Mortgage Bank's internal controls are effective as of that date
- f) That there were no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our evaluation, including any corrective action with regard to significant deficiencies and material weaknesses.
- g) That we have disclosed the following information to the Mortgage Bank's Auditors and Audit Committee:
 - I. There are no significant deficiencies in the design or operation of internal controls which could adversely affect the Mortgage Bank's ability to record, process, summarize and report financial data, and have identified for the Mortgage Bank's auditors any material weaknesses in internal controls, and
 - II. There is no fraud that involves management or other employees who have a significant role in the Mortgage Bank's internal control



Mr. Korede Adedayo
(Managing Director)
FRC/2018/IMN/00000018513



Mr. Yusuf Aiyepola
(Chief Financial Officer)
FRC/2021/001/00000018513

Corporate Governance Report

1 Introduction

FirstTrust Mortgage Bank Plc (“the Mortgage Bank”) is committed to improving shareholders' value through transparent conduct of its business. In addition to the principles of the “Code of Corporate Governance for Banks in Nigeria Post Consolidation” issued by the Central Bank of Nigeria (CBN), and the Securities and Exchange Commission Code of Corporate Governance, the Mortgage Bank benchmarks itself against local and international best practices. The Code of Corporate Governance of FirstTrust Mortgage Bank Plc provides the basis for promoting the highest standards of corporate governance in the Mortgage Bank. The Mortgage Bank is governed by a framework that facilitates checks and balances and ensures that appropriate controls are put in place. The Corporate Governance Practices of the Mortgage Bank are designed to ensure accountability of the Board and Management to the stakeholders.

The business of the Mortgage Bank is driven by the Board of Directors, which exercises its oversight function through its various committees, namely, the Board Credit and Finance Committee, the Board Audit Committee, the Board Risk Management Committee and the Board Governance and Remuneration Committee.

Through these committees, interactive dialogue is employed to set broad policy guidelines, and to ensure the proper management and direction of the Mortgage Bank on a regular basis.

In addition to the Board Committees, there are three management committees: Assets and Liability Committee, Management Credit Committee and Criticised Assets Committee to ensure effective and good corporate governance at the management level. These committees form the bedrock for the long-term professional management of the business of the Mortgage Bank.

2 Governance structure

Board of Directors

The Board is made up of the Chairman, the Managing Director, three (3) Non-Executive Directors and an Executive Director. The Directors are listed in the Directors' report. The Board is made up of a crop of seasoned professionals who have excelled in their various professions including banking and law and possess the requisite integrity, skills and experience to bring independent judgment to bear on the Board's deliberations.

The primary purpose of the Board is to provide strategic direction for the Mortgage Bank in order to deliver long term value to shareholders through its oversight function of the Mortgage Bank's business.

Other functions of the Board include:

- to review management succession plans and determine management's compensation;
- to ensure that the Mortgage Bank operates ethically and complies with applicable laws and regulations;
- to approve capital projects and investments;
- to consider and approve the annual budget of the Mortgage Bank and monitor its performance;
- to ensure that adequate system of internal control, financial reporting and compliance are in place;
- to ensure that an effective risk management process exists and is sustained and
- to constitute board committees and determine their terms of reference and procedures, including reviewing and approving the reports of these committees.

The Board meets quarterly and additional meetings are convened as required. Decisions may be taken between meetings by way of written resolution, as provided for in the Articles of Association. The Non-Executive Directors are provided with comprehensive information at each of the quarterly board meetings and are also briefed on business developments between board meetings.

The Board carries out the above responsibilities through its standing committees. All committees have clearly defined terms of reference, which set out their roles, responsibilities, functions and scope of authority. All committees in the exercise of their powers, so delegated, conform to the regulations laid down by the board.

The committees render reports to the Board at its quarterly meetings. The roles and responsibilities of the committees are as stated hereunder:

Board Committees

These committees are as follows;

- Board Audit Committee;
- Board Credit and Finance Committee;
- Board Governance and Remuneration Committee;
- Board Risk Management Committee;

Addition to the Board committees.

- Shareholders Audit Committee.

The roles and responsibilities of these committees are discussed below:

Corporate governance report cont'd

Board Audit Committee

The Committee assists the Board in fulfilling its oversight responsibility relating to;

- The integrity of the Mortgage Bank's financial statements and the financial reporting process,
- The independence and performance of the Mortgage Bank's internal and external auditors; and
- The Mortgage Bank's system of internal control and mechanism for receiving and addressing complaints about the Mortgage Bank's accounting and operating procedures.

Its main functions are:

- Monitoring the activities of the internal audit function of the Mortgage Bank including ensuring its independence;
- Overseeing the development of a procedure for the receipt, retention and treatment of complaints received by the Mortgage Bank, about the accounting, internal accounting controls, unethical activity/breach of the corporate governance code or audit matters, including a means for the Mortgage Bank's stakeholders (employees, customers, suppliers, applicants, etc) to submit such complaints in a confidential and anonymous manner;
- Investigating any matter brought to its attention within the scope of its duties with the authority to retain legal counsel or other advisors, if in its judgment that is appropriate, at the expense of the Mortgage Bank;
- Annually reviewing and re-assessing its own responsibilities, functions, pre-approval policy for audit and non-audit services, and Charter, making changes as necessary, and conducting an annual performance evaluation of its activities;
- Reviewing the proposed audit plan(s) and review the results of internal audits completed since the previous Committee meeting as well as the focus of upcoming internal audit projects.
- Reviewing the results of the annual audit and discuss the annual financial statements with management;
- Reviewing the statutory auditors' management letter when presented and ensure adequacy of management's response;
- Reviewing with the Financial Controller annually the significant financial reporting issues and practices of the Mortgage Bank, and ensure that appropriate accounting principles are applied including financial controls relating to the "closing of the books" process;
- Meeting separately, and at least quarterly, with the Financial Controller and the Chief Inspector to discuss the adequacy and effectiveness of accounting and financial controls of the Mortgage Bank;
- Discussing the Mortgage Bank's policy regarding press releases as well as financial information provided to analysts and rating agencies;
- Reviewing the Mortgage Bank's legal representation letter presented to the statutory auditors and discuss significant items, if any, with the Company Secretary;
- Receiving the decisions of the Shareholders Audit Committee on the statutory audit report from the Company Secretary and ensure its full implementation;
- Requiring management to present and discuss, as soon as practicable, all reports received from regulators statements or related Mortgage Bank compliance policies;
- Annually assessing and confirming the independence of the statutory auditor, in line with the Mortgage Bank's Statutory Audit Independence Policy;
- Developing, annually reviewing and ensuring compliance with the list of non-audit services that may be provided by the statutory auditors; and,
- Reviewing with the Company Secretary, legal and regulatory matters, contingent liabilities or other sensitive information that may have a material effect on the Mortgage Bank's financial statements, systems of internal control or regulatory compliance.

Board Credit and Finance Committee

The purpose of the Committee is to advise the Board on its oversight responsibilities in relation to the Mortgage Bank's credit exposure and management, lending practices and provide strategic guidance for the development and achievement of the Mortgage Bank's credit and lending objectives. In performing this oversight role, the Committee shall work with management to:

- Review the quality of the Mortgage Bank's credit portfolio and the trends affecting the portfolio;
- Oversee the effectiveness and administration of credit related policies including compliance with legal lending limits and the Mortgage Bank's in-house lending restrictions;
- Review the process for determining provision for credit losses and the adequacy of the provision made; and
- Provide oversight and guidance to the Mortgage Bank regarding credit related aspects of implementing the BASEL II Capital Accord and compliance with the regulatory Risk based supervision framework.

Its main functions are to:

- Approve the definition of risk and return preferences, target risk portfolio, credit portfolio quality plan for the year and level of exposure to customers;
- Approve credit risk appetite and credit portfolio strategy and ensure it is in line with the corporate strategy of the Mortgage Bank;

Corporate governance report cont'd

- Review and approve, as and when required, the establishment of or any material changes to:
 - * credit policies
 - * credit concentration guidelines and limits;
 - * compliance programs for credit-related matters;
 - * delegation of credit authority;
 - * the provisions for loan losses methodology; and
 - * other matters as required by regulation and on the recommendation of the Management Credit Committee (MCC);
- Exercise general oversight over the Mortgage Bank's credit portfolio and related risk management processes through a periodic review of reports on:
 - * Credit and assets quality trends and statistics;
 - * Reports on the lending activities of the major business units and lines of business which comprise the Mortgage Bank's lending operations;
 - * Reports on any category of credit or specialised credit activity that reflects areas of material or rapidly increasing risk (e.g., concentrations of credit, classified credits and non-performing assets, etc.); and
 - * Any other matter that relates to the extension or administration of credit or the condition of the Mortgage Bank's credit portfolio that is deemed appropriate by the Committee or as required by regulation, at a level and frequency established by the Committee.
- Oversee the administration and effectiveness of, and compliance with the Mortgage Bank's credit policies through the review of processes and reports on the recommendation of the MCC and any other means as it deems appropriate. The review shall as a minimum, include the loan quality grading in accordance with the CBN Prudential Guidelines, internal and external audits and examinations of the Mortgage Bank's credit processes, the incidence of new problem assets and the frequency and reasons for credit policy exceptions;
- Approve credit facility requests and proposals within limits defined by the Mortgage Bank's credit policy and within the statutory requirements set by the regulatory/ supervisory authorities;
- The Committee shall review and assess the adequacy of the provision for credit losses. In making its assessment, the Committee may review such measures of the adequacy of the provision as it deems appropriate, and shall periodically review the credit rating methodology used in computing the adequacy of the provisions;
- Approve new credit products and processes;
- Approve limit setting and assignment of credit approval authority on the recommendation of the Management Credit Committee (MCC);
- Approve changes to credit policy guidelines on the recommendation of the Management Credit Committee (MCC);
- Review credit risk reports on a periodic basis;
- Approve credit exceptions in line with Board approval

Board Governance and Remuneration Committee

The purpose of the Committee is to advise the Board on its oversight responsibilities in relation to governance, remuneration and all other human resource matters affecting the directors and employees of the Mortgage Bank. Specifically, the Committee is responsible for determining and executing the processes for Board appointments, removal of non-performing directors and recommending appropriate remuneration for directors (both executive and non-executive) and approving remuneration for all other staff.

Its main functions are to:

- Review the size and composition of the Board, including succession planning and recommend the appropriate skill mix, personal qualities, expertise, ability to exercise independent judgment and diversity required to discharge the Board's duties;
- Devise criteria for board membership and board positions. This criteria will however be approved by the Board;
- Prepare a job specification for the Chairman's position, including the assessment of the time commitment required of the candidate;
- Make recommendation on experience required by Board Committee members, Committee appointment and removal, operating structure, reporting and other Committee operational matters;
- Recommend the appointment of new directors to the Board, noting the desirable qualifications and experience for individual new appointees. The process shall involve subjecting director nominees to a fit and proper test and ensuring that they are qualified to hold office and their appointment will not have a negative impact on the Mortgage Bank's reputation in the market place;

Corporate governance report cont'd

- Ensure that all new directors receive a formal letter of appointment specifying what is expected of them and that new directors with no or limited board experience receive development and education to enhance the discharge of their duties, responsibilities, and understand their powers and potential liabilities;
- Establish and continuously review the effectiveness of the orientation programme for new directors to familiarise them with the Mortgage Bank's operations, senior management, business environment and to induct them on their fiduciary duties and responsibilities;
- Continuously, review the effectiveness of the process for the selection and removal of directors and make recommendations where appropriate;
- Oversee the implementation of the process for the evaluation of the performance of individual directors on an annual basis;
- Monitor and assess the continuing education program for Directors;
- Establish and oversee a process for providing periodic briefings on relevant new laws and regulations to Board members;
- Establish, oversee and ensure that the Mortgage Bank has an accurate profile on all directors;
- Review and approve the annual human resources departments plan, including the succession planning for the Chief Executive Officer and other key officers positions and report key developments to the Board;
- Review and approve the annual performance targets for the MD/CEO at the beginning of the financial year and evaluate his performance at the end of the financial year;
- Ratify the annual performance targets of the executive directors as submitted by the MD/CEO at the beginning of the financial year, and their annual performance evaluation at the end of the financial year; annual performance evaluation at the end of the financial year;
- Review and approve individual performance ratings and remunerations for the Chief Executive Officer and other top Management staff (Assistant Managers and above), benchmarking the proposed salary structure to similar sized Companies;
- Review and approve the promotion, hiring and dismissal of Senior Managers and above;
- Review and approve all employee benefit plans such as pension, share ownership and other retirement plans, and material amendments to existing benefit plans; and
- Review and approve the Mortgage Bank's Travel and Expense Policy as and when required.

Board Risk Management Committee

The Committee assists the Board in fulfilling its oversight responsibility relating to establishment of policies, standards and guidelines for risk management, and compliance with legal and regulatory requirements, in the Mortgage Bank.

Its main functions are to:

- Oversee the establishment of a formal written policy on the overall risk management system. The policy should define risks and risk limits that are acceptable and unacceptable to the Mortgage Bank. It should provide guidelines and standards to administer the acceptance and on-going management of all risks;
- Ensure that adequate policies are in place to manage and mitigate the adverse effects of both business and control risks in its operations;
- Ensure compliance with established policy through periodic review of reports provided by management, internal and external (statutory) auditors and the supervisory authorities;
- Ensure the appointment of qualified officers to manage the risk function;
- Oversee the functions of the Risk Management Department in the Mortgage Bank;
- Re-evaluate the Risk Management Policy of the Mortgage Bank on a periodic basis to accommodate major changes in internal or external factors;
- Review the Mortgage Bank's activities related to the Code of Conduct and Ethics;
- Review the adequacy and effectiveness of the programme of compliance established within the Mortgage Bank;
- Review the processes in place for ensuring new and changed legal and regulatory requirements are identified and reflected in the Mortgage Bank's processes;
- Review the scope and depth of compliance unit's activities, and the resulting impact audit findings have on the risk profile of the Mortgage Bank; and
- Evaluate the nature and effectiveness of action plans implemented to address identified compliance weaknesses.

Corporate governance report cont'd

Shareholders Audit Committee

Its main functions are to:

- Assist in the oversight of the integrity of the company's financial statements, compliance with legal and other regulatory requirements, assessment of qualifications and independence of external auditor, and performance of the company's internal audit function as well as that of external auditors;
- Review and ensure that adequate whistle-blowing procedures are in place and that a summary of issues reported are highlighted to the chairman;
- Appoint, remove or re-appoint the external auditors (subject to approval by the shareholders).
- At least on an annual basis, obtain and review a report by the internal auditor describing the strength and quality of internal controls including any issues or recommendations for improvement, raised by the most recent internal control review of the company;
- Discuss policies and strategies with respect to risk assessment and management.

Composition of Board and Board Committees

Board of Directors

1 Uduma O. Kalu	- Chairman
2 Mr. Korede Adedayo	- Managing Director
3 Mrs. Ola Ifezulike	- Director
4 Mr. Adeniyi Akinlusi	- Director
5 Ms. Ngozi Ogunwa	- Director
6 Mr. Muritala A. Olushekun	- Director

Board Audit Committee

1 Mrs. Ola Ifezulike	- Chairman
2 Mr. Korede Adedayo	- Managing Director
3 Mr. Adeniyi Akinlusi	- Director
4 Mr. Muritala A. Olushekun	- Director

Board Credit and Finance Committee

1 Mr. Adeniyi Akinlusi	- Chairman
2 Mr. Korede Adedayo	- Managing Director
3 Mrs. Ola Ifezulike	- Director
4 Mr. Muritala A. Olushekun	- Director
5 Ms. Ngozi Ogunwa	- Director

Board Governance and Remuneration Committee

1 Mr. Adeniyi Akinlusi	- Chairman
2 Mr. Korede Adedayo	- Managing Director
3 Mrs. Ola Ifezulike	- Director
4 Mr. Muritala A. Olushekun	- Director

Board Risk Management Committee

1 Mrs. Ola Ifezulike	- Chairman
2 Mr. Korede Adedayo	- Managing Director
3 Mr. Adeniyi Akinlusi	- Director
4 Mr. Muritala A. Olushekun	- Director

Shareholders Audit Committee

1 Mr. Raphael Fola Adedayo	- Chairman
2 Sir Sunday Nnamdi Nwosu (KSS)	- Member
3 Mrs. Ola Ifezulike	- Member
4 Mr. Adeniyi Akinlusi	- Member

The Committees meet quarterly and additional meetings are convened as required.

Management Committees

These are committees comprising senior management of the Mortgage Bank. The Committees are also risk driven and are basically set up to identify, analyze, synthesise and make recommendations on risks arising from day to day activities of the Mortgage Bank. They also ensure that risk limits as contained in the Board and regulatory policies are complied with at all times. They provide inputs for the respective Board Committees and also ensure that recommendations of the Board Committees are effectively and efficiently implemented. They meet as frequently as the risk issues occur to immediately take actions and decisions within the confines of their powers. The main management committees of the Mortgage Bank are: Assets and Liability Committee and Management Credit Committee.

Corporate governance report cont'd

S/N NAMES OF MANAGEMENT COMMITTEE

Management Committees' attendance at meetings are shown below:

	Total Number of Meetings	
1	7	Korede Adedayo
2	5	Ngozi Ogunmwa
3	7	Bakare Lukman
4	7	Okoye Mark
5	6	Ajibade Olusola
6	6	Esuga Jacob
7	7	Asalu Michael
8	7	Aberuagba Adetokunbo
9	7	Aiyepola Yusuf
10	2	Jubril Lawal

Assets and Liability Committee

This Committee is responsible for the management of a variety of risks arising from the Mortgage Bank's business including, market and liquidity risk management, loan to deposit ratio analysis, cost of funds analysis, establishing guidelines for pricing on deposit and credit facilities, risks analysis, balance sheet structuring, regulatory considerations and monitoring of the status of implemented assets and liability strategies.

Composition of the Committee is made up of senior management staff of the Mortgage Bank, including the Managing Director/CEO of the Mortgage Bank.

Management Credit Committee

This is the Committee responsible for ensuring that the Mortgage Bank complies fully with the Credit Policy guide as laid down by the Board. The Committee also provides inputs for the Board Credit Committee. This Committee is empowered to approve credit facilities to individual obligors not exceeding in aggregate a sum determined by the Board from time to time. The Committee meets at least fortnightly depending on the number of credit applications to be considered.

Remuneration Policy

The Board of Directors of FirstTrust Mortgage Bank Plc through its Remuneration and Governance Committee has the responsibility for reviewing and approving the remuneration of all Directors and Senior Management staff. The Remuneration Policy establishes a framework for remuneration that is consistent with the Bank's scale and scope of operations.

Whistle blowing

FirstTrust has a whistle-blowing policy which provides the procedure for reporting suspected breaches of their internal policies, laws and regulations.

There is a special e-mail address and telephone hotline dedicated for whistle blowing. The Mortgage Bank's Chief Compliance Officer (CCO) is responsible for monitoring and reporting on whistle blowing.

