



# **TAJBANK LIMITED**

## ***AUDITED FINANCIAL STATEMENTS*** **31 December 2020**

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## **Our Vision**

To be the 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. Tanko 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. Kogis Jonathan Luka	-	Non-Executive Director
Barr. Habib Alkali	-	Non-Executive Director
Mr. Charles Ebienang	-	Non-Executive Director
Mallam Lawal Garba	-	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**

**TAJ**Bank 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.

## **About TAJBank**

TAJBank's final banking license was issued to the Bank on 3<sup>rd</sup> July, 2019, while the operations of the Bank began on 2<sup>nd</sup> December, 2019 with two pioneer branches, one in Abuja and the other one in Kano.

As a licensed 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 Islamic banking, ethical conventional banking products and services by leveraging on mainstream and social media.

TAJBank's vision is "to be the 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 recognized as the dominant non-interest bank operating in Nigeria with 75% market share and comprehensive Islamic 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.

Since commencing operations in December 2019, the Bank has demonstrated its commitment to sustainable growth and expansion, adding new and innovative products and services as well as branches.

In line with the unique license issued to the Bank, more branches would be opened in some states' capitals in 2021 and e-Channels would also be deployed for the purpose of banking the unbanked populace and significantly driving financial inclusion.

## Our Branches

S/N	BRANCH	ADDRESS
1	ABUJA	Plot 72, Ahmadu Bello Way, Central Business District, Abuja
2	NATIONAL ASSEMBLY COMPLEX	National Assembly Complex.
3	KANO	No 101, Murtala Muhammad Way, Kano
4	SOKOTO STATE	Sokoto Investment House, No 8 Kano Road Sokoto.
5	LAGOS LIAISON OFFICE	7 Alfred Rewane Road, Behind Polaris Bank, Falomo, Ikoyi.

## The Board



### **ALHAJI TANKO ISIAKU GWAMNA- CHAIRMAN BOARD OF DIRECTOR**

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 Ltd. 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.



**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. KOGIS JONATHAN LUKA- NON-EXECUTIVE DIRECTORS**

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 EBIEANG- NON-EXECUTIVE DIRECTOR**

Mr. Ebiengang 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. Ebiengang 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. Ebiengang has been responsible for providing Banks and investment firms with Financial advisory services.

Mr. Ebiengang 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.



**MALLAM LAWAL GARBA- NON-EXECUTIVE DIRECTOR**

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. Member Project Implementation Committee Port Harcourt River State, with extensive experience in managing various transformation initiatives.

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 and dams, sewage conduit. United Bank for Africa as Corporate Services officer.



**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 Ltd and the pioneer Chief Marketing Officer of the Bank.

## 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 Muhammad Tabi'u, SAN 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.

## **CHAIRMAN'S STATEMENT**

Distinguished Ladies and Gentlemen, it is my pleasure to welcome you to the 2nd Annual General Meeting of our great Bank. This is the Bank's first full year of banking operations after commencing banking operations on the 2nd of December, 2019. I am delighted to inform you that the future of the Bank is outstandingly bright and beautiful.

In spite of the fact that there was an unforeseen turbulence in the business environment, the 2020 financial year was a year of investment, market penetration, growth, expansion and strong financial and strategic performance that enabled us establish our position as one of the growing Banks in Nigeria. After commencement of business on the 2nd of December, 2019, the Bank achieved a record-breaking growth in branch expansion by establishing two branches within the period.

Indeed, our exceptional service delivery, robust technological deployment and responsive operational system are largely behind the excellent performance we have recorded so far. Thus, our sustainability is guaranteed by the expansive value we create for our shareholders, customers, employees and all stakeholders. The most remarkable contribution we can make to the society is to ensure sustainable value addition in order to reach the expectant markets opportunities.

We made a substantial progress in our strategic commitment and delivered an outstanding profit of ₦845 million after tax despite the outbreak of global pandemic that drastically affected the global economy. We made huge capital investments and incurred high, but necessary, capital and operating expenses during the 2020 financial year. The Bank attracted and retained a veritable number of customers, resulting in a surging growth in our deposit base. Although, we expect a more expedient growth in our risk asset base, the Bank is conversant with, and is committed to the achievement of a reputable financing to Deposit Ratio, while pursuing an effective growth in these two invaluable balance sheet items and considering our risk appetite and our objective on value addition to the stakeholders.

Furthermore, the Bank recorded a profit margin of 8.59%; an average deposit growth of 28.68% throughout the year; an average of 145% risk assets growth and a cost-income ratio of 91%. For a new bank, these achievements are indicative of the fruitful promises the future holds for the Bank. While striving to improve and consolidate on these indices, we are carefully guarded by our Risk Management Framework and other internal and external regulatory prudential guidelines.

We maintain an undiluted focus on building our corporate and retail franchise by creating concrete connections with our diverse and dedicated customer segments, and the positive results therefrom this can never be over-emphasized. This is evident in the impressive growth in deposits, strong and expansive balance sheet items, and increased awareness of our exceptional service delivery among customers. We equally saw an impeccable growth in customer base from 1,809 to 103,853.

As noted earlier, our commitment to the creation optimal shareholders' value remains solid and expansive. We achieved an Earning Per Share of 11.82k; ROAE of %, and ROCE of % respectively. These indices are indicative of our commitment to the delivery of superior sustainable returns. The modalities for accessing and interacting our customers, employees and shareholders are being greatly transformed by technology. This transformation took a different and divergent dimension in the year under review due to the outbreak of Covid-19 Pandemic. We are determined to harness the opportunities offered by these platforms. We carried out a review of our electronic channels and upgraded our Mobile Apps, while we increased the scope and functionality of our internet banking platform as we progress in adapting to a competitive environment that is largely turbulent and shaped by digital revolution.

The social media has become an indispensable tool for customer relationship management, value addition and complaint resolution. Our presence and continued expansion of the social media space offers us the opportunity to proactively interact with our customers and provide real time and important information and solutions to their

various enquiries and complaints. Our presence is felt on Facebook, Instagram, LinkedIn, Google+ and WhatsApp. We launched our Voice of Customer by TAJBank and Livechat to avail our stakeholders with market intelligence, innovative leadership and convey contents to interact and educate and strengthen relationships with our stakeholders. This platform has enhanced our ability to have a less formal and deeply informative interactions with our audience, hear their voices and consummate our products and services to capture their needs, while expeditiously resolving their complaints.

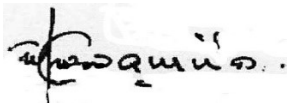
We launched our TAJMall and this has opened broad business opportunities for us, and our customers who have used this platform for shopping attest to the seamless experience they have enjoyed, and the value offered in cost savings and quality offerings.

Although, our priority is to ensure optimum performance and value addition across all stakeholders, we have a strong target to be among the recipients of some key awards on product and service innovation, consistently transparent corporate governance practices and service excellence. We are also utilizing our creative workforce and excellent management team to drive performances that would earn us these prestigious awards from the various award-issuing bodies/authorities.

Expectedly, Africa has not only emerged as an integral part of the global economy but is playing a pivotal role in shaping market movements and steering global demand and supply. Creating and delivering long term value to all our stakeholders and expanding our networks to gain and retain competitive advantage in the increasingly changing market, remain our ultimate objective. We are pursuing this objective by continuously evolving and implementing a robust, responsive and realistic set of strategy to become and remain a key player in the non-interest financial services sector in Nigeria, whilst gaining franchise in veritable segments of the African market segments. We sincerely hope to navigate the opportunities inherent in the African market and explore it to the advantage of all stakeholders.

We have an extensive understanding of our obligations to the business community and operating environment. Through our partnership with communities and philanthropic engagements, our divergent Corporate Social Responsibility activities influence the vision and entrench the programs that promote financial inclusion, economic prosperity, and sustainable development. We are driven by the desire to engender equal access to opportunities and promoting global prosperity through our investment decisions and structured Corporate Social Responsibility implementation.

Thank you.



**Alhaji Tanko Isiaku Gwamna**  
**Chairman**

## MANAGING DIRECTOR'S REPORT

In the name of Allah, the Beneficent, the Merciful. Dear Shareholders, Distinguished, Ladies and Gentlemen, it is my privilege to welcome you all to our 2nd Annual General Meeting of first full year of banking operations. Despite the successive waves of Covid-19 Pandemic and events characterised by economic crises during the review period, by Allah's will, the Bank's results comprise of profit after tax of N845 million. It is our belief that we will consolidate the stakeholders' value.

The Bank recorded a growth of 442% growth in Total Assets, which grew from N9billion at the end of 2019 to N50billion as of December 31, 2020. Income Generating Assets (financing and investments) grew by 362% from N5.02billion to reach N23.16billion. Customer Accounts grew by N18.14billion in 2020 or 1524%, from N2.26billion to N36.69billion. Total Operating Income was N3.45billion in 2020 (2019: N56million). Net Operating Income for 2020 was N319million (2019: -N79million). Net Income for the year was N845 million, compared to Loss of (N27million) in 2019. The Net Income Attributable to the Equity of the Bank's shareholders was N319million as against 2019 Net Loss of (N79million).

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.

Our performance in 2020 reflects the full strength of the promise we made to our stakeholder. We are building a sustainable way so that we can continue and add immense value to the society, whilst generating the returns that you, our shareholders, will be glad about. We are digitally transforming our organisation to efficiently and effectively attend to the ever-evolving needs of our customers in their everyday lives. We are also advancing ourselves more powerfully beyond comfort areas in order to bring to the excluded a sustainable banking platform.

As we begin our second full year of banking operations, we remain as passionate and committed to delivering the optimum value for all our stakeholders, the results shows positive performance across all financial indices, reaffirming the Bank's position as one of the most profitable and well managed non-interest financial institutions in Nigeria.



Norfadelizan Abdulrahman  
**Managing Director**

## REPORT OF THE DIRECTORS FOR THE PERIOD ENDED 31 DECEMBER 2020

The Directors of the Bank are upright in upholding their responsibility of protecting shareholders interest, establishing policies to be adhered with by the Management as well as oversight functions and important decisions of the Bank

The Board is comprised with the highest caliber of integrity, ethical values innovation and good governance. They conduct their affairs with trust, transparency, accountability and social responsibility, thereby safeguarding the interests of all stakeholders.

Below are the highlights of the Banks's operating results for the year under review:

	<b>N'000</b>
Gross earning	2,128,065
Profit before tax	296,824
Income tax credit	548,859
<b>Profit after tax</b>	<b>845,683</b>

### Business review and future development

The Bank carried on as a non-interest bank 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.

### Directors Fees

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

### 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 section 301 of the Companies and Allied Matters Act, 2020, are stated below:

Number of Shareholding as at 31 December 2020

S/N	Director	Direct	Indirect
1	Alh. Tanko Isiaku Gwamna	N/A	300,000,000.00 (GSCL Investment Ltd)
2	Alh. Tata Shekarau Omar	N/A	N/A
3	Mr. Adekunle James Awe	N/A	N/A
4	Hajiya 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. Kogis Jonathan Luka	N/A	1,200,000,000.00 (GSCL Investment Ltd)
8	Mallam Lawal Garba	700,000,000.00	N/A
9	Norfadelizan Abdulrahman	N/A	N/A
10	Hamid Joda	10,000,000.00	N/A

11	Mr. Charles Ebiengang	N/A	1,560,000,000.00 (GSCL Investment Ltd)
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## Employment and employees

### Employee involvement and training

The Bank's major assets are their Management, professional and technical staff. In that regard, the Bank invests in their training, as collated 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.

### Employment policy

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

### 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 were installed in strategic locations within the Bank. And with the emergence of Covid-19 Pandemic, provisions of sanitizers and Infrared thermometer were made available at the entrance of the Bank's premises. The Bank operates a contributory pension plan in line with the Pension Reform Act for its employees.

### Gender analysis of staff

The average number of male and female employees during the period ended 31st December, 2020 is provided below.

Gender	Number	Percentage
Male	131	77.1%
Female	39	22.9%
Total	170	100%

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:

### 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%

### **Donation and sponsorship**

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

### **Assets values**

Information relating to the Bank's assets is detailed in the notes to the financial statements.

### **Audit Committee**

Pursuant to Section 404(2) of the Companies and Allied Matters Act, 2020, the Bank has in place an Audit Committee comprising two Shareholders' representatives and two directors as follows:

Abdulkadeer Babangida Njiddah, Ph.D., FCA (Chairman)

Hajiya Hafsah Magaji Inuwa (Member)

Alhaji Tata Shekarau Omar (Non- Executive Director)

Mr. Adekunle James Awe (Non-Executive Director)

The functions of the Audit Committee are as laid down in Section 404 (7) of the Companies and Allied Matters Act, 2020.

### **Auditors**

The auditors, Messrs Ahmed Zakari & Co. having indicated their willingness to continue in office will do so in accordance with Section 401(1&2) of the Companies and Allied Matters Act, 2020.

