



TAJBANK LIMITED

FINANCIAL STATEMENTS

31 December 2019



Our Vision

A leading African financial institution with a reputation for excellent customer experience and innovative solutions.



Our Mission

To build a sustainable ethical brand through exceptional service, innovation and professionalism whilst enhancing stakeholders' value.



Core Values

**TRUST AND JUSTICE.
CUSTOMER CENTRIC.
EXCELLENCE.
DETERMINATION.
INNOVATION**

TAJ-CEDI

DIRECTORS, OFFICERS AND PROFESSIONAL ADVISERS

Alh. Tankom Isiaku Gwamna	-	Chairman
Alh. Tata S. Omar	-	Non-Executive/Independent Director
Mr. Adekunle J. Awe	-	Non-Executive/Independent Director
Hajiya Mariam Ibrahim	-	Non-Executive Director
Alh. Ahmed A. Joda	-	Non-Executive Director
Mr. Jonathan L. Kogis	-	Non-Executive Director
Barr. Habib Alkali	-	Non-Executive Director
Mr. Charles Ebiengang	-	Non-Executive Director
Mr. Norfadelizan Abdulrahman	-	Managing Director
Mr. Hamid A. Joda	-	Executive Director
Mr. Sherif Idi	-	Chief Marketing Officer

COMPANY SECRETARY

Hamisu Sani

REGISTERED OFFICE

TAJBank Ltd
Plot 72, Ahmadu Bello Way
Central Business District
Abuja

AUDITORS

Ahmed Zakari & Co.
5th Floor African Alliance Building
F1 Sani Abacha Way
P.O. Box 6500
Kano

TAX ADVISORS

Fiduciary Consulting
No. 5 Port Harcourt crescent,
NSITF Building Area 11,
Garki, Abuja.

Contents

About TAJ Bank



The Bank was incorporated by the promoters to operate as non-interest (Islamic) regional banking institution to be known as TAJBANK, with quarters in Nigeria's capital city Abuja and with other

in the North West and North East geopolitical of Nigeria.

The term "Islamic banking or Non-interest is relatively young, appearing only in mid 1980s. Earlier reference to commercial activities

to Islamic principles. The bank will provide mainly shariah compliant financial product and services using robust information infrastructure.

Our Branches

S/N	BRANCH	ADDRESS
1	ABUJA	Plot 72, Ahmadu Bello Way, Central Business District, Abuja
2	KANO	No 101, Murtala Muhammad Way, Kano

The Board



Alhaji Isiaku Tanko Gwamna– Chairman Board of Directors

He began his career in real estate in 1987 before moving fully into the finance sector. His meritorious service to the country has seen him holding several appointments at the government level, such as Honourable Commissioner of Agriculture and Honourable Commissioner, Ministry of Works and Housing, Gombe State during the Danjuma Goje administration. Tanko Isiaku Gwamna holds a First Class Degree in Economics.

He is the Chairman of Grandscope Construction Co. Ltd, a successful construction company, with global exposure in business activities. Alhaji Isiaku Gwamna has been rendering humanitarian support to less privileged and distressed persons. He is, indeed, an icon to the development medium and small enterprises in the North-east zone of Nigeria.



Norfadelizan Abdulrahman – Managing Director

He was a senior Islamic Finance Consultant with experience in Islamic Banking, Islamic Capital Market, Islamic Asset Management and Takaful. Norfadelizan's 29 year award winning career has seen him holding several key appointments such as the President & CEO of Maybank Syariah Indonesia, CEO of the Islamic Bank Australia (pending licence), Global Head of Islamic Markets at Bursa Malaysia, Head of Derivatives for RHB Investment Bank, Senior Manager Treasury of Tenaga Nasional Berhad, Senior Manager Derivatives at AM Investment Bank and Floor/Trading Team, Head of AM Futures and Head of Treasury Sales at AM Investment Bank.

He is an accredited trainer under the Malaysia Securities Commission (SIDC), Institute of Islamic Banking & Finance, Malaysia (IBFIM) and has offered advisory services in the field of Islamic Banking, Islamic Capital Market and Islamic Derivatives. Norfadelizan was the Team Lead Banking Sector for establishing the Finance Professional Qualification Standard under the Finance Accreditation Agency (FAA) of Malaysia; and was the co-author of the book titled Understanding Islamic Capital Market.

Norfadelizan received his MBA from Charles Stuart University of Australia and obtained his first degree in Business Administration from the International Islamic University of Malaysia.



Hamid Joda- Executive Director/Founder

Hamid Joda is a seasoned banker with over 20 years banking experience covering Treasury, Business Development, Consumer/Retail Banking, Branch Banking and the Public Sector.

He began his career at Niger Insurance Plc in 1999 before moving to City Express Bank Ltd, Lagos the same year where he held the position of Senior Supervisor. He also worked at Continental Trust Bank Ltd, Kano as a Senior Analyst and at the defunct Oceanic Bank International Nigeria Ltd. He was the pioneer Branch Manager of Fidelity Bank Plc, Kano from where he rose to the position of Area Manager in charge of the North East.

His extensive experience led him to First Inland Bank (Finbank Plc) Abuja as Group Head Retail Banking (North) where he later rose to become the Divisional Head, Retail Banking of the Bank.

Hamid Joda was the Divisional Head, Public Sector, First City Monument Bank (FCMB) Ltd.

He holds a BSc in Business Administration (Banking & Finance) from the University of Maiduguri and an MBA from Bayero University, Kano. He is also a member of the Chartered Institute of Banking of Nigeria. (CIBN)

Mr. Joda is the Founder of TAJBank Limited. He led the team to realize the vision of setting-up the second non-interest Bank in Nigeria. He is also the Chief Operating Officer of the Bank.



Sherif Idi – Chief Marketing Officer/Co-Founder

Sherif Idi has over 20-year career offers prolific experience in Operations, Branch Management, Business Development and Public Sector Businesses.

He started his career at Inland Bank Nig. Plc, Abuja in 1999 as a Supervisor, where he worked in various units of the Bank. After the merger of Inland Bank and First Atlantic in 2004, which became First Inland Bank (and subsequently FinBank Plc), he became Senior Operations Officer and was later saddled with the responsibility of Branch Manager.

He was a Group Head in the Public Sector Division at First City Monument Bank Ltd before embarking on the journey to set up TAJBank.

He is the Co-Founder of TAJBank Limited and the pioneer Chief Marketing Officer of the Bank.



Alhaji Tata Shekarau Omar- Independent Non-Executive Director

Alhaji Omar started his banking career in 1991 at the Nigerian Agricultural & Cooperative Bank (NACB) as an Assistant Manager. He later joined the defunct Inland Bank Ltd in the year 1996 as a Deputy Manager. He rose through the ranks to become Principal Manager overseeing the Apapa region and later Zonal Director, Lagos.

Following the merger between Inland and First Atlantic Banks to create the defunct Finbank Plc, Alhaji Omar was appointed Zonal Executive in charge of Bauchi region which spanned the Bank's operations in the North Eastern region of Nigeria.

Alhaji Omar earned an M.Sc. in Fisheries and a Post Graduate Diploma in Management from the Usman Danfodio University, Sokoto. He also holds an MBA from the Usman Danfodio University, Sokoto and a Senior Management Programme Certificate from the prestigious Lagos Business School.

He has attended numerous courses in Nigeria and abroad across different spheres, including Credit Analysis, International and Foreign Trade, Bank Lending and Credit Management etc. He is an honorary senior member of the Chartered Institute of Bankers of Nigeria (CIBN).



Mr. Adekunle James Awe- Independent Non-Executive Director

Adekunle James Awe's 21 years expertise in the financial sector spans Internal Control, Internal Audit, Banking Operations, Business Process Review and Compliance.

He was the Head of Compliance at the First City Monument Bank Ltd (FCMB). Prior to joining FCMB, He was the Divisional Head, Internal Control and Ag. Chief Compliance Officer of Finbank Plc. He worked at First Atlantic Bank Plc. as the Divisional Head, Internal Control.

Adekunle holds MBA with specialization in Human Capital Management from the Lagos State University and a Higher National Diploma in Accountancy from the Lagos State Polytechnic.

He is a fellow of the Institute of Chartered Accountants of Nigeria (ICAN), an Associate Member Institute of Management and a Certified Fraud Manager.



Hajiya Mariam Ibrahim- Non-Executive Director

Mariam Ibrahim's almost twenty-year (20) career spans financial advisory, equity/debt capital raising and fund & portfolio management. Her financial career commenced at FSB Bank Plc where she worked as an Operations Officer. She also worked at BGL Securities Ltd as a Senior Investment Executive before leaving to set up Inverness Wealth Management Ltd, a Securities & Exchange Commission (SEC) licensed investment bank. The firm has grown its asset portfolio of financial and physical assets to over N10 billion.

Mariam currently serves on the boards of Prosperous Holdings Nigeria Ltd and Noor Takaful Plc. She holds a degree in Business Administration from the Ahmadu Bello University, Zaria, a Post Graduate Diploma in Islamic Banking at the Islamic Banking and Insurance Institute, London and MBA from the Edinburgh Business School, Heriot Watt University Edinburgh, Scotland.

Mariam Ibrahim holds a certificate in Disruptive Strategy from the prestigious Harvard Business School.



Alhaji Ahmed A. Joda- Non-Executive Director

Ahmed A. Joda has over 25 years' experience in the banking and oil and gas sectors. He started his banking career in 1992 with the defunct Centre Point Merchant Bank Ltd from where he moved to Fidelity Bank Ltd. His career in the oil and gas industry ranged from HR to Shipping to Production to Commercial and Project functions. He has also had international experience working for Shell in Russia.

He holds a Degree in Business Administration from the Ahmadu Bello University, Zaria and a B.Sc. in Applied Accounting from Oxford Brookes University, United Kingdom. He is also a Fellow of the Association of Certified Chartered Accountants of the UK (FCCA) and a member of the Institute of Chartered Accountants of Nigeria (ICAN).



Barrister Habib Alkali- Non-Executive Director

Habib Alkali is a Nigerian and UK trained lawyer with expertise in Litigation/Arbitration, International Trade, Maritime, Aviation and Banking/Insurance services. He has vast experience in structuring legal agreements relating to commercial transactions and litigation. He is a prolific writer and has authored several legal advisory opinions on transacting business in Nigeria, financial crisis management, financial services as well as dispute resolution reforms.

Barrister Habib sits on the board of several companies including Prime Switch Technologies Limited, Nairacheque Insurance Brokers Limited and Zindabad Nigeria Limited and acts as Company Secretary to various organizations.

Habib holds an LLB, BL and LLM in International and Commercial Law (World Trade Specialist) from the University of Buckingham, United Kingdom. He is a member of numerous professional associations including the Nigerian Bar Association (NBA) and the Chartered Institute of Arbitrators, United Kingdom.



Mr. Jonathan Kogis Luka- Non-Executive Director

Jonathan Kogis Luka is a seasoned financial markets expert with over two decade's professional experience particularly in the Capital Market. He is a fellow of several professional institutions, such as the Chartered Institute of Stockbrokers (CIS) and an Associate of other professional bodies, including the Certified Pensions Institute of Nigeria (CPIN), the Institute of Capital Market Registrars (ICMR) and the Institute of Chartered Economists of Nigeria (ICEN).

He is a graduate of the Ahmadu Bello University, Zaria where he obtained a Bachelor's Degree in Public Administration in 1989. He also holds MBA from the Nassarawa State University, Keffi.

He has participated in various courses in diverse aspects of investment management, organisational change and accounting in Nigeria, South Africa and the United Kingdom. He has presented many papers on various aspects of investment banking and the Capital Market.

Mr. Kogis, along with various teams, has provided visionary leadership in designing and implementing operational structures and systems that have exceeded set objectives, especially in restructuring and critical start-up stages. He was involved in the setting up of Tower Assets Management Ltd (a stockbroking firm), First Alliance Pensions and Benefits Limited, where he served as the Chairman, Audit/Risk Management Committee.



Mr. Charles Ebienang- Non-Executive Director

Mr. Ebienang has had a stellar career in the financial services Industry. He was a Treasurer at Aso Savings & Loan Plc, Abuja, Nigeria and currently provides prudential risk advisory services, Audit and Regulatory reporting to banks and other financial institutions within the United Kingdom.

Mr. Ebienang has helped some United Kingdom banks and other investment firms assess the adequacy or otherwise of their financial resources and comply with regulatory requirements. He has, at various times, provided his expertise to some Tier 1 banks in the United Kingdom including HSBC London, J.P Morgan Chase

Bank, London, Sumitomo Mitsui Banking Corporation Europe (SMBCE), Santander Bank, Standard Chartered Bank, Royal Bank of Scotland, Edinburgh, and Co-operative Banking Group, Manchester.

As the CEO of Samach Services Limited, London, UK, Mr. Ebieng has been responsible for providing Banks and investment firms with Financial advisory services.

Mr. Ebieng is a Certified Information Systems Auditor (CISA) and a member of the Institute of Capital Market Registrars (ICMR), Nigeria. He holds M.Sc. in Economics (Finance & Investment Management) from University of Aberdeen, Scotland, UK; Masters in Treasury Management from Bayero University, Kano, Masters in Business Administration (MBA- Finance) from the University of Ado-Ekiti (now Ekiti State University), B.Sc. in Economics and a Diploma in Computer Science Programming both from University of Calabar, Cross River State.



Alhaji Lawal Garba- Non-Executive Director

Lawal Garba is a proactive and versatile professional with demonstrated experience and career success in executing transformation initiatives to promote organizational growth.

A highly resourceful and innovative professional with ability to deliver strategic business goals and objectives with proven business analysis skills.

His experience covers 3 decades a member Project Implementation Committee Port Harcourt River State, with extensive experience in managing various transformation initiatives and Water Resource & Engineering Construction Agency Kano, with extensive experience in planning and management of various constructed facilities that provide solution to Hydroelectric-power development, Management of waterways-flood and erosion protection and Design of various hydraulic structures such as breakwaters.

Lawal currently serves as board Chairman of Quantilex Nigeria Limited, Trobell International (Nigeria) Limited, Emerald Packaging Limited, SPM Electrotechnik Nigeria Limited, West African Tankers Maritime and Aquifer Capital Management Limited .

He holds a degree in Quality Survey from the Ahmadu Bello University, Zaria. He is a Fellow of the Nigeria Institute of Quantity Surveyors, a member of Nigeria G-15 Economic Council and Honorary Fellow Commonwealth Journalist Association.

ADVISORY COMMITTEE OF EXPERT



Professor Ziyaad Mahomed Chairman, ACE

He's extensive Islamic finance experience has seen him deploying his expertise as Project Lead to the Hong Leong MSIG Takaful Berhad, -INCEIF in research collaboration on product innovation and market penetration. He currently holds dual positions in (ICTSC), as member of the ICT Steering Committee INCEIF and Book Project Manager, INCEIF also in Kuala Lumpur, Malaysia.

He is also the Associate DEAN/ Director, INCEIF Kuala Lumpur, Malaysia. (Executive Education & E-Learning). At various times he was a Shariah Advisor, Alif Capital, Tajikistan (International) as well as at IIHSAN Takaful Ltd Mauritius, Mauritius (International).

He was the Chairman of the Shariah Supervisory Board of Buraq Capital, Abuja, Nigeria (International) and was also the chairman of the HSBC Amanah Malaysia, Kuala Lumpur, Malaysia (International).

Professor Mahomed was a former member of the Shariah Supervisory Board of the Bank of Maldives, Male, Maldives (International).

He has a B.A. in Business Finance from the Anglia Ruskin University, United Kingdom.

Professor Ziyaad Mahomed earned his Ph.D in Islamic Finance at the International Centre for Education in (INCEIF), Kuala Lumpur, Malaysia.



Dr. Said Adekunle Mikail Member, ACE

Dr. Said Adekunle Mikail is a Researcher at the International Shariah Research Academy for Islamic Finance. He was a former Lecturer at the International Centre for Education in Islamic Finance, The Global Islamic Finance University, Malaysia.

He has a Ph.D. in Islamic Finance, AIKOL, from the International Islamic University Malaysia. He also has a Masters of Comparative Law (MCL), AIKOL, International Islamic University Malaysia (IIUM).

Dr. Said Adekunle Mikail is the author of numerous Islamic reports which have been published in 2017.



Professor Muhammed Tabiu Member, ACE

Professor Muhammed Tabiu is an eminent scholar in Islamic jurisprudence in Nigeria. He is currently a Professor at the Department of Islamic Law, Faculty of Law, Bayero University, Kano.

He holds several other positions such as the Co-Chairman, Federal Justice Sector Reform Coordinating Committee, Federal Ministry of Justice, Abuja. as well as the Chairman, Green Horizon, a multi-disciplinary law and development consultancy amongst others.

He holds a PhD from Usman Danfodio University, Sokoto.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 1st Annual General Meeting of TAJ Bank Ltd. will be held at the Board Room of TAJ Bank Ltd, Plot 72, Ahmadu Bello Way, Central Business District, Abuja on, June, 2020 at 11.00am to transact the following business:

Ordinary Business:

1. To lay before Members for approval, the Audited Financial Statements of the Bank for the period ended 31st December, 2019, together with the Reports of the Directors, Auditors, and Audit Committee thereon.
2. To ratify the appointment of Mallam Lawal Garba as Non-Executive Director.
3. To present the members of Board of Directors to the Shareholders. The Biographical details of Directors are provided in the Annual Report as well as the Bank's Website stated above.
4. To ratify the appointment of Ahmed Zakari & Co., as External Auditors of the Bank with their remuneration.
5. To ratify the increase of the Bank's authorized share capital.
6. To authorize the Board to allot share of the Bank to applicants for share subscription.
7. To ratify the election of members of the Audit Committee.