Sustainability and Environmental Issue Report

We recognize that sustainability and environmental responsibility are critical components of our business strategy. As a responsible corporate citizen, we are committed to minimizing our environmental impact, promoting sustainable practices, and contributing to the well-being of the communities we serve. To achieve these objectives, we have implemented various initiatives, including energy efficiency, waste management, renewable energy, and green products and services. By adopting these measures, we are not only reducing our environmental footprint but also contributing to our long-term financial success.

We believe that transparency and accountability are essential for building trust and credibility with our stakeholders. Therefore, we will continue to report on our sustainability and environmental efforts in our financial statements. We will also continue to explore new ways to promote sustainability and environmental responsibility in our operations and in the communities we serve. We are committed to being a leader in promoting sustainable practices and contributing to a better and more sustainable future for all.

Employment and Labour Relations

The Bank operates a non-discriminatory policy in the employment of staff – all qualified staff, after undergoing a standard policy-based recruitment process, are given equal opportunity based on their respective skill set and competencies relative to the organizational need of the Bank as well as the furtherance of their careers. In doing this, the Bank is also conscious of ensuring gender balance, equal opportunity and equity. The health, safety and welfare of all employees is also prioritized. Thus, the Bank in accordance with the Pension Reform Act, 2004, operates a contributory pension plan wherein it contributes 10% of employees total emolument to a designated pension fund administration chosen by the employee in addition to remitting 8% of employee basic housing allowance to the same account. There is also a Health Insurance Scheme put in place by the Bank where employees choose a health plan based on their remuneration and level, thus providing all employees easy access to standard health care at an affordable cost.

Corporate governance report cont'd

The Bank places a premium on the development of its manpower in accordance with industry standard and organizes in-house and external (local and foreign) training for its employees in order to prepare employees for new and/or unfamiliar jobs as well as to enhance their efficiency on their current roles. Employees' performance is further measured bi-annually through a standard appraisal system and deserving employees are rewarded in line with the Bank's appraisal and promotion policy.

With its staff code-of-conduct which also contains guidelines on offences and disciplinary measures, the Bank helps to develop, maintain and improve employees' relationship with one another and with the organization as a whole – resolving grievances and/or disputes as well as work infractions in accordance with subsisting labour laws.

Human Rights

FirstTrust Mortgage Bank Plc recognises its people's fundamental rights under the constitution and is an equal opportunity employer. This is clearly defined in our Human Resources Policy, which states that "we have made it a practice to bring into position of responsibility all employees regardless of race, religion, sex, age or ethnic origin".

Bribery and Corruption Policy

The purpose of this policy is to provide guidance on FirstTrust Mortgage Bank Plc's decisions specific to combating bribery and corruption through the performance of due diligence activities. This Policy serves the Bank's corporate enterprise, including all business processes and transactions for all lines of business.

FirstTrust Mortgage Bank Plc is however committed to the government and the agencies coordinating the implementation of Anti-Money Laundering law and combating financing of terrorism with a view to preventing the Bank from being used for such activities. FirstTrust Mortgage Bank Plc's policies and procedures are developed to ensure compliance with the applicable laws of the country and supports its staff to attain the highest standard of compliance integrity. The employees of the Bank undergo periodic trainings to help them fully aware of both FirstTrust Mortgage Bank Plc policies commitment to preventing Money Laundering and Terrorism Financing and their responsibilities and obligations in achieving this goal.

Complaints and Management Policy

Introduction

At FirstTrust Mortgage Bank Plc, we are committed to providing exceptional customer service and ensuring that our products and services meet the needs of our customers. As part of this commitment, we take all complaints seriously and have implemented a comprehensive management policy to address any concerns raised by our stakeholders.

Management Policy

FirstTrust Mortgage Bank Plc has a comprehensive management policy for addressing complaints, which includes the following steps:

1. **Acknowledgment and Investigation:** Upon receipt of a complaint, we acknowledge it within 24 hours and initiate an investigation to determine the root cause of the issue.
2. **Resolution:** We work with the customer to resolve the issue in a timely and satisfactory manner. This may include offering a refund, making changes to our products or services, or providing additional support to the customer.
3. **Prevention:** We take proactive steps to prevent similar complaints from occurring in the future. This may include updating our policies and procedures, providing additional training to our staff, or implementing new technology or systems.
4. **Reporting:** We track and report on all complaints received, including the number and nature of complaints, the time taken to resolve them, and any actions taken to prevent similar complaints from occurring in the future.

Board Evaluation

Based on the evaluation of the Board by the external consultant, the Board significantly align with corporate governance best practices. The Board demonstrated strong commitment to the observance of highest ethical standards and transparency in the conduct of the Company's business and remained steadfast in setting the tone at the top in the implementation of applicable corporate governance practices at all levels of the Bank.

Report of the Audit Committee

To the members of FirstTrust Mortgage Bank Plc


In accordance with the provisions of Section 404 (4) of the Companies and Allied Matters Act (CAMA) 2020, the members of the Audit Committee of FirstTrust Mortgage Bank Plc hereby report on the financial statements for the year ended 31 December, 2021, as follows:

We have exercised our statutory functions under Section 404 (4) of the Companies and Allied Matters Act Cap C.20, Laws of the Federation of Nigeria 2004 and acknowledge 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 Mortgage 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 Mortgage Bank 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 insider related credits in the financial statements of Banks, and hereby confirm that an aggregate amount of N117,193,655 was outstanding as at 31 December 2021, (31 December 2020: N81,482,642).

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 Mortgage Bank's system of accounting and internal control.



Mr. Raphael Fola Adedayo
FRC/2013/CIBN/0000002229
Chairman

05 May 2022

Members of the committee

Mr. Raphael Fola Adedayo	Chairman
Sir Sunday Nnamdi Nwosu (KSS)	Member
Mrs. Ola Ifezulike	Member
Mr. Adeniyi Akinlusi	Member



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Independent Auditor's Report

To the Shareholders of FirstTrust Mortgage Bank Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of FirstTrust Mortgage Bank Plc, which comprise:

- the statement of financial position as at 31 December, 2021
- the statement of profit or loss and other comprehensive income;
- the statement of changes in equity;
- the statement of cash flows for the year then ended; and
- the notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011 [for Banks include: “the Banks and Other Financial Institutions Act, 2020 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars”

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matter to be communicated in our report.

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Partners:

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Adetola P. Adeyemi	Chibuzor N. Anyanechi	Mohammed M. Adama	Oluwafemi O. Awotoye	
Adevale K. Ajayi	Chineme B. Nwigbo	Nneka C. Eluma	Oluwatoyin A. Gbagi	
Ajibola O. Olomola	Dunni D. Okegbemila	Oguntayo I. Ogungbenro	Omolara O. Ogun	
Akinwale O. Alao	Elijah O. Oladunmoye	Olabimpe S. Afolabi	Oseme J. Obalaje	
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Ayobami L. Salami	Ibitomi M. Adepoju	Olanike I. James	Tolulope A. Odujale	
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Ayodele H. Othiwiwa	Kabir O. Okunlola	Olumide O. Olayinka	Uzodinma G. Nwankwo	
Bolanle S. Afolabi	Lawrence C. Amadi	Olusegun A. Sowande	Victor U. Onyenkpa	

Expected Credit Loss Impairment of Loans and Advances

The determination of the impairment of loans and advances requires a high level of subjectivity inherent in estimating the impact of key assumptions on the recoverability of loan balances, including the application of industry knowledge and prevailing economic conditions in arriving at the estimation of the impairment allowance required.

The key areas where we identified greater levels of management judgment and therefore increased levels of audit focus in the Mortgage Bank's determination of impairment are:

- Economic scenarios - IFRS 9 Financial Instruments requires the Mortgage Bank to measure expected credit losses (ECLs) on a forward-looking basis reflecting a range of future economic conditions.
- Significant management judgment is applied to determining the economic scenarios used and the probability weightings applied to them especially for the credit card and corporate portfolios.
- Significant Increase in Credit Risk ("SICR") - The criteria selected to identify a significant increase in credit risk is a key area of judgment within the Mortgage Bank's ECL calculation as these criteria determine whether a 12 month or lifetime provision is recorded.
- Model estimations - Inherently judgmental modelling is used to estimate ECLs which involves determining Probabilities of Default ("PD"), Loss Given Default ("LGD"), and Exposures at Default ("EAD"). The PD models used are the key drivers of the Mortgage Bank's ECL results and are therefore the most significant judgmental aspect of the Mortgage Bank's ECL modelling approach.
- Qualitative adjustments - Adjustments to the model-driven ECL results are raised by management to address known impairment model limitations or emerging trends, which included the effects of COVID 19. Such adjustments are inherently uncertain and significant management judgment is involved in estimating these amounts especially in relation to loans and advances.

The effect of these matters is that, as part of our risk assessment, we determined that the impairment of loans and advances to customers has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The credit risk sections of the financial statements disclose the sensitivities estimated by the Mortgage Bank.

How the matter was addressed in our audit

Our audit procedures amongst others included the following:

- we checked that the Mortgage Bank's definition of default is consistent with the requirements of the relevant accounting standard.
- we assessed the appropriateness of the Mortgage Bank's determination of significant increase in credit risk (SICR) and the resultant classification of loans into various stages of credit risk for reasonableness.
- with the assistance of our Financial Risk Management Specialists, we:
 - assessed the appropriateness of the Mortgage Bank's ECL methodology by considering whether it reflects probability-weighted amounts that are 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 future economic conditions;
 - tested the accuracy and appropriateness of the data used in determining the Exposure at Default, including the credit conversion factor and outstanding loan balance;
 - assessed the reasonableness of the Loss Given Default (LGD) used by the Mortgage Bank in the ECL model and other evidence of future cash flows by evaluating the valuation reports and assessing haircuts applied by the Mortgage Bank on the recoverability of collateral considering the current economic conditions;
 - Challenged the appropriateness of the Mortgage Bank's forward-looking assumptions comprising the inflation rates, exchange rates and GDP growth rates used in the ECL calculations using publicly available information from external sources.
 - Tested the accuracy of the Mortgage Bank's impairment model by independently reperforming the calculations of impairment allowance for loans and advances.

The Mortgage Bank's accounting policy on impairment of financial assets and credit risk disclosures are shown in Notes 4.10(h) and 5(a) respectively.



Other Information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act, 2020 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Mortgage's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Mortgage 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Mortgage 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 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 Mortgage 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 Mortgage Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of 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.

From the matters communicated with Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 5 of the Companies and Allied Matters Act (CAMA), 2020

- 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. In our opinion, proper books of account have been kept by the Mortgage Bank, so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us
- III. The Mortgage Bank's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.

Compliance with Section 26 (3) of the Banks and Other Financial Institution Act, 2020 and Central Bank of Nigeria circular BSD/1/2004

- I. The Mortgage Bank paid penalties in respect of contraventions of the Banks and Other Financial Institutions Act, 2020 during the year ended 31 December 2021. Details of penalties paid are disclosed in Note 34 to the financial statements.
- II. Related party transactions and balances are disclosed in Note 32 to the financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.



Akinyemi Ashade
FRC/2013/ICAN/0000000786
For: KPMG Professional Services
Chartered Accountants
11 October, 2023
Lagos, Nigeria



DCSL Corporate Services Limited

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RC NO. 352393

31st October 2022

REPORT OF THE EXTERNAL CONSULTANTS ON THE PERFORMANCE OF THE BOARD OF DIRECTORS OF FIRSTTRUST MORTGAGE BANK PLC ("FIRSTTRUST") FOR THE YEAR-ENDED DECEMBER 31, 2021.

In line with the provisions of **Guideline 9 of the Securities and Exchange Committee (SEC) Corporate Governance Guidelines ("SCGG")**, **Section 2.8.2 of the Central Bank of Nigeria Code for Primary Mortgage Banks in Nigeria ("CBN Code")** and **Principle 14.1 of the Nigerian Code of Corporate Governance ("NCCG")**, DCSL Corporate Services Limited (DCSL) was engaged by FirstTrust Mortgage Bank Plc ("FirstTrust Mortgage") or (the "Bank") to carry out an evaluation of the performance of its Board of Directors for the year-ended December 31, 2021.

The essence of the review was to ascertain the level of the Board's compliance with corporate governance practices and involved the benchmarking of the performance of the Board against the provisions of the SCGG, CBN Code, NCCG as well as corporate governance best practices. We considered the following seven key corporate governance themes:

1. Board Structure and Composition
2. Strategy and Planning
3. Board Operations and Effectiveness
4. Measuring and Monitoring of Performance
5. Risk Management and Compliance
6. Corporate Citizenship; and
7. Transparency and Disclosure.

Following a detailed review of the Bank's corporate and statutory documents, Minutes of Board and Committee meetings, policies and processes put in place by the Board, we note that the Board of FirstTrust has substantially complied with the provisions of the SCGG, CBN Code and NCCG. We confirm that the activities of the Board significantly align with corporate governance best practices. The Board demonstrated strong commitment to the observance of highest ethical standards and transparency in the conduct of the Company's business and remained steadfast in setting the tone at the top in the implementation of applicable corporate governance practices at all levels of the Bank.

We have proffered recommendations to address those areas that require improvement and are satisfied that the Board would take due notice of these.

We are grateful for the opportunity to be of service and look forward to working with you in the future. Please accept the assurances of our highest regards and esteem.

Yours faithfully,

For: DCSL Corporate Services Limited



Bisi Adeyemi

Managing Director

FRC/2013/NBA/00000002716

Statement of Profit or Loss and other Comprehensive Income

<i>For the year ended</i>	Note	31 December 2021	31 December 2020
		₦'000	₦'000
Interest income	9	3,152,152	2,374,760
Interest expense	9	(1,597,851)	(1,594,587)
Net interest income	9	<u>1,554,301</u>	<u>780,173</u>
Fee and commission income	10	120,136	173,167
Fee and commission expense	10	(21,325)	(21,029)
Net fee and commission income	10	<u>98,811</u>	<u>152,138</u>
Net trading gain/(loss)	11	(102,571)	(197,539)
Other operating income	12	112,025	322,650
Operating income		<u>1,662,566</u>	<u>1,057,422</u>
Impairment writeback/(losses) on financial instruments	13	261,150	(795,063)
Net operating income after impairment loss on financial instruments		<u>1,923,716</u>	<u>262,359</u>
Personnel expenses	14	(510,492)	(527,496)
Depreciation of property and equipment	23	(182,173)	(129,625)
Amortisation of intangible assets	24	(63,531)	(22,401)
Other operating expenses	15	(1,021,617)	(874,215)
Total expenses		<u>(1,777,813)</u>	<u>(1,553,737)</u>
Profit/(Loss) before tax		<u>145,903</u>	<u>(1,291,378)</u>
Profit/Loss before income tax			
Tax expense	16	(12,931)	(25,885)
Profit/Loss for the year		<u>132,972</u>	<u>(1,317,263)</u>
Other comprehensive income, net of income tax:			
<i>Items that will not be reclassified to profit or loss:</i>			
Equity investments at FVOCI – net change in fair value	21(c)	17,019	29,536
Other comprehensive income for the year		<u>17,019</u>	<u>29,536</u>
Total comprehensive loss for the year		<u>149,991</u>	<u>(1,287,727)</u>
Basic and diluted earnings/(loss) per share (kobo)	17	2.21	(21.85)

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

Statement of Financial Position

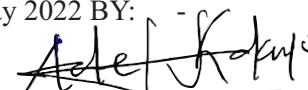
<i>As at</i>	Note	31 December 2021	31 December 2020
		₦000	₦000
Assets:			
Cash and cash equivalents	18	335,074	3,913,924
Loans and advances to customers	19	19,740,966	16,509,010
Trading properties	20	6,210,956	6,664,344
Investment securities	21	1,256,806	1,239,787
Other assets	22	1,094,757	1,533,232
Property and equipment	23	1,729,048	1,004,857
Intangible assets	24	2,293,171	2,312,469
Deferred tax assets	25	835,539	835,539
Total assets		33,496,317	34,013,162
Liabilities:			
Due to banks	18	1,609,218	
Deposits from customers	26	14,262,332	16,082,695
Current tax liabilities	16	16,216	29,170
Other liabilities	27	3,607,297	5,781,404
Interest-bearing borrowings	28	10,419,990	8,688,620
Total liabilities		29,915,053	30,581,889
Equity:			
Share capital	29(a)	6,027,515	6,027,515
Share premium	29(b)	2,737	2,737
Accumulated deficits	29(e)	(10,795,781)	(9,051,148)
Regulatory risk reserves	29(d)	7,620,643	5,743,038
Statutory reserves	29(c)	239,170	239,170
Other reserves	29(f)	486,980	469,961
Total equity		3,581,264	3,431,273
Total liabilities and equity		33,496,317	34,013,162

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS ON 05 May 2022 BY:



Uduina O. Kanu
(Chairman)

FRC/2014/N1M/00000008402



Mr. Korede Adedayo
(Managing Director)

FRC/2018/IMN/00000018513

Additionally certified by:



Mr. Yusuf Aiyepola
(Chief Financial Officer)
FRC/2021/001/00000022714

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

Statement of change in equity

For the year ended 31 December 2021

	Share capital N'000	Share premium N'000	Accumulated deficits N'000	Regulatory risk reserves N'000	Statutory reserves N'000	Other reserves N'000	Total N'000
Balance as at 1 January 2021	6,027,515	2,737	(9,051,148)	5,743,038	239,170	469,961	3,431,273
Profit for the year:							
Profit for the year	-	-	132,972	-	-	-	132,972
Other comprehensive income, net of tax:							
Fair value gain on financial assets at FVOCI	-	-	-	-	-	17,019	17,019
Total other comprehensive income for the year	-	-	-	-	-	17,019	17,019
Total comprehensive loss for the year	-	-	132,972	-	-	17,019	149,991
Transfer to regulatory risk reserves							
Transfer to regulatory risk reserves	-	-	(1,877,605)	1,877,605	-	-	-
Balance as at 31 December 2021	6,027,515	2,737	(10,795,781)	7,620,643	239,170	486,980	3,581,264

For the year ended 31 December 2020

	Share capital N'000	Share premium N'000	Accumulated deficits N'000	Regulatory risk reserves N'000	Statutory reserves N'000	Other reserves N'000	Total N'000
Balance as at 1 January 2020	6,027,515	2,737	(7,022,019)	5,031,172	239,170	440,425	4,719,000
Loss for the year:							
Loss for the year	-	-	(1,317,263)	-	-	-	(1,317,263)
Other comprehensive income, net of tax:							
Fair value gain on financial assets at FVOCI	-	-	-	-	-	29,536	29,536
Total other comprehensive income for the year	-	-	-	-	-	29,536	29,536
Total comprehensive loss for the year	-	-	(1,317,263)	-	-	29,536	(1,287,727)
Transfer to regulatory risk reserves							
Transfer to regulatory risk reserves	-	-	(711,866)	711,866	-	-	-
Total transactions with equity holders	-	-	-	-	-	-	-
Balance as at 31 December 2020	6,027,515	2,737	(9,051,148)	5,743,038	239,170	469,961	3,431,273

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

Statement of cash flows

<i>For the year ended</i>	<u>Notes</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
		£'000	£'000
Profit/(Loss) after taxation		132,972	(1,317,263)
Tax charge	16	12,931	25,885
Loss before taxation		145,903	(1,291,378)
<i>Adjustments for:</i>			
Depreciation of property and equipment	23	182,173	129,625
Amortisation of intangible assets	24	63,531	22,401
Net impairment loss on loans and advances to customers	13	(262,854)	788,106
Write back of impairment on other assets	13	-	(2,000)
Net impairment loss on cash and cash equivalents	13	(9,305)	8,957
Profit on disposal of property and equipment	12	(2,906)	(229,573)
Interest income	9	(3,124,491)	(2,342,570)
Interest expense on borrowings	9	527,873	456,611
Interest expense on deposits	9	932,289	974,580
		(1,547,787)	(1,485,241)
Changes in loans and advances to customers	36(a)	(1,941,280)	(2,867,420)
Changes in trading properties	36(b)	453,388	1,511,100
Changes in other assets	36(c)	438,475	(1,141,828)
Changes in deposits from customers	36(f)	(1,795,609)	4,859,266
Changes in other liabilities	36(e)	(2,174,107)	3,827,709
		(6,566,920)	4,703,586
Interest received on loans and advances to customers	36(a)	2,096,669	1,465,090
Interest paid on deposit liabilities	36(f)	(957,043)	(953,907)
Income tax paid	16(c)	(25,885)	(9,845)
Net cash used in operating activities		(5,453,179)	5,204,924
Cash flows from investing activities			
Purchase of property and equipment	23	(934,775)	(831,091)
Purchase of intangible assets	24	(44,233)	(68,418)
Proceeds from the sale of property and equipment	36(g)	31,317	702,662
Proceeds from redemption of treasury bills	21(c)	-	59,284
Net cash flows used in investing activities		(947,691)	(137,563)
Cash flows from financing activities			
Additional borrowings/(repayments) on long term borrowings	28	1,638,810	900,676
Interest paid on interest bearing borrowings	28	(435,313)	(451,366)
Net cash flows from financing activities		1,203,497	449,310
Net (decrease)/increase in cash and cash equivalents		(5,197,373)	5,516,671
Cash and cash equivalents at beginning of year		3,925,194	(1,591,477)
Cash and cash equivalents at end of year	18	(1,272,179)	3,925,194

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

Notes to the Financial statements

1 Reporting entity

FirstTrust Mortgage Bank Plc (“the Mortgage Bank”) is a Mortgage Bank domiciled in Nigeria. The address of the Mortgage Bank’s registered office is 124 Awolowo Road, Ikoyi Lagos.