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

By order of the Board



Hamisu Sani Esq.  
Company Secretary  
FRC/2020/002/00000020464  
27 March, 2021

TAJ Bank Ltd.  
Plot 72, Ahmadu Bello Way  
Central Business District, Abuja

**TAJBANK LIMITED**  
**FINANCIAL HIGHLIGHTS**  
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

The followings are the major financial highlights for the year ended 31 December,2020:

**FINANCIAL HIGHLIGHTS**

<b>STATEMENT OF FINANCIAL POSITION</b>	<b>31-Dec-2020 N'Million</b>	<b>31-Dec-2019 N'Million</b>	<b>Changes (%)</b>
Total assets	50,025	9,232	442%
Gross earning assets	19,402	5,015	287%
Financing & investing activities	23,156	5,015	362%
Deposits	36,691	2,259	1524%
Total Equity	7,242	5,091	42%

<b>INCOME STATEMENT</b>	<b>31-Dec-2020 N'Million</b>	<b>31-Dec-2019 N'Million</b>	<b>Changes (%)</b>
Gross earnings	3,456	56	6066%
Gross expenses	3,160	136	2224%
Profit before tax (PBT)	297	(80)	-471%

<b>RATIOS</b>	<b>31-Dec-2020 N'Million</b>	<b>31-Dec-2019 N'Million</b>	<b>Changes (%)</b>
Net profit margin	9%	-143%	106%
Cost to Income	91%	243%	62%
Return on assets	1%	-1%	169%
Return on Equity	4%	-2%	361%
Capital Adequacy	27%	109%	76%
Liquidity **	52%	45%	16%

## CORPORATE GOVERNANCE REPORT

### Introduction

Good Corporate Governance is not restricted to compliance of rules and regulations alone, but 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 proper application of Corporate Governance regulations and international best practices are imbibed.

It is ensured that the requirements of the revised Nigerian Code of Corporate Governance, 2018 are complied with as well as the Central Bank of Nigeria Code of Corporate Governance.

The Bank conducts an Annual Board Evaluation Exercise and Appraisal to cover the Board's responsibilities, processes, relationships, structure and composition through an independent consultant, Messrs. Crest & Waterfalls. The Consultants diligently conducted the Annual Board Appraisal for the period ended 31st December, 2020. 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 knowledge, integrity, skills and experience to give sound independent judgment on deliberations and decisions. The Board comprise 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.

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. The Board members of the Bank are listed in the table below:

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. Kogis Jonathan 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 A. 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.

The Board ensures that members are trained on issues relating to their oversight functions and other related 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**

The tenure for Non-Executive Directors is limited to a maximum of five (5) terms of two (2) years each, while the maximum tenure for Executive Directors is limited to a maximum of two (2) terms of five (5) years each.

## **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 and Committee meetings by members, the Company Secretary prepared an annual calendar of meetings which was subsequently reviewed and adopted by the Board prior to the commencement of a new financial year.

## **Board Committees**

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 & Investment Committee;
- ii. Board Finance & General Purpose Committee;
- iii. Board Governance Remuneration and Nomination Committee,
- iv. Board Audit Committee, and
- v. Statutory Audit Committee.

## **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 include:

- 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 sat twice in the year 2020.

## **Board Risk Management & Investment Committee**

### **Membership**

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

The Committee's major responsibilities include:

- 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

The Committee had three meetings in 2020 financial year.

### **Board Finance & General Purpose Committee (BFGPC)**

#### **Membership**

- i. Hajiya Mariam Ibrahim (Chairperson)
- ii. Mr. Kogis Jonathan 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 sat twice in 2020 financial year.

### **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 include:

- 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 had four meetings in 2020 financial year.

### **Statutory Audit Committee**

#### **Membership**

- 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 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

The Statutory Audit Committee convened four meetings within the period under review.

## **Management Committee**

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 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](mailto:whistleblowing@tajbank.com).

## **Anti-Money Laundering and Combating Financing Terrorism**

The Bank has established a robust Policy on Anti-Money Laundering and combating Financing terrorism and follow up with training to keep its staff abreast with the law and regulations. The Chief Compliance Officer of the Bank renders 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 (as stipulated in the Companies and Allied Matters Act, 2020) 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.

#### **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 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 Adversary Committee of Experts reviews the Banks operations to confirm that activities were carried out in accordance with the principles of Shari'ah. 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 Shari'ah 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.

**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. He is fully empowered to discharge these responsibilities and 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 refer 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 Policy**

The Bank has a robust policy put in place to address customer complaints in accordance with the provision of the CBN Circular on handling customer complaints. Various channels such as, 24hour contact centre; customer service desks and contacts through the Bank's website have been provided to facilitate seamless complaint resolution and feedback process.

## **RISK MANAGEMENT FRAMEWORK - ANNUAL REPORT**

### **Overview**

The Risk Management Framework in TAJBank includes policies, procedures and manuals, Board of Directors' and Senior Management oversight, internal controls, and management information system. The primary goal of risk management is to identify, assess and monitor risks inherent in the activities of the Bank and take adequate measures to manage and control these risks on timely basis. The Bank's aim is to achieve an acceptable balance between risk and return and minimizing potential adverse effects on the Bank's financial performance. The Bank has identified its major risk areas as strategy, credit, market, liquidity, profit rate, reputational, Sharia non-compliance and operational risk. Risk identification in these areas is carried out by the relevant risk owners in conjunction with the Risk Management Division.

### **Risk Management Philosophy**

Risk philosophy describes the Bank's attitude to risk taking. It is the main thrust of its officers behaviour in the conduct of business activities from risk perspective. The Bank's risk management philosophy is encapsulated in the following statement:

***Risk management culture as a tool for sustainable healthy growth aimed at enhancing shareholders' value.***

The risk philosophy is cascaded into the following risk principles as working statements:

The Bank will consider sound ethical and shariah based risk management system, and compliance with regulatory authorities to build the foundation of a resilient financial institution focused on ethical and welfare Banking.

The Bank will adopt a holistic and integrated approach to risk management as it is required by the nature of shariah based financial contracts viz-a-viz its operations and, therefore, brings all risks together under one or a limited number of oversight functions.

The Bank will not take any action that will undermine its integrity as an ethical non-interest financial institution.

The Bank will only assume risks that fall within its risk appetite with commensurate returns.

The Bank will adhere to the risk management cycle of identifying, measuring, controlling and reporting risks.

Risk officers shall be empowered to perform their duties professionally, ethically and independently free of any form of interference.

Risk management will be governed by well-defined policies that are clearly communicated across the Bank.

Risk management is a shared responsibility. Therefore, the Bank will build a shared perspective on risks that is grounded in deliberated consensus.

The Bank's risk management governance structure is clearly defined.

Risk-related issues are taken into consideration in all business decisions. The Bank shall continue to strive to maintain a conservative balance between risk and return considerations and in consonance with the import of Islamic Jurisprudence.

Risks are reported openly and fully to the appropriate levels once they are identified.

## **Risk Culture**

The Bank's risk culture is intertwined with its risk philosophy. It permeates across the Bank where everyone is a risk champion. The culture is built around the following cardinal principles:

Minimization of potential risk that can jeopardize its fiduciary responsibility as a NIFI while expanding the Bank's market share.

The responsibility for risk management in the Bank is fully vested in the Board of Directors, which in turn delegates such to senior management.

The Bank pays attention to both quantifiable and unquantifiable risks with special treatment for shariah non-compliance risk.

Bank's management promotes awareness of risk and risk management across the Bank.

The Bank avoids products, markets and businesses where it cannot objectively assess and manage the associated risks in line with both the shariah and country perspective.

## **Risk Appetite:**

The Bank understands that the road leading to achieving its strategic business objectives is laden with inherent risks. Whilst the risk philosophy underlines how inherent risks are taken into consideration in decision making, the Board of Directors and Management of the Bank determine the acceptable risks based on its resources and capabilities in terms of people and technology.

Risk Appetite Statement.

***The Bank will uphold a moderate risk appetite while pursuing its strategic business objectives, aggressive organic growth, cost containment and digital footprints to be among the leading Banks in Nigeria.***

The Bank's appetite for risk is governed by the following:

- High-quality risk assets measured by three Key Performance Indicators:
- ratio of non-performing investment (NPI) to total Investment ;
- ratio of investment loss expenses to profit returns; and
- ratio of investment loss provision to gross non-performing investments.
- Diversification targets are set for the investment portfolio and limits are also set for aggregate large exposures.
- Losses due to frauds and operational lapses are pegged at a maximum of a specified percentage of gross earnings and in any case must be lower than the industry average.
- Financial and Prudential ratios targets are pegged at a level more conservative than regulatory requirements and better than the average of benchmark Banks. These include but not limited to liquidity ratios, deposit concentration limits, open position limits and provisioning policies.
- The Bank aims at minimizing the following independent indicators of excessive appetite for risk:
  - exception reporting by internal control officers, auditors, sharia'h auditors, regulators and external rating agencies;
  - adverse publicity in local and international press;
  - frequent litigations;
  - payment of fines and other regulatory penalties; and
  - above average level of staff and customer attrition.

## **Risk Management Governance & Process**

Risk Management activities are performed at strategic, macro and micro levels. The Bank's risk management framework consists of structure, policies, strategy, process and techniques for the

management of risks. The risk governance structure is modelled according to the three lines of defense. The Board and its committees perform oversight roles and approve the policies and strategy for the management of risk. Senior management provides oversight across the Bank to ensure that all material risks are properly identified, measured, monitored and controlled in order to minimize adverse outcomes. The CRO coordinates the process of monitoring and reporting these risks. The Risk Management division is complemented by Financial Control, Compliance and Corporate Communication department in the management of strategic, regulatory compliance and reputational risks respectively. Internal audit reviews the risk management process and ensures that all units charged with the responsibilities for managing risks perform their roles effectively.

The overall responsibility for risk management rests with the Board of Directors. Whilst the Board is ultimately responsible for risk management and to determine the type and level of risk which the Bank is willing to accept in conducting its banking activities, the effective management of risk has been delegated to the Board Risk Management & Investment Committee and the Board Audit Committee. In addition, the Advisory Committee of Expert (ACE) has been delegated the responsibility of managing the shariah risk which the Bank faces.

The Committees are assisted by the following Management Committees to discharge their responsibilities effectively.

- i. Executive Management Committee
- ii. Management Credit Committee (MCC)
- iii. Asset & Liability Management Committee (ALCO)
- iv. Operational Risk Management Committee
- v. IT Steering Committee

The composition, terms of reference and delegated powers of authority of the Board and Management Committees are set by the Board and are reviewed annually. The Board and Management Committees are responsible for developing and monitoring risk management policies and programs in their specified areas. These policies and programs are established to identify and analyze risks faced by the bank, to set appropriate risk limits and controls and to monitor risks and adherence to limits. The risk management policies and programs are reviewed regularly to reflect changes in market conditions and products offered. In addition, the bank has adopted a strategy that seeks to entrench at all levels within TAJBank a risk management culture.

### **Risk Management Process**

TAJ Bank's risk management process establishes a standard and structured process for identifying, managing and reporting risks across the Bank. Its processes are based on leading practice, and in line with the Shari'ah requirements outlined in the best practices under Basel II, and IFSB-15 & IFSB-16. Below are the key activities to be performed under this process.

#### **Risk identification**

The methods the Bank adopts to identify risks involve engaging knowledgeable people periodically, including business and process owners as well as relevant third parties either one-on-one or in a workshop session to understand their views on the current and future business environment. The Bank also uses process reviews and evaluation as well as review of recent events (e.g. audit report, near misses, inspection reports and other risk events that are applicable to the Bank) to identify risks.

## **Risk assessment**

The approaches for assessing risk in the Bank include facilitated workshops (e.g. risk control self-assessment workshop), interviews and the use of questionnaire. The assessment and categorization of risk into catastrophic, significant, major, minor and insignificant is based on the assessment of likelihood of occurrence and the impact of risk.

## **Risk Treatment**

The risk treatment approach involves selecting and agreeing to one or more relevant options for changing the probability of occurrence, the impact of risks, or both, and going ahead to implement the options. The Bank applies any or a combination of the following four approaches to treat risks:

- Risk avoidance/elimination;
- Risk acceptance/retention;
- Risk reduction/mitigation; or
- Risk transfer / sharing.

## **Risk Monitoring**

The Bank monitors and reviews risks and controls on a regular basis to ensure that:

- assumptions made about risk, including the basis of the risk assessment, remain valid;
- projected outcomes and expected results are being achieved;
- outcomes of risk assessment are in tandem with actual experience;
- risk assessments techniques are being applied as desired;
- right mix of risk treatment is being used and risk treatment used is effective.

## **Risk Reporting**

Risk management reports are prepared by Risk Management on a periodic basis to assess the adequacy and completeness of the risk management process. Risk management reports are produced for the Bank as a whole and according to business unit, risk segment, geography and product or service group. The objective is to enable decision-makers to evaluate risk management performance monthly, weekly, daily or even in real time, as the nature of the risks and circumstances dictate.

## **Composition of Risk Management Division**

Credit Risk Department

Market and Liquidity Risk Department

Shariah Non-compliance and Other Unique Risks Department

Operational Risk Department

## **Major Risks**

The following are the major forms of risk to which the bank is exposed:

- Credit risk
- Market risk
- Liquidity risk
- Profit rate risk
- Shariah non-compliance risk
- Operational risk and
- Reputational risk
- . Strategic risk

## **Strategic Risk Management**

Strategic risk is the current and prospective impact on profits or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. It is a risk that could significantly impact on the achievement of the Bank's vision and strategic objectives as documented in the strategic plan. It is also view as the risk associated with future plans including business expansion involving new products, services & delivery channels and branch expansion across geopolitical zones.

In TAJBank, we define strategic risk management is defined as the process of identifying, assessing, measuring, monitoring and managing the risk in the Bank's business strategy. Strategic risk management involves evaluating how a wide range of possible events and scenarios will affect the strategy and its execution and the ultimate impact on the Bank's value. Strategic risk management is an essential component of our enterprise risk management.