Special Business:

To approve and/or ratify the remuneration of the Non-Executive Directors.

NOTES:

PROXY

A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy in his stead. A proxy need not be a member of the Company. A form of proxy is enclosed in the Annual Report and can also be downloaded from the Bank's website at <http://www.tajbank.com>.

For the purpose of this meeting, a proxy form must be completed, stamped, and deposited at the Head Office of the Bank, Plot 72, Ahmadu Bello Way, Central Business District, Abuja, not later than 48 hours before the time fixed for the meeting.

A copy of this Notice, Biographical details of Directors standing for election, re-election, and other information relating to the meeting, as well as the full version of the Annual Reports and Financial Statements can be downloaded from the Bank's website stated above.

By Order of the Board



Hamisu Sani (Esq)

Company Secretary

FRC/2020/002/00000020464

TAJ Bank Ltd.

Plot 72, Ahmadu Bello Way,

Central Business District, Abuja

CHAIRMAN'S STATEMENT

Esteemed Shareholders, Ladies and Gentlemen, it is my great pleasure that I welcome you all to the 1st Annual General Meeting of TAJBank. I thank Almighty Allah for giving us opportunity to meet here and deliberate on issues concerning the Bank, so dear to our hearts, and evolve policies and strategy to move it on the right direction. I thank Almighty Allah for bringing us safely from places far and near for this June occasion.

We must not, however, forget how the project for the formation of the Bank started where the project managers had to show resilience and commitments for the realization of the Shareholders' aspiration. Such experience has now become a history and should be used to better the process of the Bank in rendering excellent service to its esteemed customers.

It could be recalled that the final Banking licence was issued to the Bank on 13th July, 2019, while the operations of the Bank began on 2nd December, 2019 with two pilot branches, one in Abuja and the other one in Kano. Prior to opening the doors of these branches to the customers, the Board met on Friday, 22nd November, 2019 and considered the Business Strategy of the Bank.

As a licensed regional non-interest bank with the intent of providing excellent service through technology and digital banking, the Bank focuses on building a powerful brand as a deposit money bank with solutions and competences in non-interest banking, ethical conventional banking products and services by leveraging on mainstream and social media.

The Bank's vision is "to be a leading African financial institution with a reputation for excellent customer experience and innovative solutions"; and its mission is "to build a sustainable ethical brand through exceptional service, innovation and professionalism whilst enhancing stakeholders' value".

The Bank's core values are Trust and Justice; Customer centric; Excellence; Determination; Innovation.

The strategic intent of the Bank is to be recognised as the dominant non-interest bank operating in Nigeria with 75% market share and comprehensive non-interest banking products and service coverage; achieve top 10 Deposit Money Bank (DMB) in Nigeria; and pursue global branch expansion to achieve at least 40 branches across state capitals/major commercial centres in Nigeria by 2025.

In striving to achieve the set business strategy, attention must be given to the diverse sectors of the Nigeria economy, which faced many challenges as a result of the wide spread of the popular disease called "corona virus". The disease upheavals around the world changed some of the ground rules on how financial institutions operate. An accelerated evolution in the way businesses conduct themselves was driven by innovation and higher customer expectations. The 2019 was a thought year for the setting pace for the Bank to weather the storm and focus drive to grow the sales of the Bank's products and bolster bottom-line profitability.

We are determined to pursue the strategic objectives of the Bank, confident that our fundamental strengths; a strong and business-savvy Board, a competent and prudent management, the committed and enthusiastic staff with which the Bank is blessed – will enable us achieve the objectives of the stakeholders.

In line with the uniqueness of licence issued to the Bank, more branches would be opened in some States' capitals in 2020 and e-Channels would also be deployed for the purpose of banking the unbanked populace and promoting financial inclusion. I want to assure you that, we do not see this pursuit of operational expansion to be at the expense of the shareholders. On the contrary, we think our shareholders will benefit because their Bank has a longer-term and more sustainable view of the benefits to the bottom-line.

In pursuance of this confidence to further sharpen our competitive edge, we have, after a careful recruitment exercise, recruited a Managing Director in the person of Mr. Norfadelizan Abdulrahman, who brings to the Bank 29 years' experience in providing strategic and operations leadership in uniquely challenging situations in

the ethical banking industry. He has an impressive record in the turnaround and growth of non-interest bank and financial institution. We are happy to have him join us and I enlist your support to welcome him to your great Bank.

Before I present your Bank's performance for the financial year ended 31st December 2019, I think it is expedient to first locate the presentation within the proper context of the operating environment and highlight the key aspects that shaped the performance for limited period of its operations.

CORPORATE SOCIAL RESPONSIBILITY

As a new non-interest bank, which is determined to achieve a high level of equity, fairness, sustainability and social welfare in all activities, we aim at integrating the environmentally sustainable operational principles in line with the global agenda, which aligns with the core principles of non-interest banking. At TAJBank, sustainability goes beyond a regulatory requirement. It signposts the future we desire. Therefore, we remain aware of our social footprint, based on responsible and socially sustainable engagements with the environment, the economy and society in order to be sustainable over the long term.

Our Corporate Social Responsibility and community investments initiatives would be devised to align with global objectives of mitigating suffering, protecting the environment and public infrastructural development. We would collaborate with the relevant government agencies to reduce the suffering of people that have been plagued with the insurgency and banditry in the area of our operations.

OUTLOOK FOR 2020

It is with a great sense of responsibility that I share our perceptions and approach to business in 2020. The economic events of 2019 taught some hard lessons.

We are constantly monitoring developments in the local and global economic environment. However, analysts predict that macroeconomic manifestations in the year ahead will be better, albeit the growth prospect for 2020 is brighter. The beacon of optimism in the outlook for 2020 is the gradual improvement in the performance of the non-oil sectors and their contributions to GDP which is expected to continue in the short to medium term. The major downsides to Nigeria's growth outlook for 2020 are significant fall in global crude oil price, and disruption to optimal oil production. The downsides to global growth outlook are weak commodities prices and international trade tensions. In view of these, we shall be pragmatic in our projections while continually creating value for the stakeholders. Your Board believes the management team is well equipped to achieve Bank's priority of rapidly adapting growth, supported by a strong culture of customer excellent service. This will position us strongly to deliver sustainable growth and value to shareholders over time.

CONCLUSION

On behalf of the Board, I would like to express my sincere gratitude to everyone who has contributed to our success as TAJBank stakeholders. In particular, I want to acknowledge and thank our customers for the trust they place in us; to our most appreciated shareholders for their support and confidence in us; and to the amazing Management staff of our great Bank, whose dedication to serving our customers is second to none.

I wish you all happy and fruitful deliberations in this 1st Annual General Meeting.

God bless you all. And may God bless TAJBank Limited and our beloved country, Nigeria.

Thank you.

Alhaji Tanko Isiaku Gwamna
Chairman

MANAGING DIRECTOR'S REPORT

Dear Shareholders, Distinguished, ladies and gentlemen, it is my privileged to welcome you all to our historic first Annual General Meeting of TAJBank Ltd after its incorporation on 13th July 2019 and commencement of banking operating on 2nd December 2019.

The most delightful in my career is piloting the affairs of second full-fledged Non-interest Financial Institution in most populous Black nation. As the Managing Director, my job will be to chart a clear direction for us to take into the future as well as bring in any radical reform, building on the lay down foundation for future growth.

BUILDING AN ETHICAL STRONG FINANCIAL INSTITUTION

As an ethical financial institution our aim is to optimise, rather than maximising profit with the aim of crating adequate retaining earnings sufficient to support future growth, sustain strong capital ratios that will allow us to invest in the business to provide the services for our esteem customers. This will help us to deliver in long term, sustainable business that operates in the interests of our shareholders.

So far within a month of banking operations, we have a Balance sheet size N9.2 billion. Even though it has not yet translate into Profitability due to higher operating expenses, but the growth in our deposit line affirms that demand for our products and services is high. The increase in deposit from zero to N2.25 billion, reflecting the growth of our business, and we will continue to drive our competitive edge through the use of unique and robust IT platform as entrench in our strategy.

CUSTOMER SATISFACTION

Our service satisfaction and desires will lead us to measure of our performance over the last few months of commencement of banking operations. As a result, even with the growth in all areas of our services to customers due to availability of more channels, products and branches, our total customer complaint is still minimal and our desire is to achieve 5% less complain in all our activities. In an effort to attain that, we have put in place measures

FUTURE FOCUS

As we position the bank for the future, we shall strategically be focusing on the retail market for both our financing assets and deposits. The consequence of this retail strategy is not going to be limited to preponderance of retail funding and assets creation but shall include:

Lowering incidence of credit default risk, consistent support for the MSME sector, preservation of shareholders fund due to reduction in impairment, greater investment in technology and steady sustainable growth in profitability.

TAJBank Ltd is a unique organisation with a proud vision and an optimistic future. We have the potential to build an even stronger bank serving the needs of today and tomorrow, by championing the right thing to do and continuing to deliver tangible service excellence and long-term value. We are committed to serving customers, shareholders and the wider society.

Our Human Resource, it will continue to be our priority to drive exceptional performance by placing high premium on staff quality, welfare, training and strategy that will attract as well as retain best hands in the industry.

Finally, I appreciate the Board for the trust and confidence repose on me and my team, I want to assure you that we are going to pursuit operational expansion in the mist of all the environmental challenges in the interest of all stakeholders.

Thank you.

Norfadelizan Abdulrahman
Managing Director

Report of the Directors for the period ended 31 December 2019

The Directors present their report together with the audited financial statements and auditors' report for the period ended 31st December, 2019.

i. Legal form and principal activities

TAJ Bank Ltd was incorporated as a private limited liability company in 2019 and obtained a regional banking licence on 3rd July, 2019, to operate as a non-interest commercial bank. The Bank commenced operations on 2nd December, 2019.

ii. Operating results

Highlights of the Banks's operating results for the year under review are as follows:

	N'000
Gross earning	56,053
Loss before tax	(79,053)
Income tax expense	52,603
Loss after tax	(27,302)

iii. Business review and future development

The Bank carried on as a non-interest commercial bank in the period under review in accordance with its Memorandum and Articles of Association. A comprehensive review of the business for the year and prospects for the ensuing year is contained in the Managing Director's Report.

iv. Directors Fees

The Board of Directors proposed and presented their fees at the General Meeting for approval.

v. Directors' Interest

The direct and indirect interests of the Directors in the issued share capital of the Bank as recorded in the register of the Directors' Shareholding and/or as notified by the Directors for the purposes of sections 275 and 276 of the Companies and Allied Matters Act, Cap. C20, Laws of the Federation of Nigeria, 2004, are stated below:

Number of Shareholding as at 31th December, 2019

S/N	Director	Direct	Indirect
1	Alh. Tanko Isiaku Gwamna	N/A	230,000,000.00 (Finmal Financial Services Ltd)
2	Alh. Tata Shekarau Omar	N/A	N/A
3	Mr. Adekunle James Awe	N/A	N/A
4	Hajjiya Mariam Ibrahim	N/A	670,000,000.00 (Inverness Wealth Management Ltd)
5	Alh. Ahmed. A. Joda	100,000,000.00	N/A

6	Barrister Habib Alkali	130,000,000.00	N/A
7	Mr. Jonathan Kogis Luka, and Mr. Charles Ebieng	N/A	3,060,000,000.00 (GSCL Investment Ltd)
8	Mallam Lawal Garba	700,000,000.00	N/A
9	Norfadelizan Abdulrahman	N/A	
10	Hamid Joda	10,000,000.00	N/A

vi. Employment and employees

a. Employee involvement and training

Management, professional and technical expertise are the Bank’s major assets and investment in their training, both locally and overseas, continued during the period under review. Formal and informal channels of communication are employed in keeping staff abreast of various factors affecting the Bank as a going concern.

b. Employment policy

The Bank’s recruitment policy, which is based solely on merit, does not discriminate against any person on the grounds of Religion, Tribe, or Physical Disability.

c. Health safety and welfare at work

Health and safety regulations are in force within the Bank’s premises and employees are aware of existing regulations. The Bank provides subsidy to all levels of employees for medical, transportation, lunch, as well as access to recreational facilities to enhance their welfare and improve productivity.

Fire prevention and fire-fighting equipment are installed in strategic locations within the Bank’s premises. The Bank operates a contributory pension plan in line with the Pension Reform Act for its employees.

d. Gender analysis of staff

The average number and percentage of male and female employees during the period ended 31 December, 2019 vis-à-vis total workforce is provided below. The Board is however committed to gender balance and has thus mandated Management to take the issue of gender balance into cognizance in filling future vacancies. :

	Male	Female	Total	Male	Female
	Number			Percentage	
Employees	60	18	78	76.92%	23.08%

vii. Event after reporting period

There were no significant events after the reporting date that could have a material effect on the state of affairs of the Bank as at 31st December 2019 or the profit for the year ended on that date that have not been adequately provided for or disclosed.

viii. Shareholding analysis

The shareholding pattern of the Bank as at 31 December, 2019 is as stated below:

Share range	No. of Shareholders	Percentage of Shareholders	Number of holdings	Percentage Holdings (%)
1-9,999	0	0.00%	-	0.00%
10,000 - 50,000	0	0.00%	-	0.00%
50,001 - 1,000,000	4	20.00%	4,000,000	0.07%
1,000,001 - 5,000,000	1	5.00%	3,000,000	0.05%
5,000,001 - 10,000,000	1	5.00%	10,000,000	0.17%
10,000,001 - 50,000,000	5	25.00%	130,000,000	2.21%
50,000,001 - 100,000,000	1	5.00%	100,000,000	1.70%
100,000,001 - 500,000,000	4	20.00%	710,000,000	12.06%
500,000,001 - 1,000,000,000	3	15.00%	1,870,000,000	31.76%
Above 1,000,000,000	1	5.00%	3,060,000,000	51.98%
	20	100%	5,887,000,000	100%

ix. Substantial interest in shares Shareholding analysis

The following shareholders held more than 5% of issued share capital of the Bank.

1.	GSCL Investment Limited	51.9%
2.	Mallam Lawal Garba	11.9%
3.	Inverness Wealth Management Limited	11.4%
4.	Sokoto State Government	8.5%

x. Donation and sponsorship

The non-permissible income of the Bank was donated to Charity as required.

xi. Assets values

Information relating to the Company's Assets is detailed in the notes to the financial statements.

xii. Audit Committee

Pursuant to Section 359(3) of the Companies and Allied Matters Act, Cap C20 LFN 2004, the Bank has in place an Audit Committee comprising two Shareholders' representatives and two directors as follows:

- i. Abdulkadeer Babangida Njiddah, Ph.D., FCA (Chairman)
- ii. Hajiya Hafsat Magaji Inuwa (Member)
- iii. Alhaji Tata Shekarau Omar (Non- Executive Director)
- iv. Mr. Adekunle James Awe (Non-Executive Director)

The functions of the Audit Committee are as laid down in Section 359(6) of the Companies and Allied Matters Act, Cap C20 LFN 2004.

xiii. Auditors

The auditors, Messrs Ahmed Zakari & Co. having indicated their willingness to continue in office will do so in accordance with Section 357(2) of the Companies and Allied Matters Act, CAP C20 LFN 2004.

A resolution will be proposed at the annual general meeting of the Bank to authorize the Directors to determine their remuneration.

By order of the Board



Hamisu Sani (Esq)

Company Secretary

FRC/2020/002/00000020464

25th March, 2020

TAJ Bank Ltd.

Plot 72, Ahmadu Bello Way

Central Business District

Abuja

Corporate Governance report

Introduction

We believe that good Corporate Governance goes beyond complying with rules and regulations. It also includes compliance with the core values of the Bank – Quality Customer Service; Team Spirit; Respect for the Individual; Ethics; Trust; Partnership; and Entrepreneurship. The Board ensures that the Bank adheres to applicable Corporate Governance regulations and imbibes international best practices. We ensure on-going compliance with the requirements of the revised Nigerian Code of Corporate Governance, 2018 and the Central Bank of Nigeria Code of Corporate Governance.

The Bank conducts an Annual Board Appraisal covering the Board’s responsibilities, processes, relationships, structure and composition through an independent consultant, Messrs Crest & Waterfalls, were engaged to conduct the Annual Board Appraisal for the financial year ended 31st December, 2019. Their review and recommendations are contained in the Annual Report and would be presented to Shareholders at the Annual General Meeting.

Board Structure

The Board of the Bank is made up of seasoned professionals who possess the requisite integrity, skills and experience to bring to bear independent judgment on the deliberations and decisions of the Board. The Board is a mix of Executive and Non-Executive Directors (NEDs), headed by a Chairman. The Board presently consists of eleven (11) members made up of nine (9) Non-Executive Directors and two (2) Executive Directors as set out below. Two of the Non-Executive Directors are Independent Directors appointed based on criteria laid down by the Central Bank of Nigeria’s Guideline on Independent Directors of Banks in Nigeria. The position of the Managing Director and Chairman are held by separate persons, and their roles are clearly defined. Below is the list of the Board members of the Bank:

S/N	NAMES	DESIGNATION
1	Alh. Tanko Isiaku Gwamna	Chairman
2	Alh. Tata Shekarau Omar	Independent Director
3	Mr. Adekunle James Awe	Independent Director
4	Hajiya Mariam Ibrahim	Non-Executive Director
5	Alh. Ahmed. A. Joda	Non-Executive Director
6	Barrister Habib Alkali	Non-Executive Director
7	Mr. Jonathan Kogis Luka	Non-Executive Director
8	Mr. Charles Ebieng	Non-Executive Director
9	Mallam Lawal Garba	Non-Executive Director
10	Norfadelizan Abdulrahman	Managing Director
11	Hamid Joda	Executive Director/Chief Operating Officer

Board Responsibilities

The Board leads and provides directions for the management by determining the strategic objectives and policies of the Bank and overseeing its implementation. The Board has delegated to the Managing Director its powers which relate to the operational running of the Bank.