The principal activity of the Bank is the provision of mortgage banking services to corporate and individual customers.

2 Basis of accounting

These financial statements have been prepared in accordance with IFRS Standards and in the manner required by the Companies and Allied Matters Act (CAMA), 2020, the Financial Reporting Council of Nigeria (FRC) of Nigeria Act, 2011, the Banks and Other Financial Institutions Act, 2020 and relevant Central Bank of Nigeria guidelines and circulars.

The financial statements were authorised for issue by the Directors on 05 May 2022

3 Basis of preparation

(a) Functional and presentation currency

The financial statements are presented in Naira, which is the Mortgage Bank’s functional currency. All amounts have been rounded to the nearest thousand, except when otherwise indicated.

(b) Basis of measurement

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

- financial instruments measured at fair value through other comprehensive income and investments measured at amortised cost;
- trading properties are measured at the lower of cost and net realisable value; and
- Loans and advances to customers are measured at amortised cost less impairment.

(c) Use of estimates and judgments

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Mortgage Bank’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about assumptions, estimation uncertainties and judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements are described in note 6 to these financial statements.

(d) New standards and interpretation not yet effective

The following new and amended standards are not expected to have a significant impact on the Bank’s financial statements.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018-2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- IFRS 17 Insurance Contracts, including amendments, Initial application of IFRS 17 and IFRS 9 – Comparative Information
- Classification of liabilities as current or non-current (Amendments to IAS 1)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimate (Amendments to IAS 8)
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes

4 Significant accounting policies

Except for the changes explained in note 3(d), the accounting policies set out below have been consistently applied to all years presented in these financial statements.

4.1 Loans and advances to customers

‘Loans and advances to customers’ in the statement of financial position is entirely made up of loans and advances at amortised cost. They are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

4.2 Investment securities

Investment securities in the statement of financial position includes:

- debt investment securities measured at amortised cost; these are initially measured value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt securities measured at FVOCI

Notes to the Financial statements

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

4.3 Interest

(a) Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Mortgage Bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses (ECL). For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

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

(b) Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

(c) Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cashflows of floating rate instruments to reflect movement in market rates of interests

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes:

- interest on financial assets measured at amortised cost.

Interest expense presented in the statement of profit or loss and OCI includes:

- financial liabilities measured at amortised cost.

Cash flows related to capitalised interest are presented in the statement of cash flows consistently with interest cash flows that are not capitalised.

4.5 Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate. A contract with a customer that results in a recognised financial instrument in the Mortgage Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Mortgage Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Other fees and commission income, including account servicing fees, investment management and other fiduciary activity fees, loan management fees, legal fees, inspection fees, marketing fees, and management and commitment fees are recognised as the related services are performed.

(a) Performance obligations and revenue recognition policies

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Mortgage Bank recognises revenue when it transfers control over a service to a customer. The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Notes to the Financial statements

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Mortgage Loan Services	<p>The Mortgage Bank provides Mortgage loans to retail and corporate customers and charges the following fees:</p> <p>- Acceptance fees, - Legal fees, - Service fees, - Inspection fees, - Management and Commitment fees</p> <p>Acceptance fees are charged to loan facility to customers majorly at the rate of 2% flat and one-off on the loan granted on customers.</p> <p>Legal fees are earned on legal documentation services rendered by the Mortgage Bank to its loan facility customers.</p> <p>Inspection fees are charged on construction finance loans, some mortgage loans and NHF Loans. The inspection fee is negotiable ranging between 0 to 1% per annum.</p> <p>Marketing fees are earned from sale of Federal Mortgage Bank of Nigeria (FMBN) Ministerial Plot Housing Scheme projects and marketing/sale of properties on behalf of real estate developers.</p> <p>Management and Commitment fees are charged at 1% each on all loan facilities, except NHF loans.</p>	These revenues are recognised over time as the services are provided.
	<p>Service fees are a flat rate charged at 0.25% per quarter on each loan starting from the beginning of the loan tenure and subsequently on the principal outstanding balance. Service fee is charged on the following loan type:</p> <p>1) Mortgage Loan 2) Commercial Loan 3) Overdraft Facility</p>	This revenue is recognised at a point in time.

4.6 Net trading gain or loss

Net trading gain or loss arises from activities involving the Mortgage Bank's trading properties. It comprises of gain or loss from sale of the trading properties and rental income on the trading properties.

- (a) Sale of trading properties: Revenue from the sale of trading properties is recognised at a point in time, when the customer accepts the terms and conditions of the sale on the offer letter. The offer letter is an indication that the Mortgage Bank cannot sell the property to another customer and is issued when the customer pays half of the sales amount.
- (b) Rental income from trading properties is recognised in net trading income in the profit or loss on a straight line basis over the rental period.

4.7 Other operating income

Other operating income comprises profit from disposal of property and equipment, dividend income, net gain from foreign exchange, and other income. Other operating income is recognised as related services are performed.

- (a) Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities.

4.8 Leases

At inception of a contract, the Mortgage Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) The Mortgage Bank acting as a lessee

The Mortgage Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Mortgage Bank's incremental borrowing rate. Generally, the Mortgage Bank uses its incremental borrowing rate as the discount rate.

The Mortgage Bank determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Notes to the Financial statements

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Mortgage Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Mortgage Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Mortgage Bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Mortgage Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Mortgage Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Where the basis for determining future lease payments changes as required by interest rate benchmark reform, the Mortgage Bank remeasures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

The Mortgage Bank presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

(b) Short-term leases and leases of low-value assets

The Mortgage Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Mortgage Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

4.8 Income tax

Income tax expense comprises current tax (Income tax, tertiary education tax, National Information Technology Development Agency levy and Nigeria Police Trust Fund levy) and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The Mortgage Bank has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore has accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and has recognised the related expenses in 'other expenses'.

(a) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date and is assessed as follows:

- Income tax is computed at 30% of taxable profits
 - Tertiary education tax is computed at 2% of assessable profits
 - National Information Technology Development Agency levy is computed at 1% of profit before tax
 - Nigeria Police Trust Fund levy is computed at 0.005% of net profit (i.e. profit after deducting all expenses and taxes from revenue earned by the Mortgage Bank during the year).
- National Agency for Science and Engineering Infrastructure levy at 0.25% of profit before tax

Total amount of tax payable, under the Companies Income Tax Act (CITA) and the Finance Act 2020, is determined based on the higher of two components namely: income Tax (based on taxable income (or loss) for the year); and minimum tax. Taxes based on profit for the period are Current tax assets and liabilities are offset only if certain criteria are met.

Capital gains tax

According to the Capital Gains Tax Act, Cap C1 LFN 2004 (as amended), all chargeable assets are subject to capital gains tax when disposed at a gain, except those specifically exempted by the Act. Capital gains tax is charged at 10% of chargeable gains.

During the period under review, the Mortgage Bank disposed an asset, resulting in a chargeable gain.

Minimum tax

Minimum tax which is based on a gross amount is outside the scope of IAS 12 and therefore, is not presented as part of income tax expense in the profit or loss. Minimum tax is applicable to companies with no taxable profit or tax payable lower than minimum tax computed.

Notes to the Financial statements

Minimum tax policy after 1 January 2020

From 1 January 2020 and based on the guidance of the Finance Act 2020, minimum tax is computed at 0.25% of gross turnover less franked investment income, where the Mortgage Bank has a gross turnover of N25 million and above.

National Agency for science and Engineering Infrastructure Levy

National Agency for Science and Engineering Infrastructure Levy – 0.25% on the profit before tax of Banks with a turnover of above N100m. This levy does not apply to non-banks in the financial services sector. Contributions to the fund are tax deductible, based on the NASENI Act.

The Mortgage Bank offsets the tax assets arising from withholding tax (WHT) credits and current tax liabilities if, and only if, the entity has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The tax asset is reviewed at each reporting date and written down to the extent that it is no longer probable that future economic benefit would be realised.

(b) Deferred tax

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

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Mortgage Bank is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on business plans for individual subsidiaries in the Mortgage Bank. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if there is any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Mortgage Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Mortgage Bank has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

4.10 Financial assets and liabilities

(a) Recognition and initial measurement

The Mortgage Bank initially recognises loans and advances and deposits on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Mortgage Bank becomes a party to the contractual provisions of the instrument.

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

Financial assets as at year end includes:

- Cash and cash equivalents measured at amortized cost
- Loans and advances to customers measured at amortized cost
- Investment securities measured at amortized cost
- Unquoted equities measured at fair value through other comprehensive income
- Other assets (excluding prepayments and WHT receivables) measured at amortized cost

Financial liabilities measured at amortized cost as at year end includes:

- Bank overdraft
- Deposits from customers
- Other liabilities (excluding VAT and WHT payables)
- Interest bearing loans and borrowings

Notes to the Financial statements

(b) Classification, subsequent measurement and gains and losses - Financial instruments

(i) Classification and Subsequent Measurement and gains and losses - Financial assets

Subsequent to initial measurement, financial assets are measured either at fair value or amortised cost, depending on their classification:

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Mortgage Bank changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Mortgage Bank may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Mortgage Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Mortgage Bank makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice.
- These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Mortgage Bank's management;
 - the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
 - how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
 - the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Mortgage Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Mortgage Bank considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Mortgage Bank's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Notes to the Financial statements

(ii) Subsequent measurement and gains and losses

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) Classification, subsequent measurement and gains and losses - Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(c) Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Mortgage Bank changes its business model for managing financial assets. Financial liabilities are not reclassified.

(d) Derecognition

(i) Financial assets

The Mortgage Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Mortgage Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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 derecognised) 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 recognised in OCI is recognised in profit or loss.

Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Mortgage Bank is recognised as a separate asset or liability.

The Mortgage Bank enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

(ii) Financial liabilities

The Mortgage Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Mortgage Bank also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(e) Modification of financial assets and financial liabilities

(i) Financial assets

If the terms of a financial asset are modified, then the Mortgage Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Mortgage Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Mortgage Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs of fees incurred and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Notes to the Financial statements

(ii) **Financial liabilities**

The Mortgage Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

(f) **Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Mortgage Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

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

(g) **Fair value measurement**

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Mortgage Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Mortgage Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Mortgage Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Mortgage Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Mortgage Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price. Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Mortgage Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Mortgage Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement.

(h) **Impairment**

The Mortgage Bank recognises loss allowances for Expected Credit Loss (ECL) on the following financial instruments that are not measured at FVTPL:

— financial assets measured at amortised cost;

No impairment loss is recognised on equity investments.

The Mortgage Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

Notes to the Financial statements

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Mortgage Bank considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’. The Mortgage Bank does not apply the low credit risk exemption to any other financial instruments.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Mortgage Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Mortgage Bank’s historical experience and informed credit assessment, that includes forward-looking information.

The Mortgage Bank assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Mortgage Bank considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Mortgage Bank in full, without recourse by the Mortgage Bank to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECL are recognised are referred to as ‘Stage 1 financial instruments’. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognised but that are not credit-impaired are referred to as ‘Stage 2 financial instruments’. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired.

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as ‘Stage 3 financial instruments’.

Measurement of Expected Credit Losses (ECLs)

Expected Credit Losses (ECLs) are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Mortgage Bank expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

When discounting future cash flows, the following discount rates are used:

- financial assets other than purchased or originated credit-impaired (POCI) financial assets and lease receivables: the original effective interest rate or an approximation thereof; and
- POCI assets: a credit-adjusted effective interest rate.

See also Note 5(a)(xii).

Credit-impaired financial assets

At each reporting date, the Mortgage Bank assesses whether financial assets carried at amortised cost are credit-impaired (referred to as ‘stage 3 financial assets’). A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being past due;
- the restructuring of a loan or advance by the Mortgage Bank on terms that the Mortgage Bank would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Purchased or originated credit-impaired (POCI) financial assets

POCI financial assets are assets that are credit-impaired on initial recognition. For POCI assets, lifetime ECL are incorporated into the calculation of the effective interest rate on initial recognition. Consequently, POCI assets do not carry an impairment allowance on initial recognition. The amount recognised as a loss allowance subsequent to initial recognition is equal to the changes in lifetime ECL since initial recognition of the asset.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Notes to the Financial statements

Write-off

Financial assets are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Mortgage Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are recognised when cash is received and are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Mortgage Bank's procedures for recovery of amounts due.

(i) **Collateral**

The Mortgage Bank obtains collateral where appropriate, from customers to manage their credit risk exposure to the customer. The collateral normally takes the form of a lien over the customer's assets and gives the Bank a claim on these assets for both existing and future customer in the event that the customer defaults.

Collateral received in the form of securities is not recorded on the statement of financial position. Collateral received in the form of cash is recorded on the statement of financial position with a corresponding liability. These items are assigned to deposits received from bank or other counterparties.

4.10 **Deposits and borrowings**

Deposits and borrowings are the Mortgage Bank's sources of funding. Deposits and borrowings are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Mortgage Bank chooses to carry the liabilities at fair value through profit or loss.

4.11 **Other financial liabilities**

Other financial liabilities that are not classified as at fair value through profit or loss are measured at amortised cost using the effective interest method. Interest expense is included in 'interest expense' in the statement of profit or loss. They include Staff pension scheme, Accruals, Accounts payable, Fund transfer payable, Deposit for properties, and Dividend payable.

4.12 **Cash and cash equivalents**

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months from the date of acquisition, which are subject to insignificant risk of changes in their fair value, and are used by the Mortgage Bank in the management of its short-term commitments. Bank overdrafts repayable on demand are included as cash and cash equivalents to the extent that they form an integral part of the Mortgage Bank's cash management. Bank overdraft are presented as liabilities in the statement of financial position unless the Mortgage Bank has a legally enforceable right to set off the recognised amounts against the balances with the banks.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

4.13 **Trading properties**

Trading properties are similar to inventory and are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of trading properties is determined on the basis of specific identification of their individual costs.

4.14 **Property and equipment**

(i) **Recognition and measurement**

Items of property and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When significant parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Any gain or loss on disposal of an item of property and equipment is recognised within other income in profit or loss.

(ii) **Subsequent costs**

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

(iii) **Depreciation**

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values and is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Land is not depreciated.

Leased assets are depreciated over the shorter of the lease term and their useful lives. Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Notes to the Financial statements

Depreciation is calculated using the following rates:

Leasehold land	not depreciated
Buildings	2%
Leasehold improvement	shorter of lease term and useful life
Motor vehicles	25%
Furniture and fittings	25%
Right-of-use assets	over the relevant lease
Computer equipment and machinery	25%
Capital work in progress	not depreciated

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

(iv) *Derecognition*

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

4.16 Intangible assets

Goodwill

Goodwill that arises upon the acquisition or mergers is included in intangible assets.

Goodwill has an indefinite useful life and it is tested annually, as well as whenever a trigger event has been observed for impairment by comparing the present value of the expected future cash flows from a cash generating unit with the carrying value of its net assets, including attributable goodwill and carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units or groups of cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified in accordance with IFRS 8. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Software

Software acquired by the Mortgage Bank is stated at cost less accumulated amortisation and any accumulated impairment losses. Expenditure on internally developed software is recognised as an asset when the Mortgage Bank is able to demonstrate that the product is technically and commercially feasible, that it intends and is able to complete the development and use the software in a manner that will generate future economic benefits, and that it can reliably measure the costs to complete the development.

The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as it is incurred.

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

Derecognition

Intangible assets are derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

4.17 Impairment of non-financial assets

The carrying amounts of the Mortgage Bank's non-financial assets other than deferred tax assets and trading properties, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Notes to the Financial statements

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.18 Provisions

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

A provision for restructuring is recognised when the Mortgage Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

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

A provision for bank levies is recognised when the condition that triggers the payment of the levy is met. If a levy obligation is subject to a minimum activity threshold so that the obligating event is reaching a minimum activity, then a provision is recognised when that minimum activity threshold is reached

4.19 Contingent liabilities and assets

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Mortgage Bank or the Mortgage Bank has a present obligation as a result of past events but is not recognised because it is not likely that an outflow of resources will be required to settle the obligation; or the amount cannot be reliably estimated. Contingent liabilities normally comprise legal claims under arbitration or court process in respect of which a liability is not likely to eventuate.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Mortgage Bank.

Contingent assets are never recognised but are disclosed in the financial statements when they arise.

4.20 Employee benefits

(i) 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 expense in profit or loss when they are due in respect of service rendered before the end of the reporting year.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the reporting year in which the employees render the service are discounted to their present value at the reporting date.