The Board and Senior Management are responsible for the Bank's strategic risk management process by ensuring that a functional and effective policies and framework are in place. The functional business units support the Board and Senior management to:

- ✓ establish and implement the Bank's strategic risk management framework based on criteria and standards set by the Board
- ✓ to develop strategies to meet the Bank's strategic goals and objectives;
- ✓ to formulate the Bank's strategic plan and related implementation plans (such as business, development and operating plans)

Effective management of strategic risk requires that policies, procedures and limits be established to ensure objective evaluation of and responsiveness to the Bank's business environment. Policies on business strategy are critical in defining the business segments that the institution will focus on, both in the short and long run. The Bank has a clear guideline on frequency and procedure for the review of its business strategy.

The failure or success of a strategy depends on whether the Bank has adequate resources and capability to implement the strategy and whether the Bank can effectively monitor and control the progress of implementation. As such, in addition to strategic planning, the Bank has a process to facilitate the monitoring and control of strategies being implemented.

Active Board and Executive Management oversight with the support of the strategic risk management function help to ensure effective implementation and control of strategies. In addition, there are adequate management guidelines and written procedures for implementing strategies and monitoring and reporting the progress of implementation.

Where the Bank have identified strategic issues arising from anticipated operational or market changes which may result in a significant adverse impact on its business or financial conditions, such issues are reported to the Board and Executive Management in a timely manner, with an assessment of the strategic risk implications and the need for taking remedial actions (such as modifying existing strategies and implementing risk mitigating or contingency measures).

## **Liquidity Risk Management**

Liquidity risk is defined as the risk to the Bank's profit or capital arising from its inability to meet its obligations as they fall due, without incurring significant costs or losses. Liquidity risk management involves not only analyzing banks on and off-balance sheet positions to forecast future cash flows but

also how the funding requirements could be met. Liquidity risk arises from mismatches 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.

Whilst the Board as part of its oversight responsibilities ensures that the Bank has necessary liquidity risk management framework and that it is capable of confronting uneven liquidity scenarios the Executive Management is responsible for the implementation of sound policies and procedures keeping in mind the strategic direction and risk appetite specified by the Board to effectively oversee the daily and long-term management of liquidity risk. The responsibility for managing daily liquidity assessment resides with the Bank Treasurer. However, the balance sheet liquidity management resides with ALCO, which comprise of senior management from key areas of the Bank that identify/manage liquidity risk. The ALCO meets monthly or more frequently as occasion demands.

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

### Market Risk Management

TAJBank defines market risk as the risk that the value of on and off-balance sheet positions of TAJBank will be adversely affected by movements in market rates or prices such as foreign exchange rates, rate of returns, equity prices and/or commodity prices resulting into reduction in profit and capital.

The risk arising from market risk factors can be categorized as shown in the table below:

Market Risk	Definition	Example
Benchmark/Return Rate Risk	The risk of financial loss due to benchmark rate volatility. Losses could result from changes in the level or shape of the yield curve.	Sukuk rate (trading) Asset & Liability cashflow mismatch (non-trading)
Equity Risk	The risk of equity value fluctuations.	Share option (trading) Equity held as collateral
Commodity Risk	The risk of commodity price fluctuations	Oil futures Cocoa, corn etc Commodity held as collateral
Inventory Risk	The risk arising from holding items in inventory either for resale under a Murabahah contract, or with a view to leasing under an Ijarah contract	Commodity held for trading
Foreign Exchange Risk	The risk from an adverse movement in foreign exchange rates.	FX forwards (trading) Currency translation (banking) Obligors buying from/selling to other countries

**Measures to control market risk:**

The Bank has clearly defined policies and procedures for limiting and controlling market risk on both on- and off- balance sheet positions. The policies and procedures:

- Delineate lines of responsibility and accountability over market risk management decisions and clearly define authorized instruments, hedging strategies and position-taking opportunities.
- Identify the types of instruments and activities that the Bank may employ or conduct.
- Identify quantitative parameters that define the levels of rate of return risk, price risk and foreign exchange risk acceptable for the Bank and where appropriate, such limits are further specified for certain types of instruments, portfolios and activities.
- Review and revise periodically the procedures to define the specific procedures and approvals necessary for exceptions to policies, limits and authorizations.
- Delineate a clear set of institutional procedures for acquiring specific instruments, managing portfolios and controlling the Bank's aggregate market risk exposure.

Prior to introducing a new product, hedging, or position-taking strategy, management always ensure that adequate operational procedures and risk control systems are in place.

**Shariah Non-Compliance Risk Management**

As a non-interest financial institution, Sharia non-compliance risk is a major source of reputational risk for the Bank. The risk 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 Regulation Advisory Council of Experts (FRACE). Sharia Compliance is critical for NIFIs' operations and such compliance requirements must permeate throughout the organizations and its products and activities.

The thrust of Shariah non-compliance risk management is to systematically identify, measure, monitor and control of Shariah noncompliance risks to mitigate any possibility of non-compliance events. This will enable TAJBank to continue its operations and activities effectively without being exposed to unacceptable levels of risk. The Bank is strongly determined to comply with Islamic commercial jurisprudence in all its activities including risk management.

In the year 2020, there was 0% Shariah violation in our financing activities therefore none of Bank's income has been invalidated.

**Control and Management of Sharia non-compliance risk**

TAJBank has developed and continuously enhance the Shariah non-compliance risk management framework and other risk management policies and procedures relevant to the Bank. The Sharia non-compliance risk management unit under Risk Management Division together with the Compliance department act as the second line of defense in providing independent oversight to ensure compliance to Shariah related regulatory guidelines. The Unit facilitate risk assessment and control effectiveness assessment (with focus on risks that are unique to the Islamic Banking especially Shariah Compliance risk) during new business, products or service development and launching as part of the Bank process. Continuous monitoring of risk profiles and controls effectiveness to facilitate efficient and effective management of Islamic banking business risks and Shariah non-compliance risks as well as ensuring TAJBank stays within the risk thresholds set out in the annual Risk Appetite Statements

## **Rate of Return Risk Management**

TAJBank allows disciplined risk taking within well-defined financing/investment and risk appetite framework that enables the Bank to enhance shareholder's wealth while retaining its competitive advantage. As a NIFI, the Bank is exposed to rate of return risk in the context of its 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 metamorphose into Displaced Commercial Risk (DCR). Considering the above, the Bank continuously monitors development in the financial market to identify, measure and mitigate Displaced Commercial Risk-DCR and remain competitive. To this end, the Bank has put in place a policy for Income smoothing through the setting up of Profit Equalization Reserve –PER to cater for the interest of both the Shareholders' and the IAHs. In addition to this, the Bank has equally set up an Investment Risk Reserve-IRR exclusively to subsidize potential future losses also to mitigate the impact of Displaced Commercial Risk on the Bank.

## **Credit Risk Management**

Credit risk refers to the potential loss that the bank could sustain as a result of counter-party default and arises principally from financing customers and mudarabah deposit with other Banks. The Bank manages its credit risk within a governance structure supported by delegated powers of authority as approved by the Board. The credit approval process is graduated, whereby increasingly higher levels of authorization are required depending on the type and value of the transactions concerned. Applications for credit may therefore be considered progressively by Executive Management, the Management Credit Committee, the Board Risk Management & Investment Committee and the Board itself.

A separate Risk Management Division, reporting to the Chief Executive and the Board Risk Management & Investment Committee of the Board, is responsible for the oversight of the Bank's credit risk, including:

- Formulating credit policies covering collateral requirements, credit assessment, risk grading and reporting, documentary and compliance with regulatory and statutory requirements
- Establishing the authorization structure for the approval and renewal of credit facilities
- Reviewing and assessing credit risk
- Limiting concentrations of exposure to counterparties and by product and
- Developing and maintaining risk gradings to categorize exposures to the degree of risk of financial loss faced and to focus management on the relevant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures.

Credit exposures are monitored primarily on performance. Defaulting accounts receive prompt attention. Initially they are dealt with by line management and, in instances where further degeneration occurs, they are handed over to the Bank's recovery team and legal department. Depending on the type of credit exposure, account reviews, which include the re-performance of qualitative and quantitative assessments, are performed annually. The credit risk management process needs to identify all risk factors to enable such risks to be quantified and their impact on the pricing or credit risk to be considered. Pricing for credit risk is therefore, a critical component of the risk management process. The main risk of default by the counterparty is mitigated by means of collateral security obtained from the obligor concerned.

The Executive and Board Risk Management & Investment Committees constantly monitor the credit quality of counterparties and the exposure to them. Detailed risk reports are submitted to the aforementioned committees and to the management credit committee on a regular basis.

### **Credit Risk Management Process**

Credit Risk Management Department is responsible for identifying, measuring, monitoring, controlling and reporting credit risk within the Bank. The Bank establishes exposure limits to credit risk based on regulatory prescriptions set by the Central Bank of Nigeria (CBN). In addition, the exposure limits are established based on prudential guidelines and the Bank's internal considerations. Exposure limits are established for single and group obligors, sector exposures, etc. Deviations from the limits are handled through close monitoring by Credit Risk Management Department.

The Bank's credit monitoring and control activities include making the obligor to adhere to financial and non-financial covenants. All credit exposures are adequately collateralized, and all watch list and non-performing accounts properly classified and adequately provisioned.

A review of the credit process typically includes analysis of the credit manuals and other written guidelines applied by various departments of the Bank, and the capacity and actual performance of all departments involved in the credit function. It also covers origination, appraisal, approval, disbursement, monitoring, collection and handling procedures for the various credit functions provided by the Bank. As a way of providing second level assurance, the internal audit review team also ensures the following:-

The credit granting function is carried out effectively.

- The credit exposures are within the prudential and internal limits set by the Board.
- Validation of significant change in the risk management process.
- Verification of the consistency, timeliness and reliability of data used for internal risk rating system.
- Compliance with the institution's credit policies and procedures.
- Adherence to internal risk rating system.
- Identification of areas of weaknesses in the credit risk management process.
- Exceptions to the policies, procedures and limits

Internal audit reviews are conducted on a periodic basis. The audits also identify weaknesses in the credit risk management process and any deficiencies in the policies and procedures.

### **Investment/Financing Products:**

The peculiar nature of financing products requires a holistic approach of risk management as stated earlier. The Bank has the following financing products that have received certification from Advisory Committee of Expert (ACE) and approval from Central Bank of Nigeria (CBN):

1. Bai'(Sale) based
  - a. Murabaha (Sale on profit mark-up)
  - b. Bai-Muajjal (Sale on credit)
  - c. Istisna' (Manufacturing Sale)
  
2. Ijarah (Rental)
  - a. Ijarah Muntahia Bittamleek (Lease to own)
  - b. Ijarah Service (For service finance)

### 3. Kafalah/Wakalah based Guarantees

The Bank has the following schemes under above master products

- a. TAJBank Household Appliances (Murabaha)
- b. TAJBank Auto Finance (Murabaha)
- c. TAJBank Contract/LPO Finance (Murabaha)
- d. TAJBank Home Finance (Murabaha)
- e. TAJBank Agro Finance (Murabaha/Ijarah Muntahia Bittamleek)
- f. Ijarah service (for school fess, medical treatment, Hajj & Umrah, Logistic Rent-a-Month and airtime)

The Bank also does LC finance under Murabaha/Ijarah Muntahia Bittamleek or on need basis as per any of the above master products.

#### **Risk Profile of Financing 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 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 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 the real risk of owning goods, services and productive assets. Hence, there is a combination of price risk and an opportunity cost risk. The latter is usually expressed as profit rate risk. As the NIFIs account for only a small fraction of the global finance market, Islamic finance products and dealers are price takers, not price setters a situation which creates displaced commercial risk. The Investment risk or risk of default always exists whenever a contract creates a debt while the moral hazard risk crops up in any inter-personal relationship.

#### **Product Risk Mitigation Techniques**

##### **Murabha**

##### **Multi Factor Risk Matrix**

<i>Risk Factor</i>	<i>Category</i>	<i>Mitigation Techniques</i>
<i>Agency Risk</i>	<i>Credit Risk</i>	<i>Direct payment to the vendor and proper pre inspection</i>
	<i>Credit Risk</i>	<i>Takaful of goods in transit and induce customers to submit declaration immediately after the purchase of goods.</i>

Ownership		
Transfer/Asset Risk		
Repayment/Default Risk	Credit Risk	We obtain Shari'ah compliant collateral and adopt staggered payments
Price Risk	Market Risk	Secure with collateral upon executing the promise to purchase with the customer
Liquidity Risk	Liquidity Risk	We make separate pools for different maturities considering their different maturity dates
Profitability Risk	Operational Risk	A penalty may be imposed to discourage a delay in payment of murabaha price
Legal Risk	Operational Risk	To secure the legal position, the bank ensures that the promise to purchase is properly documented and it is legally enforceable
Shariah Noncompliance Risk	Operational Risk	The bank ensures that the relevant staff has appropriate training and has proper knowledge of Shariah principles as well.

### **Ijarah**

#### **Multi Factor Risk Matrix**

Risk Factor	Category	Mitigation Techniques
Repayment/Default Risk	Credit Risk	Risk mitigated by the market value of Ijarah asset which may be re-possessed and collateralized
Price Risk	Market Risk	The bank ensures that the promise to Ijarah is properly documented and is legally enforceable
Residual Value Risk	Market Risk	Mitigated by the market value of the ijarah asset, which is reprocessed.
Early Termination Risk	Market Risk	Mitigated by taking a profit on sale in case of early termination.