Specific matters have been reserved for approval by the Board and include but are not limited to the following:

- Defining the Bank's Strategic Plans and Objectives
- Ensuring integrity of financial reports
- Approval of major changes to the Bank's accounting policies
- Appointment and removal of Directors and the Company Secretary
- Approval of charter and membership of Board Committees
- Establishing effective internal control systems
- Instilling a culture of compliance with rules and regulations
- Formulating risk policies
- Approval of quarterly, half yearly and full year financial statements
- Ensuring planned Management succession
- Effective communication with shareholders
- Performance appraisal and compensation of Board members and Senior Executives

Director's appointment process, induction and training

The Board Governance, Remuneration and Nominations Committee is responsible for leading the process for Board appointments and for identifying and recommending suitable candidates for the approval of the Board. In making Board appointments, the Board takes cognizance of the knowledge, skill, experience and other qualities considered necessary for the role. The appointment of Directors is subject to the approval of the Shareholders and the Central Bank of Nigeria.

On appointment, a new Director undergoes a personalized induction programme which is arranged by the Bank. The Director also receives an induction pack which comprises of the Board's charter, memorandum and articles of association of the Bank, important legislations/policies and a calendar of Board activities. In addition, special training on Non-Interest Finance was organized for the Directors for the commencement of operations.

The Board ensures that members are trained on issues relating to their oversight functions. Directors are required to partake in periodic relevant continuing professional development programmes to update their knowledge and skills to keep them abreast of new developments in the industry and operating environment.

Tenure of Directors

In order to ensure both continuity and injection of fresh ideas, the tenure for Non-Executive Directors is limited to a maximum of three (3) terms of two (2) years each, i.e. eight (6) years, while the maximum tenure for Executive Directors is limited to a maximum of two (2) terms of four (4) years each, i.e. eight (8) years.

This is in compliance with the provisions of the CBN's Code and the Nigerian Code of Corporate Governance, 2018.

Board Meetings

The Board meets quarterly and additional meetings may be convened as the need arises. The Board has the authority to delegate matters to Board Committees and the Executive Management.

Attendance of Meetings

In its bid to continuously improve its corporate governance processes, as well as enhance attendance of Board meetings by Board members, the Company Secretary prepares an annual calendar of meetings which is subsequently reviewed and adopted by the Board prior to the commencement of a new financial year.

Prior to the commencement of the Bank's operations, the Board convened its first meeting on 22nd November, 2019. All the Board members were presented, saved a Director who was appointed at that Board meeting.

Board Committees

The Board has established various Committees with well-defined Terms of Reference defining their scope of responsibilities. The Committees meet quarterly but may hold additional meetings as the need arises. The Board has five standing Committees and they include:

- i. Board Risk Management Committee.
- ii. Board Investment Committee.
- iii. Board Finance & General Purpose Committee.
- iv. Board Governance Remuneration and Nomination Committee.
- v. Board Audit Committee.

In addition to the above committees, and in line with the provisions of the Companies and Allied Matters Act, Cap. C20, Laws of the Federation of Nigeria, 2004 the Board also established the Statutory Audit Committee with four (4) members, consists of the Shareholders' representatives and the Board.

Board Governance, Remunerations & Nominations Committee

Membership

- i. Alh. Ahmed A. Joda (Chairman)
- ii. Alh. Tata Shekarau Omar
- iii. Mr. Adekunle James Awe
- iv. Prof. Muhammad Tabi'u, SAN (Advisory Committee of Experts)

The Committee's major responsibilities includes:

- Considering matters relating to Board's remunerations and appointment
- Recommending any proposed change(s) to the Board
- Keeping under review the need for appointments
- Preparing a description of the specific experience and abilities needed for each Board appointment, considering candidates for appointment as either Executive or Non-Executive Directors and recommending such appointments to the Board
- Advising the Board on succession planning regarding the roles of the Chairman, Managing Director and Executive Directors
- Advising the Board on the contents of the Directors Annual Remuneration Report to Shareholders
- Revising personnel policies for Board approval, reviewing job descriptions, establishing or periodically reviewing the staff salary structure and staff benefits package

The Committee was constituted on 22nd November, 2019.

Board Risk Management & Investment Committee

Membership

- i. Alh. Tata Shekarau Omar (Chairman)
- ii. Alh. Ahmed A. Joda
- iii. Mr. Jonathan Kogis Luka
- iv. Barrister Habib Alkali
- v. Norfadelizan Abdulrahman (Managing Director)
- vi. Hamid Joda (Executive Director)

The Committee's major responsibilities includes:

- Overseeing the overall Risk Management of the Bank
- Reviewing periodically, Risk Management objectives and Policies for consideration of the full Board
- Approving the Risk Rating Agencies, Credit Bureau and other related services providers to be engaged by the Bank
- Approving the Internal Risk Rating Mechanism
- Reviewing the Risk compliance reports for regulatory authorities
- Reviewing and approving exceptions to the Bank's Risk policies
- Reviewing policy violations on Risk issues at Senior Management level
- Certifying Risk reports for investments, operations, market/liquidity subject to limits set by the Board
- Consider the appointment, resignation or dismissal of the Bank's Chief Risk Officer
- Evaluating and approving all investments within its powers delegated by the Board
- Evaluating and recommending all investments beyond its powers to the Board
- Reviewing investments portfolio in line with set objectives
- Reviewing classification of investments of the Bank based on prudential guidelines on quarterly basis
- Approving the restructuring and rescheduling of investments within its powers
- Writing-off and grant of waivers within powers delegated by the Board
- Periodic review of Investment Manuals and Guidelines

As the Bank started operations on 2nd December, 2019 the Committee did not sit in 2019 financial year.

Board Finance & General Purpose Committee (BFGPC)

Membership

- i. Hajiya Mariam Ibrahim (Chairperson)
- ii. Mr. Jonathan Kogis Luka
- iii. Mr. Charles Ebiengang
- iv. Barrister Alkali Habib
- v. Norfadelizan Abdulrahman (Managing Director)
- vi. Hamid Joda (Executive Director)

The Committee's major responsibilities are to:

- Consider and advise the Board of Directors on all aspects of the Bank's finances
- Consider and make recommendations to the Bank on the annual estimates of income and expenditure, other budgets and the financial forecasts for the Bank
- Consider and make recommendations to the Board of Directors for its approval, the framework for expenditure on capital items and to review the list of priorities within the framework

- Consider, review and report on the periodic management accounts of the Bank, and to also advise the Board of Directors on the year-end accounts
- Consider and make representations to the Board of Directors on the solvency of the Bank and the safeguarding of its assets
- Consider and advise the Board of Directors on any relevant taxation issues

The Committee was constituted on 22nd November, 2019 and did not sit during the period under review.

Board Audit Committee

Membership

- i. Mr. Adekunle James Awe (Chairman)
- ii. Alh. Tata Shekarau Omar
- iii. Mr. Charles Ebiengang
- iv. Mallam Lawal Garba

The Committee's major responsibilities includes:

- To develop and keep under review the Bank's accounting policies in order to ensure that they were in consonance with the applicable Accounting Standards
- To review the effectiveness of the Bank's system of accounting, reporting, and internal control and ensure compliance with legal and ethical requirements of the Bank
- To review the integrity of the bank's financial reporting and the independence of the external auditors
- To review the appropriateness and completeness of the Bank's statutory accounts and other published financial statements
- Consider, review and report on the periodic Management Accounts of the Bank; and also advise the Board of Directors on the year-end accounts
- Ensuring that the Bank complies with all relevant internal policies and procedures as well as regulations governing the Bank
- To review the summaries of the whistleblowing cases reported and the result of the investigation from the Head of Internal Audit
- Review the internal audit reports and assess the adequacy of the internal controls.
- Review the Compliance Reports for each quarter
- Ensuring full and prompt implementation of recommendations of Internal Auditors, Examiners and External Auditors

The Committee was constituted on 22nd November, 2019 and did not sit within the period under review.

Statutory Audit Committee

Membership

- i. Abdulkadeer Babangida Njiddah, Ph.D., FCA (Chairman)
- ii. Hajiya Hafsah Magaji Inuwa (Member)
- iii. Alhaji Tata Shekarau Omar (Non- Executive Director)
- iv. Mr. Adekunle James Awe (Non-Executive Director)

The Committee is saddled with the following responsibilities amongst others:

- To ascertain whether the accounting and reporting policies of the Bank are in accordance with legal requirements and agreed ethical practices
- To review and approve the scope and planning of audit requirements

- To review the findings on management matters in conjunction with the External Auditors and Management's responses thereon
- To oversee the independence of the external auditors
- To keep under review the effectiveness of the Bank's system of accounting and internal control systems
- To oversee management's process for the identification of significant fraud risks across the Bank and ensure that adequate prevention, detection and reporting mechanisms were in place
- 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
- To discuss the annual audited financial statements and half yearly unaudited statements with management and external auditors

As the Bank started operations on 2nd December, 2019, the Statutory Audit Committee has not convened meeting within the period under review.

Management Committee

The Board Committees are supported by Management Committees of the Bank, comprising of senior officers who are responsible for the day-to-day operation of the Bank as a going concern. They ensure that laid down policies are followed and that the Bank abides by all relevant regulatory and legal requirements.

Executive Management Committees is the highest Management Committee comprising of the Executive Directors and Top Management Staff of the Bank. Other Management Committees include Assets and Liability Committee (ALCO), Management Credit Committee (MCC), Procurement Committee, IT Steering Committee, Disciplinary Committee and Asset Disposal Committee. These Committees review and formulate strategies to implement the Board's broad strategic direction in various areas including business and financial performance, strategic planning, manpower planning, operations, customer service, investor relations, external relations, and organizational efficiency amongst others.

Sustainability Banking

We strive to do business in an ethical and socially impactful manner. We are, therefore, mindful of business decisions on the environment, pursuant to which, we develop and implement policies aimed at enhancing the quality of life of our people and other stakeholders within our community, protecting our environment, whilst ensuring the growth of our business. As such, we abide by the Nigerian Sustainable Banking Principles.

Code of Ethics

The Bank has an Ethical Conduct and Integrity Policy in place; and all employees are required to abide by it. All employees are expected to maintain high ethical standards in all aspect of their professional life. The Policy also provides sample offences and appropriate disciplinary measures to be adopted.

The Bank also has a Code of Conduct & Ethics for its Directors which specifies expected behaviours.

Dealing in Company Securities and price sensitive information

The Bank has adopted a policy on insider trading and market abuse regarding all transactions in the Bank's securities which is applicable to its Directors, Officers, employees, contractors and consultants who have access to material public information. In line with the policy, affected persons are prohibited from trading on the Bank's security during a closed period.

Whistle Blowing Procedure

The Bank has established a robust whistle blowing procedure which covers internal whistle blowers and extends to the conduct of the stakeholder. The Bank has a direct link on its website and intranet to enable stakeholders

to report any allegations they want the Bank to investigate. Apart from the direct link, unethical practices can be reported via the email address whistleblowing@tajbank.com.

A team comprising selected members of Top Management are responsible for reviewing reported cases and recommending appropriate action to the Board through the Audit Committee depending on the severity of the issues involved. In any case however, a quarterly report of all whistleblowing cases would be forwarded to the Board.

The Chief Compliance Officer of the Bank similarly would render quarterly whistle blowing report to the Central Bank of Nigeria.

Remuneration Policy

In line with corporate governance best practices, the Board had developed a robust policy on Remuneration for the Bank. The Policy takes into account the environment in which the Bank operates and the results it will achieve at the end of each financial Year. The Remuneration Policy consists of the following:

Fixed remuneration: This is based on the level of responsibility and constitutes a relevant part of total compensation. A wage benchmark is established for each position/level and period for the payment.

Variable remuneration: This is linked to the achievement of previously established targets and prudent risk management, which includes profit sharing/productivity bonus payable annually.

The combination of these elements serves as the basis for a balanced remuneration system reflecting the Bank's strategy, its values as well as the interests of its shareholders.

Remuneration to Non-Executive Directors:

The Non-executive Directors of the Bank are paid remuneration by way of sitting fees for attending the meetings of the Board of Directors and its Committees. They are also entitled to Directors fees, reimbursement of travel, hotel, and other out-of-pocket expenses, subject to modifications, incurred in the course of discharging their responsibilities. The Non-executive Directors of the Company are not paid any other remuneration or commission.

Remuneration to Executive Directors

The remuneration for Executives comprises of fixed remuneration, benefits & perquisites, retirement/exit benefit and performance based remuneration.

Contingency Planning Framework

The framework for contingency planning consists of a set of identified policies, actions and processes necessary for the prevention, management and containment of banking systemic distress and crisis.

The Board has put in place various contingency plans for capital and liquidity restoration, amongst others which would enhance the Bank's ability to withstand both temporary or long term disruptions in its ability to fund its activities in a timely manner.

Shareholders' interest

The Bank, in its bid to protect the interest of its Shareholders, particularly its minority shareholders, ensures that Shareholders meetings are convened in a transparent and fair manner. Adequate notice of general meeting is provided to shareholders and their rights are protected at all times. Attendance of general meeting is open to all Shareholders or their proxies. The proceedings are usually monitored by the representatives of the Central Bank of Nigeria, Corporate Affairs Commission and Nigerian Deposit Insurance Commission.

The Bank has an Investor Relations Unit, which deals with communications among the Bank and the shareholders. The Bank has a dedicated email address through which Shareholders and prospective investors can channel their enquiries for prompt response. The email address is enquiries@tajbank.com.

Communication Policy

The main objective of the Policy is to support the Bank in achieving its objectives in pursuit of best corporate governance practices. The Executive Management ensures that communication and dissemination of information is done in English language which must be clear, relevant, objective, easy to understand and useful. The Policy also ensures that the Bank delivers prompt, courteous and responsive service that is sensitive to the needs and concerns of the customers and other stakeholders.

Advisory Committee of Experts (ACE)

The independent Committee of Shariah Experts reviews the Banks operations to confirm that activities were carried out in accordance with the Shariah. The ACE has the responsibility of providing assurances that the Banks funds are not invested in prohibited activities or transactions and, also, certify that all the Bank's products and services are Shariah compliant. The members of the Shari'ah Advisory Board are a mixture of Islamic scholars well versed in Islamic laws, principles and traditions relating to trade, finance and economics, as well as financial experts.

Internal Control

Various aspects of the internal control of the bank are the responsibilities of key officers. The Chief Audit Executive, the Chief Compliance Officer, the Chief Risk Officer, the Chief Finance Officer, and the Company Secretary/Legal Adviser are all responsible for managing the internal control of the Bank.

The System of the Bank provides adequate assurance that the Bank will not be adversely affected by any event that could be reasonably foreseen.

Company Secretary

The Company Secretary is responsible for assisting the Board and Management in the implementation of the applicable Codes of Corporate Governance. The Company Secretary serves as a point of reference and support for all Directors. The appointment of the Company Secretary is done through a rigorous process that is similar to those of Directors. The Company Secretary is fully empowered to discharge these responsibilities and the position reports directly to the Board, with dotted line to the Managing Director.

Statement of Compliance

The Bank complies with the relevant provisions of the CBN Code of Corporate Governance and the Nigerian Code of Corporate Governance, 2018. In the event of any conflict between the two Codes regarding any matter, the Bank would defer to the provision of the CBN Code as its primary Regulator.

Monitoring Compliance with Corporate Governance

The Chief Compliance Officer monitors compliance and implementation of the Central Bank of Nigeria (CBN) Code of Corporate Governance as well as the Nigerian Code of Corporate Governance, 2018.

Complaints Management Policy

The Bank has put in place a Complaints Management Policy Framework to resolve complaints arising from issues covered under the relevant regulatory guidelines.

Customers' Complaints Report for the period ended 31 December, 2019

The Bank complied with the provision of the CBN Circular on handling customer complaints. Various channels such as, 24 hour contact centre; customer service desks and contacts through the Bank's website have been provided to facilitate seamless complaint and feedback process. The report below details the customer complaints for the period ended 31 December, 2019.

TAJ BANK SUSTAINABILITY REPORT 2019

As a Non-Interest Financial Institution, the operations and services of TAJBank are geared towards providing financial inclusion to a large segment of the society that is currently financially excluded. We would ensure that there is deep penetration of financial services to the ordinary citizenry especially at the rural communities.

Our business model is such that our definition of a profitable venture does not necessarily stop at monetary profits alone but also include social sustainability based on non-destructive activities that are not only economically viable, but socially relevant and environmentally accountable. We are absolutely focused on providing a better future for our stakeholders.

As a new institution that come to the market, we are committed towards implementing the following:

- Providing financial inclusion to a huge section of the society that is currently financially excluded, especially women, through agency banking and the use technology to reach the unbanked populace in the area of our operations
- Women empowerment and gender equality towards achieving the 2013 SDGs with more investment in sustainable development
- All non-permissible income would be disposed of for the benefit of the distressed persons
- Providing access to banking services and opening new branches that are friendly to physically challenged customers
- Encouraging the participation of Bank's employees in voluntary community activities
- Monitoring the E&S reports after rendering same to entrench sustainability into the practices beyond just reporting
- Diving beyond transaction level to further ensure that customers are implementing the sustainable principles.
- integrating environmental and social considerations into decision making process relating to our Business Activities to avoid, minimise or offset negative impacts
- ensuring that, in addition to the shari'ah compliance screening, the investment credit appraisal process also consideration for environmental and social risks to ensure that sustainability principles are better imbibed into our operations
- Vendors and suppliers screening for environmental and social risks, child labour, human rights violation.
- Active participation in all CBN/NSBP trainings, seminars, workshops and meetings.