The Mortgage Bank operates a defined contribution plan, based on a percentage of pensionable earnings funded by both the Mortgage Bank and employees, the assets of which are held in separate trustee administered funds.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

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

(iii) Defined benefit plans

The Mortgage Bank's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Mortgage Bank, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Notes to the Financial statements

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Mortgage Bank determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Mortgage Bank recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iv) *Termination benefits*

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

4.21 Share capital and reserves

(i) *Share issue costs*

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

(ii) *Dividend on ordinary shares*

Dividends on the Mortgage Bank's ordinary shares are recognised in equity in the year in which they are paid or, if earlier, approved by the Bank's shareholders. Dividends declared after the reporting date are disclosed in the notes to the financial statements.

4.22 Earnings per share

The Mortgage Bank presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4.23 Segment reporting

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

4.24 Expenditure

Expenses that are not material in nature and for which failure to present them as separate line items would not have impact on the financial statements are aggregated under other operating expenses. All expenses are accounted for on an accrual basis.

4.25 Foreign currency

(i) *Foreign currency transactions*

Transactions in foreign currencies are translated into the functional currency of the Mortgage Bank at the exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest, impairment and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss.

Notes to the Financial statements

5 Financial risk management

Scope of financial risks

The scope of risks that are directly managed by the Mortgage Bank is as follows:

- Credit risk
- Market risk
- Liquidity risk

Risk Management Framework: The Mortgage Bank's Board of Directors have overall responsibility to the establishment and oversight of the Mortgage Bank's risk management framework. The Board of Directors established the risk management committee which is responsible for developing and monitoring the Mortgage Bank's risk management policies. The highlight of the committee's responsibilities towards the management of financial risks are as shown below:

Credit risk

- Approve the Mortgage Bank's overall risk tolerance in relation to credit risk based on the recommendation of the Chief Risk and Compliance officer.
- Ensure that the Mortgage Bank's overall credit risk exposure is the available capital through quarterly review of various types of credit exposure maintained at prudent levels and consistent with the available capital through quarterly review of various types of credit exposure.
- Ensure that top management as well as individuals responsible for credit risk management possess the requisite expertise and knowledge to accomplish the risk management function.
- Ensure that the Mortgage Bank implements a sound methodology that facilitates the identification, measurement, monitoring and control of credit risk.
- Ensure that detailed policies and procedures for credit risk exposure creation, management and recovery are in place.
- Appoint credit officers and delegate approval authorities to individuals and committees.

Market and liquidity risk

- Define the Mortgage Bank's overall risk appetite in relation to market risk.
- Ensure that the Mortgage Bank's overall market risk exposure is maintained at levels consistent with the available capital.
- Ensure that top management as well as individuals possess sound expertise and knowledge to accomplish the risk management function and are responsible for market risk management process.
- Approve the Mortgage Bank's strategic direction and tolerance level for liquidity risk.
- Ensure that the Mortgage Bank's senior management has the ability and required authority to manage liquidity risk.
- Approve the Mortgage Bank's liquidity risk management framework.
- Ensure that liquidity risk is identified, measured, monitored and controlled.

(a) Credit Risk Management

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 and arises principally from the Bank's loans and advances, debt investment securities, cash and cash equivalents and other assets.

The carrying amounts of Mortgage Banks' financial assets represent the maximum credit exposure. Impairment losses/(write backs) on financial assets recognised in profit or loss were as follows:

<i>In thousands of Naira</i>	Note	2021	2020
Impairment (writeback)/ loss on loans and advances	13	(262,854)	788,106
Impairment loss on undrawn commitment	13	12,109	-
Impairment (writeback)/ loss on cash and cash equivalents	13	(9,305)	8,957
Write-back of impairment allowance on other assets	13	(1,100)	(2,000)
		(261,150)	795,063

(i) Loans and advances

The Mortgage Bank's risk management philosophy is that moderate and guarded risk attitude will ensure sustainable growth in shareholder value and reputation. The plan also sets out the roles and responsibilities of different individuals and committees involved in the credit process. Extension of credit in the Mortgage Bank is guided by its Credit Risk and Portfolio Management Plan, which sets out specific rules for risk origination and management of the loan portfolio.

The Mortgage Bank manages, limits, and controls concentration of credit risk exposures to individual counterparties or groups, and to industries. The Mortgage Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of related borrowers (single-obligor limits), and to geographical and industry segments.

Notes to the Financial statements

The credit evaluation process is based both on qualitative and quantitative factors. Factual information on the borrower is collected as well as pertinent macroeconomic data, such as an outlook for the relevant sector. These subjective factors are assessed by the analyst and all individuals involved in the credit approval process, relying not only on quantitative factors but also on extensive knowledge of the customer/company in question.

The credit risk and limit control system focuses more on credit quality mapping from the inception of the lending and investment activities. The Mortgage Bank's credit process requires rigorous proactive and periodic review of the quality of the loan portfolio. This helps us to identify and remediate credit issues proactively.

(ii) Principal Credit Policies

The following are the principal credit policies of the Mortgage Bank:

- **Extension of credit:** Every extension of credit must be approved by at least three officers; one of whom must be from Independent Credit Risk Management. The final approving officer must have a credit limit for the total facilities extending to the obligor (or group of related obligors).
- **Special Approvals:** Extension of credit to certain sectors may require unique approvals or prohibited altogether.
- **Credit Analysis Policy:** There are consistent standards of credit analysis within the Mortgage Bank for approval of credit facilities.
- **Review of facilities:** All extension of credits must be reviewed at least once every month.
- **Sectoral Limits:** The Mortgage Bank utilises sectoral limits to maintain a diversified portfolio of risk assets.
- **Problem Recognition:** There are uniform and consistent standards for recognition of credit migration and remediation within the Mortgage Bank.

(iii) Credit process

The Mortgage Bank's credit process starts with portfolio planning and target market identification. Within identified target markets, credits are initiated by relationship managers. The proposed credits are subjected to review and approvals by applicable credit approval authorities. Further to appropriate approvals, loans are disbursed to beneficiaries. On-going management of loans is undertaken by both relationship management teams and our Credit Risk Management group.

If a preliminary analysis of a loan request by the account manager indicates that it merits further scrutiny, it is then analysed in greater detail by the account manager, with further detailed review by Credit Risk Management. The concurrence of Credit Risk Management must be obtained for any credit extension. If the loan application passes the detailed analysis it is then submitted to the appropriate approval authority for the size of facilities.

The standard credit evaluation process is based both on quantitative figures from the Financial Statements and on an array of qualitative factors. Factual information on the borrower is collected as well as pertinent macroeconomic data, such as an outlook for the relevant sector, etc. These subjective factors are assessed by the analyst and all individuals involved in the credit approval process, relying not only on quantitative factors but also on extensive knowledge of the Mortgage Bank in question and its management.

(iv) Credit risk measurement

Risk Rating Methodology

The credit rating of the counterparty plays a fundamental role in final credit decisions as well as in the terms offered for successful loan applications.

The Mortgage Bank employs a robust credit rating system based on international best practices (including Basel II recommendations) in the determination of the Obligor risks and thus allows the Mortgage Bank to maintain its asset quality at a desired level.

In FirstTrust Mortgage Bank, the objective of the Risk Rating Policy is to ensure reliable and consistent Obligor Risk Ratings (ORRs) throughout the Bank and to provide guidelines for risk rating for retail, individual, and corporate exposures in the Mortgage Bank.

The Risk rating policy incorporates credit risk rating models which estimate risk of obligor default and facility risks (covering both recovery as well as Exposure risk).

Credit Risk Rating Models

The following are the credit risk rating models deployed by the Mortgage Bank

Individual

- Mortgage loans
- Construction finance

Corporate

- Financial institutions
- Oil & Gas
- Telecommunications
- Manufacturing
- Real Estate
- Public Sector

Notes to the Financial statements

Risk Rating Process

It is the policy of FirstTrust Mortgage Bank Plc that all businesses must have a documented and approved Risk Rating Process for deriving risk ratings for all obligors and Facilities Risk Ratings (FRR) (including those covered under Credit Programs). The Risk Rating Process is the end-to-end process for deriving ORRs and FRRs and includes models, guidelines, support adjustments, collateral adjustments, process controls, as well as any other defined processes that a business undertakes in order to arrive at ORRs and FRRs. Risk rating process of each business must be in compliance with the Bank's Risk rating Policy and deviations must be explicitly approved.

Establishing the Risk Rating Process is the joint responsibility of the Business Manager and Independent Credit Risk Manager associated with each business. The process must be documented and must be approved by the Management Credit Committee.

The Risk Rating Process for each business must be reviewed and approved every three years, unless more frequent review is specified as a condition of the approvals. Interim material changes to the Risk Rating Process, as determined by the Independent Credit Risk Manager for the business, must be re-approved.

Responsibilities of Business Units and Independent Credit Risk Management

In FirstTrust Mortgage Bank Plc, Business units and independent credit risk management have a joint responsibility for the overall accuracy of risk ratings assigned to obligors and facilities. Business Relationship Managers will be responsible for deriving the ORR and FRR using approved methodologies as set out in this policy, however independent credit risk management may also perform this function.

Notwithstanding who derives the risk rating, Independent Credit Risk Management is responsible for reviewing and ensuring the correctness of the ORR and FRR assigned to a borrower and facilities. This review includes ensuring the ongoing consistency of the business' Risk Rating Process within the Mortgage Bank Risk Rating Policy; ongoing appropriate application of the Risk Rating Process and tools; review of judgmental and qualitative inputs into the Risk Rating Process; ensuring the timeliness and thoroughness of risk rating reviews; and ensuring that the documentation of the Risk Rating Process is complete and current.

Credit Risk Management has the final authority if there is a question about a conflict rating.

Risk Rating Scale and external rating equivalent

FirstTrust Mortgage Bank Plc operates a 9-grade numeric risk rating scale. The risk rating scale runs from 1 to 9. Rating 1 represents the best obligors and facilities and rating 9 represents the worst obligors and facilities. The risk rating scale incorporates sub-grades and full grades reflective of realistic credit migration patterns.

The risk rating scale and the external rating equivalent is detailed below:

The Mortgage Bank Risk Rating	S&P Long term equivalent	Risk Description	Grade
1	AAA	Extremely Low Risk	Investment Grade
2	AA	Very Low Risk	
3	A	Low Risk	
4	BBB	Acceptable Risk	Standard Grade
5	BB	Moderately High Risk	
6	B	High Risk	
7	CCC	Very High Risk	Non Investment Grade
8	CC	Extremely High Risk	
9	C	High Likelihood of Default	

(v) Credit Risk Control & Mitigation policy

Authority Limits on Credit

The highest credit approval authority is the Board of Directors, supported by the Board Credit Committee and further by the Management Credit Committee. Individuals are also assigned credit approval authorities in line with the Mortgage Bank's criteria for such delegation set out in its Credit Risk and Portfolio Management Plan. The principle of central management of risk and decision authority is maintained by the Mortgage Bank.

The credit approval limits of the principal officers of the Mortgage Bank are shown in the table below:

	Approval Limit
Board of Directors	> N100 million
Board Credit and Finance Committee	>N50 million <=N100 million
Managing Director	> N10 million <= N50 million
Executive Director	>N1million <=N10million
Regional Executives	<N1million

All loans applications above N20 million must be approved by the Management Credit Committee before Board approval.

Notes to the Financial statements

Collateral Policies

It is the Mortgage Bank's policy that all credit exposures are adequately collateralised. Credit risk mitigation is an activity of reducing credit risk in an exposure or transferring it to counterparty, at facility level, by a safety net of tangible and realisable securities including approved third-party guarantees/ insurance.

In the Mortgage Bank, strategies for risk reduction at the transaction level differ from that at the portfolio level. At transaction level, the most common technique used by the Mortgage Bank is the collateralisation of the exposures, by first priority claims or obtaining a third party guarantee. In addition, the Bank's customers are required to take up either or both of the following insurance policies:

- Fire insurance: Taken on the value of the collateral (property).
- Credit life assurance: Taken on the loan amount at inception and renewable annually, based on the outstanding balance. The policy covers the death of the customer, long term disability of the customer, critical illness and loss of job by the customer.

The range of collaterals acceptable to the Bank include:

- Cash / Deposit (domestic and foreign currency)
- Certificates of Deposit from other banks.
- Mortgage on Landed Property
- Asset-backed securities.
- Charge on assets (Fixed and/or Floating) - premises/ inventory/ receivables/ merchandise/ plant/ machinery etc.

Master Netting arrangements

It is the Mortgage Bank's policy that all credit exposures are adequately collateralised. Notwithstanding, our account opening documentation allows the Mortgage Bank to net off customers' deposits against their exposure to the Mortgage Bank. Generally transactions are allowed to run on a gross basis, however, in cases of unfavorable credit migration, the Mortgage Bank may elect to invoke the netting agreement.

Credit related commitments

It is the Mortgage Bank's policy that all credit exposures are adequately collateralised. Credit risk mitigation is an activity of reducing credit risk in an exposure.

Provisioning policy

Provisions for credit losses meet the requirements of the accounting standards and the prudential guidelines set forth by the Central Bank of Nigeria both for loans for which specific provisions exist as well as for the portfolio of performing loans.

(vi) Credit definitions

Impaired loans and securities

Individually impaired loans and securities are loans and debt investment securities for which the Mortgage Bank determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loan /investment security agreement(s). These loans are graded 6 to 9 in the Mortgage Bank's internal credit risk grading system.

Past due but not impaired loans

Past due but not impaired loans and debt investment securities are those for which contractual interest or principal payments are past due but the Mortgage Bank believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Mortgage Bank.

Allowances for impairment

The Mortgage Bank establishes an allowance for impairment losses that represents its expected credit losses in its loan portfolio. The Expected Credit Loss (ECL) is the probability-weighted estimate of credit losses (i.e., the present value of all cash shortfalls) over the expected life of a loan or debt investment securities.

Write-off policy

The Mortgage Bank writes off a loan or debt investment securities balance, and any related allowances for impairment losses, when Management Credit Committee determines that the loan or security are uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Renegotiated loans and Advances.

Renegotiated loans and advances are exposures which have been refinanced, rescheduled, rolled over or otherwise modified due to weakness in the counterparty's financial position and where it has been judged that normal repayment will likely continue after the restructure.

Notes to the Financial statements

(vii) Statement of Prudential adjustments

Provision under prudential guidelines are determined using the time based provisioning regime prescribed by the Revised Central Bank of Nigeria (CBN) prudential guidelines. This is at variance with the expected loss model required by IFRS under IFRS 9. As a result of the differences in the methodology/provision regime, there will be variances in the impairment allowances required under the two methodologies.

Paragraph 12.4 of the revised prudential guidelines stipulates that the Banks would be required to make provisions for loans as prescribed in the relevant IFRS standard when IFRS is adopted. However, Banks would be required to comply with the following:

Provisions for loans recognised in the profit and loss account should be determined based on the requirement of IFRS. However, the IFRS provision should be compared with provisions determined under prudential guidelines and the expected impact/changes in general reserves should be treated as follows:

- Prudential provisions is greater than IFRS provisions: IFRS determined provision is charged to the statement of comprehensive income. The excess provision resulting should be transferred from the general reserves account to the "regulatory risk reserve".
- Prudential provision is less than IFRS provisions: IFRS determined provision 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 non-distributable reserve are classified under Tier 1 as part of the core capital.

The Mortgage Bank has complied with the requirements of the guidelines as follows:

	31 Dec 2021 N'000	31 Dec 2020 N'000
Statement of prudential adjustments		
Prudential provision		
Loan loss provision	10,092,644	8,933,801
Other known losses	1,353,649	1,353,649
Trading properties	1,653,242	1,653,242
	13,099,535	11,940,692
IFRS Provisions		
ECL under IFRS 9	5,257,867	5,975,529
Other assets	221,025	222,125
	5,478,892	6,197,654
Closing regulatory reserves (A)	7,620,643	5,743,038
Opening regulatory reserves (B)	5,743,038	5,031,172
Appropriation: Transfer from retained earnings (C=A-B)	1,877,605	711,866

(viii) Debt securities at amortized cost

The Mortgage Bank limits its exposure to credit risk by investing only in debt securities issued by the Federal Government Nigeria.

(ix) Cash and cash equivalents

The Mortgage Bank limits its exposure to credit risk by placing funds only with counterparties that have a credit rating of at least B.

(x) Other assets

The Mortgage Bank limits its exposure to credit risk by limiting counterparties to those who have been approved by its Board.

Notes to the Financial statements

	2021		2020	
	12-Month ECL ₦'000	Lifetime ECL not credit impaired ₦'000	12-Month ECL ₦'000	Lifetime ECL not credit impaired ₦'000
Cash and Cash equivalents				
Grade 1 - 3 : Low Risk	337,039	-	337,039	3,925,194
Grade 4 - 6 : Fair Risk	-	-	-	-
Grade 7 - 9 : High Risk	-	-	-	-
Gross carrying amount	337,039	-	337,039	3,925,194
Loss allowance	(1,965)	-	(1,965)	(11,270)
Carrying amount	335,074	-	335,074	3,913,924

(xii) Collateral

Details of collateral pledged by customers against the carrying amount of loans as at 31 December are as follows:

In thousands of Naira

	2021		2020	
	Total Exposure	Value of Collateral	Total Exposure	Value of Collateral
Secured against real estate	23,590,727	39,503,578	21,905,259	35,104,249
Secured against other asset	780,971	2,784,190	482,103	558,548
Unsecured	627,135	-	97,177	-
Total Gross Amount	24,998,833	42,287,768	22,484,539	35,662,797
ECL impairment	(302,460)	-	(299,718)	-
- Stage 1	(146,619)	-	(188,348)	-
- Stage 2	(4,808,788)	-	(5,487,463)	-
- Stage 3	19,740,966	42,287,768	16,509,010	35,662,797
Net Carrying Amount				

Notes to the Financial statements

Mortgage lending

The following tables stratify credit exposures from mortgage loans and advances to customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments – to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for mortgage loans is based on the collateral value at origination updated based on changes in house price indices. For credit-impaired loans, the value of collateral is based on the most recent appraisals.

	31 December 2021	31 December 2020
	Carrying amount ₺'000	Carrying amount ₺'000
LTV ratio		
Fair value of collateral < 100% of carrying amount	4,086,218	1,213,980
Fair value of collateral > 100% but ≤ 125% of carrying amount	5,223,849	3,473,663
Fair value of collateral > 125% but ≤ 150% of carrying amount	3,356,270	2,377,995
Fair value of collateral > 150% but ≤ 200% of carrying amount	3,823,741	3,995,250
Fair value of collateral > 200% but ≤ 300% of carrying amount	1,897,959	4,256,180
Fair value of collateral > 300% of carrying amount	1,352,929	1,191,942
	19,740,966	16,509,010

(xiii) Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 4.9(h)

Significant increase in credit risk

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

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

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

The Mortgage Bank uses three criteria for determining whether there has been a significant increase in credit risk:

- a quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 30 days past due.