### **Istisna'a**

#### **Multi Factor Risk Matrix**

Risk Factor	Category	Mitigation Techniques
Delivery Risk	Credit Risk	Istisna price can be reduced on daily basis to penalize the borrower
Default Risk	Credit Risk	The bank obtains adequate collaterals
Non-Performance Risk	Credit Risk	The bank can terminate the Istisna agreement and demand the price back from the manufacturer

<i>Quality Risk</i>	<i>Credit Risk</i>	<i>Khiyar -e-Aib maybe exercised and subcontractors may be penalized</i>
<i>Price Risk</i>	<i>Market Risk</i>	<i>Parallel Istisna or promise to purchase from a third party</i>
<i>Order Cancellation Risk</i>	<i>Credit Risk</i>	<i>The bank obtains adequate collaterals</i>
<i>Inflation Risk</i>	<i>Credit Risk</i>	<i>If increased cost of manufacturing due to external diseconomies of scale comes about; then price of the underlying may be increased with mutual consent</i>
<i>Revenue Risk</i>	<i>Market Risk</i>	<i>Conducting feasibility study of the business before entering Istisna contract</i>
<i>Storage Risk</i>	<i>Credit Risk</i>	<i>Takaful on the goods and immunize the duration between acceptance of delivery and delivery to the ultimate purchaser</i>
<i>Non-Performance Risk</i>	<i>Credit Risk</i>	<i>A penalty may be imposed to discourage this practice which will further be given to charity</i>
<i>Default Risk</i>	<i>Credit Risk</i>	<i>The delivery against Letter of confirmation will mitigate default risk once liability of the beneficiary's bank will remain there</i>

### **Risk Ratings**

It is a core credit policy that risk ratings known as Obligor Risk Ratings (“ORRs”) and Facility Risk Ratings (“FRRs”) are consistently assigned to all obligors and credit facilities following the Bank’s approved risk rating process.

Risk ratings allow the Bank to describe and compare credit exposures, regardless of nature, type or location, using a common terminology. Risk ratings are assigned on an alpha-graded scale ranging from AAA to D. AAA is the highest credit quality and D the lowest credit quality.

Risk ratings are assigned to obligors based on the risk or probability that the obligor will default, and to credit facilities based on the loss that is expected in the event of such a default. The assignment of a risk rating is not a prediction that there will be an actual default or an actual loss. Rather, it is a statistical statement that an obligor or a credit facility displays characteristics similar to other obligors or facilities which, based on historic experience, have generated on average a certain level of default and credit loss. The table below shows the Bank’s rating scale and the S&P equivalent

<b>TAJBank Credit Rating</b>	<b>S&amp;P Credit Rating Equivalent</b>	<b>Rank</b>
AAA	BBB	1
AA	BB	2
A	B	3
BBB	B	4
BB	B	5
B	CCC/C	6
CCC	CCC/C	7
CC	CCC/C	8
C	CCC/C	9
D	D	10

## Financing Portfolio Performance

	Murabaha	Istisna	Ijara Muntahia Bittamleek	Ijara of Services	Other Assets	Total
	N'000	N'000	N'000	N'000	N'000	N'000
Balance as at 1st January	-	-	-	-	-	-
Recovery	-	-	-	-	-	-
Impairment for Current Year	125,731	647	2,047	1,176	16,098	145,699
Balance as at 31st December	125,731	647	2,047	1,176	16,098	145,699

## Provision by Product (CBN)

	Murabaha	Istisna	Ijara Muntahia Bittamleek	Ijara of Services	Total
	N'000	N'000	N'000	N'000	N'000
Balance as at 1st January	-	-	-	-	-
Reclassification	-	-	-	-	-
Recovery	-	-	-	-	-
Impairment for the Current Year	236,940	2,420	16,285	8,159	263,805
Balance as at 31st December	236,940	2,420	16,285	8,159	263,805

## Financing/Investment Classification (IFRS)

	Murabaha	Istisna	Ijara Muntahia Bittamleek	Ijara of Services	Other Assets	Total
	N'000	N'000	N'000	N'000	N'000	N'000
Performing	13,261,511	121,021	814,246	407,945	-	14,604,723
Non-Performing	-	-	-	-	-	-
Total	13,261,511	121,021	814,246	407,945	-	14,604,723

## Financing/Investment Classification (CBN)

	Murabaha	Istisna	Ijara Muntahia Bittamleek	Ijara of Services	Total
	N'000	N'000	N'000	N'000	N'000
Performing	13,261,511	121,021	814,246	407,945	14,604,723
Non-Performing	-	-	-	-	-
Total	13,261,511	121,021	814,246	407,945	14,604,723

## Financing/Investment Analysis

### (i) By Performance

	2020	2019
	N'000	N'000
Performing	14,604,723	-
Non-performing:		
Substandard	-	-
Doubtful	-	-
Lost	-	-

Total	<b>14,604,723</b>	
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(ii) By Geography

	2020	2019
	N'000	N'000
FCT	10,754,683	-
North West	2,142,451	-
North East	1,707,589	-
<b>Total</b>	<b>14,604,723</b>	

(iii) By Sector

	2020	2019
	N'000	N'000
Agriculture	2,864,248	-
Construction	2,468,017	-
Education	2,203,206	-
Real Estate	1,807,232	-
Oil and Gas	1,618,397	-
General Commerce	1,433,977	-
General (Retail)	982,551	-
Information and Communication	368,736	-
Professional, Scientific and Technical Activities	309,776	-
Transportation and Storage	214,333	-
Manufacturing	200,086	-
Human Health and Social Work Activities	120,182	-
Public Utilities	13,982	-
<b>Total</b>	<b>14,604,723</b>	

(iv) By Product

	2020	2019
	N'000	N'000
Murabaha – Corporate	11,483,702	-
Murabaha - CBN CACS	1,187,217	-
Ijarah Muntahia Bittamleek - Corporate	772,232	-
Murabaha - Retail	590,592	-
Ijarah of Service – Corporate	225,001	-
Ijara of Service – CBN CACS	157,952	-
Istisna - Retail	121,021	-

Ijarah Muntahia Bittamleek – Retail	42,014	-
Ijarah Of Service - Retail	24,992	-
<b>Total</b>	<b>14,604,723</b>	

(v) by Maturity Profile

	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
1 - 3 Months	603,217	-
3 - 6 Months	624,569	-
6 Months - 1 Year	4,718,425	-
1 - 2 Years	4,471,542	-
2 - 3 Years	3,430,497	-
> 3 Years	756,473	-
<b>Total</b>	<b>14,604,723</b>	

(vi) Category

	<b>2020</b>	<b>2019</b>
<b>CATEGORY</b>	<b>N'000</b>	<b>N'000</b>
Corporates	13,826,104	-
Retail	778,619	-
<b>Total</b>	<b>14,604,723</b>	-

(vii) By Security

	<b>2020</b>	<b>2019</b>
<b>SECURITY</b>	<b>N'000</b>	<b>N'000</b>
Legal Mortgage	9,104,333	-
Debenture Trust Deed	1,509,012	-
Equitable Mortgage	1,206,095	-
Domiciliation of Contract proceeds	1,004,289	-
Salary Domiciliation/ lien of Assets	462,208	-
All Asset Debenture	298,238	-
Domiciliation of account receivables	287,071	-
Mortgage Debenture	273,522	-
Personal Guarantees	230,723	-
Cash	112,824	-
Irrevocable Standing Payment Order/Letter of comfort	44,384	-
Pledge of Asset/Lien of Assets	37,378	-
Post Dated Cheques	26,763	-
Hypotication of Goods	7,883	-
Corporate Guarantee	-	-
Deposit of Title Deeds	-	-
Clean/Staff Qard Hassan	-	-

Simple Deposit of Title	-	-
Total	14,604,723	

### **Operational Risk Management**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputational risk. It seeks to identify why a loss happened and at the broadest level includes the breakdown by four causes: people, processes, systems and external factors.

TAJ Bank is exposed to operational risk across the breadth of its operations and banking activities. The various possible ways for operational risk to manifest as categorized by Basel II includes internal fraud, external fraud, employment practices and workplace safety, products and business categories, damage to physical assets and execution and process management, etc

Operational Risk Management (ORM) unit is responsible for providing a standardized and comprehensive framework for managing Operational risks within the Bank. Measures to mitigate such risk within the Bank includes the implementation of minimum control standards such as adequate segregation of duties, well defined delegated authorities, defined roles and responsibilities, code of conduct, staff competence, vacation and leave enforcement and periodic self-assessment and the need for contingency planning.

In addition to segregation of duties and dual control, TAJBank ensures that other traditional internal controls are in place as appropriate to address operational risk. Examples of these controls include:

- (a) Clearly established authorities and/or processes for approval
- (b) Close monitoring of adherence to assigned risk limits or thresholds
- (c) Safeguards for access to, and use of, Bank assets and records
- (d) Appropriate staffing level and training to maintain expertise
- (e) Ongoing processes to identify business lines or products where returns appear to be out of line with reasonable expectations
- (f) Regular verification and reconciliation of transactions and accounts; and
- (g) Vacation policy that provides for officers and employees being absent from their duties for a period of not less than two consecutive weeks.

The Basic tools of operational risk management i.e. Risk Control Self-Assessment (RCSA), Key Risk Indicator (KRI), incidence reporting and loss database have been incorporated to ensure seamless reporting, analysis, mitigation and ultimately prevention of operational risk losses that could be inherent in the system.

### **Business Continuity Management**

Business Continuity Management (BCM) is a management process to avoid and manage risks associated with disruption of mission critical activities to ensure resilience of the Bank's operations. It details plans and procedures to be implemented before, during and after disaster events. In TAJBank, the business continuity is managed at strategic, tactical and operational level. It involves well defined approved plans, effective decision-making processes, description of distressed scenarios, coordinated efforts among stakeholders and operational continuity to safeguard the interests of the Bank's key stakeholders, reputation, brand image and value creating activities. The Bank has in place a comprehensive business continuity policy with clear set of governance structure, business continuity plans, clearly defined roles and responsibilities of individuals and teams for disaster response, recovery, resumption and restoration of activities to a pre-defined level of operation following disruption.

BCM is in line with the guidelines issued by the regulator and industry standards and is subject to periodic reviews and exercises. It sets out the agreed arrangements for bringing disaster events under

control and ensures availability of necessary resources for maintaining critical business functions. Having a BCM policy in place helps the Bank to ensure safety of human resources, protection of critical assets and resumption of mission critical activities from alternate processing site(s) in case the primary site(s) are not accessible or available. In TAJBank, the first priority is always to ensure the safety of human life in case of any disaster.

TAJBank has the following BCM Structure:

- Board approved Business Continuity Plan (BCP)
- Board Approved IT Disaster Recovery Plan
- BCP at Branch and Departmental levels
- Branch Evacuation Procedure
- Business Continuity Steering Committee
- Emergency Response Team
- Alternate Processing Sites
- Periodic Evacuation and Mock drills

The Bank's Alternate Processing Sites are aimed at ensuring resumption of Mission Critical Activities (MCAs) in case of disaster. The Bank's BCM team continuously strives to improve upon business continuity preparedness which enables the Bank to continuously deliver its mission critical services and products to its customers. Over the period, the Bank has streamlined the process of active communication and escalation of events that may impact business continuity. Rapid response to such events leads to minimal disruptions. Coordination among various stakeholders has been further strengthened for cohesive planning and response. Moreover, the Bank has continued testing the effectiveness of business continuity arrangements through periodic drills and performance of critical operations from alternate sites.

The Bank has commenced the process leading to certification in business continuity management system (ISO 22301) and information security management system (ISO 27001)

### **Capital Management**

The Central Bank of Nigeria (CBN) sets and monitors capital requirement for banking institutions in Nigeria. The CBN requires that the Bank maintain minimum capital adequacy ratio (CAR) of 10%. Capital adequacy ratio is measured by the ratio of total capital to total risk weighted assets. The Bank CAR for the year ended December 31, 2020 is 27.19% computed in line with guidance notes on regulatory capital Non-interest Financial Institutions reporting template issues by the CBN. The computation is also consistent with the requirement of Pillar 1 of Basel II and Islamic Financial Standard Board (IFSB).

TAJBank in line with the directives from the CBN has adopted the following approaches for its pillar 1 capital calculation:

Credit risk – Standardized approach

Market risk – Standardized approach

Operational risk – Basic indicator approach

### **Internal Capital Adequacy Assessment Process (ICAAP)**

In addition to the above pillar 1 and in pursuant of the guidance notes on supervisory review process for Non-Interest Financial Institutions in Nigeria Issued by the CBN and IFSB Standard No.1, the Bank has undertaken a self-assessment of its internal capital requirement as required under pillar 11 of Basel II. The Bank has a capital management process in place to measure and monitor its available capital and

assess its adequacy from time to time. The outcome of capital adequacy assessment is reported to management, Board and regulator either monthly or quarterly as the case may be.

The Bank's ICAAP framework include a comprehensive internal capital adequacy assessment process conducted annually which determines the adequate level of capitalization for the Bank to meet regulatory requirements for current and future business needs including under stress scenarios. The framework has been structured in line with CBN requirements to identify the risks inherent in the Bank's business and sets out the Bank's risk philosophy, risk strategy, risk management process and techniques for managing risk across the Bank. Furthermore, the framework describes the control management has put in place to reduce the likelihood of occurrence and minimize the impact of risk events on the Bank's business and includes information on the governance structure and policies that support risk and capital management. The Bank holds capital at a level that the Board considers necessary and the assessment of minimum capital requirement is a combination of regulatory requirement and sound judgment exercised by the Board.

The Bank performs regular stress test on its capital adequacy and liquidity position under different economic scenarios recognized in the stress testing framework. The scenarios are regularly updated to reflect the Bank's risk profile and external risks associated with economic cycle. Liquidity stress tests are performed monthly while capital adequacy stress tests are conducted annually. Detailed results of the stress tests and the impact of the stress scenarios on the Bank's capital and earnings are presented to ALCO for appropriate strategic plan and decisions.