Crest and Waterfalls Consulting, a firm of Corporate Governance Consultants, was engaged by TAJ Bank Limited, to provide Corporate Governance Consultancy Services and in particular, to undertake the Board Performance Evaluation for the company for the year ended December 31st 2019.

The evaluation covered areas of the performance and effectiveness of the board as a whole, the board committees, individual members, the governance practices of the company, and the Chairman. The evaluation of the CEO could not be carried out as the Company was in an intricate process of changes in the office of the Managing Director.

In conducting the evaluation for TAJ, we reviewed all the boards governance documents, committee charters and director profiles.

It is to be noted that the bank, is one of the newly licensed banks, which just commenced business in the final quarter of the year 2019 and the board was instituted and met in the month of December 2019, and for this reason, the evaluation focused on the corporate governance structures, frameworks and systems and the board activities that have taken place, as the basis of this report.

In general, the company has established satisfactory board processes that will encourage open debates, consideration of board matters and participation of members in decision making.


By industry benchmarks, the board has satisfactory board practices, corporate governance framework, and risk management frame work. Subsequent evaluations will build on the Experience of this exercise.

Save for a gender imbalance in composition, the board is comprised of the right mix of skills and experience, and the recruitment process of the board is clear and specified in the board charter.

We have recommended continuous Director Development programs especially in the areas of risk management and also the core business of Islamic banking for the board as a whole. Our other recommendations are contained in the full report.

Thank you for the opportunity to serve your interests.

For : Crest and Waterfalls Consulting


Ebere Okonkwo FCIS
Lead Consultant
FRC/2019/ICSAN/00000019165

Curriculum & Materials
Proposed by:



International
Financial Corporation



The Institute of Chartered Secretaries
& Actuaries of Nigeria

"The Pinnacle" Suite 303, Iba Glory Plaza,
Adeniyi Jones Adetola Crescent, Wuse II, Abuja.
Tel: +234 90 67766877; 80 91212884
ebereokonkwo@gmail.com, ebere_okonkwo@tajbank.com
www.crestandwaterfalls.com

RISK MANAGEMENT REPORT

Report for the period ended 31 December 2019

Overview

TAJBank embraces risk management as an integral part of the Bank's business, operations and decision-making process. In ensuring that the Bank achieves optimum returns whilst operating within a sound business environment, the risk management teams are involved at the early stage of the risk taking process by providing independent inputs, including relevant valuations, credit evaluations, new product assessments and quantification of capital requirements. These inputs enable the business units to assess the risk-vs-reward of their propositions, thus enabling risk to be priced appropriately in relation to the return.

Generally, the objectives of our risk management activities are to:

- Assist the Bank to achieve an ethical and, welfare-oriented market discipline.
- Ensure the Banks investments are geared towards social welfare and contribution to the real economy in ethical accessible manner.
- Institutionalize the Risk Management Process
- Identify the various risk exposures and capital requirements.
- Define and disseminate the Bank's risk philosophy and objectives
- Develop risk management infrastructure
- Ensure risk taking activities are consistent with risk policies and the aggregated risk position are within the risk appetite as approved by the Board;
- Create shareholder value through sound risk management framework.

Enterprise Wide Risk Management Framework

The Bank employs an Enterprise-Wide Risk Management (EWRM) framework as a standardised approach to effectively manage our risks and opportunities. The EWRM framework provides our Board and management with tools to anticipate and manage both the existing and potential risks, taking into consideration changing risk profiles as dictated by changes in business strategies, the external environment and/or regulatory environment.

The design of the Enterprise-wide Risk Management Framework involves a complementary 'top-down strategic' and 'bottom-up tactical' risk management approach with formal policies and procedures addressing all areas of significant risks for the Bank.

The key features of the Enterprise-wide Risk Management Framework include:

- i. **Risk Culture:** TAJBank embraces risk management as an integral part of its culture and decision-making processes. The Bank's risk management philosophy is embodied in the Three Lines of Defence approach, whereby risks are managed at the point of risk-taking activity. There is clear accountability of risk ownership across the Bank.
- ii. **Governance & Organisation:** A strong governance structure is important to ensure an effective and consistent implementation of the Bank's Enterprise-wide Risk Management Framework. The Board is ultimately responsible for the Bank's strategic direction, which is supported by the risk appetite and risk management frameworks, policies and procedures. The Board is assisted by various risk committees and control functions in ensuring that the Bank's risk management framework is effectively maintained.
- iii. **Risk Appetite:** It is defined as the amount and type of risks that TAJBank is able and willing to accept in pursuit of its strategic and business objectives. Risk appetite is set in conjunction with the annual strategy and business planning process to ensure appropriate alignment between strategy, growth aspirations, operating plans, capital and risk.

iv. Risk Management Process:

Business Planning: Risk management is central to the business planning process, including setting frameworks for risk appetite, risk posture and new product/ new business activities.

Risk Identification & Assessment: Risks are systematically identified and assessed through the robust application of the Bank’s risk policies, methodologies/standards and procedures/process guides.

Risk Measurement: Risks are measured and aggregated using the Bank-wide methodologies across each of the risk types, including stress testing.

Risk Management and Control: Risk management limits and controls are used to manage risk exposures within the risk appetite set by the Board. Risk management limits and controls are regularly monitored and reviewed in the face of evolving business needs, market conditions and regulatory changes. Corrective actions are taken to mitigate risks.

Risk Monitoring and Reporting: Risks on an individual as well as on a portfolio basis are regularly monitored and reported to ensure they remain within the Bank’s risk appetite.

v. Risk Management Infrastructure

Risk Policies, Methodologies/Standards and Procedures/Process Guides: Well-defined risk policies by risk type provide the principles by which TAJBank manages its risks. Methodologies/Standards provide specific directions that help support and enforce policies. Procedures/Process Guide provide more detailed guidance to assist with the implementation of policies.

People: Attracting the right talent and skill set is key to ensuring a well-functioning Enterprise-wide Risk Management Framework. The Risk Management Division will continuously evolve and proactively respond to the increasing complexity of the Bank as well as the economic and regulatory environment.

Technology and Data: Appropriate technology and sound data management support risk management activities.

RISK GOVERNANCE STRUCTURE

- The Board of Directors of the Bank (“the Board”) is ultimately responsible for overall risk management of the Bank and for establishing and monitoring the effectiveness of its Risk management and corporate governance framework.
- **Advisory Committee of Experts (ACE):** The committee sits quarterly, endorses risk management processes and reviews accounts, validates products and services and their decision is final subject to Financial and Regulatory Advisory Committee of Experts (FRACE) of CBN.
- **Board Risk Management and Investment Committee (BRMIC):** BRMIC is a standing Committee of the Board comprising of the Managing Director, and 4 Non-Executive Directors of the Bank that considers risk reports periodically to ensure transparency and risk control.

In addition to BRMIC, the following Committees play roles that compliments the management functions.

1. Board Audit Committee (BAC)
2. Board Finance & General Purpose Committee (F&GPC)
3. Board Governance/Remunerations Committee
4. Executive Management Committee (EXCO)
5. Risk Management Committee (RMC)
6. Asset & Liability Committee (ALCO)
7. IT steering Committee

RISK MANAGEMENT PROCESS

- standardized Risk Management policies Bank-wide in tandem with Shariah jurisdictions,
- clear and consistent direction for the creation of risk exposures across all asset creating business units;
- provision of a comprehensive guide and framework in creating and managing risk assets.
- Prompt identification and mitigation of problem in Risk Management quality.
- Outline a sound process for executing all elements of risk management including risk identification, measurement, mitigation, monitoring and reporting of individual exposures and the overall risk asset portfolio.
- System of adequate controls over investment & recovery with appropriate checks and balances in place.
- A framework for the ongoing maintenance of the Bank's risk management policies and processes including but not limited to Income smoothing plan to manage displaced commercial risk by smoothing the profits payout to investment account holders through profit equalization reserve and investment risk reserve.
- Quality and timely risk reporting to regulatory authorities and provision of additional and voluntary information needed to identify emerging problems possibly giving rise to systemic risk issues.
- Make appropriate and timely disclosure of information to Investment Account Holders (IAHs) so that the investors are able to assess the potential risks and rewards of their investments and to protect their own interests in their decision making process.

COMPOSITION OF RISK MANAGEMENT DIVISION

- Credit Risk Department
- Market and Liquidity Risk Department
- Shariah Non-compliance and Other Unique Risks Department
- Operational Risk Department

CREDIT RISK MANAGEMENT

Credit risk is defined as the possibility of losses due to an obligor, market counterparty or an issuer of securities or other instruments held, failing to perform its contractual obligations to the Bank. Credit risk is inherent in banking activities and arises from traditional financing activities through financing facilities, trade finance as well as commitments to support clients' obligations to third parties, e.g. guarantees or kafalah contracts. In sales and trading activities, credit risk arises from the possibility that our Bank's counterparties will be unable or unwilling to fulfil their obligation on transactions on or before settlement dates.

The Bank's Credit Risk Management Department verifies and manages the credit process from origination to recovery; monitoring and controlling all such risk by adhering to sound policies and processes that have been laid down to guard against their (risk) manifestation with focus on product specific risk associated with the NIFI mandate. It acts according to its mandate for proper treatment of risk associated with sale (bai'), rental (Ijarah) based financing as well as equity investment (Musharakah and Mudarabah)

CREDIT (FINANCING) RISK PRODUCTS:

The peculiar nature of risk asset products requires a holistic approach of risk management as stated earlier. The Bank has the following risk asset that has gotten certification from Advisory Committee of Expert (ACE) and approval from Central Bank of Nigeria (CBN) available for its financing operations as at December 31, 2019:

1. Bai'(sale) based
 - a. Murabaha (sale on profit mark-up)

However, other financing products have been submitted for CBN approval. In anticipation of the approval, the Credit Risk Management Department has put in place risk identification and risk mitigation strategies preparatory to full scale roll out of financing products.

RISK PROFILE OF INVESTMENT PRODUCTS

Without having to re-iterate the description and characteristics of the Islamic financial contracts, as they have become common knowledge, their risk profile can be described as being based on the axiom of realism. What goes on in real life is what is accepted in Sharia'h without any additives or assumptions. In other words, the nature of these contracts defines their risk profile. The fundamental financing elements in the Islamic financial contracts are:

1. There must be transaction in an underlying asset basis to justify earning. Assets are either handed over to a manager entrepreneur or returned for leasing or obtained for resale.
2. The asset financed must be the kind that produces increments either by its very nature (e.g., benefits or usufruct) or by the effect of real market forces (e.g., goods and services).
3. The investor (property provider) earns by virtue of ownership of an asset that can grow in value. This is apparent in sale and lease financing and implied in the contract content of sharing.
4. Moral and Shariah screening is essential for Shariah compatible investment and all financial contracts.

These characteristics have their own risk profile. The fact that Islamic products are essentially based on real transactions, in assets, goods and/or services requires that we deal with ownership risk. Hence, there is a combination of price risk and an opportunity cost risk, the latter is usually expressed as profit rate risk.

PRODUCT RISK MITIGATION TECHNIQUES:

MURABAHA

MAJOR RISK ISSUES	Nature of Risk	MITIGATION TECHNIQUES
TAJBank buy goods, delivery not ensured	Market Risk	Undertaking to Buy signed by customer and Hamish Jiddiya (Down Payment)
Possession/ownership of goods/assets	Shariah Non-Compliance Risk	Constructive possession and risk transfer via Wakalah contract (Agency) and signing Purchase and sale schedule- PSS
Diversion of fund/cash facility through fraudulent buying	Shariah Non-Compliance Risk	Direct payment to vendor where TAJBank is the buyer evidenced with acknowledgement and receipt of invoice in its name or endorsed
No profit at overdue period as it can never be restructured with charging profit continually	Balance sheet Risk	Prudent and careful Structure considering return of sales revenue & Imposing Penalty which ultimately goes to charity.

Sale Price can't be increased at any point even when market prime rate increases	Rate of Return Risk	Mark-up is defined considering historic market trend and tenured as much as possible for shorter period.
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ISTISNA'

MAJOR RISK ISSUES	Nature of Risk	MITIGATION TECHNIQUES
TAJBank commits to manufacture asset, subcontracts via parallel Istisna' and contractor delays in delivery/not according to specification	Market and Performance Risk	Risk transfer via Wakalah contract with ultimate buyer to oversee the projects
Two contracts in one sale	Shariah Non-Compliance Risk	Separate two contracts, one with contractor and another with ultimate buyer but with the same terms and conditions
No profit at overdue period as it can never be restructured with charging profit continually	Balance sheet Risk	Prudent and careful Structure considering return of sales revenue & Imposing Penalty which ultimately goes to charity /TAJBank policy for option to sell under Ijarah Mausufa Fid-Dimmah
Sale Price can't be increased at any point	Rate of Return Risk	Mark-up is defined considering historic market trend and tenured as much as possible for shorter period.

IJARAH WA IQITINA

MAJOR RISK ISSUES	Nature of Risk	MITIGATION TECHNIQUES
Asset becomes ready or in place , customer does not buy bank's portion	Market Risk	Undertaking for rent is signed by the customer: customer equity.
Rentals can't be charged if the asset does not generate usufruct	Ijarah Asset Risk	Gestation period is allowed till the asset becomes ready to generate usufructs, for that period profit comes not rentals.
Asset remains with TAJBank	Ownership Risk	The customer shall maintain the asset in protection of the interest of the Hiree at his own cost except in cases of any accident due to any natural calamity/disaster or the like, the calamity is to be ascertained by the Bank for that Takaful is established.
Customer Defaults but residual value of the asset does not cover dues because of price fall.	Credit Risk	Other available sources collateral of the customer

MUSHARAKAH

MAJOR RISK ISSUES	Nature of Risk	MITIGATION TECHNIQUES
Mismanagement of partner	Operational Risk	Strict Supervision and weekly monitoring with data collection and approximate retirement of PSR-Profit sharing ratio shortly
Dishonest Balance sheet	Operational Risk	Utmost careful selection of partner who is supposed to be very known and high credibility
Low profit earning	Rate of Return Risk	Selection of Predictable profit making project with sophisticated accounting system in place that can assist TAJBank to assume determining PSR at least not below the benchmark rate of the Bank.
Revocation of contract that results capital loss due to misconduct of the partner	Equity investment Risk	Disposal of security
Incurring Loss	Balance sheet risk	Immediate Exit

OBJECTIVES AND PURPOSES OF CREDIT RISK MANAGEMENT:

- i. Identifying, measuring, analyzing, monitoring and controlling investment risks in order to maintain a manageable and quality investment portfolio.
- ii. Ensuring that expected returns compensate for the risk taken & investment risk decisions are clear & well-articulated.
- iii. Improving the risk management culture to minimize risk in banking operations.
- iv. Establishing minimum standard for segregation of duties & responsibilities of the executives/officials.
- v. Formulating of overall investment strategy & orientation with a view to maintaining the investment exposure of the Bank at prudent levels consistent with the available Investable funds.
- vi. Assist in the ongoing improvement/reform programs in banking sector.
- vii. Setting up a sound and effective marketing of Investment.
- viii. Setting up a sound investment approval process.
- ix. Maintaining an appropriate investment administration & monitoring process
- x. Ensuring adequate controls over investment & its recovery.
- xi. Formulating an appropriate and effective process for reviewing and managing problems investment and their early warning techniques.

Approval limits for authorising financing (Credit facilities)

S/N	Designation	Max. Approval Limit
1.	Board of Directors	Above N500,000,000.00 up to regulatory single obligor limit*
2.	Board Risk Management & Investment Committee	Above N200,000,000.00 and up to N500,000,000.00
3.	Management Credit Committee	Above N50,000,000.00 and up to N200,000,000.00
4.	Managing Director /CEO**	Up to N50,000,000.00

** MD/CEO may delegate approval authorities to his subordinates from time to time below the N50 million.

Collateral coverage for facilities

S/N	Collateral Type	Coverage (%)
1.	Mortgage on Landed property	125% of Forced Sale Value/rental value
2.	Cash Deposit (Local & Foreign Currency)	125%
3.	Stocks/Share Certificates of quoted blue chip companies (Shariah screened)	150%
4.	Charge on assets (Fixed and/or Floating)	150%
5.	Shipping Documents (for imports)	110%
6.	Guarantees including personal guarantee of net worth	100%

Credit risk Assessment

- ❖ Islamic Commercial Jurisprudence permissibility of the items of investment and business of the customer
- ❖ Particulars of the Customer and the guarantor
- ❖ Amount, type and mode of investment sought for.
- ❖ Purpose of Investment.
- ❖ Payment potentiality out of funds generated from the customer's business (cash flow)
- ❖ Limit Structure (Tenor, Covenants, Payment Schedule, Rate of Return etc.)
- ❖ Past History and previous performance of the customer
- ❖ Present business and financial position of the customer.
- ❖ Credit Rating and confidential Reports.
- ❖ Credit information report from CBN & at least two other Credit Bureaus.
- ❖ Security Arrangements, both primary and collateral.