Notes to the Financial statements

Credit risk grades

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

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk grade deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

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

- Payment record – this includes overdue status as well as a range of variables about payment ratios
- Utilisation of the granted limit
- Requests for and granting of forbearance
- Existing and forecast changes in business, financial and economic conditions
- Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes
- Data from credit reference agencies, press articles, changes in external credit ratings
- Quoted bond and credit default swap (CDS) prices for the borrower where available
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities

See note 5(a)(iii) for the Mortgage Bank's internal credit risk grades and the related PDs.

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Mortgage Bank collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

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

In determining the ECL for other assets, the Group applies the simplified model to estimate ECLs, adopting a provision matrix to determine the lifetime ECLs. The provision matrix estimates ECLs on the basis of historical default rates, adjusted for current and future economic conditions (expected changes in default rates) without undue cost and effort.

Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Mortgage Bank's quantitative modelling, the remaining lifetime PD is determined to have increased by more than a predetermined percentage/range.

Using its expert credit judgment and, where possible, relevant historical experience, the Mortgage Bank may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis. As a backstop, the Mortgage Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

Notes to the Financial statements

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Mortgage Bank determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

Generally, facilities with loss allowances being measured as Life-time ECL not credit impaired (Stage 2) are monitored for a probationary period of 90 days to confirm if the credit risk has decreased sufficiently before they can be migrated from Lifetime ECL not credit impaired (Stage 2) to 12-month ECL (Stage 1) while credit-impaired facilities (Stage 3) are monitored for a probationary period of 180 days before migration from Stage 3 to 12-month ECL (Stage 1). The decrease in risk of default is reflected in the obligor's Risk Rating which is a critical input for Staging.

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

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and Lifetime PD (Stage 2).

Definition of default

The Mortgage Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Mortgage Bank in full, without recourse by the Mortgage Bank to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Mortgage Bank. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Mortgage Bank considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Mortgage Bank; and
- based on data developed internally and obtained from external sources.

Incorporation of forward-looking information

The Mortgage Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Mortgage Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The key drivers for credit risk for financial instruments are: GDP growth, unemployment rates and interest rates. The Mortgage Bank estimates each key driver for credit risk over the active forecast period of three years. This is followed by a period of mean reversion of between two and four years, depending on the instrument.

Notes to the Financial statements

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

ECL for exposures in Stage 1 are calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL are calculated by multiplying the lifetime PD by LGD and EAD. These parameters are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect forward-looking information as described above.

PD is an estimate of the likelihood of default over a given time horizon, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The methodology for estimating PDs is discussed above under the heading 'Generating the term structure of PD'.

LGD is the magnitude of the likely loss if there is a default. The Mortgage Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD estimates are recalibrated for different economic scenarios and, for lending, to reflect possible changes in the economies. They are calculated on a discounted cash flow basis using the effective interest rate as the discount.

EAD represents the expected exposure in the event of a default. The Mortgage Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Mortgage Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Mortgage Bank considers a longer period. The maximum contractual period extends to the date at which the Mortgage Bank has the right to require repayment of an advance or terminate a loan commitment.

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

As at 31 December 2021

Financial statement Items	Gross Carrying Amount			ECL Provision				
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	337,039	-	-	337,039	1,965	-	-	1,965
Loans and advances to customers	10,990,325	1,239,251	12,769,257	24,998,833	302,460	146,619	4,808,788	5,257,867
Investment securities	-	-	-	-	-	-	-	-
Other assets	876,611	-	221,025	1,097,636	-	-	221,025	221,025
Total	12,203,975	1,239,251	12,990,282	26,433,508	304,425	146,619	5,029,813	5,480,857

Notes to the Financial statements

As at 31 December 2020

Financial statement Items	Gross Carrying Amount			ECL Provision				
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	3,925,194	-	-	3,925,194	11,270	-	-	11,270
Loans and advances to customers	7,535,921	2,158,453	12,790,165	22,484,539	299,718	188,348	5,487,463	5,975,529
Investment securities	-	-	-	-	-	-	-	-
Other assets	1,393,274	-	219,840	1,613,114	-	-	219,840	219,840
Total	12,854,389	2,158,453	13,010,005	28,022,847	310,988	188,348	5,707,303	6,206,639

(xiv) Credit concentration

The Mortgage Bank monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

	Loans and advances to customers		Investment securities at amortized cost		Other assets (less prepayments and WHT receivables)		Cash and Cash equivalents (excluding cash in hand)	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Carrying amount	19,740,966	16,509,010	-	-	876,611	1,393,274	335,074	3,913,924
Concentration by sector:								
Corporate	5,354,220	6,765,802	-	-	-	-	335,074	3,913,924
Commercial	-	-	-	-	876,611	1,393,274	-	-
Retail	8,385,530	5,133,434	-	-	-	-	-	-
Government	6,001,216	4,609,774	-	-	-	-	-	-
	19,740,966	16,509,010	-	-	876,611	1,393,274	335,074	3,913,924
Concentration by location:								
Nigeria	19,740,966	16,509,010	-	-	876,611	1,393,274	335,074	3,913,924
Rest of Africa	-	-	-	-	-	-	-	-
	19,740,966	16,509,010	-	-	876,611	1,393,274	335,074	3,913,924

Concentration by location for loans and advances is measured based on the location of the borrower. Concentration by location for investment securities is measured based on the location of the issuer of the security. Concentration by location for other assets is measured based on the location of the third parties involved. Concentration by location for cash and cash equivalents is measured based on the location of the Banks' headquarters.

(b) Market risk management

Market risk' is the risk that changes in market prices – e.g. interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) – will affect the Mortgage Bank's income or the value of its holdings of financial instruments. The objective of the Mortgage Bank's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Mortgage Bank's solvency while optimising the return on risk.

Notes to the Financial statements

FirstTrust Mortgage Bank's ability to meet business objectives will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, foreign exchange rates, equity prices, commodity prices and credit spreads. Market risk in the Bank mainly arises from trading activities and unquoted equity investments. The Mortgage Bank's had unquoted equity investments valued at N1.26billion as at 31 December 2021 (31 December 2020: N1.24 billion).

(i) Interest rate risk

Interest rate risk is the exposure of the Mortgage Bank's financial condition to adverse movements in interest rates, yield curves and credit spreads. The Mortgage Bank is exposed to a considerable level of interest rate risk i.e. the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. These changes could have a negative impact on the net interest income, if not properly managed.

The Mortgage Bank however, has a portion of its liabilities in non-rate sensitive liabilities. This assists in managing its exposure to interest rate risks.

Sensitivity analyses are carried out from time to time to evaluate the impact of rate changes on the net interest income (ranging from 100 basis point to 500 basis points). The sensitivity analysis is computed using only rate sensitive assets and liabilities.

The table below summarizes the Mortgage Bank's interest rate gap position:

31 December 2021

	Note	Carrying amount ₦'000	Rate Sensitive ₦'000	Non-rate Sensitive ₦'000
Assets				
Cash and cash equivalents (excluding cash in hand)	18	332,089	302,932	29,157
Loans and advances to customers (gross)	19	24,998,833	24,998,833	-
		25,330,922	25,301,765	29,157
Liabilities				
Deposits from customers	26	14,262,332	12,276,953	1,985,379
Interest-bearing loans and borrowings	28	10,419,990	10,419,990	-
		24,682,322	22,696,943	1,985,379
Total interest repricing gap		648,600	2,604,822	(1,956,222)

31 December 2020

Notes	Carrying amount ₦'000	Less than 3 months ₦'000	3 - 6 months ₦'000	6 - 12 months ₦'000	1 - 5 years ₦'000	More than 5 years ₦'000
Assets						
Cash and cash equivalents (excluding cash in hand)	18	302,932	286,395	-	-	-
Loans and advances to customers (gross)	19	24,998,833	187,580	343,159	6,026,289	12,173,290
		25,301,765	473,975	359,696	6,026,289	12,173,290
Liabilities						
Deposits from customers	26	14,262,332	13,931,935	300,238	18,866	9,228
Interest-bearing loans and borrowings	28	10,419,990	-	-	-	10,419,990
		24,682,322	13,931,935	300,238	18,866	10,429,218
Total interest repricing gap		619,443	(13,457,960)	59,458	6,007,423	1,744,072

Notes to the Financial statements

31 December 2020

Assets

Cash and cash equivalents (excluding cash in hand)
Loans and advances to customers (gross)
Investment securities (excluding equity investment)

Note	Carrying amount N'000	Rate Sensitive N'000	Non-rate Sensitive N'000
18	3,920,608	3,802,889	117,719
20	22,484,539	22,484,539	-
21	-	-	-
	26,405,147	26,287,428	117,719

Liabilities

Deposits from customers
Interest-bearing loans and borrowings

26	16,082,695	13,679,749	2,402,946
28	8,688,620	8,688,620	-
	24,771,315	22,368,369	2,402,946
	1,633,832	3,919,059	(2,285,227)

Total interest repricing gap

31 December 2020

Assets

Cash and cash equivalents (excluding cash in hand)
Loans and advances to customers (gross)
Investment securities (excluding equity investment)

Notes	Carrying amount N'000	Less than 3 months N'000	3 - 6 months N'000	6 - 12 months N'000	1 - 5 years N'000	More than 5 years N'000
18	3,802,889	3,786,352	16,537	-	-	-
19	22,484,539	6,364,821	1,041,080	1,903,060	4,608,907	8,566,671
21	-	-	-	-	-	-
	26,287,428	10,151,173	1,057,617	1,903,060	4,608,907	8,566,671

Liabilities

Deposits from customers
Interest-bearing loans and borrowings

26	16,082,695	14,284,628	1,694,322	87,656	5,135	10,954
28	8,688,620	-	1,014	-	52,860	8,634,746
	24,771,315	14,284,628	1,695,336	87,656	57,995	8,645,699
	1,516,113	(4,133,455)	(637,719)	1,815,404	4,550,912	(79,028)

Total interest repricing gap

Sensitivity analysis
31 December 2021

Interest income (Cash and cash equivalents)
Interest income (Loans)
Interest income (Investment securities)
Interest expense (Deposits from customers)
Interest expense (Borrowings)
Net interest income

Note	N'000	At reporting date	+1%	-1%	Increased by 100bp	Decreased by 100bp
9	27,661	0.1%	1.1%	-0.9%	280,679	(225,359)
9	3,124,491	12.3%	13.3%	11.3%	3,377,510	2,871,474
9	-	0.0%	1.0%	-1.0%	253,018	(253,018)
9	(932,289)	-4.1%	-5.1%	-3.1%	(1,159,258)	(705,320)
9	(527,873)	-2.3%	-3.3%	-1.3%	(754,842)	(300,904)
	1,691,990				1,997,105	1,386,876
					305,115	(305,114)

Impact on net interest income

Notes to the Financial statements

31 December 2020

	Note	At reporting date	+1%	-1%	Increased by 100bp	Decreased by 100bp
		£'000				
Interest income (Cash and cash equivalents)	9	28,249	1.1%	-0.9%	291,123	(234,627)
Interest income (Loans)	9	2,342,570	9.9%	7.9%	2,605,445	2,079,697
Interest income (Investment securities)	9	717	1.0%	-1.0%	263,591	(262,157)
Interest expense (Deposits from customers)	9	(974,580)	-5.4%	-3.4%	(1,198,264)	(750,896)
Interest expense (Borrowings)	9	(456,611)	-3.0%	-1.0%	(680,295)	(232,927)
Net interest income		940,345			1,281,600	599,090
Impact on net interest income					341,255	(341,255)

Notes to the Financial statements

(c) Liquidity risk management

'Liquidity risk' is the risk that the Mortgage Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises from mismatches in the timing and amounts of cash flows, which is inherent to the Mortgage Bank's operations and investments.

The Mortgage Bank has developed a liquidity management framework based on a statistical model underpinned by conservative assumptions with regard to cash inflows and the liquidity of liabilities. In addition, liquidity stress tests assuming extreme withdrawal scenarios are performed. These stress tests specify additional liquidity requirements to be met by holdings of liquid assets.

Funding and liquidity risk management activities are centralised within Corporate Treasury. We believe that a centralized approach to funding and liquidity risk management enhances our ability to monitor liquidity requirements, maximizes access to funding sources, minimizes borrowing costs and facilitates timely responses to liquidity events. We analyse and monitor our liquidity risk, maintain excess liquidity and access diverse funding sources including our stable deposit base.

The Board approves the Mortgage Bank's liquidity policy and contingency funding plan, including establishing liquidity risk tolerance levels. The ALCO, in conjunction with the Board and its committees, monitors our liquidity position and reviews the impact of strategic decisions on our liquidity. Liquidity positions are measured by calculating the Mortgage Bank's net liquidity gap and by comparing selected ratios with targets as specified in the liquidity risk management manual.

(i) Quantifications

FirstTrust Mortgage Bank has adopted both qualitative and quantitative approaches to measuring liquidity risk. Specifically, the Bank adopted the following approaches;

- a) Funding and Liquidity plan; and
- b) Gap Analysis

The Funding and Liquidity plan defines the Mortgage Bank's sources and channels of utilisation of funds. The funding liquidity risk limit is quantified by calculating liquidity ratios and measuring/monitoring the cumulative gap between our assets and liabilities. The Liquidity Gap Analysis quantifies the cumulative gap in a business as usual environment. The gap for any given tenor bucket represents the borrowings from, or placements to, the market required to replace maturing liabilities or assets. The Mortgage Bank monitors the cumulative gap as a + or – 20% of the total risk assets and the gap as a + or – 20% of total deposit liabilities.

(ii) Limits management and monitoring

Active management of liquidity through the framework of limits and control presented above is possible only with proper monitoring capabilities. The monitoring process focuses on funding portfolios, the forward balance sheet and general indicators; where relevant information and data are compared against limits that have been established. The Mortgage Bank's Treasury is responsible for maintaining sufficient liquidity by maintaining sufficient high ratio of liquid assets and available funding for near term liabilities. The secured liquidity measure is calculated and monitored by risk management. Increased withdrawals of short-term funds are monitored through measurements of the deposit base in the Bank. Liquidity risk is reported to the Board of Directors on a quarterly basis.

(iii) Contingency funding plan

The Mortgage Bank has a contingency funding plan which incorporate early warning indicators to monitor market conditions. The Mortgage Bank monitors its liquidity position and funding strategies on an ongoing basis, but recognises that unexpected events, economic or market conditions, earnings problems or situations beyond its control could cause either a short or long-term liquidity crisis. It reviews its contingency funding plan in the light of evolving market conditions and stress test results.

To monitor liquidity and funding, the Treasury prepares a liquidity worksheet twice a month that project sources and uses of funds. The worksheet incorporates the impact of moderate risk and crisis situations. The worksheet is an integral component of the contingency funding plan. Although it is unlikely that a funding crisis of any significant degree could materialise, we consider it important to evaluate this risk and formulate contingency plans should one occur.

The contingency funding plan covers: the available sources of contingent funding to supplement cash flow shortages; the lead times to obtain such funding; the roles and responsibilities of those involved in the contingency plans; and the communication and escalation requirements when early warning indicators signal deteriorating market conditions. Both short term and long-term funding crises are addressed in the contingency funding plan.

Notes to the Financial statements

(iv) Exposure to liquidity risk

The key measure used by the Mortgage Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market divided by any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month. A similar calculation is used to measure the Mortgage Bank's compliance with the liquidity limit established by the Mortgage Bank's lead regulator (The Central Bank of Nigeria).

Details of the reported ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows:

	31 December 2021	31 December 2020
At end of year	2%	26%
Average for the year	4%	8%
Maximum for the year	16%	26%
Minimum for the year	3%	4%

The following table shows the undiscounted cash flows on the Mortgage Bank's financial assets and liabilities and on the basis of their earliest possible contractual maturity. The gross nominal inflow / (outflow) disclosed in the table is the contractual, undiscounted cash flow on the financial assets and liabilities.

31 December 2021	Note	Carrying amount ₦'000	Gross nominal ₦'000	Less than 3 month ₦'000	3 - 6 months ₦'000	6 - 12 months ₦'000	1 to 5 years ₦'000	More than 5 years ₦'000
Non-derivative assets:								
Cash and cash equivalents (excluding cash in hand)	18	330,124	337,039	337,039	-	-	-	-
Loans and advances to customers	19	19,740,966	25,094,013	188,296	344,467	6,049,259	6,292,387	12,219,604
Investment securities	21	1,256,806	1,256,806	-	-	-	-	1,256,806
Other assets (excluding prepayments and WHT receivables)	22	876,611	876,611	876,611	-	-	-	-
		22,204,507	27,564,469	1,401,946	344,467	6,049,259	6,292,387	13,476,410
Non-derivative liabilities								
Deposits from customers	26	14,262,332	14,262,332	13,931,935	300,238	18,866	2,065	9,228
Other liabilities (excluding VAT and WHT payables)	27	3,478,891	3,478,891	3,478,891	-	-	-	-
Interest bearing loans and borrowings	28	10,419,990	-	-	-	-	-	10,419,990
		28,161,213	17,741,223	17,410,826	300,238	18,866	2,065	10,429,218
Gap (asset - liabilities)		(5,956,706)	9,823,246	(16,008,880)	44,229	6,030,393	6,290,322	3,047,192
Cumulative liquidity gap		(5,956,706)	3,866,540	(12,142,340)	(12,098,111)	(6,067,718)	222,604	3,269,796
31 December 2020								
	Note	Carrying amount ₦'000	Gross nominal ₦'000	Less than 3 month ₦'000	3 - 6 months ₦'000	6 - 12 months ₦'000	1 to 5 years ₦'000	More than 5 years ₦'000
Non-derivative assets:								
Cash and cash equivalents (excluding cash in hand)	18	3,909,338	3,934,253	3,917,609	16,644	-	-	-
Loans and advances to customers	19	16,509,010	22,577,486	6,364,846	1,043,703	1,903,156	4,621,189	8,644,592
Investment securities	21	1,239,787	1,239,787	-	-	-	-	1,239,787
Other assets (excluding prepayments and WHT receivables)	22	1,393,274	1,393,274	1,393,274	-	-	-	-
		23,051,409	29,144,800	11,675,729	1,060,347	1,903,156	4,621,189	9,884,379

Notes to the Financial statements

Non-derivative liabilities								
Deposits from customers	26	16,082,695	16,122,123	14,269,855	1,738,850	92,773	5,805	14,840
Other liabilities (excluding VAT and WHT payables)	27	5,681,422	5,681,422	5,681,422	-	-	-	-
Interest bearing loans and borrowings	28	8,688,620	10,016,506	-	1,014	-	52,860	9,962,631
		30,452,737	31,820,051	19,951,277	1,739,864	92,773	58,665	9,977,472
Gap (asset - liabilities)		(7,401,328)	(2,675,251)	(8,275,548)	(679,517)	1,810,383	4,562,524	(93,093)
Cumulative liquidity gap		(7,401,328)	(10,076,579)	(18,352,128)	(19,031,644)	(17,221,262)	(12,658,738)	(12,751,830)

(d) Capital management

The Capital planning policy of FirstTrust is applicable to all process and activities associated with managing and allocating the Mortgage Bank's capital including: financing activities, investment activities, dividends, acquisition and disposal of assets.