**Tageldinahmed Mahjoub**  
**Chief Risk Officer**

## **TAJ BANK SUSTAINABILITY REPORT 2020**

**“SUSTAINABILITY IS ALL ETHICS OF ECONOMICS, PEOPLE AND THE ENVIRONMENT.”**

### **INTRODUCTION**

Business sustainability is frequently referred to as a process whereby banks create resilience over a period of time, managing financial, social and environmental risks in a responsible manner thereby crafting economic value, contributing to a strong community development ethos and a healthy environmental landscape.

This macro-level thinking is closely aligned to recommendations contained in King IV and provides for the need to meet current requirements, without jeopardizing the needs of future generations.

### **TAJBANK'S SUSTAINABILITY FRAMEWORK**

Our sustainability framework is founded on ethical economic principles, a stimulating work environment for staff and an overriding commitment to sound environmental practices.

We believe that a fully engaged staff complement the development of sound relationships with our various stakeholder groups which are integral to long-term business growth and development. It is this approach which enables us to operate effectively within the country's financial services sector and to deliver efficiently on our overall business strategy

### **STRATEGIC BUSINESS OBJECTIVES**

TAJBank's key business objectives include:

- Increasing returns to shareholders;
- Promoting customer service excellence;
- Developing innovative products using enhanced technology.
- Promoting the wellbeing of society through ethical business practices.

### **RISK AND OPPORTUNITY**

The overall TAJBank Intent is on managing risk in such a way that sustainable and enduring value may be generated to the benefit of stakeholder groups, especially those comprising shareholders and clients. The Management Credit Committee {MCC} assumes responsibility for the Bank's risk management framework, identifying and assessing risks which could affect our operations. The ultimate objective of this framework is to ensure the requirement of a progressive and responsible risk culture within our financial institution. The Committee discharges its responsibility in this regard through its quarterly analysis of risks facing the Bank.

We apply robust technology in the identification of risks associated with money laundering, in line with regulatory directives.

The Bank concerns itself with the need for sustainable finance in its continued promotion of financially sound and socially responsive products, which serve to promote economic prosperity, social wellbeing and environmental health.

## **CORPORATE GOVERNANCE AND SUSTAINABILITY**

Being a non-interest financial institution operating in Nigeria, we comply fully with business principles and standards set-out by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). Through this commitment to AAOIFI standards, it should be noted that TAJBank is prohibited from undertaking a number of banking practices, which are considered non-Shariah compliant. In view of this, we recognize that our business impacts on the surrounding environment and so have created an intrinsic sense of accountability towards the society. This translates into our staff internalizing a deep concern for the collective success of business and society, the impact of which will be realized in the years ahead.

## **SUSTAINABLE DEVELOPMENT DELIVERY**

In view of the importance of effectively managing the dynamic relationship between profit, people and the environment, the Bank has adopted a holistic approach to its addressing of economic, social and environmental issues.

### *Economic Issues:*

As a non interest financial institution, adhering strictly to Shari'ah principles, TAJBank strives to maintain a solid growth trajectory. However, its overall business success is tempered by the prevailing economy and associated market conditions. Against this background, the Bank prides itself on being a responsible trail blazer within the financial services sector in Nigeria and adopts a pragmatic approach to the provision of its products and services, endeavouring to ensure that clients are always well positioned to honour their financial obligations to the Bank. Our responsible financing process, in this respect, mirrors nil bad debt ratio, which is the best in the industry. Through the increased traction of non-interest finance nationally and internationally, TAJBank will be able to leverage on this footprint, as well as its continued economic sustainability within the financial sector.

### *Environmental Issues:*

Matters of an environmental nature are closely monitored by the Bank's sustainability banking desk. This ensures that the organization minimizes its impact on the natural environmental footprint in the business context. Occupational health and safety - A safety management system forms the foundation within our organization for ensuring the health and safety of employees in the workplace, as well as that of our clients and service providers. This safety management system includes the planning, development, organization and implementation of a safety policy and, secondly, the measuring or auditing and review of the performance of those functions. We also regard it important to ensure that health and safety considerations are integrated into the design and development of our new branches and offices. This not only avoids significant costs associated with the later retrofitting of health and safety measures, but also gives effect to improved productivity.

Our safety management system is an effective means of identifying strengths and weaknesses, preventing workplace accidents and striving for continuous improvement. An improved safety record not only increases employee efficiency and productivity, but also reduces the financial burden associated with insurance and compensation claims.

Our safety management system comprises 10 primary core elements, as follows:

- A safety policy which states the commitment of the organization to health and safety at work;
- Training to equip personnel with the knowledge necessary to work safely and without risk to health;
- In-house safety rules to provide instruction for achieving safety management objectives;
- A programme of inspection to identify hazards and risks for rectification at regular intervals, or as appropriate;
- Investigation of accidents, or incidents, to establish the cause and to develop prompt measures to prevent recurrence;
- Emergency preparedness, such as conducting regular fire drill evacuations and developing, communicating and executing plans prescribing the effective management of emergency situations;
- The evaluation, selection and provision of an understanding regarding their full awareness of their safety obligations and need to meet these obligations;
- Safety committees and quarterly committee meetings held to identify, recommend and regularly review measures to improve health and safety measures at the bank's premises;
- The promotion, development and maintenance of health and safety awareness in the workplace; and
- A programme to protect clients and service providers from occupational health hazards.

We regard our employees as one of our most valuable assets and, accordingly, deploy the necessary resources to best control risks at work, with a view of protecting our workforce.

#### *Social Issues:*

The Bank is aware of the need for the Nigerian business community to contribute meaningfully towards solving this country's vast social challenges, by implementing interventions designed to develop and empower the disadvantaged, regardless of gender, race or religious belief. We recognize our responsibility in this regard and, accordingly, we have a plan to implement a comprehensive corporate social investment programme, directing our efforts towards the fields of education, health and welfare. This is an integral part of our value system, which calls for neighborliness and social contribution. In this regard, the 2020 financial year saw one of the Bank's visitation to Halal Orphanage Homes where sanitary items, food and beverages were donated.

Our members of staff are actively encouraged to participate in our social outreach initiatives and recreational activities for which involvement is acknowledged.

## **STAKEHOLDER ENGAGEMENT**

TAJBank recognizes and acknowledges the importance of regular and effective engagement with all its identified stakeholder groups. In keeping with this, the Management has adopted a stakeholder-inclusive approach, with such policy enabling the creation of a management stakeholder committee, whose function is, primarily, to monitor the process of stakeholder engagement throughout the bank. This committee met three times during the 2020 financial year.

Identified key stakeholder groups with whom the bank enjoys regular contact include the following:

- Customers
- Staff
- Shareholders
- Community
- Media

- Suppliers & Contractors
- Religious Scholars & Organizations
- Regulators & Industry bodies

## **CUSTOMERS**

TAJBank's intent is to provide clients with an exceptional banking experience all the time. To achieve this goal, we imbue our staff with the spirit of customer service excellence as a way of life for the benefit of our customers and their every interaction and transaction with the Bank.

Reasons for engagement with customers -

- To meaningfully address their financial expectations;
- To augment the customer experience through the provision of professional advisory services;
- To foster an exceptional banking experience in-branch and online;
- To source information necessary for the meeting of various regulatory requirements in a customer-centric manner;
- To address queries, concerns and complaints efficiently and effectively; and
- To encourage anonymity with regard to reporting suspected instances of fraudulent behaviour to an externally operated anti-fraud hotline.

Frequency of engagement -

- Ongoing and dependent on the financial needs of clients.

Customer engagements in 2020 -

- Customer survey interactions;
- Interactions via branch staff, relationship officers, the customer service line and contact centre;
- Social media communications; and
- Events and personal meetings.

## **STAFF**

A well informed staff is a more productive staff and the bank accordingly ensures that its employees receive regular update information pertaining to the company's strategy, objectives and business developments.

Reasons for engagement with staff -

- To provide information about the working environment and our health and safety measures;
- To foster a culture of service excellence throughout the bank;
- To empower staff to give meaningful effect to the roll-out of the bank's business strategy;
- To ascertain staff concerns and requirements and to communicate appropriate solutions; and
- To always promote the need for ethical conduct.

Frequency of engagement -

- Ongoing and when specifically required.

Staff engagements in 2020 -

- Email communications on a range of subject matter;
- Teams meetings/conferences with staff nationally;
- Intranet communication and access;
- Opinion surveys;
- e-Newsletters;

- Health and wellness presentations; and
- Staff feedback sessions.

## **SHAREHOLDERS**

The Bank recognizes the need to keep shareholders informed, in a timely manner, about matters impacting on the bank's financial performance, its future expectations and need for statutory requirements pertaining to their shareholding.

Reasons for engagement with shareholders -

- To provide accurate, approved financial statements;
- To discuss and approve resolutions affecting the future business of the bank;
- To enhance corporate governance relationship as it pertains to other stakeholders; and

Frequency of engagement -

- Annual and when the need arises.

Shareholder engagements in 2020

- Annual general meeting;
- Personal meetings.

## **COMMUNITY**

We believe in the need for direct engagement with the community within which we operate, to be in a position to cultivate strategic inter-personal relationships, inclusive of customer-related linkages and both social and environmental obligations.

Reasons for engagement with the community -

- To establish a mechanism to maintain the personal link with community members;
- To identify and evaluate community needs;
- To single out potential event sponsorship opportunities;
- To distribute a range of collateral relevant to the bank and its business operations;
- To explore opportunities to reach communities nationally via digital communication channels; and
- To facilitate awareness regarding the bank's wide-ranging, national social investment activities.

Frequency of engagement -

- Ongoing and pursuant to specific community events and outreaches.

Community engagements in 2020 -

- The social networking of staff in meeting community needs;
- The dissemination of information pertaining to corporate social investment interventions; and
- The dissemination in community radio of advisory information on selected topics, such as Sukuk and Islamic banking products and services.

## **REGULATORY AND INDUSTRY BODIES**

Given the high level of regulation necessary within the Nigerian financial services sector, the Bank recognizes the importance of engagement with existing regulatory authorities and related industry bodies.

Reasons for engagement with regulatory and industry bodies -

- To cultivate professional working relationships geared towards compliance with all laws and regulations;
- To ensure, through such professional relationships, the retention of the Bank's banking licences; and
- To minimize the bank's exposure to operational risk.

Frequency of engagement -

- Daily, weekly, monthly - regarding the submission of regulatory returns - and annually with regard to prudential meetings with the board, audit committee and the chairman of the board.

Regulatory and industry body engagements in 2020 -

- On-site meetings;
- Submission of regulatory returns; and
- Prudential meetings.

Bodies with which the bank interacts includes:

Regulatory:

- Central Bank of Nigeria;
- Nigeria Deposit Insurance Corporation

Industry:

- Securities and Exchange Commission;
- Debt Management Office
- The Chartered Institute of Bankers of Nigeria (Bankers Committee)
- Risk Management Association of Nigeria
- Non-Interest Financial Institutions Association of Nigeria

## **MEDIA**

Engagement with the media - community, state, national and international - affords the Bank the opportunity to forge relationships with senior finance and business editors for the proactive dissemination of positive bank-related publicity within a range of media channels - print and electronic - for the information of the public.

Reasons for engagement with media -

- To promote growing interest in non-interest finance as a viable alternative to conventional banking;
- To share the fact that as a Non-interest financial institution, the Bank provides only Shariah-compliant financial services;
- To promote the Bank as an authoritative and credible source of and for comment regarding non-interest finance-related matters in Nigeria and
- To indicate its being the source of trustworthy, authoritative and newsworthy Bank and non-interest finance-related news, opinions and current affairs.

Frequency of engagement -

- Ongoing and, more specifically, to promote the best interests of the Bank when appropriate.

Media engagements in 2020 -

- Provision of media releases and statements to a range of media channels with newsworthy in company news for public information;

- Arrangement of interviews with Executives and Bank personnel on traditional and new media outlets.

## **SUPPLIERS AND CONTRACTORS**

The Bank, in line with its procurement policy, recognizes the importance of keeping existing and prospective suppliers and contractors fully informed about its operations and associated needs to ensure the cost-effective and most appropriate provision of services.

Reasons for engagement with suppliers and contractors –

- To source materials and services in accordance with the Bank’s procurement policy;
- To assist small business enterprises remain sustainable through a number of interventions, inclusive of early payment solutions for services rendered and materials supplied
- To ensure, through our supply chain function, the promotion of the economic viability and environmental consciousness of suppliers and contractors; and
- To encourage local procurement of services and materials.

Frequency of engagement -

- Ongoing and as required to meet business demands.

Suppliers and contractors engagements in 2020 -

- Marketing communication and media relations services;
- Travel and accommodation services;
- . ICT/IT and allied technical services
- Infrastructural upgrades and shop-fitting services; and
- Audit services.

## **RELIGIOUS SCHOLARS AND ORGANIZATIONS**

Given the Bank’s adherence to Shariah principles, it actively engages with Religious scholars and organizations, in an effort to share information and ensure widespread awareness of its role and function within the broad financial services sector.

Reasons for engagement with Religious scholars and organisations -

- To ensure that TAJBank is seen to remain true to its Islamic banking principles;
  - To clarify issues of Shariah interests; and
  - To foster a good working relationship between the Bank and relevant Shari’ah bodies.
- . To explore opportunities for business collaboration and or capacity building

Frequency of engagement -

- Ongoing.