Credit risk rating (CRR)/facility risk rating (FRR)

- ❖ The Bank does not invest to speculative grade obligors, on an unsecured basis. The Facility Risk Rating (FRR) is different from the Obligor Risk Rating (ORR) to the extent of the perceived value of enhancement provided.
- ❖ The Collateral Risk Rating grid indicates the acceptable collateral types rated 1-8 from best to worst in order of liquidity.

Rating	Collateral type
1	Cash/Treasury Bills
2	Marketable securities, guarantee/receivables of investment grade banks and corporate
3	Enforceable line on fast-moving inventory in bonded warehouses
4	Legal mortgage on residential business real estate in prime locations A and B

Rating	Collateral type
5	Legal mortgage or debenture on business premises, factory assets or commercial real estates in locations A and B
6	Equitable mortgages on real estates in any location
7	Letters of comfort or awareness, guarantee of non-investment grade banks and corporate
8	Hypothecation, negative pledge, personal guarantee, clean

Risk limit control and mitigation policies

The industry and portfolio limits are set by the Board of Directors on the recommendation of the Chief Risk Officer. Credit Risk Management monitors compliance with approved limits.

Portfolio limits

- ❖ The Bank engages in a detailed portfolio plan annually. In drawing up the plan, the Bank reviews the macro-economic factors, identifies the growth sectors of the economy and conducts a risk rating of the sectors to determine its acceptable target market and exception. The Bank's target investment portfolio is then distributed across acceptable target market industries, strategic business units and approved product programmes.
- ❖ Industry/economic sector limits are imposed on the Bank's lending portfolio, in line with the following policies:
 - ✓ The Bank's target market include companies operating in industries rated 'BB' or better unless on an exception basis.
 - ✓ The Bank would not have more than 20% of its portfolio in any group of positively correlated industries in terms of risk
 - ✓ The Bank strives to limit its exposure to any single industry to not more than 20% of its risk asset portfolio.

Single obligor limits

- Limits are imposed on investments to individual borrowers. The Bank as a matter of policy does not lend above its regulatory lending limit to any one borrower, which is 20% of its shareholders' funds unimpaired by losses.
- Product programs/schemes contain guidelines on single obligor limits.

Classification and Provisioning policy

Classification	Past due obligation	Provision
Performing	<1 day – 90 days	2%
Substandard	>90 days – 179 days	10%
Doubtful	>180 days – 359 days	50%
Lost	>360 days	100%

Market and Liquidity risk management

The market risk unit of TAJBank Bank allows disciplined risk taking within a frame work of well-defined risk appetite that enables the Bank to enhance shareholder's wealth while retaining its competitive advantage. As NIFI, the Bank is exposed to rate of return risk in the context of their overall Balance sheet exposures. An increase in benchmark rates may result in Investment Account Holders' (IAHs) having expectations of a higher rate of return, which if not met could turn to a Displaced Commercial Risk (DCR). Considering above, the Bank continuously monitors development in the financial market to identify, measure and mitigate the risk of Displaced Commercial Risk-DCR and remain competitive. To this end, the Bank is putting in place a policy on Income Smoothing Plan through the setting up of Profit Equalization Reserve –PER to treat the interest of Shareholders' and IAHs as well as Investment Risk Reserve-IRR exclusively to subsidize potential future losses also to manage Displaced Commercial Risk to a greater extent.

Liquidity Risk is the risk that the Bank does not have sufficient financial resources to meet its obligations as they fall due, or will have to meet the obligation at excessive cost. This risk arises from mis-matches in the timing of cash flows. Funding risk (a form of liquidity risk) arises when the liquidity needed to fund illiquid asset positions cannot be obtained at the expected terms and when required.

As a protective measure against liquidity risk, the Bank solicits and attracts various sources of funds to channel to its financing and investment activities in Shariah compliant instrument of money and capital market. The Bank has developed liquidity contingency funding plan that becomes handy in case of liquidity crisis.

Shariah non-compliance and unique risks management

Sharia non-compliance risk is the risk that arises from failure to comply with the rules of Sharia and its principles determined by the Bank's Advisory Committee of Experts (ACE) and Central Bank's Financial Regulatory Advisory Council of Experts (FRACE). Sharia Compliance is critical for NIFIs' operations and such compliance requirements must permeate throughout the organizations and their products and activities. The Bank is strictly determined to comply with Islamic Commercial jurisprudence in all its activities including risk management.

In the year 2019, there was 0% Shariah violation in our financing activities therefore none of Bank's income has been invalidated.

Other unique risks, associated with NIFIs that the Bank manages are as follows.

- Risk of continuity of usufruct in Ijarah** since a fundamental ethical axiom in Ijarah is that "rent is a price of usufruct; it is due as long as usufruct exists" the same is also applicable to Musharakah may happen due to probability inferior valuation.
- Reputational risk** due to breach of Shariah compliance which may result to loss of shareholders and IAH's confidence.

- c. **Ownership Risk** associated with owning a property, asset or commodity especially in Murabaha and Ijarah modes.
- d. **Legal, fiduciary and regulatory, and strategic risks** are also managed appropriately.
- e. **Displaced Commercial Risk** as discussed in market and liquidity risk is unique to as NIFI arising due to failure to meet IAH's expectation that may result into deposit withdrawal.
- f. **Rate of Return Risk** is managed under the framework of Market Risk.

Operational risk management

Operational Risk according to Bank of International Settlement is defined as the risk of loss arising from failure in internal process, people, systems or external events. This includes legal risk but excludes reputational and strategic risks.

The responsibility of Operational Risk in TAJBank Bank is to prevent the occurrence and /or crystallization of such losses and/or to reduce the impact and severity when they occur. We plan to achieve this by creating appropriate policies and platforms to reduce the occurrence of such incidences; In line with regulations an operational risk framework is in place to guide the governance and implementation of operational risk management function in the Bank.

Policies like the whistle blowing policy, Business Continuity Plan and the Health and Safety, Information Security Policy are in place to meet with regulatory requirements on corporate governance and to ensure the health and safety of our employees and customers respectively. Risk Management functions also champion the drive to have the policies and procedures of the Bank documented by liaising with various departments in developing their various Standard Operating Procedure-SOP.

During the year 2019, there were no reported cases of operational risk event.

Capital management and Basel II/III

TAJBank Bank Plc, "the Bank" adopts Basel II/III since inception in line with the CBN's circular dated 10th December 2013 on implementation of Basel II/III.

The Bank elected to adopt a 'simple' approach with respect to **Pillar 1** requirements as follows:

Credit risk - Standardised Approach: This is similar to previous (Basel I) requirements whereby regulatory capital requirements are calculated by multiplying the value of the Bank's exposure by an appropriate risk weight. Under Basel II, the risk weight is determined by the credit rating of the counterparty, where available, as well as the type of exposure.

Market risk – Standardised Approach: Similarly, the Standardized Approach is used for the calculation of market risk.

Operational risk - Basic Indicator Approach: whereby regulatory capital is calculated by taking a single risk-weighted multiple (15%) of the Bank's average gross operating income.

CAPITAL ADEQUACY

Capital Management

The Bank endeavors to maintain sufficient capital resources to support its lending business and general business growth. Capital adequacy is reviewed and approved annually; the monitoring and reporting of changes to the capital forecasts will take place quarterly. The Board will consider the need to change its capital forecasts and capital plans based on these reviews.

The Bank holds capital at a level that the Board considers necessary and the assessment of minimum capital requirements is a combination of regulatory requirement and sound judgment exercised by the Board. In assessing the adequacy of its capital, the Bank considers its risk appetite, the material risks to which the Bank is exposed and the appropriate management strategies for each of the material risks, including whether or not capital provides an appropriate mitigant.

Stress Testing

Stress testing is used to determine the Bank's capital adequacy, the adequacy of its liquidity position and to influence strategy and medium term planning.

The Bank commences regular stress tests on its capital adequacy and liquidity position under a range of scenarios. The scenarios are agreed and reviewed by EXCO, and regularly updated to reflect the Bank's risk profile and external risks, including risks associated with economic cycle.

Where applicable the stress tests cover all relevant risks to which the Bank is exposed; for example, capital adequacy stress tests based on macro-economic scenarios would be geared towards analysing the impact on both credit and market risk exposures.

Liquidity stress tests would be performed monthly and capital adequacy stress tests yearly. In addition, periodic ad-hoc stress tests would be performed as required by the Executive Management.

Market Risk: Currently the Bank has no charge against market risk.



Tageldinahmed Mahjoub
Chief Risk Officer

Statement of Directors' Responsibilities in Relation to the Financial Statements for the period ended 31 December, 2019

The Directors accept responsibility for the preparation of the financial statements that give a true and fair view in accordance with the requirements of the International Financial Reporting Standards (IFRS), the Financial Accounting Standards issued by AAOIFI and in the manner required by the Companies and Allied Matters Act, Act Cap. C20, Laws of the Federation of Nigeria 2004, the Financial Reporting Council of Nigeria Act 2011, the Banks and Other Financial Institutions Act, CAP B3, Laws of the Federation of Nigeria, 2004 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars.

The Directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act, Act Cap. C20, Laws of the Federation of Nigeria 2004 and for such internal control as the Directors determine necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Going Concern:

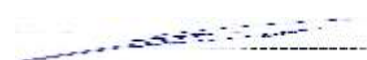
The Directors have made assessment of the Bank's ability to continue as a going concern and have no reason to believe that the Bank will not remain a going concern in the years ahead.

Resulting from the above, the directors have a reasonable expectation that the company has adequate resources to continue operations for the foreseeable future. Thus, directors continued the adoption of the going concern basis of accounting in preparing the annual financial statements.

SIGNED ON BEHALF OF THE DIRECTORS BY:



Mariam Ibrahim
Non-Executive Director
FRC/2016/IODN/00000014835
30 March, 2020



Hamid Joda
Executive Director/COO
FRC/2015/CIBN/00000013507
30 March, 2020

ADVISORY COMMITTEE OF EXPERTS' REPORT

In the name of Allah, the Beneficent, the Merciful

Advisory Committee of Experts (ACE)' Responsibility

The ACE exercises an independent oversight function and performs an executive role as required by the Central Bank of Nigeria ("CBN") pursuant to the provisions of paragraph 11 of the Guidelines on the Governance of Advisory Committees of Experts for Non-Interest (Islamic) Financial Institutions in Nigeria which is in line with Section 57 of Banks and Other Financial Institutions Act 1991 ("BOFIA 1991"). Our responsibility is to express an opinion on the state of Shariah compliance of TAJ Bank Limited ("the Bank") based on our deliberation of the evidences and information obtained from the Board and Management during the reporting period. We are responsible for endorsement of the Bank's business products towards ensuring that its operations are free from Shariah non-compliance incidences, whether due to fraud or error.

We have conducted our deliberation on the Bank's products in accordance with the regulations issued by the CBN. The regulations require that we comply with ethical requirements, plan and perform the deliberation to obtain reasonable assurance about the state of Shariah compliance of the Bank. We are responsible to review the components of the financial statements which require determination by Shariah, such as disposal of prohibited income.

Shariah Compliance

In compliance with the letter of appointment, we are required to submit the following report:

During the year ended 31 December 2019, we have:

1. reviewed the principles and contracts relating to the transactions and applications introduced by the Bank; and
2. reviewed the products, processes, activities, transactional documents and contracts entered into and/or offered by the Bank.

We have assessed the works carried out by the Shariah Compliance Review, Shariah Audit and Control, which were conducted by way of examining, on test basis, each type of transaction, the relevant documentations and procedures adopted by the Bank. We note that the reviews and audit were planned and performed to obtain relevant information and explanations which we considered necessary to provide us with enough evidence to give reasonable assurance that the Bank has not violated Shariah rules and principles.

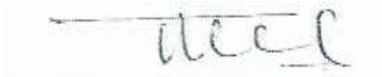
In our opinion, for the year ended 31st December, 2019:

1. the products and processes of the Bank that we have reviewed and endorsed during the year ended 31st December, 2019, are in conformity with Shariah rules and principles; and
2. the transactions and dealings concluded by the Bank conformed with Shariah rules and principles.

We, the members of ACE of the Bank, to the best of our knowledge, have obtained sufficient and appropriate evidence to form a Shariah compliant opinion that all Shariah advice issued by us and the ruling of the Financial Regulation Advisory Council of Experts (FRACE) of the CBN have been complied with during the financial year. We also acknowledge that the Board and Management have taken robust measures to strengthen the existing compliance environment to mitigate future Shariah non-compliance.



Asst. Prof., Dr. Ziyaad Mahomed
(Chairman)



Prof. Muhammed Tabiu, SAN
(Member)



Dr. Sa'id Adekunle Mikail
(Member)

Report of the Statutory Audit Committee

We have examined the Auditors' report for the years ended 31st December, 2019 in accordance with the provision of Section 359 of the Companies and Allied Matters Act, Cap. C20, Laws of the Federation of Nigeria 2004.

In our opinion, the Auditors' report is consistent with our view of the scope and planning of the Audit. The External Auditors' findings, as stated in the Management Letter, received satisfactory responses from the Management. We are also satisfied that the Bank's Accounting Policies are in conformity with the Statutory requirements and agreed ethical practices.



Abdulkadeer Babangida Njiddah, Ph.D., FCA
FRC/2013/ICAN/00000003412
Chairman, Statutory Audit Committee
Abuja
25th March, 2020

Members of the Statutory Audit Committee

Abdulkadeer Babangida Njiddah, Ph.D., FCA	Chairman
Hafsat Magaji Inuwa	Member
Tata Shekarau Omar	Member
Adekunle James Awe	Member

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF TAJBANK LIMITED**

Opinion

We have audited the financial statements of TajBank Limited ("the Bank") which comprise the statement of financial position as at 31 December 2019, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, a summary of significant accounting policies, financial summary and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of TajBank Limited as at 31 December 2019 and of its financial performance and cash flows for the period then ended in compliance with the Financial Reporting Council of Nigeria Act No. 6, 2011 and in accordance with the International Financial Reporting Standards, the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), the Companies and Allied Matters Act, CAP C20, LFN 2004 and the Banks and Other Financial Institutions Act, CAP B3, LFN 2004 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 financial statements section of our report.

We are independent of the Bank in accordance with the Institute of Chartered Accountants of Nigeria (ICAN) professional code of conduct and guide for accountants, which is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with 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. We have determined that there are no such matters to report.

Partners: Shuaibu A. Ahmed | Isma'ila M. Zakari | Tajudeen Adetokunbo Oni | Najib Imam | Wazir Olukayode Lawal

Central Office: 5th Floor, African Alliance House, F1Sani Abacha Way, P.O. Box 6500, Kano, Nigeria.

Lagos Office: 22B Oladipo Diya Crescent, 2nd Avenue Estate, Ikoyi, Lagos. P. O. Box 54478, Falomo, Ikoyi, Lagos.

Abuja Office: 2nd Floor, Akintola Williams House, Plot 2048 Michael Opara way, Wuse Zone 7, Abuja.

E-mail: info@ahmedzakari.com **Url:** www.ahmedzakari.com

Other information

The directors are responsible for the other information which comprises the corporate information, directors' report, corporate governance report, statement of directors' responsibilities, financial highlight, remuneration policy, Board evaluation report, the audit committee's report, notice of annual general meeting, Chief Executive Officer's statement and the Chairman's statement. Other information does not include the financial statements and our audit report.

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

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

If based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The Directors are responsible for the preparation and fair presentation of the financial statements in compliance with the Financial Reporting Council of Nigeria Act No. 6, 2011 and in accordance with International Financial Reporting Standards, the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and in the manner required by the Companies and Allied Matters Act, Cap C20 LFN 2004, the Banks and Other Financial Institutions Act, CAP B3, LFN 2004 and relevant Central Bank of Nigeria circulars. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In preparing the financial statements, the directors are responsible for assessing the company'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 company or to cease operations, or have no realistic alternative but to do so.

Responsibilities of the auditor for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with International Standards on Auditing, we exercise professional 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 company 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, 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 6 of the Companies and Allied Matters Act CAP C20, LFN 2004

- i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of the audit.
- ii) the bank has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from branches not visited by us.
- iii) The bank's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

Compliance with Section 27 (2) of the Banks and Other Financial Institutions Act CAP B3, LFN 2004 and Central Bank of Nigeria circular BSD/1/2004

- i) Information required on related party transactions and balances are disclosed in note 26 to the financial statements in accordance with the Central Bank of Nigeria Circular BSD/1/2004.
- ii) The Bank complied with the requirements of the Banks and Other Financial Institutions Act and relevant circulars issued by the Central Bank of Nigeria during period ended 31 December 2019.