The Board and Management of the Mortgage Bank are committed to maintain the optimum capital needed to run its business effectively, absorb unexpected losses and maximize shareholders' value. The Mortgage Bank's capital goals are to adhere to regulatory capital requirements even under unfavorable conditions. The required capital targets takes into consideration forward-looking economic outlook, the Mortgage Bank's financial condition, the potential impact of stress events and the uncertainties inherent in capital planning process.

(i) Regulatory Minimum Capital Risk

There were no changes in the Mortgage Bank's approach to capital management during the year. The Mortgage Bank has not met the minimum capital and capital adequacy ratio required by the Central Bank of Nigeria (CBN), applicable to National level Primary Mortgage Banks of N5billion and 10% respectively.

The table below summarizes the composition of regulatory capital and the ratios of the Mortgage Bank only for the years presented below.

<i>In thousands of Naira</i>	2021	2020
Tier 1 Capital		
Share capital	6,027,515	6,027,515
Share premium	2,737	2,737
Accumulated deficits	(10,795,781)	(9,051,148)
Other components of equity	8,346,793	6,452,169
Tier 1 Sub-Total	3,581,264	3,431,273
<i>Less regulatory deductions:</i>		
Regulatory risk reserves	7,620,643	5,743,038
Deferred tax assets	835,539	835,539
Other intangible assets	272,923	292,221
Goodwill	2,020,248	2,020,248
	10,749,353	8,891,046
Net Total Tier 1 Capital (A)	(7,168,089)	(5,459,773)
Tier 2 Capital		
Eligible reserves	-	(1,819,924)
Net Total Tier 2 Capital (B)	-	(1,819,924)
Total Qualifying Capital (C=A+B)	(7,168,089)	(7,279,697)
Composition of Risk-Weighted Assets		
Risk-Weighted Amount for Credit Risk	23,821,577	20,286,886
Risk-Weighted Amount for Market Risk	97,290	245,075
Risk-Weighted Amount for Operational Risk	443,307	430,587
Aggregate Risk-Weighted Assets	24,362,174	20,962,547
Total Risk-Weighted Capital Ratio	-29.42%	-34.73%
Tier 1 Risk-Based Capital Ratio	-29.42%	-26.05%

Notes to the Financial statements

6 Use of judgments and estimates

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Mortgage Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 31 December 2021 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- (i) Impairment losses on loans and advances - Note 4.10 (h)
- (ii) Valuation of goodwill from business combination - Note 24 (b)
- (iii) Determining fair values - Note 6 (c)
- (iv) Recognition of deferred tax assets - Note 6 (d)

Key sources of estimation uncertainty

(a) Impairment losses on loans and advances

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 4.10(h).

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Determining the credit risk grades;
- Generating the term structure of the probability of default;
- Determining whether credit risk has increased significantly;
- Incorporation of forward-looking information.

(b) Valuation of goodwill on business combination

The valuation of goodwill is dependent on the fair value of the consideration transferred, fair value of the assets acquired and liabilities assumed, which are all measured on a provisional basis.

Goodwill is not subject to amortisation and is tested annually for impairment and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each asset or group of assets, i.e. cash generating unit (CGU), to which the goodwill relates. A CGU represents an asset grouping at the lowest level for which there are separately identifiable cash flows. The recoverable amount of an asset or a CGU is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The estimation process is complex due to the inherent risks and uncertainties and if different estimates were used this could materially change the projected value of the cash flows. An impairment loss in respect of goodwill is not reversed.

(c) Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market prices 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. Where the fair values of unquoted securities could not be determined, the assets were carried at cost.

The Mortgage Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- i) Level 1 : Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- ii) Level 2 : Inputs other than quoted prices included within Level 1 that are observable 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 identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- iii) Level 3 : Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Notes to the Financial statements

The fair values of properties are determined by applying the direct market evidence comparative method of valuation to derive the open market value. This valuation model reflects the current price on actual transaction for similar properties in the neighbourhood in recent time. References were made to prices of land and comparable properties in the neighbourhood. The data obtained were analysed and adjustment was made to reflect differences in site area and the actual location, quality of construction and off-site facilities.

(i) Financial instruments measured at fair value - fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position. The fair values include any deferred differences between the transaction price and the fair value on initial recognition when the fair value is based on a valuation technique that uses unobservable inputs.

31 December 2021					
<i>In thousands of Naira</i>	Note	Level 1	Level 2	Level 3	Total
Investment securities (unquoted equities)	21	-	-	1,256,806	1,256,806
31 December 2020					
<i>In thousands of Naira</i>	Note	Level 1	Level 2	Level 3	Total
Investment securities (unquoted equities)	21	-	-	1,239,787	1,239,787

(d) Level 3 fair value measurement

Unobservable inputs used in measuring fair value

The following table sets out the information about significant unobservable inputs used at 31 December 2021 and 2020 in measuring financial instruments categorised as level 3 in the fair value hierarchy.

Type of financial instrument	Fair value		Valuation technique	Significant unobservable input
	12/31/2021	12/31/2020		
	N'000	N'000		
Unquoted equities	1,256,806	1,239,787	Average of Net Assets Value, comparable multiple and precedent transaction price.	Precedent transaction price, Illiquidity discount

The effect of unobservable inputs on fair value measurement

Although the Mortgage Bank believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects.

31 December 2021	Effect in OCI	
	Favourable	(Unfavourable)
Unquoted equities	12,468	(12,468)
31 December 2020	Effect in OCI	
	Favourable	(Unfavourable)
Unquoted equities	12,301	(12,301)

(ii) Financial instruments not measured at fair value

The following table sets out the fair value of financial instruments not measured at fair value and analyses them by the level in fair value hierarchy into which each fair value measurement is categorised. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Notes to the Financial statements

31 December 2021							
<i>In thousands of Naira</i>	Note	Level 1	Level 2	Level 3	Total carrying amount	Total fair values	
Loans and advances to customers	1	-	19,740,966	-	19,740,966	19,736,456	
Total		-	19,740,966	-	19,740,966	19,736,456	
31 December 2020							
<i>In thousands of Naira</i>		Level 1	Level 2	Level 3	Total carrying amount	Total fair values	
Loans and advances to customers	1	-	16,509,010	-	16,509,010	16,509,010	
Investment securities (at amortized cost)		-	-	-	-	-	
Total		-	16,509,010	-	16,509,010	16,509,010	

(e) Recognition of deferred tax

The recognition of deferred tax asset is based on Management's profit forecasts (which are based on the available evidence, including historical levels of profitability), which indicates that it is probable that the Mortgage Bank will have future taxable profits against which these assets can be used.

Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

(i) Note 4.15 (iii) - useful life of property and equipment

(ii) Note 4.17 - determination of impairment of property and equipment and intangible assets

(iii) Note 5 (a)(xiii) - establishing the criteria for determining whether credit risk on a financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL

(iv) Note 4.10 (b) - classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial assets are SPPI on the principal amount outstanding

Notes to the Financial statements

7 Operating segments

(a) Basis of segmentation

The Mortgage Bank has the following reportable segments. These segments offer different products and services, and are managed separately based on the Mortgage Bank's management and internal reporting structure.

- The mortgage banking segment represents the Mortgage Bank's major line of business and it involves the provision of mortgage banking services to individuals and corporate customers.
- The trading properties segment represents a line of business that has been discontinued and the segment does not meet the qualitative thresholds set out in the standard for reportable segments. However, Management is of the view that information about the segment would be useful to users of the financial statements and has disclosed the information.

For each of the segments, the Executive Management Committee reviews internal management reports on, at least, a quarterly basis. The Mortgage Bank presents segment information to its Executive Management Committee, which is the Mortgage Bank's Chief Operating Decision Maker.

(b) Information about reportable segments

Information related to each reportable segment is set out below. Segment profit before tax, as included in internal management reports reviewed by the Executive Management committee is used to measure performance because management believes that such information is the most relevant in evaluating the results of the respective segments relative to other entities that operate within the same industries.

	Mortgage Banking	Trading Properties	Total
	N'000	N'000	N'000
<i>31 December 2021</i>			
Revenue:			
Derived from external customers	3,264,177	555,552	3,819,729
Total revenue	3,264,177	555,552	3,819,729
Interest expenses	(1,597,851)	-	(1,597,851)
Cost of sales and other expenses	-	(492,023)	(492,023)
Net fee and commission income	98,811	-	98,811
Net trading loss	-	(166,100)	(166,100)
Net operating income/(net trading loss)	1,765,137	(102,571)	1,662,566
Expense:			
Personnel expenses	(510,492)	-	(510,492)
Operating expenses	(1,021,617)	-	(1,021,617)
Impairment on financial assets	261,150	-	261,150
Depreciation of property and equipment	(182,173)	-	(182,173)
Amortisation of intangible assets	(63,531)	-	(63,531)
Total expense	(1,516,663)	-	(1,516,663)
Reportable segment loss before tax	248,474	(102,571)	145,903
Taxation	-	-	(12,931)
Reportable segment loss after tax	248,474	(102,571)	132,972
Assets and liabilities:			
Total assets	27,285,361	6,210,956	33,496,317
Total liabilities	27,811,880	2,103,173	29,915,053
Net assets	(526,519)	4,107,783	3,581,264

Notes to the Financial statements

	Mortgage Banking	Trading Properties	Total
	N'000	N'000	N'000
<i>31 December 2020</i>			
Revenue:			
Derived from external customers	2,697,410	1,422,750	4,120,160
Total revenue	2,697,410	1,422,750	4,120,160
Interest expenses	(1,594,587)	-	(1,594,587)
Cost of sales and other expenses	-	(1,620,289)	(1,620,289)
Net fee and commission income	152,138	-	152,138
Net operating income/(net trading loss)	1,254,961	(197,539)	1,057,422
Expense:			
Personnel expenses	(527,496)	-	(527,496)
Operating expenses	(874,215)	-	(874,215)
Impairment on financial assets	(795,063)	-	(795,063)
Depreciation of property and equipment	(129,625)	-	(129,625)
Amortisation of intangible assets	(22,401)	-	(22,401)
Total expense	(2,348,800)	-	(2,348,800)
Reportable segment loss before tax	(1,093,839)	(197,539)	(1,291,378)
Taxation	-	-	(25,885)
Reportable segment loss after tax	(1,093,839)	(197,539)	(1,317,263)
Assets and liabilities:			
Total assets	27,348,818	6,664,344	34,013,162
Total liabilities	25,785,820	4,796,069	30,581,889
Net (liabilities)/assets	1,562,998	1,868,275	3,431,273

(c) Geographic information

The operations of the operating segments are in the same geographic location i.e Nigeria; hence, no further information is presented in this regard.

Notes to the Financial statements

8 Financial assets and liabilities

Accounting classification and measurement basis.

The table below sets out the Mortgage Bank's classification and measurement basis for each class of financial assets and liabilities. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2021	Note	Financial assets at amortized cost N'000	Financial assets at FVOCI N'000	Financial liabilities at amortized cost N'000	Total carrying amount N'000
Cash and cash equivalents	18	335,074	-	-	335,074
Loans and advances to customers	19	19,740,966	-	-	19,740,966
Investment securities	21	-	1,256,806	-	1,256,806
Other assets (excluding prepayments and WHT receivables)	22	876,611	-	-	876,611
		20,952,651	1,256,806	-	22,209,457
Bank overdraft	18	-	-	1,609,218	1,609,218
Deposits from customers	26	-	-	14,262,332	14,262,332
Other liabilities (excluding VAT and WHT payables)	27	-	-	3,478,891	3,478,891
Interest bearing loans and borrowings	28	-	-	10,419,990	10,419,990
		-	-	29,770,431	29,770,431

31 December 2020	Note	Financial assets at amortized cost N'000	Financial assets at FVOCI N'000	Financial liabilities at amortized cost N'000	Total carrying amount N'000
Cash and cash equivalents	18	3,913,924	-	-	3,913,924
Loans and advances to customers	19	16,509,010	-	-	16,509,010
Investment securities	21	-	1,239,787	-	1,239,787
Other assets (excluding prepayments and WHT receivables)	22	1,393,274	-	-	1,393,274
		21,816,208	1,239,787	-	23,055,995
Bank overdraft	18	-	-	-	-
Deposits from customers	26	-	-	16,082,695	16,082,695
Other liabilities (excluding VAT and WHT payables)	27	-	-	5,681,422	5,681,422
Interest bearing loans and borrowings	28	-	-	8,688,620	8,688,620
		-	-	30,452,737	30,452,737

Notes to the Financial statements

9 Net interest income

	31 December 2021	31 December 2020
	N'000	N'000
Interest income		
Cash and cash equivalents	27,661	28,249
Loans and advances to customers	3,124,491	2,342,570
Investment securities at amortised cost	-	717
Interest income on MWFL account (see (a) below)	-	3,224
Total interest income earned on financial assets measured at amortized cost	<u>3,152,152</u>	<u>2,374,760</u>
Interest expense		
Interest-bearing loans and borrowings	(527,873)	(456,611)
Bank overdraft	(137,689)	(163,396)
Deposit from customers	(932,289)	(974,580)
Total interest expense incurred on financial liabilities measured at amortized cost	<u>(1,597,851)</u>	<u>(1,594,587)</u>
Net interest income	<u>1,554,301</u>	<u>780,173</u>

The amounts reported above for interest income and expense were calculated using the effective interest method.

(a) MWFL (Mortgage Warehousing Funding Limited) provided pre-financing funds to FirstTrust Mortgage Bank Plc for creation of mortgages pending when the loans would be seasoned and refinanced by NMRC. This arrangement also included an equity investment portion, in which the Mortgage Bank had equity investments in MWFL, from which interest income was earned. However, this pre-financing arrangement no longer existed as at 31 December 2021 as the Mortgage Bank had fully paid up its loans from MWFL. See Note 28.

10 Net fee and the commission income

	31 December 2021	31 December 2020
	N'000	N'000
Loan management fees	70,204	89,126
Acceptance fees	23,374	14,537
Servicer fees	(27)	31,170
Legal and Inspection fees	9,942	8,498
Commission on insurance premium	3,365	26,098
Other fees and commissions	13,278	3,738
Fee and commission income	<u>120,136</u>	<u>173,167</u>
Fees and commission expense	<u>(21,325)</u>	<u>(21,029)</u>
Net fee and commission income	<u>98,811</u>	<u>152,138</u>

The total amount of net fee and commission income above excludes amounts included in determining the effective interest rate on financial assets and financial liabilities measured at amortised cost.

11 Net trading loss

	31 December 2021	31 December 2020
	N'000	N'000
Proceeds from sale of trading properties	555,552	1,422,000
Rental income	-	750
Expenses:		
Cost of properties disposed	(491,628)	(1,511,100)
Property expenses	(395)	(109,189)
Agency expenses	(166,100)	-
	<u>(102,571)</u>	<u>(197,539)</u>

Net trading gain/(loss) is the loss arising on the sale of trading properties to customers.

Notes to the Financial statements

12 Other operating income

	31 December 2021	31 December 2020
	N'000	N'000
Profit from disposal of property and equipment	2,906	229,573
Other income (see (a) below)	29,803	17,214
Dividend income (see (b) below)	78,538	74,132
Net gain from foreign exchange	778	1,731
	<u>112,025</u>	<u>322,650</u>

(a) Other income warehouses income earned from penal charges on loans and advances during the year.

(b) The Bank earned dividend income from its equity investments in Nigeria Mortgage Refinancing Company (NMRC). The amount recognised is gross of withholding tax of 10%.

13 Impairment losses on financial instruments

	31 December 2021	31 December 2020
	N'000	N'000
Impairment (writeback)/ loss on loans and advances	(262,854)	788,106
Impairment loss on undrawn commitment	12,109	-
Impairment (writeback)/ loss on cash and cash equivalents	(9,305)	8,957
	<u>(260,050)</u>	<u>797,063</u>
Write-back of impairment on other assets (See note 22(d))	(1,100)	(2,000)
	<u>(261,150)</u>	<u>795,063</u>

14 Personnel expenses

	31 December 2021	31 December 2020
	N'000	N'000
Wages and salaries	406,679	414,459
Contributions to defined contribution plans	16,232	16,157
Medical expense	15,438	10,274
Other staff costs	72,142	86,606
	<u>510,492</u>	<u>527,496</u>

	31 December 2021	31 December 2020
(i) The average number of persons employed by the Mortgage Bank during the year by category:		
Management	9	9
Non-management	75	84
	<u>84</u>	<u>93</u>
	31 December 2021	31 December 2020
Compensation for the above staff:	N'000	N'000
Management	129,159	122,640
Non-management	381,333	404,856
	<u>510,492</u>	<u>527,496</u>

Notes to the Financial statements

- (ii) The number of employees of the Mortgage Bank who received emoluments (excluding pension contributions and certain benefits) are in the following ranges:

	31 December 2021	31 December 2020
Less than N500,000	-	-
N500,001 - N900,000	4	2
N900,001 - N1,200,000	-	1
N1,200,001 - N1,700,000	12	7
N1,700,001 - N2,500,000	17	20
N2,500,001 - N3,000,000	-	10
N3,000,001 - N3,500,000	13	10
N3,500,001 - N5,000,000	11	18
N5,000,001 - N7,000,000	18	15
N7,000,001 - N9,000,000	-	2
N9,000,000 and above	9	8
	84	93

The Mortgage Bank operates a contributory pension scheme in accordance with the provisions of the Pensions Act 2004. The contribution by employees and the Mortgage Bank are 8% and 10% respectively of the employees' basic salary, housing and transport allowances. The contribution by the Mortgage bank during the year was N 16 million (2020: N16 million).

15 Other operating expenses

	31 December 2021	31 December 2020
	N'000	N'000
Insurance premium	29,900	39,303
Directors emoluments	35,082	23,678
Other premises and equipment costs	103,235	103,945
Auditor's remuneration	26,250	19,000
Repairs and maintenance	31,693	33,732
Professional fees (see (i) below)	135,321	107,217
Business travel expenses	87,443	87,268
Stationery and postage	54,028	53,187
NHF loan expenses	5,568	17,756
NDIC Premium	79,038	55,186
Advert, promotion and corporate gifts	160,856	94,821
Training cost	101,490	12,130
Fuel expenses	33,855	29,764
Agency fee	-	53,750
Security charges	13,101	16,594
Donations and subscriptions	26,473	18,941
Fees and levies	80	1,596
AGM Expenses	-	10,000
Office expenses	4,016	7,744
Unskilled labour expenses	26,283	26,004
General administrative expenses	67,906	62,599
	1,021,617	874,215

- (i) Warehoused in professional fees above is the sum of N 1.5 million being expenses incurred during the year on non-audit service (NDIC Certification) provided by the auditor: Messrs KPMG Professional Services (2020: N1 million).