Islamic scholars and organisations engagements in 2020 -

- FRACE of CBN;
- International Center for Islamic Culture and Education (ICICE);
- National Hajj Commission of Nigeria
- Meeting with IILMC- International Islamic Liquidity Management Corporation

## **CONCLUSION**

While the Bank regards sustainability reporting as a key component of a business strategy, it is more than this. It depicts TAJBank's footprint, charting a way forward which effectively combines the smart and technologically advanced management of its finances with strategic investment in meeting social needs and a responsible approach to avoiding environmental degradation. As with any journey, we recognize that there is much ground yet to be covered. We have a sound commitment from the Board to give substantial expression to sustainability reporting and ensuring our continued commitment to best governance practice, transparency of operations and accountability of our actions.

We are fully committed to disclosures relating to profit, people, the environment and the entire gamut of sustainability reporting. Generally, the Bank has made significant strides in environmental and sustainability issues in the 2020 financial year.



**REPORT OF THE EXTERNAL CONSULTANT ON BOARD EVALUATION AND CORPORATE GOVERNANCE AUDIT OF TAJ BANK LIMITED FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020**

Crest and Waterfalls Consulting, a firm of Corporate Governance Consultants, was engaged by TAJBANK LIMITED (TAJBANK), to carry out the Corporate Governance Audit and Board Evaluation and Appraisal for the company for the year ended December 31<sup>st</sup> 2021, in line with the corporate governance requirements under both the CBN Corporate Governance Code and the Nigerian Code of Corporate Governance 2018.

The audit 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 methodology of the audit was by benchmarking against the recommended principles and practices under the Nigerian Code of Corporate Governance 2018 and sector specific requirements under the CBN code for the Banking industry and more generally the SEC Code of Corporate Governance for Public Companies in Nigeria.

In conducting the evaluation for TAJBANK, we reviewed all the boards governance documents, committee charters, minute books and director profiles. The charters and governance documents were compared with the provisions of the aforementioned codes to ascertain if the provisions comply with established corporate governance principles. The Minute books, interviews and questionnaires provided relevant feedback on the corporate governance structures, frameworks, systems and practices of the company as a whole, as a basis of the report.

The performance of the board as a whole, the committees and individual directors, and the chairman ranged from satisfactory to excellent. A limited peer review component was included in the process, allowing directors to be evaluated by their peers. CEO and Executive Director Evaluation was also carried out. Benchmarking Executive Director and CEO evaluations with KPI's is desirable to ensure that contractual agreements are being adhered to and benefits are linked to such performance

In general, though the bank is in its early stages of operations, it has established and satisfactory board processes that 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.

Save for a gender imbalance in composition, the board is comprised of the right mix and spectrum 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 Islamic or Non - interest Banking to deepen capacity. Our other recommendations are contained in the full report which is submitted to the Board of Directors and the company.

A handwritten signature in black ink, appearing to read "Ebere Okonkwo", is written over a horizontal line.

**Ebere Okonkwo FCIS.**

**Lead Consultant.**

**FRC/2019/ICSAN/00000019165**

Flat A5 No. 8 Abdullahi Ibrahim Street off TOS Benson Crescent Utako  
08067766877 [www.crestandwaterfalls.com](http://www.crestandwaterfalls.com) ebereperez@gmail.com

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

### *Statement of Directors' responsibilities in relation to the Financial Statements for financial year ended 31 December, 2020.*

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 2020, the Financial Reporting Council of Nigeria Act, the Banks and Other Financial Institutions Act 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, 2020 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.

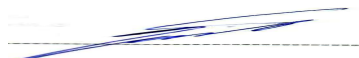
#### **Going Concern:**

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  
27 March, 2021



**Hamid Joda**  
Executive Director/COO  
FRC/2015/CIBN/00000013507  
27 March, 2021

## 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 the Banks and Other Financial Institutions Act, 2020. Our responsibility is to express an opinion on the state of Shariah compliance of TAJBank 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, operations and business activities 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 2020, we have:

1. reviewed the principles and contracts relating to the transactions and applications introduced by the Bank; and
2. reviewed the products, processes, procedures, 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 31 December 2020:

1. the products, procedures and processes of the Bank that we have reviewed and endorsed during the year ended 31 December 2020, are in conformity with Shariah rules and principles; and

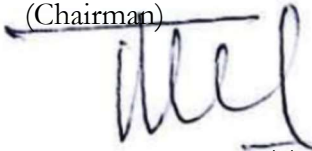
2. the transactions and dealings concluded by the Bank conformed to Shariah rules and principles.

We, the ACE of TAJBank have reviewed the financial statement of the Bank, and taken note of the Non-Permissible Income (NPI) declared by the Bank during the review period. We hereby confirm that the NPI has been disposed by the bank to our satisfaction.

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 31 December 2020 in accordance with the provision of Section 401(7) of the Companies and Allied Matters Act, 2020.

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.



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**Abdulkadeer Babangida Njiddah, Ph.D., FCA**  
FRC/2013/ICAN/00000003412  
Chairman, Statutory Audit Committee  
Abuja  
27th March 2021

## Members of the Statutory Audit Committee

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

Chairman  
Member  
Member  
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 2020, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year 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 2020 and of its financial performance and cash flows for the year then ended in compliance with the Financial Reporting Council of Nigeria Act 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, 2020 and the Banks and Other Financial Institutions Act 2020 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**

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.

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

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**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

<b>Key Audit Matter</b>	<b>How our audit addressed the matter</b>
<p data-bbox="302 365 828 411"><i>Impairment of Islamic financing and investment assets.</i></p> <p data-bbox="302 438 828 590">The expected credit losses on financing and investment assets to customers are considered to be a key audit matter because it requires significant judgement by management in measuring credit risk in line with the Expected Credit Loss (ECL) Model.</p> <p data-bbox="302 617 828 743">We focused on this judgmental area because of the significant value of Islamic financing and investment assets and the management make significant judgement and level of subjectivity over the impairment charged.</p> <p data-bbox="302 770 828 821">The key areas where significant judgment was exercised by the management includes:</p> <ul data-bbox="302 848 828 1262" style="list-style-type: none"> <li>• Allocation of Islamic financing and investment assets into various stages to reflect the credit risk of the facilities.</li> <li>• Determination of default and the criteria for assessing significant increase in credit risk (SICR)</li> <li>• Determination of 12 month and Lifetime probability of default (PD) used in ECL calculation.</li> <li>• Assumptions used in the ECL model such as financing condition of counterparty, expected future cash flows, forward looking macroeconomic factor.</li> <li>• Techniques that were used to determine the probability of default (PD) and the loss given default (LGD).</li> </ul>	<p data-bbox="849 438 1352 569">We performed the following audit procedures to assess the adequacy of the Expected Credit Loss (ECL) included in the Bank's financial statements for the year ended 31 December 2020.</p> <ul data-bbox="849 617 1352 1440" style="list-style-type: none"> <li>➤ We reviewed the completeness and accuracy of the data use in the calculation of Expected Credit Loss (ECL).</li> <li>➤ We examined a sample of exposure and performed procedures to determine whether there is significant increase in credit risk since initial recognition of the facilities to determine credit -impaired facilities.</li> <li>➤ We check Directors default definition as prescribed by the Standard.</li> <li>➤ We checked the forward looking information applied by the management in the ECL calculations by comparing to publicly available macroeconomic information.</li> <li>➤ For exposure determined to be credit impaired, we tested sample of Islamic financing and investment assets and we challenge the estimate and assumptions used by management around the staging criteria and impairment allowance calculation.</li> <li>➤ We also assessed the accuracy of disclosures in the financial statements to determine if they were in compliance with the requirements of IFRSs.</li> </ul>



**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 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, 2020 Banks and Other Financial Institutions Act, 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 our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 5 of the Companies and Allied Matters Act 2020*

- 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 and returns.

### *Compliance with the Banks and Other Financial Institutions Act and Central Bank of Nigeria circular BSD/1/2004*

- i) Information required on related party transactions and balances are disclosed in note 36 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 2020.



**Ismaila M. Zakari, FCA**  
FRC/2013/ICAN/00000002077  
For: Ahmed Zakari & Co.  
(Chartered Accountants)  
30 March, 2021  
Abuja, Nigeria



**REPORTS**



**TAJBANK LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31ST DECEMBER 2020**

		2020	2019
	Notes	N'000	N'000
<b>Assets</b>			
Cash and balances with Central Bank of Nigeria	3	12,246,827	45,241
Due from banks and other financial institutions	4	7,510,501	577,297
Interbank receivables	5	3,753,352	715,941
Investment in sukuk	6	5,797,426	4,299,484
Murabaha receivable, net	7	11,398,450	-
Istisna receivable, net	8	114,948	-
Ijarah muntahia bitamleek, net	9	1,200,650	-
Inventory financing	10	890,699	-
Property, plant and equipment	11	1,877,037	1,212,284
Leasehold improvement	12	364,372	377,368
Intangible assets	13	1,341,218	857,725
Other assets	14	2,919,961	1,093,606
Deferred tax asset	15b	609,548	52,603
<b>Total Assets</b>		<b>50,024,989</b>	<b>9,231,549</b>
<b>Liabilities</b>			
Customers' current and qard saving deposits	16	22,031,135	1,249,150
Other funding-CBN CACS	17	1,000,000	-
Other liabilities	18	5,083,773	1,881,111
Tax payable	15	8,086	-
<b>Total liabilities</b>		<b>28,122,994</b>	<b>3,130,261</b>
<b>Equity of investment account holders</b>			
Customers' mudarabah investment accounts	19a	2,144,304	436
Mudaraba term deposit	19a	12,515,889	1,009,733
<b>Total Equity of Investment Account Holders</b>		<b>14,660,193</b>	<b>1,010,169</b>
<b>Owners' Equity</b>			
Share capital	20	7,153,081	5,887,000
Share premium	21	38,919	-
Retained earnings	22	(172,192)	(795,881)
Regulatory risk reserve	23	118,105	-
Other reserves	24	103,889	-
<b>Total equity</b>		<b>7,241,802</b>	<b>5,091,119</b>
<b>Total equity and liabilities</b>		<b>50,024,989</b>	<b>9,231,549</b>

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

This financial statements were approved by the Board of Directors for issue on 27 March, 2021 and signed on its behalf by:

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

**Hamid Joda (Chief Operating Officer)**  
**FRC/2015/CIBN/00000013507**

**TAJBANK LIMITED**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

		2020	2019
	Notes	N'000	N'000
<b>Income</b>			
Income from financing and investing contracts	25	1,034,943	11,322
Income from investment activities	26	1,093,122	44,634
<b>Gross income from financing and investing transactions</b>		2,128,065	55,956
Return on equity of investment account holders	27	(412,325)	(1,538)
Bank's share as a mudarib/equity investor		1,715,740	54,418
Impairment allowance	28	(145,699)	-
<b>Net income after impairment</b>		<b>1,570,041</b>	<b>54,418</b>
<b>Other income</b>			
Fees and commission	29	109,967	97
Hibah income	30	1,218,338	-
<b>Total income</b>		<b>2,898,346</b>	<b>54,516</b>
<b>Operating expenses</b>			
Staff costs	31	968,447	55,902
Depreciation and amortisation	32	359,210	23,915
General and administrative expenses	33	1,273,864	54,604
<b>Total expenses</b>		<b>2,601,521</b>	<b>134,420</b>
Net profit/(loss) before tax		296,824	(79,904)
Income tax credit	15a	548,859	52,603
<b>Net profit/(loss) for the year after tax</b>		<b>845,683</b>	<b>(27,302)</b>
<b>Other comprehensive income</b>			
Items that may be reclassified to profit or loss		-	-
<b>Total comprehensive income for the year</b>		<b>845,683</b>	<b>(27,302)</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share (kobo)		11.82 kobo	(0.46) kobo

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

**TAJBANK LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**AS AT 31ST DECEMBER 2020**

	Share capital	Share premium	Retained earnings	Risk regulatory reserve	AGSMEIS reserve	Statutory reserve	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
<b>As at 1 January 2019</b>	5,157,000	-	(768,579)	-	-	-	4,388,421
Issued during the year	730,000	-	-	-	-	-	730,000
Loss for the period	-	-	(27,302)	-	-	-	(27,302)
<b>As at 31 December 2019</b>	<b>5,887,000</b>	<b>-</b>	<b>(795,881)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,091,119</b>

	N'000	N'000	N'000	N'000	N'000	N'000	N'000
<b>As at 1 January 2020</b>	5,887,000	-	(795,881)	-	-	-	5,091,119
Issued during the year	1,266,081	38,919	-	-	-	-	1,305,000
Deposit during the year	-	-	-	-	-	-	-
Profit for the period	-	-	845,683	-	-	-	845,683
Transfers between reserves	-	-	(221,994)	118,105	14,841	89,047	-
<b>As at 31 December 2020</b>	<b>7,153,081</b>	<b>38,919</b>	<b>(172,192)</b>	<b>118,105</b>	<b>14,841</b>	<b>89,047</b>	<b>7,241,802</b>