Ismaila M. Zakari, FCA
FRC/2013/ICAN/00000002077
For: Ahmed Zakari & Co.
(Chartered Accountants)
30 March, 2020
Abuja, Nigeria





TAJBANK LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2019

	Notes	2019 N'000
Assets		
Cash and balances with Central Bank of Nigeria	3	45,241
Due from banks and other financial institutions	4	577,297
Interbank murabaha	5	715,941
Investment in sukuk	6	4,299,484
Property, plant and equipment	7	1,212,284
Leasehold improvement	8	377,368
Intangible assets	9	857,725
Other assets	10	1,093,606
Deferred tax asset	11b	52,603
Total assets		9,231,549
Liabilities		
Customers' current and qard saving account	12a	1,249,150
Other Liabilities	13	1,881,111
Tax payable	11	-
Total liabilities		3,130,262
Equity of investment account holders		
Customers' mudarabah investment accounts	12b	436
Mudaraba term deposit	12b	1,009,733
Total equity of investment account holders		1,010,169
Owners' equity		
Share capital	14	5,887,000
Share premium	15	-
Retained Earnings	16	(795,881)
Risk regulatory reserve	17	-
Other reserves	18 i	-
Total equity		5,091,118
Total equity and liabilities		9,231,549

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

This financial statements were approved by the Board of Directors for issue on 30 March, 2020 and signed on its behalf by

Mariam Ibrahim (Director)
FRC/2016/IODN/00000014835

Hamid Joda (Executive Director/COO)
FRC/2015/CIBN/00000013507




TAJBANK LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE ONE MONTH PERIOD ENDED 31 DECEMBER, 2019

		2019
	Notes	N'000
Income		
Income from financing and investing contracts	23	11,322
Income from investment activities	20	44,634
Gross income from financing and investing transactions		55,956
Return on equity of investment account holders	25	(1,538)
Bank's share as a mudarib/equity investor		54,418
Impairment allowance		-
Net income after impairment		54,418
Other income		
Fees and commission	22	97
Total income		54,516
Operating expenses		
Staff costs	23	55,902
Depreciation and amortisation	24	23,915
General and administrative expenses	25	54,604
Total expenses		134,420
Net loss before tax		(79,904)
Deferred tax credit		52,603
Net loss for the period after tax		(27,302)
Other comprehensive income		
Item that may be reclassified to profit or loss		-
Total comprehensive income for the period		(27,302)
Earnings per share		
Basic and diluted earnings per share (Kobo)		<u>(46) kobo</u>

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

TAJBANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE ONE MONTH PERIOD ENDED 31 DECEMBER, 2019

	Share Capital	Share premium	Retained Earnings	Total
	N'000	N'000	N'000	N'000
01 Decemeber 2019				
Alloted during the period	5,887,000	-		5,887,000
Pre-operating expense		-	(768,579)	(768,579)
Loss for the period	-		(27,302)	(27,302)
As at 31 December	5,887,000	-	(795,881)	5,091,118

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

TAJBANK LIMITED
STATEMENT OF CASH FLOWS
FOR THE ONE MONTH PERIOD ENDED 31 DECEMBER, 2019

	2019
	N'000
Cash flow from operating activities	
Loss before tax	(79,904)
Adjustments for:	
Depreciation	13,275
Amortisation of intangible assets	3,432
Amortisation of leasehold improvement	7,208
Amortisation of prepaid rent	15,179
Operating profit before changes in operating activities	(40,810)
Working capital adjustment:	
Interbank murabaha	(700,000)
Investment in sukuk	(4,299,484)
Other assets	(1,093,606)
Customers' current account	1,249,150
Other liabilities	1,881,111
Net cash from/(used in) operating activities	(3,003,638)
Investing activities	
Purchase of property, plant & equipment	(1,225,550)
Purchase of intangible assets	(864,933)
Improvement on leasehold properties	(380,800)
	(2,471,283)
Financing activities	
Shares issued	5,128,101
Customers investment accounts	1,010,169
Net cash provided by/(used for) financing activities	6,138,270
Increase/(decrease) in cash and cash equivalents	622,538
Cash and cash equivalents at beginning of year	-
Cash and cash equivalents At 31 December	622,538

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

TAJBANK LIMITED
STATEMENT OF SOURCES AND USES OF CHARITY FUND
FOR THE ONE MONTH PERIOD ENDED 31 DECEMBER, 2019

	2019
	N'000
Sources of Charity Funds	
Non-permissible income	239,094
Total sources of charity funds	239,094
Uses of Charity Funds	
Transfer to charity	-
Total uses of funds	-
Balance at 31 December	239,094

TAJBANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE ONE MONTH PERIOD ENDED 31 DECEMBER, 2019

1. Reporting entity

TAJBANK Limited ("the Bank") was incorporated as a private limited liability company with RC No. 1558365 on 1 February, 2019. The Bank was granted a regional banking license to carry on the business of non-interest banking by the Central Bank of Nigeria. The Bank commenced operation as the second full-fledged non-interest financial institution on 2 December, 2019 with two branches located in Kano State and the Federal Capital Territory.

The Bank's registered office is located at Plot 72, Ahmadu Bello Way, Central Business District, Abuja, Nigeria. These financial statements were approved and authorised for issue by the Board of Directors on 30 March 2020. The Directors have the power to issue the financial statements.

2. Basis of preparation

Statement of compliance with International Financial Reporting Standards

The financial statements have been prepared in accordance with the requirements of International Financial Reporting standards (IFRS) as issued by International Accounting standards Board (IASB). For matters on which no IFRS standard is applicable or IFRS conflicts with Shari'ah rules and principles, the bank uses the relevant Financial Accounting Standard as issued by the Accounting & Auditing Organization for Islamic Financial Institutions (AAOIFI) and shariah rulings as determined by the Advisory Committee of Experts of the Bank.

Basis of accounting

The Bank's financial statements are to be prepared under the historical cost convention, and may be modified by their valuation of certain investment securities, property, plant and equipment. Financial statements are to be prepared mainly in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). For matters that are peculiar to Islamic Banking and Finance, the Bank shall rely on the Statement of Financial Accounting ("SFA") and Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI"), Standards issued by the Islamic Financial Services Board ("IFSB") and Circulars issued by the Central Bank of Nigeria ("CBN") shall also be of guidance.

2.1 Significant Accounting Policies

a. Functional and presentation currency

The Bank presented its financial statements in its functional currency the Nigeria naira. All financial information presented has been rounded to the nearest thousands of naira (N'000) except where otherwise stated.

b. Use of estimates and judgments

The preparation of the financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and core assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised, if the revision affects only that year, or in the year of the revision and future years, if the revision affects both current and future years. Information about significant areas of estimation uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in separate financial statements. Actual results may differ from these estimates.

2.2 Extant IFRS standard and interpretations

The Bank commenced business on 2 December 2019 and accordingly adopted all extant IFRS including new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2019, in these financial statements.

TAJBANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE ONE MONTH PERIOD ENDED 31 DECEMBER, 2019

Standards and interpretations effective during the reporting period

IFRS 16 Leases

The IASB issued the new standard for accounting for leases - IFRS 16 Leases in January 2016. The standard does not significantly change the accounting for leases for lessors. However it requires lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss.

IFRS 16 became effective 1 January 2019. The Bank has appropriately disclosed its right-of-use assets representing the right to use the underlying assets in line with the requirements of the amendment.

IFRIC 23 - Uncertainty over income tax treatment (Interpretation)

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses instances where an entity separately considers uncertain tax treatments, or makes assumptions related to how a tax authorities would treat certain tax positions. In addition the Interpretation also addresses how an entity determines the taxable profit (tax loss), tax base, amongst other key tax positions including changes in facts and circumstances.

The Bank has considered the guidance included within the interpretation and concluded that the prescribed approach does not have a material impact on the Bank.

Amendments to IAS 19: Plan amendment, curtailment or settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

These amendments had no impact on the financial statements of the Bank as it did not have any plan amendments, curtailments, or settlements during the year

Amendments to IFRS 2 - Share based payment classification and measurement

This standard clarifies classification and measurement of share based payment transactions with net settlement features for withholding tax obligations (i.e. equity settled share based payment for employees and cash settled share based payment for withholding taxes). It grants an exemption to alleviate operational issues encountered in dividing the share based payment into cash-settled and equity-settled component. The amendments also clarify modifications to terms and conditions that change classifications from cash-settled to equity-settled as well as application of non-market vesting conditions and market non-vesting conditions. These amendments do not have any material impact on the Bank.

TAJBANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE ONE MONTH PERIOD ENDED 31 DECEMBER, 2019

Standards and interpretations effective during the reporting period (continued)

Amendments to IFRS 9: Prepayment features with negative compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are ‘solely payments of principal and interest on the principal amount outstanding’ (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the Bank.

2.3 Standards and interpretations issued/amended but not yet effective

The following standards have been issued or amended by the IASB but are yet to become effective for annual periods beginning on or after 1 January 2019:

Standard	Content	Effective date
IAS 1 & IAS 8	Definition of material	1 January, 2020
IFRS 3	Business combination	1 January, 2020
IFRS 17	Insurance contracts	1 January, 2021

The Bank has not applied the following new or amended standards in preparing these financial statements as it plans to adopt these standards at their respective effective dates.

Amendments to IAS 1 and IAS 8: Definition of material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of ‘material’ across the standards and to clarify certain aspects of the definition. These amendments are effective for reporting periods beginning on or after 1 January 2020, with early application permitted. The new definition states that, ‘Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments to the definition of material is not expected to have a significant impact on the Bank’s financial statements.

Amendments to IFRS 3 (Business combination)

In October 2018, the IASB issued amendments to the definition of a ‘business’ in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

The effective date is on or after 1st January 2020. This amendment does not have any impact on the Bank.

IFRS 17 - Insurance Contracts

IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2021. The new IFRS 17 standard establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard. The objective of IFRS 17 is to ensure an entity provides relevant information that faithfully represents those contracts.

This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity’s financial position, financial performance and cash flows.

This standard does not impact the Bank in anyway as the Bank do not engage in insurance business.

TAJBANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE ONE MONTH PERIOD ENDED 31 DECEMBER, 2019

2.4 Other accounting policies

a. Transactions in foreign currencies

The financial statements are presented in Nigerian Naira, which is the reporting currency in line with IAS 21 (Effects of foreign exchange) Transactions in foreign currencies are recorded in the books at the rate of exchange ruling on the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are converted into Naira at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated into Naira using the exchange rates as at the dates of the initial recognition. Non-monetary items measured at fair value in a foreign currency are translated into Naira using the exchange rates at the date when the fair value is determined. Exchange gains and losses on non-monetary items classified as “fair value through statement of income” are taken to the income statement and for items classified at “fair value through equity” such differences are taken to the statement of comprehensive income

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

b. Cash and cash equivalent

- i) Cash in hand
- ii) Balance held with Central Bank of Nigeria
- iii) Balance with banks in Nigeria and outside Nigeria
- iv) Demand deposit denominated in Naira and other foreign currencies

Cash equivalent are short term, highly liquid instruments which are:

- i) readily convertible into cash, whether in local and foreign currencies; and
- ii) so near to their maturity dates as to present insignificant risk of changes in value as a result of changes in profits rates.

c. Financial instrument

i. Recognition and initial measurement

All the financial assets and financial liabilities of the Bank are initially recognised on the trade date for regular way contracts, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is measured initially at fair value plus or minus, for an item not at fair value through profit or loss, direct and incremental transaction costs that are directly attributable to its acquisition or issue. Transaction costs of financial assets and liabilities carried at fair value through profit or loss are expensed in income statement at initial recognition.

ii. Classification and measurement

Financial asset or liability are measured initially at fair value plus or minus, for an item not at fair value through profit or loss, direct and incremental transaction costs that are directly attributable to its acquisition or issue. Transaction costs of financial assets and liabilities carried at fair value through profit or loss are expensed in income statement at initial recognition.

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

- those to be measured at amortised cost.
- those to be measured at fair value through other comprehensive income
- those to be measured at fair value through profit or loss

TAJBANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE ONE MONTH PERIOD ENDED 31 DECEMBER, 2019

Other accounting policies (continued)

Classification and measurement (continued)

The classification depends on the Bank's business model (i.e. business model test) for managing financial assets and the contractual terms of the financial assets cash flows (i.e. solely payments of principal and return – SPPI test).

Debt instruments

Amortised cost

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

- i. The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and return on the principal amount outstanding.

The gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in income statement when the asset is derecognised or impaired. Returns from these financial assets is determined using the effective rate of return (ERR) method and reported in income statement as 'income'.

The amortised cost of a financial instrument is defined as the amount at which it was measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the 'effective rate of return method' of any difference between that initial amount and the maturity amount, and minus any loss allowance. The effective rate of return method is a method of calculating the amortised cost of a financial instrument (or group of instruments) and of allocating the income or expense over the relevant period. The effective rate of return (ERR) is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the instrument or, when appropriate, a shorter period, to the instrument's net carrying amount.

Business model assessment

The Bank makes an assessment of the objective of a business model in which an 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:

- i. The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual return revenue, maintaining a particular return rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- ii. How the performance of the portfolio is evaluated and reported to management;
- iii. 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;
- iv. 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
- v. The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

TAJBANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE ONE MONTH PERIOD ENDED 31 DECEMBER, 2019

Other accounting policies (continued)
Business model assessment (continued)

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

The Bank assesses the contractual terms of financial to identify whether they meet the SPPI test.

‘Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount). ‘Return’ is include 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 profit margin.

The most significant elements of return within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the return rate is set.

Financial liabilities

The Bank’s holding in financial liabilities is in financial liabilities at fair value through profit or loss and financial liabilities at amortised cost. Financial liabilities are derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in income statement.

i. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are financial liabilities held for trading. A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated and effective as hedging instruments. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by the Bank.

Gains and losses arising from changes in fair value of financial liabilities classified as held for trading are included in the income statement and are reported as ‘Net gains/(losses) on financial instruments classified as held for trading’. Return expenses on financial liabilities held for trading are included in ‘Net income’.

ii. Financial liabilities at amortised cost

Financial liabilities that are not classified at fair value through profit or loss fall into this category and are measured at amortised cost. Financial liabilities measured at amortised cost are deposits from banks or customers, debt securities in issue for which the fair value option is not applied, convertible bonds and subordinated debts

Modifications of financial assets and financial liabilities

i. Financial assets

When the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value. Any difference between the amortised cost and the present value of the estimated future cash flows of the modified asset or consideration received on derecognition is recorded as a separate line item in income statements as ‘gains and losses arising from the derecognition of financial assets measured at amortised cost’. If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset.

TAJBANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE ONE MONTH PERIOD ENDED 31 DECEMBER, 2019

Other accounting policies (continued)

Financial assets (continued)

In this case, the Bank recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective rate of return (or credit-adjusted effective rate of return for purchased or originated credit-impaired financial assets). The amount arising from adjusting the gross carrying amount is recognised as a modification gain or loss in income statement as part of impairment charge for the year.

ii. Financial liabilities

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. This occurs when the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate of return, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. 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 extinguished and the new financial liability with modified terms is recognised in income statement. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment (i.e. the modified liability is not substantially different), any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Offsetting of financial instruments

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right and under Sharia'a framework to set off the recognized amounts and the Bank intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Impairment of financial assets

The Bank recognizes allowance for expected credit losses for all financing and other debt financial assets not held at FVPL, together with financing commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 years' expected credit loss (12mECL)

The 12m ECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 years after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments

Loss allowances for accounts receivable are always measured at an amount equal to lifetime ECL. The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank groups its financing facilities into Stage 1, Stage 2, Stage 3 and POCI, as described below:

TAJBANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE ONE MONTH PERIOD ENDED 31 DECEMBER, 2019

Other accounting policies (continued)
Impairment of financial assets (continued)

Stage 1: When financing are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 financing also include facilities where the credit risk has improved and the financing has been reclassified from Stage 2.

Stage 2: When a financing has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 financing also include facilities, where the credit risk has improved and the financing has been reclassified from Stage 3.

Stage 3: Financing considered credit-impaired. The Bank records an allowance for the LTECLs

POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and return is subsequently recognised based on a credit-adjusted ERR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

If, in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, depending on the stage of the lifetime 2 or stage 3 of the ECL bucket, the Bank would continue to monitor such financial assets for a probationary period of 90 days to confirm if the risk of default has decreased sufficiently before upgrading such exposure from Lifetime ECL (Stage 2) to 12-years ECL (Stage 1). In addition to the 90 days probationary period above, the Bank also observes a further probationary period of 90 days to upgrade from Stage 3 to 2. This means a probationary period of 180 days will be observed before upgrading financial assets from Lifetime ECL (Stage 3) to 12-years ECL (Stage 1).

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The calculation of ECLs

The Bank calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the expected profit rate. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- **PD:** The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- **EAD:** The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and return, whether scheduled by contract or otherwise, expected draw downs on committed facilities, and accrued return from missed payments
- **LGD:** The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Bank considers three scenarios (a base case, an upside and downside). Each of these is associated with different PDs, EADs and LGDs.

TAJBANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE ONE MONTH PERIOD ENDED 31 DECEMBER, 2019

Other accounting policies (continued)
Impairment of financial assets (continued)

When relevant, the assessment of multiple scenarios also incorporates how defaulted financing are expected to be recovered, including the probability that the financing will cure and the value of collateral or the amount that might be received for selling the asset.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarised below:

Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12years after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 years following the reporting date. These expected 12-year default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.

Stage 2: When a financing has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR

Stage 3: For financing considered credit-impaired, the Bank recognises the lifetime expected credit losses for these financing. The method is similar to that for Stage 2 assets, with the PD set at 100%.

POCI: POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the four scenarios, discounted by the credit-adjusted EIR.

Financing commitments and letters of credit: When estimating LTECLs for undrawn financing in cash flows if the financing is drawn down, based on a probability-weighting of the four scenarios commitments, the Bank estimates the expected portion of the financing commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls. The expected cash shortfalls are discounted at an approximation to the expected EIR on the financing.

Forward looking information

The Bank's expected credit losses for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Exchange rate
- House price indices
- Inflation
- Crude Oil prices

To evaluate a range of possible outcomes, the bank formulates three scenarios: a base case, an upward and a downward scenario

TAJBANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE ONE MONTH PERIOD ENDED 31 DECEMBER, 2019

Other accounting policies (continued)
Impairment of financial assets (continued)

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Definition of default and credit impaired financial assets

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

- it is established that due to financial or non-financial reasons the borrower is unlikely to pay its credit obligations to the Bank in full without recourse by the Bank to actions such as realising security (if any is held);
- the borrower is past due 90 days or more on any material credit obligation to the Bank

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

- i. qualitative - e.g. material breaches of covenant;
- ii. quantitative - e.g. overdue status and non-payment on another obligation of the same customer/customer group to the banks; and
- iii. based on data developed internally and obtained from external sources
- iv. Disappearance of an active market for a security because of financial difficulties
- v. Others include death, insolvency, breach of covenants, etc

Inputs into the assessment of whether a financing exposure is in default and their significance may vary over time to reflect changes in circumstances.