Notes to the Financial statements

16 Taxation

	31 December 2021	31 December 2020
	N'000	N'000
(a) Income tax expense		
<i>Current taxes:</i>		
Tertiary education tax	1,446	-
NASENI	365	-
Police trust fund	7	-
NITDA Levy	1,460	-
	<u>3,278</u>	<u>-</u>
<i>Deferred taxes:</i>		
Origination and reversal of temporary differences	-	-
Total income tax expense/(credit)	<u>3,278</u>	<u>-</u>
(b) Capital gains tax	<u>-</u>	<u>15,337</u>
(c) Minimum tax	9,653	10,548
Total tax expense	<u>12,931</u>	<u>25,885</u>

(d) Movement in taxation payable

The movement on the current income tax payable account during the year was as follows:

	31 December 2021	31 December 2020
	N'000	N'000
Balance, beginning of the year	29,170	13,130
Income tax expense	3,278	-
Capital gains tax	-	15,337
Minimum tax	9,653	10,548
Payments during the year	<u>(25,885)</u>	<u>(9,845)</u>
Balance, end of year	<u>16,216</u>	<u>29,170</u>

(e) Reconciliation of effective tax expense

	31 December 2021	Tax Rate	31 December 2020
Tax Rate	N'000	%	N'000
Profit before income tax	145,903		(1,291,378)
Income tax using the domestic corporation tax rate	(750)	30%	(387,414)
Tertiary education tax	1,446	0%	-
NASENI Levy	365	0%	-
NITDA Levy	1,460	0%	-
Police Trust Fund	7	0%	-
Non-deductible expenses	116,814	-1%	7,583
Tax exempt income	(106,411)	10%	(128,274)
Impact of unrecognised temporary differences	-	-39%	508,105
Total income tax expense	<u>12,931</u>	0%	<u>-</u>

Notes to the Financial statements

17 Earnings per share

Basic and diluted earnings per share

The calculation of basic and diluted earnings per share as at 31 December 2021 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the year and is calculated as follows:

(a) Weighted average number of ordinary shares

	31 December 2021	31 December 2020
	<u>₦'000</u>	<u>₦'000</u>
Outstanding shares at the beginning of the year	6,027,515	6,027,515
Outstanding shares at the end of the year (see (i) below)	<u>6,027,515</u>	<u>6,027,515</u>
Weighted average number of ordinary shares	<u>6,027,515</u>	<u>6,027,515</u>

(b) Profit attributable to ordinary shareholders

	31 December 2021	31 December 2020
	<u>₦'000</u>	<u>₦'000</u>
Profit/(Loss) for the year attributable to equity holders	<u>132,972</u>	<u>(1,317,263)</u>
Basic and diluted earnings per share (in kobo)	<u>2.21</u>	<u>(21.85)</u>

18 Cash and cash equivalents

	31 December 2021	31 December 2020
	<u>₦'000</u>	<u>₦'000</u>
Cash in hand	4,950	4,586
Balances with banks	29,157	117,719
Money market placements	302,932	3,802,889
	<u>337,039</u>	<u>3,925,194</u>
Impairment allowance (see note (a) below)	(1,965)	(11,270)
	<u>335,074</u>	<u>3,913,924</u>
Due to banks	(1,609,218)	-
Add: impairment allowance	1,965	11,270
Cash and cash equivalent for the purpose of cashflow statement	<u>(1,272,179)</u>	<u>3,925,194</u>
Current	<u>335,074</u>	<u>3,913,924</u>

(a) Movement in impairment of cash and cash equivalents

	31 December 2021	31 December 2020
	<u>₦'000</u>	<u>₦'000</u>
Balance, beginning of year	11,270	2,313
Expected credit (writeback)/loss for the year (see note 13)	(9,305)	8,957
Balance, end of year	<u>1,965</u>	<u>11,270</u>

Notes to the Financial statements

19 Loans and advances to customers

	31 December 2021	31 December 2020
	N'000	N'000
Loans and advances to customers at amortised cost	24,998,833	22,484,539
Less impairment loss allowance	(4,807,558)	(5,376,129)
Unwind of discount	(450,309)	(599,400)
Balance, end of year	<u>19,740,966</u>	<u>16,509,010</u>

(a) Loans and advances to customers at amortised cost

	31 December 2021	31 December 2020
Gross carrying amount		
Mortgage Loans	17,823,718	15,547,648
Commercial Real Estate Loans	3,974,384	3,797,264
Other Loans	3,200,731	3,139,627
	<u>24,998,833</u>	<u>22,484,539</u>
ECL allowance		
Mortgage Loans	(2,815,375)	(3,581,294)
Commercial Real Estate Loans	(1,774,188)	(1,737,616)
Other Loans	(668,304)	(656,619)
	<u>(5,257,867)</u>	<u>(5,975,529)</u>
Carrying amount	<u>19,740,966</u>	<u>16,509,010</u>
Current	6,557,028	5,778,606
Non-Current	13,183,938	10,730,404
	<u>19,740,966</u>	<u>16,509,010</u>

(b) Movement in impairment of loans and advances

	31 December 2021	31 December 2020
	N'000	N'000
Balance, beginning of year	(5,975,529)	(5,065,073)
Interest in suspense included in Impairment of loan and advances opening balance	599,400	237,255
Expected credit loss for the year (see note 13)	262,854	(788,106)
Write-off during the year	305,717	239,796
Suspended interest income	(450,309)	(599,400)
Balance, end of year	<u>(5,257,867)</u>	<u>(5,975,529)</u>

20 Trading properties

	31 December 2021	31 December 2020
	N'000	N'000
Opening balance	6,664,344	8,175,444
Disposals (see note (a) below)	(491,628)	(1,511,100)
Balance, end of year	<u>6,210,956</u>	<u>6,664,344</u>

(a) The cost, proceeds and profit on disposal of trading properties are disclosed in note 11.

Notes to the Financial statements

21 Investment securities

	31 December 2021	31 December 2020
	N'000	N'000
(a) <i>Investment securities at fair value through OCI</i>		
Unquoted equities (see note (i) below)	<u>1,256,806</u>	<u>1,239,787</u>
	<u>1,256,806</u>	<u>1,239,787</u>
Current	-	-
Non-current	<u>1,256,806</u>	<u>1,239,787</u>
	<u>1,256,806</u>	<u>1,239,787</u>
(i) Investment securities at fair value through OCI include investment in the equity shares of Nigerian Mortgage Refinancing Company (NMRC) with a fair value of N1.26 billion (2020: N1.24 billion) and Mortgage Warehousing Facility Limited with cost of N10 million (2020: N10,000,000). The Mortgage Bank holds 191,555,554 units (2020: 191,555,554 units) of shares of NMRC and 2,000,000 units (2020: 2,000,000) units of shares of Mortgage Warehousing Facility Limited.		
(c) Movement in investment securities is as follows;		
<i>Investment securities at fair value through OCI</i>		
Balance, beginning of the year	1,239,787	1,210,251
Fair value gain/(loss) on investment securities	17,019	29,536
Balance, end of the year	<u>1,256,806</u>	<u>1,239,787</u>
<i>Investment securities at amortized cost</i>		
Balance, beginning of the year	-	59,284
Redemption of treasury bills on maturity	-	(59,284)
Balance, end of the year	<u>-</u>	<u>-</u>
	<u>1,256,806</u>	<u>1,239,787</u>

Notes to the Financial statements

22 Other assets

	31 December 2021	31 December 2020
	N'000	N'000
(a) Other assets comprise:		
<i>Financial assets</i>		
Trade debtors	14,683	267,720
Accounts receivable (See (b) below)	721,309	985,250
Restricted deposits with central bank (see note (e) below)	267,066	267,066
Other receivables	94,578	93,078
	<u>1,097,636</u>	<u>1,613,114</u>
Impairment loss on other assets (See (c) below)	(221,025)	(219,840)
	<u>876,611</u>	<u>1,393,274</u>
<i>Non-financial assets</i>		
Prepayments	12,023	(2,388)
Withholding tax receivable	206,123	144,631
	<u>218,146</u>	<u>142,243</u>
Impairment on non-financial assets (See (c) below)	-	(2,285)
	<u>218,146</u>	<u>139,958</u>
Carrying amount of other assets	<u>1,094,757</u>	<u>1,533,232</u>
Current	<u>1,094,757</u>	<u>1,533,232</u>
(b) Account receivable includes receivables from customers for the purchase of the Mortgage Bank's trading properties as well as fund transfer receivable		
(c) Total impairment on other assets		
Impairment on financial assets	(221,025)	(219,840)
Impairment on non-financial assets	-	(2,285)
	<u>(221,025)</u>	<u>(222,125)</u>
(d) Movement in impairment in other assets		
	31 December 2021	31 December 2020
	N'000	N'000
Balance, beginning of year	222,125	216,988
ECL impairment write-back (see note 13)	(1,100)	(2,000)
ECL impairment not properly classified in prior year	-	7,137
Balance, end of year	<u>221,025</u>	<u>222,125</u>
(e) This balance is made up of Central Bank of Nigeria (CBN) cash reserve requirement. Restricted deposits with central banks are not available for use in the Mortgage Bank's day-to-day operations.		

Notes to the Financial statements

23 Property and equipment

As at 31 December 2021

	Leasehold Land	Buildings	Furniture and Fittings	Motor vehicle	Leasehold Improvements	Right-of-use Leasehold Improvements	Computer Equipment and Machinery	Capital Work-in-progress	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cost									
Balance as at 1 January 2021	509,250	-	110,166	326,911	124,059	138,400	382,691	28,163	1,619,640
Additions	3,500	-	2,256	192,069	-	-	3,659	733,291	934,775
Disposals	-	-	(1,878)	(72,569)	-	-	(11,647)	-	(86,094)
Reclassification	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2021	512,750	-	110,544	446,411	124,059	138,400	374,703	761,454	2,468,321
Accumulated Depreciation									
Balance as at 1 January 2021	-	-	87,940	142,146	76,942	41,400	266,355	-	614,783
Charge for the year:	-	-	8,857	83,194	15,608	31,200	43,314	-	182,173
Disposal	-	-	(1,878)	(44,129)	-	-	(11,676)	-	(57,683)
Balance as at 31 December 2021	-	-	94,919	181,211	92,550	72,600	297,993	-	739,273
Carrying amounts:									
Balance as at 31 December 2020	509,250	-	22,226	184,766	47,117	97,000	116,336	28,163	1,004,857
Balance as at 31 December 2021	512,750	-	15,625	265,200	31,509	65,800	76,710	761,454	1,729,048

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- (i) There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (December 2020: Nil).
- (ii) There were no contractual commitments for the acquisition of property and equipment as at 31 December 2021 (December 2020 : Nil)
- (ii) There were no liens or encumbrances on any of the property and equipment during the year (December 2020 : Nil).
- (ii) No impairment charge was recognised on property and equipment during the year (December 2020: Nil).
- (ii) All classes of property and equipment are non-current.

Notes to the Financial statements

As at 31 December 2020

	Leasehold Land	Buildings	Capital Work-in-progress	Furniture, Fittings and Equipment	Motor vehicle	Leasehold Improvements	Computer Equipment	Capital Work-in-progress	Total
	₺'000	₺'000	₺'000	₺'000	₺'000	₺'000	₺'000	₺'000	₺'000
Cost									
Balance as at 1 January 2020	418,167	60,524	105,915	216,991	141,266	22,000	297,503	50,950	1,313,316
Acquired on business combination	-	-	-	-	-	-	-	-	-
Additions	509,250	-	12,268	122,217	8,010	116,400	34,783	28,163	831,091
Disposals	(418,167)	(60,524)	(8,017)	(12,297)	(25,217)	-	(545)	-	(524,767)
Reclassification to intangible assets	-	-	-	-	-	-	50,950	(50,950)	-
Balance as at 31 December 2020	509,250	-	110,166	326,911	124,059	138,400	382,691	28,163	1,619,640
Accumulated Depreciation									
Balance as at 1 January 2020	-	7,665	87,750	109,554	83,481	13,200	235,186	-	614,783
Acquired on business combination	-	-	-	-	-	-	-	-	-
Charge for the year:	-	605	8,205	44,889	16,012	28,200	31,714	-	129,625
Disposal	-	(8,270)	(8,015)	(44,889)	(16,012)	-	(31,714)	-	(108,900)
Balance as at 31 December 2020	-	-	87,940	142,146	76,942	41,400	266,355	-	635,508
Carrying amounts:									
Balance as at 31 December 2019	509,250	-	22,226	184,766	47,117	97,000	116,336	28,163	1,004,857
Balance as at 31 December 2020	509,250	-	22,226	184,765	47,117	97,000	116,336	28,163	984,132

(i) There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (December 2019: Nil).

(ii) There were no contractual commitments for the acquisition of property and equipment as at 31 December 2020 (December 2019: Nil).

(iii) There were no liens or encumbrances on any of the property and equipment during the year (December 2019: Nil).

(iv) No impairment charge was recognised on property and equipment during the year (December 2019: Nil).

(v) All classes of property and equipment are non-current.

Notes to the Financial statements

24 Intangible assets

As at 31 December 2021

	Goodwill	Purchased software	Work in progress	Total
Cost	₦'000	₦'000	₦'000	₦'000
Balance at 1 January 2021	2,020,248	425,639	81,371	2,527,258
Additions	-	28,083	16,150	44,233
Balance at 31 December 2021	2,020,248	453,722	97,521	2,571,491
Accumulated Amortisation and Impairment				
Balance at 1 January 2021	-	214,789	-	214,789
Amortisation for the year	-	63,531	-	63,531
Balance at 31 December 2021	-	278,320	-	278,320
Carrying amount at 1 January 2021	2,020,248	210,850	81,371	2,312,469
Carrying amount at 31 December 2021	2,020,248	175,402	97,521	2,293,171

As at 31 December 2020

	Goodwill	Purchased software	Work in progress	Total
Cost	₦'000	₦'000	₦'000	₦'000
Balance at 1 January 2020	2,020,248	425,639	81,371	2,527,258
Additions	-	-	68,418	68,418
Reclassification to work in progress	-	204,694	(204,694)	-
Balance at 31 December 2020	2,020,248	425,639	81,371	2,595,676
Accumulated Amortisation and Impairment				
Balance at 1 January 2020	-	192,388	-	192,388
Amortisation for the year	-	22,401	-	22,401
Balance at 31 December 2020	-	214,789	-	237,190
Carrying amount at 1 January 2020	-	17,048	-	17,048
Carrying amount at 31 December 2020	2,020,248	210,850	81,371	2,312,469

- (i) All classes of intangible assets are non-current.
- (ii) There were no capitalised borrowing costs related to the acquisition of intangible assets during the year (December 2020: Nil).
- (iii) There were no contractual commitments for the acquisition of intangible assets as at 31 December 2021 (December 2020 : Nil)
- (iv) No impairment charge was recognised on intangible assets during the year (December 2020: Nil).
- (v) The recognized goodwill is attributable to the acquisition of First Mortgages Limited during the year. It represents the value derived from
- (vi) Work in progress represents capitalised development costs for software that are currently in their development phase.

(a) Impairment review

In order to determine whether impairments are required, the Mortgage Bank estimates the recoverable amount of its intangible assets. The calculation is based on projecting future cash flows over a five-year period and using a terminal value to incorporate expectations of growth thereafter. A discount factor is applied to obtain a value in use which is the recoverable amount.

No impairment was required on any of the Mortgage Bank's intangible assets as at 31 December 2021 (2020: Nil).

(b) Key assumptions used in valuation of goodwill

The key assumptions include the rate of revenue and profit growth in the business. These are based on the Mortgage Bank's approved budget and five-year Strategic Plan. The estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money.

The calculation of the value in use is sensitive to long-term growth rates and discount rates. Long-term growth rate of 3% (2020: 3%) in interest income. Pre-tax discount rate of 15.68% (2020: 15.62%) was applied in determining the recoverable amounts. This discount rate was estimated using Nigeria's risk-free rate of 7.9% (2020: 7.8%) and market premium of 10.05% (2020: 10.05%).

(c) Sensitivity analysis

None of the reasonable downside sensitivity scenarios on key assumptions would cause the carrying amount of each asset to exceed its recoverable amount. The sensitivities modelled by management include:

Notes to the Financial statements

- (i) Assuming revenues decline each year by 1% in 2022 to 2025 from the 2021 budgeted revenues, with margins increasing with base assumptions.
- (ii) Assuming zero growth in operating profit margins in 2021 to 2025 with revenues increasing per base assumptions.
- (iii) Assuming an increase in the discount rates used by 1%.
Management considers that the likelihood of any or all of the above scenarios occurring is low.

25 Deferred tax

- (a) Deferred tax assets are attributable to the following:

	31 December 2021	31 December 2020
	N'000	N'000
Property and equipment	(262,208)	55,483
Allowance for expected credit losses	216,862	69,630
Tax loss carried forward	880,884	710,425
	<u>835,539</u>	<u>835,539</u>

The Directors have determined that based on the Mortgage Bank's profit forecast, it is probable that there will be future tax able profits from which the deferred tax asset has been recognised, can be utilised. Deferred tax assets amounting to N2.6 billion arising from taxable temporary differences and unutilised tax losses have not been recognised as at 31 December 2021 (2020: N2.2 billion), as it is not probable that future taxable profit will be available against which the Mortgage Bank can use the benefits therefrom. The analysis of the unrecognised deferred tax asset is as presented below:

- (c) Analysis of unrecognised deferred tax asset

	31 December 2021	31 December 2020
	N'000	N'000
<i>Gross analysis</i>		
Unutilised tax losses (see (i) below)	6,419,645	6,654,589
Credit impairment (stage 1 and stage 2)	681,124	281,743
Property and equipment (see (ii) below)	577,636	365,448
Intangible assets (see (i) below)	1,318	8,528
	<u>7,679,723</u>	<u>7,310,308</u>
<i>Deferred tax asset impact analysis</i>		
Unutilised tax losses	1,755,434	1,996,377
Property and equipment	-	107,813
Credit impairment (stage 1 and stage 2)	-	90,158
Intangible assets (see (iii) below)	48,534	2,558
	<u>1,803,968</u>	<u>2,196,906</u>

(i) The unutilised tax losses includes unrelieved losses of N195 million arising from business combination (2020: N5.33 billion)

(ii) Amount includes unrelieved capital allowances of N224 million arising from business combination (2020: N299 Million)

(iii) The Finance Act 2020 redefined qualifying capital expenditure to include expenditure on software. Hence, capital allowance was computed on the Mortgage Bank's software addition cost of N28million. (2020: N205 million) See Note 24.