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

**TAJBANK LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	2020	2019
	N'000	N'000
<b>Cash flow from operating activities</b>		
Profit before tax	296,824	(79,904)
Adjustments for:		
Depreciation	203,136	13,275
Amortisation of intangible assets	94,182	3,432
Amortisation of leasehold improvement	61,893	7,208
Amortisation of prepaid rent	80,613	15,179
<b>Operating profit before changes in operating asset and liabilities</b>	<b>736,648</b>	<b>(40,811)</b>
<b>Working capital adjustment:</b>		
Interbank murabaha	(3,037,410)	(715,941)
Investment in sukuk	(1,497,942)	(4,299,484)
Murabaha receivable.	(11,398,450)	-
Istisna receivable	(114,948)	-
Ijarah muntahia bitamleek	(1,200,650)	-
Inventory financing	(890,699)	-
Other assets	(1,862,652)	(1,093,606)
Customers' current account	20,781,985	1,249,150
Other funding-CBN CACS	1,000,000	-
Other liabilities	3,694,831	803,245
Tax paid	-	-
<b>Net cash from/(used in) operating activities</b>	<b>6,210,711</b>	<b>(4,097,447)</b>
<b>Investing activities</b>		
Purchase of property, plant & equipment	(899,098)	(1,057,961)
Additional investment	-	(358,125)
Purchase of intangible assets	(559,796)	(754,746)
Disposal of property, plant & equipment	299	-
Improvement on leasehold properties	(80,180)	(214,453)
	<b>(1,538,775)</b>	<b>(2,385,285)</b>
<b>Financing activities</b>		
Equity	1,305,000	730,000
Customers investment accounts	13,650,024	1,010,169
Transfer to Charity	(239,094)	-
Deposit for shares	(253,075)	604,226
<b>Net cash provided by/(used in) financing activities</b>	<b>14,462,855</b>	<b>2,344,395</b>
<b>Increase/(decrease) In cash and cash equivalents</b>	<b>19,134,790</b>	<b>(4,179,149)</b>
Cash and cash equivalents at beginning of year	622,538	4,801,687
<b>Cash and cash equivalents At 31 December</b>	<b>19,757,328</b>	<b>622,538</b>

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

**TAJBANK LIMITED**  
**STATEMENT OF SOURCES AND USES OF CHARITY FUND**  
**AS AT 31ST DECEMBER 2020**

	2020	2019
	N'000	N'000
<b>Sources of Charity Funds</b>		
Opening balance	239,094	-
Non-permissible income	60	239,094
<b>Total Sources of Charity funds</b>	<b>239,154</b>	<b>239,094</b>
<b>Uses of Charity Funds</b>		
Transfer to charity	239,094	-
	-	-
<b>Total uses of funds during the year</b>	<b>239,094</b>	<b>-</b>
<b>Balance at 31 December</b>	<b>60</b>	<b>239,094</b>

<b>TAJBANK LIMITED</b>			
<b>NOTES TO THE FINANCIAL STATEMENTS</b>			
<b>FOR THE YEAR ENDED 31 DECEMBER, 2020</b>			
<b>1.</b>	<b>Reporting entity</b>		
	TAJBank Limited (the "Bank") is the second full fledged non-interest financial institution in Nigeria. The Bank was granted a regional banking license to carry on the business of non interest banking and commenced operation on 2 December, 2019 with one branch in Kano state and the Federal Capital Territory. It was established as a private limited liability company. The address of the Bank's registered office is Plot 72, Ahmadu Bello Way, Central Business District, Abuja, Nigeria.		
	These financial statements were approved and authorized for issue by the Board of Directors on 27 March 2021. The Directors have the power to amend and issue the financial statements.		
<b>2.0</b>	<b>Basis of preparation</b>		
	<b>a Statement of compliance with International Financial Reporting Standards</b>		
	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 Shari'ah rulings as determined by the Shari'ah supervisory committee of the Bank.		
	<b>b Functional and presentation currency</b>		
	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>2</b>	<b>Basis of measurement</b>		
	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. Except for the		
	<ul style="list-style-type: none"> <li>. Financial assets measured at amortised cost.</li> <li>. Financial assets measure at fair value through profit or loss.</li> <li>. Financial assets measure at fair value through other comprehensive income.</li> <li>. Equity investments measured at fair value through profit or loss</li> </ul>		
	<b>Use of estimates and judgments</b>		
	The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.		
	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 this financial statements are described as follows:		
	<b>Property, plant and equipment</b>		
	The management's estimate is used in determining the depreciation rates and useful lives of these assets at the end of the period. Further details of property, plant and equipment are disclosed in Note 11.		
	<b>Impairment on financial assets</b>		
	The measurement of the expected credit loss(ECL) allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).		
	A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:		
	<ul style="list-style-type: none"> <li><b>i</b> Determining criteria for significant increase in credit risk;</li> <li><b>ii</b> Choosing appropriate models and assumptions for the measurement of ECL</li> <li><b>iii</b> Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and associated ECL; and</li> <li><b>iv</b> Establish groups of financial assets for the purposes of measuring ECL</li> </ul>		
	Detailed information about the judgements and estimates made by the Bank are disclosed in note 34.		
	<b>Deferred tax assets</b>		
	Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax planning strategies. Details of the Bank's recognised deferred tax		

**TAJBANK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER, 2020**

**2 New and revised standards and interpretations**

The accounting policies adopted are consistent with those of the previous financial period except as noted below which became effective January 2021. Adoption of the standard did not result in changes in the amounts previously recognised in the financial statements. However the standard affected disclosures of the Bank.

**Standards and interpretations effective during the reporting period**

**i Amendment to IAS 1 (Presentation of Financial Statements) and IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors)**

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.

A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The Bank has incorporated this definition in preparing its financial statements.

**ii Amendment to IFRS 3 (Business Combinations)**

IFRS 3 (Business Combinations) outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period. Earlier application is permitted.

The amendment relates to the definition of a "business" and they:

- Clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.
- Narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.
- Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired.
- Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs.
- Add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

This amendment does not have an impact on the Bank's financial statements.

**iii Amendments to IFRS 16 Leases relating to COVID-19 related rent concessions.**

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.

The Bank had no such Covid -19 related rent concessions, there is no impact on the Bank's financial statements.

**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 2020:

Standard	Content	Effective date
IAS 37	Provisions, Contingent Liabilities and Contingent Assets relating to onerous contracts.	1 January, 2022
IAS 16	Property, plant and equipment relating to proceeds before intended use	1 January, 2022
IAS 1	Presentation of Financial Statements relating to classification of Liabilities as Current or Non-Current	1 January, 2023
IFRS 17	Insurance contracts	1 January, 2023

<b>TAJBANK LIMITED</b>			
<b>NOTES TO THE FINANCIAL STATEMENTS</b>			
<b>FOR THE YEAR ENDED 31 DECEMBER, 2020</b>			
<b>2.3</b>	<b>Standards and interpretations issued/amended but not yet effective (continued)</b>		
	<b>i Amendments to IAS 1</b>		
	IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability		
	The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.		
	They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.		
	The impact of this amendment on the Bank's financial statements is currently under evaluation.		
	<b>ii Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16</b>		
	In May 2020, the IASB issued Property, Plant and Equipment - Proceeds before intended use, which prohibits entity to deduct proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management from the cost of an item of property, plant and equipment. Entities are however allowed to recognize the proceeds from selling such items, and the cost of producing those items, in profit or loss.		
	The amendment is effective for annual periods beginning on or after 1 January 2022. Early adoption is permitted		
	The Bank is currently evaluating the impact of this amendment on the Bank's financial statements.		
	<b>iii Amendments to IAS 37 (Onerous Contracts – Costs of Fulfilling a Contract)</b>		
	In May 2020, the IASB issued amendments to IAS 37 to specify which cost of fulfilling a contract comprises the costs that relate directly to the contract. The standard further states that costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).		
	The Bank is currently evaluating the impact of this amendment on the Bank's financial statements.		
	<b>iv IFRS 17 - Insurance Contracts</b>		
	IFRS 17 provides a comprehensive model for insurance contracts covering the recognition and measurement and presentation and disclosure of insurance contracts and replaces IFRS 4 -Insurance Contracts. The standard applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The standard general model is supplemented by the variable fee approach and the premium allocation approach.		
	The new standard will be effective for annual periods beginning on or after 1 January 2023 with comparative figures required. Early application is permitted provided that the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.		
	This standard does not impact the Bank in anyway as the Bank do not engage in insurance business.		
<b>2</b>	<b>Accounting policies</b>		
	<b>a Transactions in foreign currencies</b>		
	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>TAJBANK LIMITED</b>			
<b>NOTES TO THE FINANCIAL STATEMENTS</b>			
<b>FOR THE YEAR ENDED 31 DECEMBER, 2020</b>			
<b>2</b>	<b>Accounting policies (continued)</b>		
<b>b</b>	<b>Cash and cash equivalent</b>		
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		
	<b>Cash equivalent are short term, highly liquid instruments which are:</b>		
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.		
<b>c</b>	<b>Financial instrument</b>		
<b>i</b>	<b>Recognition and initial measurement</b>		
	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.		
<b>ii</b>	<b>Classification and measurement</b>		
	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		
	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).		
	<b>Debt instruments</b>		
	<b>Amortised cost</b>		
	A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL		
<b>i</b>	The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and		
<b>ii</b>	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.		
	<b>Business model assessment</b>		
	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:		
<b>i</b>	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;		
<b>ii</b>	How the performance of the portfolio is evaluated and reported to management;		
<b>iii</b>	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;		

<b>TAJBANK LIMITED</b>			
<b>NOTES TO THE FINANCIAL STATEMENTS</b>			
<b>FOR THE YEAR ENDED 31 DECEMBER, 2020</b>			
<b>2 Accounting policies (continued)</b>			
<b>Business model assessment (continued)</b>			
<b>iv</b>	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		
<b>v</b>	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.			
<b>Assessment of whether contractual cash flows are solely payments of principal and return</b>			
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			
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.			
<b>Financial liabilities</b>			
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.			
<b>i Financial liabilities at fair value through profit or loss</b>			
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'.			
<b>ii Financial liabilities at amortised cost</b>			
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.			
<b>Modifications of financial assets and financial liabilities</b>			
<b>i Financial assets</b>			
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'.			

<b>TAJBANK LIMITED</b>			
<b>NOTES TO THE FINANCIAL STATEMENTS</b>			
<b>FOR THE YEAR ENDED 31 DECEMBER, 2020</b>			
<b>2 Accounting policies (continued)</b>			
<b>i Financial assets (continued)</b>			
<p>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. 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.</p>			
<b>ii Financial liabilities</b>			
<p>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.</p>			
<b>Offsetting of financial instruments</b>			
<p>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 Shari'ah 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.</p>			
<b>Impairment of financial assets</b>			
<p>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.</p> <p>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).</p> <p>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.</p> <p>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.</p> <p>Based on the above process, the Bank groups its financing facilities into Stage 1, Stage 2, Stage 3 and POCI, as described below:</p> <p><b>Stage 1:</b> 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.</p> <p><b>Stage 2:</b> 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.</p> <p><b>Stage 3:</b> Financing considered credit-impaired. The Bank records an allowance for the LTECLs</p> <p>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.</p>			

<b>TAJBANK LIMITED</b>			
<b>NOTES TO THE FINANCIAL STATEMENTS</b>			
<b>FOR THE YEAR ENDED 31 DECEMBER, 2020</b>			
<b>2 Accounting policies (continued)</b>			
<b>Impairment of financial assets (continued)</b>			
<p>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).</p>			
<p>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.</p>			
<b>The calculation of ECLs</b>			
<p>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.</p>			
<p>The mechanics of the ECL calculations are outlined below and the key elements are, as follows:</p>			
<ul style="list-style-type: none"> <li>• 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.</li> </ul>			
<ul style="list-style-type: none"> <li>• 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</li> </ul>			
<ul style="list-style-type: none"> <li>• 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.</li> </ul>			
<p>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.</p>			
<p>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.</p>			
<p>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.</p>			
<p>The mechanics of the ECL method are summarised below:</p>			
<p><b>Stage 1:</b> 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.</p>			
<p><b>Stage 2:</b> 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</p>			
<p><b>Stage 3:</b> 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%.</p>			
<p><b>POCI:</b> 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-</p>			
<p><b>Financing commitments and letters of credit:</b> 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.</p>			

<b>TAJBANK LIMITED</b>			
<b>NOTES TO THE FINANCIAL STATEMENTS</b>			
<b>FOR THE YEAR ENDED 31 DECEMBER, 2020</b>			
<b>2 Accounting policies (continued)</b>			
<b>Impairment of financial assets (continued)</b>			
<b>Forward looking information</b>			
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:			
<ul style="list-style-type: none"> <li>• GDP growth</li> <li>• Unemployment rates</li> <li>• Exchange rate</li> <li>• House price indices</li> <li>• Inflation</li> <li>• Crude Oil prices</li> </ul>			
To evaluate a range of possible outcomes, the bank formulates three scenarios: a base case, an upward and a downward scenario			
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.			
<b>Definition of default and credit impaired financial assets</b>			
The Bank considers a financial asset to be in default when:			
<ul style="list-style-type: none"> <li>• 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);</li> <li>• the borrower is past due 90 days or more on any material credit obligation to the Bank</li> </ul>			
In assessing whether a borrower is in default, the Bank considers indicators that are			
<ul style="list-style-type: none"> <li>i qualitative - e.g. material breaches of covenant;</li> <li>ii quantitative - e.g. overdue status and non-payment on another obligation of the same customer/customer group to the banks; and</li> <li>iii based on data developed internally and obtained from external sources</li> <li>iv Disappearance of an active market for a security because of financial difficulties</li> <li>v Others include death, insolvency, breach of covenants, etc</li> </ul>			
Inputs into the assessment of whether a financing exposure is in default and their significance may vary over time to reflect changes in circumstances.			
<b>Renegotiated financing facilities</b>			
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:			
<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>			
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.			
<b>Presentation of allowance for ECL in the statement of financial position</b>			
Financing allowances for ECL are presented in the statement of financial position as follows			
<ul style="list-style-type: none"> <li>• Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;</li> <li>• financing commitments and financial guarantee contracts: generally, as a provision;</li> <li>• 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</li> </ul>			

<b>TAJBANK LIMITED</b>			
<b>NOTES TO THE FINANCIAL STATEMENTS</b>			
<b>FOR THE YEAR ENDED 31 DECEMBER, 2020</b>			
<b>2 Accounting policies (continued)</b>			
<b>d Property plant and equipment (continued)</b>			
<b>Depreciation</b>			
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- Genera	(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.			
<b>e Intangible assets</b>			
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.			
<b>f Inventory</b>			
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.			
<b>g Islamic financing and investing contracts</b>			
The Bank engages in Shari'ah compliant Islamic banking activities through various Islamic instruments such as Ijarah, Murabaha, Musharaka, Istisna'a and Wakala.			
<b>i Ijarah</b>			
The Bank shall comply fully with the requirements of Shari'ah 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 incurred.			
<b>ii Murabaha receivables from banks</b>			
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.			