Renegotiated financing facilities

Where possible, the Bank seeks to restructure financing facilities rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new conditions. Management continually reviews renegotiated facilities to ensure that all future payments are highly expected to occur.

When the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the finance customer, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

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

This amount is included in calculating the cash shortfalls from the existing financial asset. The cash shortfalls are discounted from the expected date of derecognition to the reporting date using the original effective profit rate of the existing financial asset.

Presentation of allowance for ECL in the statement of financial position

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

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

TAJBANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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Other accounting policies (continued)
Impairment of financial assets (continued)

Presentation of allowance for ECL in the statement of financial position (continued)

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

Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The Bank's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same as it was under IAS 39. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position.

However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

Collateral repossessed

The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or shall be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in line with the Bank's policy.

Write-off

After a full evaluation of a non-performing exposure, in the event that either one or all of the following conditions apply, such exposure is recommended for write-off (either partially or in full):

- continued contact with the customer is impossible
- recovery cost is expected to be higher than the outstanding debt
- amount obtained from realisation of credit collateral security leaves a balance of the debt
- It is reasonably determined that no further recovery on the facility is possible

All credit facility write-offs require endorsement by the Board Investment Committee, as defined by the Bank. Credit write-off approval is documented in writing and properly initialed by the Board Investment Committee

A write-off constitutes a derecognition event. The write-off amount is used to reduce the carrying amount of the financial asset. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amount due. Whenever amounts are recovered on previously written-off credit exposures, such amount recovered is recognised as income on a cash basis only

TAJBANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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Other accounting policies (continued)

d. Property plant and equipment

The bank recognizes items of property, plant and equipment at the time the cost is incurred. They are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Bank and the cost of the asset can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Construction cost in respect of offices is carried at cost as work in progress. On completion of construction, the related amounts are transferred to the appropriate category of fixed assets. Payments in advance for items of fixed assets are included as Prepayments in Other Assets and upon delivery are reclassified as additions in the appropriate category of property and equipment.

Depreciation

Depreciation is to be provided on a straight-line basis to write off the cost of asset over their estimated useful live. The annual rate which should be applied consistently over time are as follows:

Motor vehicle	(6 years)
Furniture and fittings	(6 years)
Equipment	(6 years)
Computer Equipment- General	(6 years)
Computer software	(10 years)
Freehold Buildings	(50 years)
Leasehold building	over the expected life of the lease
Right of use assets	Lower of lease term or the useful life for the specified class of item
Leasehold improvement	over the expected life of the lease

Property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from it use. Gain and losses are recognised in the income statement.

Depreciation is charged when the assets are available for use irrespective of whether they are put to use. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the statement of income for the year.

TAJBANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE ONE MONTH PERIOD ENDED 31 DECEMBER, 2019

Other accounting policies (continued)

e. Intangible assets

Software licenses acquired by the Bank are stated at cost less accumulated amortization and accumulated impairment loss (if any). Expenditure incurred on internally developed software is recognized as an asset when the Bank is able to complete the software development and use it in such a manner that it will be able to generate economic benefit to the Bank, and that the cost to complete the development can reliably be measured by the Bank.

Internally developed software cost that is capitalized includes cost directly attributable to developing the software, and is amortized over the useful economic life of the software.

Amortization is recognized in the income statement on a straight line basis over the estimated useful life of the software.

f. Inventory

Inventory of stationery and consumables held by the Bank are to be stated at the lower of cost and net realizable value in line with IAS 2. When inventories become old or obsolete, an estimate is to be made of their net realizable value. For individually significant amounts, this estimation is to be performed on an individual basis. For amounts that are not individually significant, collective assessment shall be made and allowance applied according to the inventory type and degree of ageing or obsolescence based on historical selling prices.

g. Islamic financing and investing contracts

The Bank engages in Sharia'a compliant Islamic banking activities through various Islamic instruments such as Ijarah, Murabaha, Musharaka, Istisna'a and Wakala.

i. Ijarah

The Bank shall comply fully with the requirements of Sharia in recognition and measurement of Ijarah financing. The periodic lease rentals receivable are treated as rental income during the period they occur and charge thereon is included in operating expenses while initial direct cost incurred are written off to the income statement in the period they are Murabaha receivables from banks

These are interbank commodity murabaha transactions. The Bank arranges a murabaha transaction by buying a commodity (which represents the object of the murabaha) and then resells this commodity to the beneficiary murabeh (after computing a profit margin). The sale price (cost plus the profit margin) is paid either lump sum at maturity or in installments by the murabeh over the agreed period. Murabaha receivables from banks are stated net of deferred profits and provision for impairment, if any.

ii. Murabaha receivables from customers

Customer Murabaha receivables consist of deferred sales transaction agreements and are stated net of deferred profits, any amounts written off and provision for impairment, if any. Promise made in the murabaha to the purchase orderer is obligatory upon the customer and the bank can claim damages to the exact amount of loss suffered

iii. Musharaka

Musharaka contracts represents a partnership between the Bank and a customer whereby each party contributes to the capital in equal or varying proportions to establish a new project or share in an existing one, and whereby each of the parties becomes an owner of the capital on a permanent or declining basis and shall have a share of profits or losses. These are stated at the fair value of consideration given less any amounts written off and provision for impairment, if any.

iv. Istisna'a

Other financial assets include Istisna'a (Long term project finance instrument)

TAJBANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE ONE MONTH PERIOD ENDED 31 DECEMBER, 2019

Other accounting policies (continued)

Islamic financing and investing contracts (continued)

v. Wakala

A contract between a Bank and a customer whereby one party (the principal: the Muwakkil) appoints the other party (the agent: Wakil) to invest certain funds according to the terms and conditions of the Wakalah for a fixed fee in addition to any profit exceeding the expected profit as an incentives for the Wakil for the good performance. Any losses as result of the misconduct or negligence or violation of the the terms and conditions of the Wakalah are borne by the Wakil for otherwise, they are by the principal.

vi. Sukuk

Certificates which are equal in value and represent common shares in the ownership of a specific physical asset (leased or to be leased either existing or to be constructed in future), or in the ownership of cash receivables of selling an existing-owned asset, or in the ownership of goods receivables, or in the ownership of the assets of Mudaraba or Partnership companies. In all these cases, the Sukuk holders shall be the owners of their common shares in the leased assets, or in the cash receivables, or the goods receivable, or in the assets of the Partnership or the Mudaraba. These comprise asset backed, Sharia'a compliant trust certificates.

vii. Qard hassan

Are non-profit bearing financing whereby the customer borrows funds for a period of time with an understanding that the same amount shall be repaid at the end of agreed period.

h. Income recognition

The Bank recognised income on Sharia'a compliant Islamic banking activities through various Islamic instruments such as Ijarah, Murabaha, Musharaka, Istisna'a and Wakala.

i. Ijarah

Ijarah income is recognized on a time-apportioned basis, over the lease term. Accrual of income is suspended when the bank believes that the recovery of these amounts may be doubtful.

ii. Murabaha

Where the income is quantifiable and contractually determined at the commencement of the contract, income is recognized on a time-apportioned basis over the period of the contract based on the principal amounts outstanding. Accrual of income is suspended when the bank believes that the recovery of these amounts may be doubtful.

iii. Musharaka

Income on Musharaka Contracts is recognized when the right to receive payment is established or on distribution by the Musharek.

iv. Wakala

Estimated income from Wakala is recognised on an accrual basis over the period, adjusted by actual income when received. Losses are accounted for on the date of declaration by the agent.

v. Sukuk

Income is accounted for on a time apportioned basis over the terms of the Sukuk.

TAJBANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE ONE MONTH PERIOD ENDED 31 DECEMBER, 2019

Other accounting policies (continued)

Income recognition (continued)

vi. Fees and commission income

Unless included in the effective rate of return calculation, fees and commissions are recognised on an accruals basis (i.e. when earned) as the service is provided. Fees and commissions not integral to effective rate of return arising from negotiating, or participating in the negotiation of, a transaction from a third party, such as the acquisition of facility's, shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts

vii. Dividend

Dividends from investments in equity securities are recognized when the right to receive the payment is established. This is usually when the dividend has been declared.

viii. Non-credit related fee income

This is recognized at the time the services have been performed and delivered or the transaction has been completed.

ix. Sale of property under development

Where property is under development and agreement has been reached to sell such property when construction is complete, the bank considers whether the contract comprises:

- Contract to construct a property; or
- Contract for the sale of completed property

Where a contract is judged to be for the construction of a property, revenue is recognized using the percentage of completion method, as construction progresses. The percentage of work completed is measured based on the costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred.

Where the contract is judged to be for the sale of a completed property, revenue is recognized when the significant risks, rewards and control of ownership of the property are transferred to the buyer.

x. Foreign income

Commission on negotiation of various letters of credit and overdue Profit on delayed foreign payments are accounted for on receipt.

Other Profit and income earned on the Bank's own funds held outside Nigeria are accounted for on receipt.

xi. Service income

Revenue from rendering of services is recognized when the services are rendered

xii. Revenue from sale of goods

Revenue from sales of goods is recognized when the significant risks, rewards and control of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

xiii. Bank's share as a mudarib

The Bank's share as a mudarib for managing the equity of investment account holders is accrued based on the terms and conditions of the related mudaraba agreements whereas, for off balance sheet equity of investment accounts, mudarib share is recognized when distributed.

TAJBANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE ONE MONTH PERIOD ENDED 31 DECEMBER, 2019

Other accounting policies (continued)

i. Expense recognition

a. Profit on mudaraba payable (banks and non-banks)

Profit on these is accrued on a time-apportioned basis over the period of the contract based on the principal amounts outstanding.

b. Return on equity of investment accountholders

Return on equity of investment account holders is based on the income generated from jointly financed assets after deducting Mudarib share and is accrued based on the terms and conditions of the underlying Mudaraba agreement. Investors' share of income represents income generated from assets financed by investment account holders net off allocated administrative expenses and provisions. The bank's share of profit is deducted from the investors' share of income before distribution to investors.

j. Taxation

i. Current income tax

Income tax is the amount of income tax payable on the taxable profit for the period determined in accordance with current statutory rate. Income tax payable on profits, based on the applicable tax law, is recognized as an expense in the period in which the related profits arise. All taxes related issues including deferred tax are treated in accordance with IAS 12 (Income taxes).

ii. Deferred taxation

Provision for deferred taxation is made by the liability method and calculated at the current rate of taxation on the temporary differences between the net book value of qualifying fixed assets and their corresponding tax written down value in accordance with IAS 12 (Income taxes). The principal temporary differences arise from depreciation of property, plant and equipment, provisions for pensions and other post-retirement benefits, provisions for Investment losses and tax losses carried forward. The rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax.

Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the timing differences can be utilized.

iii. Zakat

Zakat will represent the business zakat and it is an obligatory amount payable by the Bank to comply with the principles of Shariah. The Zakat provision will be calculated based on 2.5 % of the net asset method as set out in AAOFI.

k. Investment

i. Investment securities

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

ii. Investments in subsidiaries

Investments in subsidiaries are reported at cost less any impairment (if any).

A subsidiary not consolidated but is classified as 'held for sale' if it is available for immediate sale in its present condition and its sale is highly probable. A sale is 'highly probable' where: there is evidence of management commitment; there is an active programme to locate a buyer and complete the plan; the asset is actively marketed for sale at a reasonable price compared to its fair value; the sale is expected to be completed within 12 years of the date of classification; and actions required to complete the plan indicate that it is unlikely that there will be significant changes to the plan or that it will be withdrawn.

TAJBANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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Other accounting policies (continued)

1. Employee benefits

i. Defined contribution plans

A defined contribution plan is a pension plan under which the Bank pays fixed contributions to a separate entity. The rate of contribution by the Bank and its employee is 10% and 8% respectively of basic salary, housing and transport allowance in line with the new Pension Reform Act, 2014. The Bank has no legal or constructive obligations to pay further contributions membership of the scheme is automatic upon resumption of duty with the Bank. The Bank has no further payment obligations once the contributions have been paid to Pension Fund Administrators (PFA).

The Bank's liabilities in respect of the defined contribution are to be charged to statement of profit or loss for the year in which they become payable. Payments made to Pension Fund Administrator (PFA) are financially independent of the bank.

ii. Termination Benefits

Termination benefits will be payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. Such benefits shall also include any other relevant expenses like (Repurchase, Financing and Others) that may incur on the happening of such events.

m. Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of time value of money is material, 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.

n. Financial guarantees and financing commitments

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. After initial recognition, guarantee contracts are subsequently measured at the higher of:

- i.** The amount of the loss allowance, and
- ii.** The amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

Financial guarantees, principally consisting of letters of credit are included within other liabilities.

financing commitments are firm commitments to provide credit under pre-specified terms and conditions. The Bank recognises a provision in accordance with IAS 37 if the contract was considered to be onerous.

Transactions that are not currently recognized as assets or liabilities in the balance sheet, but which nonetheless give rise to credit risks, contingencies and commitments are reported off balance sheet. Such transactions included letters of credit, bonds, guarantees, acceptances, trade related contingencies such as documentary credits etc.

Outstanding and unexpired commitments at year end in respect of these transactions are to be shown by way of note to the financial statements.

TAJBANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE ONE MONTH PERIOD ENDED 31 DECEMBER, 2019

Other accounting policies (continued)

o. Borrowing

i. Murabaha and Due to Banks

This represents funds received from banks on the principles of murabaha contracts and are stated at fair value of consideration received less amounts settled.

ii. Murabaha and due to non-banks

These are stated at fair value of consideration received less amounts settled. Profit paid on borrowings is recognized in the statement of income for the year

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because

p. Fiduciary activities

The Bank acts as trustee in its capacity as a Mudarib when managing the equity of investment account holders. Equity of investment account holders is invested in murabaha and due from banks, sukuk and financing contracts with customers. Equity of investment account holders is carried at fair value of consideration received less amounts settled. Expenses are allocated to investment accounts in proportion of average equity of investment account holders to total average assets of the Bank.

Income is allocated proportionately between equity of investment account holders and owners' equity on the basis of the average balances outstanding during the year and share of the funds invested. Equity and assets of restricted investment account holders are carried off-balance sheet as they are not assets and liabilities of the Bank.

q. Segment reporting

The Bank prepares its segment information based on geographical and business segments as primary and secondary reporting segments, respectively in accordance with IFRS 8 (Operating segments).

A business segment is a Bank of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns different from those of segments operating in other economic environments.

The Bank has appointed the Management committee charged with the responsibility of allocating resources and assessing performance as the Chief Operating Decision Maker as required under IFRS 8. The CODM is reviewed and advised by the Board for decisions on significant transactions and or events.

r. Customer deposit

The Bank is required to maintain specific records for all the classes of deposits

The average daily balances for a particular month of all the classes of deposits will be used in the computation of the profitability of the Bank.

The average daily balances of each Investment Account holder depositor will also be the basis for the distribution of profits to the depositor.

All deposits accepted by Bank shall only be utilised in the provision of finances, investment in securities, inter-bank placements and other business prescribed by CBN that complies with Shariah. All division must ensure that all investments complying with the Shariah laws.

TAJBANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE ONE MONTH PERIOD ENDED 31 DECEMBER, 2019

Other accounting policies (continued)

s. Investment property

An Investment Property is an investment in land or buildings held primarily for generating income or capital appreciation and not occupied substantially for use in the operations of the Bank. A piece of property is treated as an investment property if it is not occupied substantially for use in the operations of the Bank, an occupation of more than 15% of the property is considered substantial.

The initial Recognition is to be at its cost price while for subsequent measurement the Bank adapted the fair value model which carry the investment properties in the balance sheet at their market value and revalued periodically on a systematic basis at least once in every three years in accordance in (IAS 40). Investment properties are not subject to periodic charge for depreciation.

When there is a decline in value of an investment property, the carrying amount of the property is written down to recognize the loss. Such a reduction is charged to the statement of income. Reductions in carrying amount are reversed when there is an increase, following a revaluation in accordance with the Bank's policy, in the value of the investment property, or if the reasons for the reduction no longer exist.

An increase in carrying amount arising from the revaluation of investment property is credited to owners' equity as revaluation surplus. To the extent that a decrease in carrying amount offsets a previous increase, for the same property that has been credited to revaluation surplus and not subsequently reversed or utilized, it is charged against that revaluation surplus rather than the statement of income.

An increase on revaluation which is directly related to a previous decrease in carrying amount for the same property that was charged to the income statement is credited to income statement to the extent that it offsets the previously recorded decrease.

Investment properties are disclosed separate from the property and equipment used for the purposes of the business in line with IAS 40 (Investment Properties)

t. Share capital and reserves

i. Share issue cost

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

ii. Dividend on ordinary shares

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

Dividends for the period that are declared after the end of the reporting period are dealt with in the subsequent events note.

The dividend shall be declared after all regulatory requirements fulfilled.

iii. Share premium

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

iv. Statutory reserve

The banking regulations in Nigeria require the Bank to make an annual appropriation to a statutory reserve. As stipulated by Section 16(1) of the Banks and Other Financial Institutions Act of 1991 (amended), an appropriation of 30% of profit after tax is made if the statutory reserve is less than the paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid-up share capital.

v. AGSMIES reserve

The AGSMIES reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside 5% of their annual profit after tax for equity investments in permissible activities.

TAJBANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE ONE MONTH PERIOD ENDED 31 DECEMBER, 2019

Other accounting policies (continued)

Share capital and reserves (continued)

vi. Retained earnings

Retained earnings comprise the undistributed profits from previous periods which have not been reclassified to any specified reserves.

vii. Regulatory risk reserve

The regulatory risk reserve represents the difference between the impairment on financing and investments determined using the prudential guidelines issued by the various Central Bank of Nigeria compared with the expected credit loss model used in determining the impairment loss allowance under IFRSs.

Where the financing loss impairment determined using the prudential guidelines is greater than the financing loss impairment determined using the expected credit loss model under IFRSs, the difference is transferred to regulatory risk reserve. When the prudential provisions is less than IFRS provisions, the excess charges resulting is transferred from the regulatory risk reserve to retained earnings to the extent of the non-distributable reserve previously recognised. This reserve is not available for distribution to shareholders.

u. Earnings per share

The Bank presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss that is attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding for effects of all dilutive potential ordinary shares.

v. Investment risk reserve (IRR)

This is the amount appropriated by the Bank out of income of investment account holders, after allocating the Mudarib share, in order to cater against future losses for investment account holders.

w. Profit equalization reserve (PER)

PER refers to the amount appropriated out of the total gross income to mitigate the undesirable fluctuation of income and to maintain a certain level of returns to the depositors. this amount shall be appropriated from Mudarada income by the Bank before allocating its own share (Mudarib fee).

PER is shared by both the depositors and the Bank and hence can be appropriated from and written back to the total gross income in deriving the distributable income. PER is reflected under the other liabilities on the statement of financial position.

TAJBANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE ONE MONTH PERIOD ENDED 31 DECEMBER, 2019

3 Cash and balances with Central Bank of Nigeria	2019
	N'000
Cash	39,665
Current account with CBN	5,576
Balance as at 31 December	45,241

The Bank is required to maintain statutory reserve deposits (as prescribed by the CBN) and are not available for use in the bank's day-to-day operations. Cash on hand constitutes the aggregate cash balances in the vaults of the bank branches.

4 Due from banks and other financial institutions	2019
	N'000
Balances with banks within Nigeria:	
First Bank Plc	10
First City Monument Bank Plc	554,672
Fidelity Bank Plc	512
Zenith Bank Plc	22,103
Balance as at 31 December	577,297

The balances held with Banks within Nigeria substantially represent amount available for the day to day operations of the Bank.

5 Interbank murabaha	2019
	N'000
Interbank murabaha	700,000
Interbank murabaha deferred profit	15,941
Balance as at 31 December	715,941

The invested N700 million interbank murabaha sharia compliant instrument in other financial institution with a return of 14.34%.

6 Total Sukuk Investment	2019
	N'000
Opening balance	-
Addition during the year	3,760,000
Disposal	-
Gross investment in Sukuk	3,760,000
Premium	511,945
Rental receivable	27,539
Balance as at 31 December	4,299,484

During the period, the Bank invested N3.76 billion in Sukuk issued by the Federal Government of Nigeria (FGN) through the secondary market. The Sukuk has 7 years tenor which is due in 2024 at a return of 16.47% and 7 years tenor due in 2025 at a return of 15.743%. The rental payment is semi-annually while the principal redemption is a bullet payment on maturity.

TAJBANK LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE ONE MONTH PERIOD ENDED 31 DECEMBER, 2019****7 Property, Plant and Equipment**

	Freehold Land	Freehold Building	Office Equipment	Motor Vehicle	Furnitures and Fixtures	Computer Equipment	Fixed Assets WIP	Total
Cost	N' 000	N' 000	N' 000	N' 000	N' 000	N' 000	N' 000	N' 000
Acquired in the period		231,579	236,985	110,479	140,695	459,534	46,279	1,225,550
Adjustment	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
31 December 2019	-	231,579	236,985	110,479	140,695	459,534	46,279	1,225,550

Accumulated depreciation

Charge for the period		386	3,286	1,534	1,903	6,157	-	13,266
Adjustment	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
31 December 2019	-	386	3,286	1,534	1,903	6,157	-	13,266

Net book value

31 December 2019	-	231,193	233,699	108,945	138,792	453,377	46,279	1,212,284
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TAJBANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE ONE MONTH PERIOD ENDED 31 DECEMBER, 2019

8 Leasehold improvement	2019
	N '000
Cost	
Addition	380,800
Balance as at 31 December	380,800
Amortisation and impairment losses	2019
	N'000
Amortisation for the period	3,432
Balance as at 31 December	3,432
Carrying amounts	
Balance as at 31 December	377,368
9 Intangible assets	2019
	Computer Software
	N'000
Cost	
Opening balance	-
Acquired during the period	864,933
Balance as at 31 December	864,933
Amortisation and impairment losses	
Amortisation during the period	7,208
Balance as at 31 December	7,208
Carrying amounts	
Balance as at 31 December	857,725

TAJBANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE ONE MONTH PERIOD ENDED 31 DECEMBER, 2019

10 Other assets	2019
	N '000
Branch development expense	2,400
Prepayment	149,132
Account receivables	678,938
Settlement suspense	14,118
Non-sharia investment receivable	239,094
Inventory (card & others)	9,924
Balance as at 31 December	1,093,606

11 Tax payable	2019
Statement of financial position	N'000
Opening balance	-
Charged for the year	-
	-
Less: payment during the year	-
Balance as at 31 December	-

	2019
	N'000
Income statement	
Company Income Tax	-
Education Tax	-
Information Technology levy	-
	-
Deferred tax expenses	
Deferred tax expenses (origination)/(reversal)	(52,603)
Balance as at 31 December	(52,603)

TAJ BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE ONE MONTH PERIOD ENDED 31 DECEMBER, 2019

11b Deferred tax	2019
	N'000
Opening balance	-
Deferred tax expenses(origination)/(reversal)	(52,603)
Balance as at 31 December	(52,603)
	2019
	N'000
(ii) Reconciliation of Tax Expense and the Accounting Profit	
Accounting loss before tax	(79,904)
Add non-deductible expenses for tax purpose	
Depreciation of PPE and amortisation	23,915
	(55,990)
Less:	
Exempted Income on Sukuk Bond	44,634
Collective Impairment write-back	-
Capital Allowance	-
Technology Levy	-
Adjusted loss	(11,356)
Company income tax at 30% of adjusted profit	-
Minimum tax	-
Technology levy	-
Education tax	-
Total tax payable	-
Deferred tax (origination)/reversal	(52,603)
Income tax expense	(52,603)
	2019
	N'000
(iii) Deferred Tax Movement	
The movement in the deferred tax account during the year by various components was as follows:	
Property, plant & equipment	394,919
Collective impairment	-
Unabsorbed capital allowance	(447,522)
Deferred tax (origination)/reversal	(52,603)

TAJBANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE ONE MONTH PERIOD ENDED 31 DECEMBER, 2019

12a Customers' current and qard saving account	2019
	N '000
Analysis by type of account	
Current account	1,122,231
Qard saving account	126,919
Balance as at 31 December	1,249,150

12b Unrestricted investment account holders	2019
	N'000
Savings account	436
Murabaha term deposit (note 12 c)	1,009,733
Balance as at 31 December	1,010,169

12c Analysis of Mudaraba term deposit maturity by product	2019
	N'000
MTD 30 days	140,119
MTD 60 days	5,100
MTD 90 days	52,500
MTD 180 days	802,000
MTD above 360 days	10,014
Balance as at 31 December	1,009,733

13 Other liabilities	2019
	N'000
Accounts payable	91,178
Other tax liabilities	145,881
Profit payable to mudaraba account holder	1,247
Due to charity	239,094
Deposit for shares	803,075
Sundry creditors	593,002
Accrued audit fee and other expense	7,580
Profit equilization reserve	36
Risk investment reserve	18
Balance as at 31 December	1,881,111

TAJBANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE ONE MONTH PERIOD ENDED 31 DECEMBER, 2019

14 Owners Equity

Share capital

(i) Authorised	2019
	N'000
6,000,000,000 Ordinary shares of N1.00 each	6,000,000
Balance as at 31 December	6,000,000

(ii) Issued and fully paid share capital

5,887,000 Ordinary shares of N1.00 each

Issued and allotted during the period

	2019
	N'000
	5,887,000
Balance as at 31 December	5,887,000

The holders of ordinary shares are entitled to receive dividends and each shareholder is entitled to a vote at the meetings of the Bank. All ordinary shares rank equally.

15 Share Premium

Opening balance

Movement during the period

	2019
	N'000
	-
	-
Balance as at 31 December	-

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

16 Retained Earnings

Opening balance

Pre-operating activities

Net loss for the period

Statutory regulatory reserve

AGSMEIS

Risk regulatory reserve

	2019
	N'000
	-
	(768,579)
	(27,302)
	-
	-
	-
Balance as at 31 December	(795,881)

TAJBANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE ONE MONTH PERIOD ENDED 31 DECEMBER, 2019

17 Risk Regulatory Reserve	2019
	N'000
Opening balance	-
Adjustment against retained earnings	-
Balance as at 31 December	-

The Bank is yet to finance any risk assets during the period under review, there is no provision made as at 31 December 2019.

18 i Other reserve	2019
(a) Statutory reserve	N'000
Opening balance	-
Provision for the period	-
Balance as at 31 December	-

(b) Agriculture small and medium enterprises investment scheme	2019
	N'000
Opening balance	-
Provision for the period	-
Balance as at 31 December	-
Total	-

In April 2017, the Central Bank of Nigeria issued guidelines to govern the operations of the Agriculture Small and Medium Enterprises Investment Scheme (AGSMEIS), all Deposit Money Banks (DMBs) are required to set aside 5% of their annual Profit after tax (PAT). The bank made a loss during the financial period, there is no provision made for the year ended 31 December 2019.

TAJBANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE ONE MONTH PERIOD ENDED 31 DECEMBER, 2019

19	Income from financing contracts	2019
		N'000
	Interbank murabaha	11,322
	Total income from financing contracts	11,322
20	Income from investment activities	2019
		N'000
	Sukuk	44,634
	Total income from investing activities	44,634
21	(i). Return on equity investment account holders	2019
		N'000
	Profit paid to mudarabah account holders	1,538
	Profit from financing investments paid to mudarabah account holders	1,538
	(ii) Bank's shares on financing and investment activities	
	Total income from financing	11,322
	Less: profit paid to investment account holders	(1,538)
		9,784
	Total income from investment	44,634
	(Less)/add: share of fee (paid)/charged to investment account holders	-
		44,634
	Bank's share as equity investor/mudarib	54,418
22	Fees and commission	2019
		N'000
	Banking services	97
	Balance as at 31 December	97
23	Staff costs	2019
		N'000
	Salaries	53,187
	Staff pension	1,908
	Training and seminar expenses	807
	Balance as at 31 December	55,902

TAJBANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE ONE MONTH PERIOD ENDED 31 DECEMBER, 2019

24 Depreciation and amortisation	2019
	N'000
Depreciation of property, plant & equipment	13,275
Amortisation of leasehold improvement	3,432
Amortisation of intangible assets	7,208
Balance as at 31 December	23,915
25 General and administrative expenses	2019
	N'000
Advertsing and marketing	5,653
Telephone expenses	160
Bank charges	337
Printing and stationery	3,477
Repair and maintenance	472
Sukuk premium expenses	10,720
Service contract	5,096
Travelling - local and foreign	1,705
Postage and courier charges	341
Premises expenses	16,500
Security guards	258
IT related expenses	872
NIBSS charges	69
Other miscellenous expense	973
Audit fees	5,451
Vehicles repairs	125
Fuel expenses	2,398
Balance as at 31 December	54,604

26 Related parties transactions

In the ordinary course of its activities, the Bank has no exposures that are related to its Directors. The Bank however follows a strict process before granting such credits to its Directors. The requirements for creating and managing this category of risk assets include the following amongst others:

- (i) 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 investment as well as key management personnel.
- (ii) Transaction with key management personnel: The Bank's key management personnel, and persons connected with them, are also considered related parties. The definition of key management includes the close members family of key personnel and any entity over which key management exercise control. Close family members are those who may be expected to influence, or be influenced by that individual in their dealings with TajBank Limited.

Related party	Relation with the Bank	2019 N'000 Amount
As 31 December		-

TAJBANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE ONE MONTH PERIOD ENDED 31 DECEMBER, 2019

27 SIGNIFICANT SHAREHOLDING (5% & ABOVE)	2019	
	Holdings	%
GSCL Investments Limited	3,060,000,000	51.98
Alhaji Lawal Garba	700,000,000	11.89
Inverness Wealth Management Limited	670,000,000	11.38
Sokoto State Government	500,000,000	8.49
Balance as at 31 December	4,930,000,000	83.74

28 Earnings per share

Basic earnings per share

Basic earnings per share of 46 kobo is based on the loss of N 27 million attributable to shareholders with ordinary shares of 5,887,000,000

Profit attributable to ordinary shareholders	2019 N'000
Loss for the period	(27,302)
Loss attributable to ordinary shareholders	(27,302)
Weighted average number of ordinary shares	2019 In Thousand
Issued ordinary shares	5,887,000
Weighted average number of ordinary shares at 31 December	5,887,000
Basic and diluted earnings per share (Kobo)	-46 kobo

TAJBANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE ONE MONTH PERIOD ENDED 31 DECEMBER, 2019

29 Information regarding Directors

	2019
	N'000
Emoluments	
Fees:	
Chairman	2,500
Other directors	2,000
Emolument as executives	86,420

No. of Directors excluding the Chairman with gross emoluments within the following

N	N	2019
		Number
1,000,000 -	2,000,000	7
2,000,001 -	5,000,000	1
5,000,001 -	above	2

30 Information regarding employees

The number of employees excluding Directors in receipt of emoluments excluding allowances in the following ranges were:

N	N	2019
		Number
500,000 -	5,000,000	33
5,000,001 -	10,000,000	26
10,000,001 -	Above	19
		78

Number of persons employed as at the end of the year were:

	2019
	Number
<i>Executive directors</i>	7
<i>Management</i>	17
<i>Non -management</i>	54
	78

31 Events after reporting period

There were no events after the reporting date which could have had a material effect on the financial statements as at 31 December 2019.

TAJBANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE ONE MONTH PERIOD ENDED 31 DECEMBER, 2019

32 Card issuance and usage in Nigeria

In line with Sec.11 of the CBN' Circular on The Guidance for issuance and usage of cards in Nigeria, below is the Bank's information on it's Card

	TRANSACTION VOLUMES	TRANSACTION VOLUMES N'000
CARD TYPE		
VERVE CARD		-
VISA CARD	-	-
Total	-	-

In line with CBN circular Ref FPR/DIR/CIR/GEN/01/020, below are the customer complaints data for the period:

(i) ATM complaints data- 31 December 2019

	Number	Amount N'000
Number of complaints	4	30
Number of complaints resolved	4	30
Unresolved as at 31 December	-	-

TAJBANK LIMITED
OTHER NATIONAL DISCLOSURES
VALUE ADDED STATEMENT

	31 Dec. 2019	31 Dec. 2019
	N`000	%
Gross Income from financing and investing transactions	56,053	
Return on equity of investment account holders	(1,538)	
Bank's share as a mudarib/equity investor	54,516	
Impairment allowance	-	
	54,516	
Bought in goods and services	(54,604)	
Value added	(88)	100%
Distribution		
Employees		
Salaries and benefits	55,902	(633.53)
Government		
Taxation	(52,603)	596.14
Retained in the bank		
Replacement of property and equipment / intangible assets	23,915	(271.02)
Loss for the period	(27,302)	309.40
Total value added	(88)	100%

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

TAJBANK LIMITED
OTHER NATIONAL DISCLOSURES
FINANCIAL SUMMARY

	2019
	N'000
Assets	
Cash and balances with Central Bank of Nigeria	45,241
Due from banks and other financial institutions	577,297
Interbank murabaha	715,941
Investment in sukuk	4,299,484
Property, plant and equipment	1,212,284
Leasehold improvement	377,368
Intangible assets	857,725
Other assets	1,093,606
Deferred tax asset	52,603
Total Assets	<u>9,231,549</u>
Liabilities	
Customers' current and qard saving deposits	1,249,150
Other liabilities	1,881,111
Tax payable	-
Total liabilities	<u>3,130,262</u>
Equity of investment account holders	
Customers' mudarabah investment accounts	436
Mudaraba Term Deposit	1,009,733
	<u>1,010,169</u>
Owners' equity	
Share capital	5,887,000
Retained Earnings	(795,881)
Share premium	-
Risk regulatory reserve	-
Other reserves	-
Total Equity	<u>5,091,118</u>
Total Equity and Liabilities	<u>9,231,549</u>
Statement of comprehensive income	
	N'000
Income:	
Income from financing and investing transactions	55,956
Gross Income from financing transactions	55,956
Return on equity of investment account holders	(1,538)
Bank's share as a mudarib/equity investor	54,418
Impairment allowance	-
Net income after impairment allowance	54,418
Other Income	
Fee and commission	97
Total Income	54,516
Expenses:	
Operating and direct expenses	(134,420)
Operating profit/(loss) before tax	(79,904)
Income tax expenses	52,603
Loss for the period after tax	<u>(27,302)</u>
Other comprehensive income	
Item that may be reclassified to profit or loss	-
Total comprehensive income for the year	<u>(27,302)</u>
Basic and diluted Earnings per share (Kobo)	(0.46)