- (c) **Movements in temporary differences during the year**

	Recognised in:			Closing balance
	Opening balance	Profit or loss	Other comprehensive income	
	N'000	N'000	N'000	N'000
31 December 2021				
Property and equipment	55,483	(317,691)	-	(262,208)
Allowance for expected credit losses	69,630	147,232	-	216,862
Tax loss carry forward	710,425	170,459	-	880,884
	<u>835,538</u>	<u>-</u>	<u>-</u>	<u>835,538</u>
	Opening balance	Profit or loss	Other comprehensive income	Closing balance
	N'000	N'000	N'000	N'000
31 December 2020				
Property and equipment	55,483	-	-	55,483
Allowance for expected credit losses	69,630	-	-	69,630
Tax loss carry forward	710,425	-	-	710,425
	<u>835,538</u>	<u>-</u>	<u>-</u>	<u>835,538</u>

26 Deposits from customers

	31 December 2021	31 December 2020
	N'000	N'000
Term deposits	11,985,213	13,409,707
Current deposits	1,985,379	2,402,946
Savings deposits	291,740	270,042
	<u>14,262,332</u>	<u>16,082,695</u>
Current	14,251,039	16,066,606
Non current	11,293	16,089
	<u>14,262,332</u>	<u>16,082,695</u>

27 Other liabilities

	31 December 2021	31 December 2020
	N'000	N'000
(a) Other liabilities comprise:		
<i>Other financial liabilities</i>		
Staff pension scheme	4,551	2,105
Accruals	389,657	274,124
Accounts payable	945,376	581,817
Fund transfer payable (see note (b) below)	107	107
Deposit for properties (see note (c) below)	2,103,173	4,796,069
Dividend payable	13,406	13,430
Deferred income	10,512	13,770
Allowance for undrawn commitment	12,109	-
	<u>3,478,891</u>	<u>5,681,422</u>
<i>Other non-financial liabilities</i>		
Withholding tax payable	80,012	57,296
VAT payable	48,394	42,686
	<u>128,406</u>	<u>99,982</u>
	<u>3,607,297</u>	<u>5,781,404</u>
Current	3,607,297	5,781,404

(b) Fund transfer payable represents payables due from the Bank in respect of e-settlement transactions done on the NIBSS and other electronic platforms.

(c) This represents deposits received from customers as at year end with respect to trading properties.

28 Interest-bearing borrowings

	31 December 2021	31 December 2020
	N'000	N'000
Borrowings from NMRC (see (a) below)	837,191	1,070,696
NHF On-lending Deposits (see (b) below)	9,582,799	7,617,924
	<u>10,419,990</u>	<u>8,688,620</u>
Current	2,083	1,014
Non current	10,417,907	8,687,606

(a) Amount represents the balance of the series of loan disbursed by Nigeria Mortgage Refinance Company Plc (NMRC) to the Mortgage Bank. The loans were disbursed for the purpose of refinancing mortgages originated by the Bank in a bid to provide liquidity and growth for mortgages. The loans, which were issued with recourse to the Bank, are tenured for 180 months with the latest maturity date of 7 September 2034. Interest rate for some tranches are 14.5% and 15.5% per annum. Principal and interest repayments shall be made monthly.

(b) Amount represents the balances on loans disbursed by Federal Mortgage Bank of Nigeria (FMBN) for the purpose of on lending to the Mortgage Bank's customers. The loans were granted in various tranches with repayment maturities ranging from 2021 to 2047. Interest is payable on the loan amount at 4% per annum (2020:4%).

Notes to the Financial statements

- (c) MWFL (Mortgage Warehousing Funding Limited) is a Limited Purpose Vehicle (LPV) designed to provide short term liquidity for Mortgage Banks to enhance the origination of Mortgage Loans that conform with NMRC's Uniform Mortgage Underwriting Standards. It was set up to provide pre-financing funds for the creation of mortgages pending when the loans would be seasoned and refinanced by NMRC. MWFL provides funds for Mortgage Banks to create the mortgages. The loan serves as a short term finance to the Bank pending the receipt of funding from NMRC. Interest is payable on the loan amount at 9.6% per annum. As at year end the loans have fully been repaid

	N'000	N'000
Balance, beginning of the year	8,688,620	7,782,699
Interest expense (see note 9)	527,873	456,611
Additions	1,638,810	900,676
Interest paid	(435,313)	(451,366)
Balance, end of the year	<u>10,419,990</u>	<u>8,688,620</u>

29 Capital and reserves

(a) Share capital

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote at meetings of the Mortgage Bank. All ordinary shares rank pari-passu with the same rights and benefits at meetings of the Bank.

	31 December 2021	31 December 2020
	N'000	N'000
Issued and fully-paid up: 6,027,514,833 (2019: 6,027,514,833) ordinary shares of N1.00 each	<u>6,027,515</u>	<u>6,027,515</u>
	31 December 2021	31 December 2020
Movement in share capital during the year:		
Balance, beginning of year	6,027,515	6,027,515
Balance, end of year	<u>6,027,515</u>	<u>6,027,515</u>

(b) Share premium

Share premium is the excess paid by shareholders over the nominal value for their shares.

	31 December 2021	31 December 2020
Movement in share premium during the year:		
Balance, beginning of year	2,737	2,737
Balance, end of year	<u>2,737</u>	<u>2,737</u>

(c) Statutory reserves:

Nigerian Banking regulations require the Mortgage Bank to make an annual appropriation to a statutory reserves.

As stipulated by S.11 of the Guidelines for Primary Mortgage Institutions, an appropriation of 20% of profit after tax is made if the statutory reserve is less than paid-up share capital and 10% of profit after tax if the statutory reserve is greater than the paid up share capital. However, the Bank made a transfer of N26 million to statutory reserves as at year end.(31 December 2020: nil).

(d) Regulatory risk reserves

The regulatory risk reserves contains the difference between the impairment balance on loans and advances and other assets under the Nigeria GAAP, based on Central Bank of Nigeria prudential guidelines and the expected loss model used in calculating the impairment balance under IFRS. The movement in the regulatory risk reserves has been shown in the statement of changes in equity. See note 5(a)(vii) for details.

(e) Accumulated deficit

Accumulated deficits represent the carried forward losses plus current year loss attributable to shareholders.

	31 December 2021	31 December 2020
	N'000	N'000
Opening balance - Accumulated losses	(9,051,148)	(7,022,019)
Transfer to regulatory risk reserve	(1,877,605)	(711,866)
Transfer to statutory reserve	-	-
Profit/(Loss) for the year	132,972	(1,317,263)
Balance, end of year	<u>(10,795,781)</u>	<u>(9,051,148)</u>

(f) Other reserves

Other reserves warehouses fair value reserve for investments measured at fair value through other comprehensive income (FVOCI). The fair value reserve includes the net cumulative change in the FVOCI investments until the investment is derecognised or impaired.

Notes to the Financial statements

30 Guarantees

As at reporting date, the Mortgage Bank had no performance bond to secure any loan from the Federal Mortgage Bank of Nigeria (31 December 2020: Nil).

31 Claims and litigation

The Mortgage Bank in its ordinary course of business is presently involved in 26 cases as a defendant (2020: 22) and 22 cases as a plaintiff (2020: 22). The total amount claimed in the cases against the Mortgage Bank is estimated at ₦ 1.32billion (2020: ₦1.17 billion) while the amount claimed in the cases by the Bank is estimated at ₦1.09 billion (2020: ₦1.39 billion). The Directors of the Mortgage Bank having sought advice of professional legal counsel are of the opinion that none of the aforementioned cases is likely to have material adverse effect on the Mortgage Bank and are not aware of any other pending and or threatened claims or litigation claim which may be material to the financial statements.

32 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes all key management personnel.

(a) Transactions with key management personnel

The Mortgage Bank's key management personnel, and persons connected with them, are also considered to be related parties. The definition of key management includes the close members of family of key personnel and any entity over which key management exercise control. The key management personnel have been identified as the executive and non-executive directors of the Mortgage Bank. Close members of family are those family members who maybe expected to influence, or be influenced by that individual in their dealings with the Mortgage Bank.

Key management personnel and their close family members engaged in the following transactions with the Bank, during the year:

	31 December 2021	31 December 2020
	₦'000	₦'000
Loans and advances:		
Secured loans	117,193	53,965
	<u>117,193</u>	<u>53,965</u>

Interest rates charged on balances outstanding are at rates that are charged in the normal course of business.

The secured loans granted are secured over real estate, equity and other assets of the respective borrowers. As at 31 December 2021, the balances with key management personnel and their immediate relatives are allocated to stage 1 of the ECL model and have a loss allowance of ₦2.7 million (2020: ₦1.8 million).

Key management personnel compensation for the year comprises:

	31 December 2021	31 December 2020
	₦'000	₦'000
Fees as directors	5,300	2,520
Other allowances	24,245	21,158
Short term employee benefits:		
-Executive compensation	57,208	52,459
	<u>86,753</u>	<u>76,137</u>

Fees and other allowances disclosed above include amount paid to:

Chairman	8,925	2,400
Highest paid director	36,115	32,456

The number of directors who received fees and other allowances (excluding pensions contributions and certain benefit) in the following range was;

	Number 31 December 2021	31 December 2020
Below ₦1,600,000	-	5
₦3,400,001 and above	4	-
	<u>4</u>	<u>5</u>

Notes to the Financial statements

33 Going concern

The Mortgage Bank's Shareholders' funds of ₦3.6 billion as at 31 December 2021 (31 December 2020: ₦3.4 billion) was below the minimum regulatory capital of ₦5 billion, as stipulated in the Central Bank of Nigeria (CBN) revised guidelines for Primary Mortgage Banks in Nigeria 2011. Furthermore, as at 31 December 2021, the Bank's Capital Adequacy Ratio was a negative 29.42% (2020: negative 34.73%) which was below the minimum regulatory Capital Adequacy Ratio of 10% as specified by the CBN guidelines for Primary Mortgage Banks in Nigeria. The liquidity ratio of 2% was also below the regulatory minimum of 20%.

The mortgage Bank would need to inject some fresh capital (recapitalization), improve its future profitability, and generate sufficient cash flows to sustain the existing going concern assumption as well as ability to meet its obligations as they fall.

The Directors have developed strategy to turn around the fortune of the Mortgage Bank, reduce its accumulated loan losses and return the Mortgage Bank to a profitable path. Part of the strategy is its aggressive drive on recoveries of loan losses to reduce the cost of risk and boost the Mortgage Bank's profit. The Bank is expecting over ₦2 billion from three (3) accounts that have been fully provided and written-off as part of its recovery drive. Besides this, the Bank is making conscious efforts to wind down its real estate properties to free up on its capital. Subsequent to year end, the Mortgage Bank experienced a material turnover on its trading property, resulting in significant improvements in its operational cash flows.

In addition, the Directors have reached an advance stage in its discussions with key shareholders on recapitalization of the bank and a total of ₦2 billion is expected from this exercise. All these would take the Bank well beyond required regulatory capital of ₦5 billion.

Based on the Directors' assessment, the events above do not indicate the existence of a material uncertainty that may cast a significant doubt on the ability of the Mortgage Bank to continue as a going concern. The directors have a reasonable expectation that the Bank will continue in operational existence for the foreseeable future and as such, realize its assets and settle its obligations in the normal course of business. Accordingly, these financial statements have been prepared on the basis of accounting policies applicable to a going concern.

34 Contraventions

During the year, the Mortgage Bank paid a total sum of ₦745,000 as penalty for late filing of its Annual Financial Statement for the year ended 31 December, 2021 (2020: Nil).

35 Events after the end of the reporting period

Subsequent to year end, the Mortgage Bank received a demand from the Solicitors of Renaissance Homeowners and Residents Association who had purchased the Mortgage Bank's properties in Renaissance Estate, Port Harcourt, Rivers State.

The group claimed that they were evicted from their homes by some security agents on March 1, 2022 based on a Supreme court judgement delivered on 31st day of January, 2003 that awarded the sum of ₦137.8 million in favour of the Nigeria Air Force (NAF), against Ex. Sqdn Leader .A. Obiosa, who was the former owner of the Renaissance property. The delay in paying the supreme court award led to NAF approaching Rivers State Court for writ of Possession over the said properties and the order/writ of possession issued on 6th day of October, 2021.

The Mortgage Bank has commenced the process of instituting an Interpleader Proceedings at the Rivers State High Court to have the above order/writ of possession rescinded and the ownership and possessory rights of the apartment owners restored. There also exists an Indemnity Clause in the Deed of Assignment that was executed in favour of the Mortgage Bank by the previous owner of the property.

The Directors do not foresee any loss to the Bank, as a result of the events that occurred in relation to Renaissance Apartments, and believe that the Interpleader Proceeding at the Rivers State High Court and the Indemnity executed in favour of the bank are capable of providing adequate cover for the Mortgage Bank.

Notes to the Financial statements

36 Reconciliation notes to statement of cashflows

(a) Net changes in loans and advances

	Notes	31 December 2021	31 December 2020
		N'000	N'000
Balance, beginning of year	19	16,509,010	13,552,217
Interest income	9	3,124,491	2,342,570
Impairment charge	13	262,854	(788,106)
Interest received		(2,096,669)	(1,465,091)
Total changes in loans and advances		1,941,280	2,867,420
Balance, end of year	19	19,740,966	16,509,010

(b) Net changes in trading properties

		31 December 2021	31 December 2020
		N'000	N'000
Balance, beginning of year	20	6,664,344	8,175,444
Diminution charge	11	-	(32,020)
Balance, end of year	20	(6,210,956)	(6,664,344)
Total changes in trading properties		453,388	1,479,080

(c) Net changes in other assets

		31 December 2021	31 December 2020
		N'000	N'000
Balance, beginning of year	22	1,533,232	389,404
ECL impairment write-back	22	-	2,000
Balance, end of year	22	(1,094,757)	(1,533,232)
Total changes in other assets		438,475	(1,141,828)

(d) Net changes in restricted balance with CBN

		31 December 2021	31 December 2020
		N'000	N'000
Balance, beginning of year	18	267,066	267,066
Balance, end of year	18	267,066	267,066
Total changes in restricted balance with CBN		-	-

Notes to the Financial statements

(e) Net changes in other liabilities

		31 December 2021	31 December 2020
		<u>₦'000</u>	<u>₦'000</u>
Balance, beginning of year		5,781,404	1,953,695
Balance, end of year	27(a)	<u>(3,607,297)</u>	<u>(5,781,404)</u>
Total changes in other liabilities		2,174,107	(3,827,709)

(f) Net changes in deposit liabilities

		31 December 2021	31 December 2020
		<u>₦'000</u>	<u>₦'000</u>
Balance, beginning of year	26	16,082,695	16,082,695
Interest paid		(957,043)	(953,906)
Interest expense	9	932,289	974,580
Total changes in deposit liabilities		(1,795,609)	(20,674)
Balance, end of year	26	14,262,332	16,082,695

(g) Net changes in property and equipment

		31 December 2021	31 December 2020
	Notes	<u>₦'000</u>	<u>₦'000</u>
Proceeds on disposal of property and equipment		31,317	645,440
Net book value of disposed property and equipment	23	<u>(28,411)</u>	<u>(415,867)</u>
Profit on disposal	12	2,906	229,573

OTHER NATIONAL DISCLOSURES

Other National Disclosures

Value Added Statement

	<u>31-Dec-21</u> N' 000	%	<u>31-Dec-20</u> N' 000	%
Gross income	3,281,742	209	2,673,038	32,794
Interest expense from deposits	(932,289)	(59)	(974,580)	(11,957)
Net impairment loss on financial assets	261,150	17	(795,063)	(9,754)
Brought in material - Local	(1,042,942)	(67)	(895,244)	(10,983)
Value added	<u>1,567,660</u>	<u>100</u>	<u>8,151</u>	<u>100</u>
Applied as follows:				
Employees				
Employees as wages, salaries and pensions	510,492	33	527,496	6,472
Government				
Taxes	12,931	1	25,885	318
To providers of finance:				
Interest on borrowings	665,562	42	620,007	7,607
Retained for maintenance and expansion:				
Depreciation on property and equipment	182,173	12	129,625	1,590
Amortisation of intangible assets	63,531	4	22,401	275
Increase in accumulated deficits	132,972	8	(1,317,263)	(16,161)
	<u>1,567,661</u>	<u>100</u>	<u>8,151</u>	<u>100</u>

Other National Disclosures

Financial Summary

Statement of financial position

<i>In thousands of Naira</i>	31 December 2021	31 December 2020	31 December 2019	31 December 2018	31 December 2017
Assets:					
Cash and cash equivalents	335,074	3,913,924	370,512	1,675,457	1,175,655
Trading properties	6,210,956	6,664,344	8,175,444	607,525	883,213
Loans and advances to customers	19,740,966	16,509,010	13,552,217	8,516,947	8,538,433
Investment securities	1,256,806	1,239,787	1,269,534	1,353,852	1,304,034
Other assets	1,094,757	1,533,232	389,404	130,208	279,696
Property and equipment	1,729,048	1,004,857	776,479	613,162	555,273
Intangible assets	2,293,171	2,312,469	2,266,452	17,048	24,209
Deferred tax assets	835,539	835,539	835,539	833,163	833,163
Total assets	33,496,317	34,013,162	27,635,581	13,747,362	13,593,676
Liabilities:					
Due to banks	1,609,218	-	1,964,302	821	-
Deposits from customers	14,262,332	16,082,695	11,202,755	3,262,179	2,489,843
Current tax liabilities	16,216	29,170	13,130	17,207	27,443
Other liabilities	3,607,297	5,781,404	1,953,695	1,285,293	1,044,817
Defined benefit obligations	-	-	-	-	87,242
Interest-bearing loans and borrowings	10,419,990	8,688,620	7,782,699	5,716,920	4,295,654
Total liabilities	29,915,053	30,581,889	22,916,581	10,282,420	7,944,999
Equity:					
Share capital	6,027,515	6,027,515	6,027,515	4,674,993	4,674,993
Share premium	2,737	2,737	2,737	2,737	2,737
Retained deficits	(10,795,781)	(9,051,148)	(7,022,019)	(2,403,100)	(886,298)
Other components of equity	8,346,793	6,452,169	5,710,767	1,190,312	1,857,245
Total equity	3,581,264	3,431,273	4,719,000	3,464,942	5,648,677
Total liabilities and equity	33,496,317	34,013,162	27,635,581	13,747,362	13,593,676

Statement of comprehensive income

<i>In thousands of Naira</i>	31 December 2021	31 December 2020	31 December 2019	31 December 2018	31 December 2017
Gross revenue	3,384,313	2,870,577	1,814,214	1,542,036	1,618,126
Profit/(Loss) from continuing operations	145,903	(1,291,378)	(228,032)	(601,782)	154,798
Taxation	(12,931)	(25,885)	(7,370)	(19,331)	(52,704)
Profit/(Loss) from continuing operations	132,972	(1,317,263)	(235,401)	(621,113)	102,094
Profit/(Loss) from discontinued operations, net of tax	-	-	-	-	-
Profit/(Loss) for the year	132,972	(1,317,263)	(235,402)	(621,113)	102,094
Other comprehensive income/(loss), net of income tax:	17,019	29,536	136,775	(459)	194,146
Total comprehensive (loss)/income for the year	149,991	(1,287,727)	(98,626)	(621,572)	296,240
(Loss)/Earnings per share (kobo)	2.21	(21.85)	(4.70)	(13.29)	2.86

The financial information presented above reflects historical summaries based on International Financial Reporting Standards.

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