<b>TAJBANK LIMITED</b>			
<b>NOTES TO THE FINANCIAL STATEMENTS</b>			
<b>FOR THE YEAR ENDED 31 DECEMBER, 2020</b>			
<b>2 Accounting policies (continued)</b>			
<b>g Islamic financing and investing contracts (continued)</b>			
<b>iii Murabaha receivables from customers</b>			
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			
<b>iv Musharaka</b>			
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.			
<b>v Istisna'a</b>			
Other financial assets include Istisna'a (Long term project finance instrument)			
<b>v Wakala</b>			
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.			
<b>vi Sukuk</b>			
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, Shari'ah compliant trust certificates.			
<b>vii Qard hassan</b>			
These 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 the agreed period.			
<b>h Income recognition</b>			
The Bank recognised income on Shari'ah compliant Islamic banking activities through various Islamic instruments such as Ijarah, Murabaha, Musharaka, Istisna'a and Wakala.			
<b>i Ijarah</b>			
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.			
<b>ii Murabaha</b>			
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.			
<b>iii Musharaka</b>			
Income on Musharaka Contracts is recognized when the right to receive payment is established or on distribution by the Musharek.			

<b>TAJBANK LIMITED</b>			
<b>NOTES TO THE FINANCIAL STATEMENTS</b>			
<b>FOR THE YEAR ENDED 31 DECEMBER, 2020</b>			
<b>2 Accounting policies (continued)</b>			
<b>h Income recognition (continued)</b>			
<b>iv Wakala</b>			
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.			
<b>v Sukuk</b>			
Income is accounted for on a time apportioned basis over the terms of the Sukuk.			
<b>vi Fees and commission income</b>			
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 facilities, 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			
<b>vii Dividend</b>			
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.			
<b>viii Non-credit related fee income</b>			
This is recognized at the time the services have been performed and delivered or the transaction has been completed.			
<b>ix Sale of property under development</b>			
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:			
<ul style="list-style-type: none"> <li>• Contract to construct a property; or</li> <li>• Contract for the sale of completed property</li> </ul>			
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.			
<b>x Foreign income</b>			
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.			
<b>xi Service income</b>			
Revenue from rendering of services is recognized when the services are rendered			
<b>xii Revenue from sale of goods</b>			
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.			
<b>xiii Bank's share as a mudarib</b>			
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			
<b>i Expense recognition</b>			
<b>a Profit on mudaraba payable (banks and non-banks)</b>			
Profit on these is accrued on a time-apportioned basis over the period of the contract based on the principal amounts outstanding.			
<b>b Return on equity of investment accountholders</b>			
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.			

<b>TAJBANK LIMITED</b>			
<b>NOTES TO THE FINANCIAL STATEMENTS</b>			
<b>FOR THE YEAR ENDED 31 DECEMBER, 2020</b>			
<b>2 Accounting policies (continued)</b>			
<b>j Taxation</b>			
<b>a Current income taxation</b>			
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).			
<b>b Deferred taxation</b>			
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.			
<b>c Zakat</b>			
Zakat will represent the business zakat and it is an obligatory amount payable by the Bank to comply with the principles of Shari'ah. The Zakat provision will be calculated based on 2.5 % of the net asset method as set out in AAOIFI.			
<b>k Investment</b>			
<b>i Investment securities</b>			
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.			
<b>ii Investments in subsidiaries</b>			
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.			
<b>l Employee benefits</b>			
<b>i Defined contribution plans</b>			
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 are made to Pension Fund Administrator (PFA) are financially independent of the bank.			
<b>ii Termination Benefits</b>			
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.			
<b>m Provisions</b>			
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.			

<b>TAJBANK LIMITED</b>			
<b>NOTES TO THE FINANCIAL STATEMENTS</b>			
<b>FOR THE YEAR ENDED 31 DECEMBER, 2020</b>			
<b>2 Accounting policies (continued)</b>			
<b>n Financial guarantees and financing commitments</b>			
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.			
<b>o Borrowings</b>			
<b>i Murabaha and due to Banks</b>			
This represents funds received from banks on the principles of murabaha contracts and are stated at fair value of consideration received less amounts settled			
<b>ii Murabaha and due to non-banks</b>			
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			
<b>p Fiduciary activities</b>			
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.			
<b>q Segment reporting</b>			
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.			
<b>r Customer deposit</b>			
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 Shari'ah. All division must ensure that all investments complying with the Shari'ah laws.			

<b>TAJBANK LIMITED</b>			
<b>NOTES TO THE FINANCIAL STATEMENTS</b>			
<b>FOR THE YEAR ENDED 31 DECEMBER, 2020</b>			
<b>2 Accounting policies (continued)</b>			
<b>s Investment property</b>			
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)			
<b>t Share capital and reserves</b>			
<b>i Share issue cost</b>			
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.			
<b>ii Dividend on ordinary shares</b>			
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.			
<b>iii Share premium</b>			
Share premium is the excess paid by shareholders over the nominal value for their shares.			
<b>iv Statutory reserve</b>			
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.			
<b>iv AGSMIES reserve</b>			
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.			
<b>v Retained earnings</b>			
Retained earnings comprise the undistributed profits from previous periods which have not been reclassified to any specified			
<b>vi Regulatory risk reserve</b>			
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.			

<b>TAJBANK LIMITED</b>			
<b>NOTES TO THE FINANCIAL STATEMENTS</b>			
<b>FOR THE YEAR ENDED 31 DECEMBER, 2020</b>			
<b>2 Accounting policies (continued)</b>			
<b>u Earnings per share</b>			
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			
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.			
<b>v Investment risk reserve (IRR)</b>			
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.			
<b>w Profit equalisation reserve (PER)</b>			
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 Mudaraba 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.			
<b>x Leases</b>			
The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.			
<b>Right-of-use assets</b>			
The Bank recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease obligations recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right-of-use assets are subject to impairment.			

**TAJBANK LIMITED**  
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<b>3 Cash and balances with Central Bank of Nigeria</b>	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
Cash in hand	793,435	39,665
Current account with CBN	4,637,465	5,576
Cash reserve requirement	5,734,379	-
CBN promissory note	1,081,548	-
<b>Balance at 31 December</b>	<b>12,246,827</b>	<b>45,241</b>

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 in hand constitutes the aggregate cash balances in the vaults of the bank branches.

<b>4 Due from banks and other financial institutions</b>	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
Balances with banks within Nigeria:		
First Bank Plc	39	10
First City Monument Bank Plc	4,375,953	554,672
Fidelity Bank Plc	-	512
Zenith Bank Plc	-	22,103
	<b>4,375,993</b>	<b>577,297</b>
Balances with banks outside Nigeria:		
Zenith Bank UK	39,596	-
First City Monument Bank -UK	1,913,893	-
United Bank Africa -New York	507,762	-
Afreximbank -USD	673,257	-
	<b>3,134,509</b>	<b>-</b>
<b>Balance at 31 December</b>	<b>7,510,501</b>	<b>577,297</b>

i The balances held with Banks within Nigeria substantially represent amount available for the day to day operations of the Bank and the balance outside Nigeria is for corresponding transaction.

ii Cash and cash equivalents for the purposes of the statements of cash flows include the following :

Cash and current balances with banks	5,169,428	616,962
Unrestricted balances with central banks	5,719,013	5,576
Restricted balances with central banks	5,734,379	-
Current balances with foreign banks	3,134,509	-
<b>Balance at 31 December</b>	<b>19,757,328</b>	<b>622,538</b>

<b>5 Interbank Receivables</b>	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
Interbank mudaraba	2,950,000	700,000
Interbank wakala	700,000	15,941
Accrued profit receivables	103,352	-
<b>Balance at 31 December</b>	<b>3,753,352</b>	<b>715,941</b>

The during the financial year, the Bank invested the sum of N2.95 billion in interbank murabaha and N700 million in wakala sharia compliant instruments with other financial institutions and investment houses.

**TAJBANK LIMITED**  
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<b>6 Investment in Sukuk</b>	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
Opening balance	3,760,000	-
Addition during the year	1,600,000	3,760,000
Disposal/Redemption	(500,000)	-
<b>Gross investment in Sukuk</b>	<b>4,860,000</b>	<b>3,760,000</b>
Premium	926,828	511,945
Rental receivable	10,598	27,539
<b>Balance at 31 December</b>	<b>5,797,426</b>	<b>4,299,484</b>

During the year, the Bank invested N1.60 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.

<b>7 Murabaha Receivables</b>	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
Murabaha corporate	11,191,733	-
Murabaha Retail	590,593	-
Murabaha others	1,414,495	-
Murabaha- CBN CACS	64,691	-
<b>Gross receivable</b>	<b>13,261,512</b>	<b>-</b>
Allowance for impairment	(126,032)	-
Deferred profit	(1,737,030)	-
<b>Balance at 31 December</b>	<b>11,398,450</b>	<b>-</b>

<b>8 Investment in Istisna</b>	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
Istisna receivable	121,021	-
<b>Gross receivable</b>	<b>121,021</b>	<b>-</b>
Allowance for impairment	(647)	-
Deferred profit	(5,425)	-
<b>Balance at 31 December</b>	<b>114,948</b>	<b>-</b>

<b>9 Investment in Ijara assets</b>	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
Ijarah Munt Bittamleek-Retail	42,014	-
Ijarah Munt Bittamleek-Corporate	772,232	-
Ijara Of Service - CBN CACS	157,952	-
Ijarah of Service	249,993	-
<b>Gross investment in Ijara</b>	<b>1,222,191</b>	<b>-</b>
Ijara accrued profit	27,767	-
Allowance for impairment	(2,922)	-
Deferred profit (Ijara of service)	(46,385)	-
<b>Balance at 31 December</b>	<b>1,200,650</b>	<b>-</b>

<b>10 Inventory financing</b>	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
Inventory financing	890,699	-
<b>Balance at 31 December</b>	<b>890,699</b>	<b>-</b>

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11 Property, Plant and Equipment	Freehold	Office	Motor	Furnitures	Computer	Fixed	Total
	Building	Equipment	Vehicle	and Fixtures	Equipment	Assets WIP	
Cost	N' 000	N' 000	N' 000	N' 000	N' 000	N' 000	N' 000
Balance at 1 January 2020	231,579	236,984	110,479	140,695	459,534	46,279	1,225,550
Additions	-	124,426	137,679	8,601	346,227	282,165	899,098
Adjustment	-	(40)	-	-	(13,000)	(17,877)	(30,917)
Disposal	-	-	-	-	(299)	-	(299)
<b>Balance at 31 December 2020</b>	<b>231,579</b>	<b>361,370</b>	<b>248,158</b>	<b>149,296</b>	<b>792,461</b>	<b>310,567</b>	<b>2,093,431</b>
<b>Accumulated depreciation</b>							
Balance at 1 January 2020	386	3,286	1,534	1,903	6,157	-	13,266
Charge for the year	4,632	48,617	29,190	24,061	96,637	-	203,136
Adjustment	-	-	-	-	-	-	-
Disposal	-	-	-	-	(8)	-	(8)
<b>Balance at 31 December 2020</b>	<b>5,018</b>	<b>51,903</b>	<b>30,724</b>	<b>25,964</b>	<b>102,785</b>	<b>-</b>	<b>216,394</b>
<b>Net book value</b>							
<b>Balance at 31 December 2020</b>	<b>226,561</b>	<b>309,468</b>	<b>217,434</b>	<b>123,332</b>	<b>689,676</b>	<b>310,567</b>	<b>1,877,037</b>
<b>Cost</b>							
	N' 000	N' 000	N' 000	N' 000	N' 000	N' 000	N' 000
Balance at 1 January, 2019	-	64,161	35,500	67,928	-	-	167,589
Additions	231,579	172,824	74,979	72,767	459,534	46,279	1,057,961
<b>Balance at 31 December 2019</b>	<b>231,579</b>	<b>236,984</b>	<b>110,479</b>	<b>140,695</b>	<b>459,534</b>	<b>46,279</b>	<b>1,225,550</b>
<b>Accumulated depreciation</b>							
Balance at 1 January 2019	-	-	-	-	-	-	-
Charge for the year	386	3,286	1,534	1,903	6,157	-	13,266
<b>Balance at 31 December 2019</b>	<b>386</b>	<b>3,286</b>	<b>1,534</b>	<b>1,903</b>	<b>6,157</b>	<b>-</b>	<b>13,266</b>
<b>Net book value</b>							
<b>Balance at 31 December 2019</b>	<b>231,193</b>	<b>233,698</b>	<b>108,945</b>	<b>138,792</b>	<b>453,377</b>	<b>46,279</b>	<b>1,212,284</b>

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12 Leasehold improvement	2020	2019
<b>Cost</b>	<b>N '000</b>	<b>N '000</b>
Balance at 1 January 2020	380,800	166,347
Addition	80,180	214,453
<b>Balance as at 31 December 2020</b>	<b>460,980</b>	<b>380,800</b>
<b>Amortisation and impairment losses</b>	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
Balance at 1 January 2020	3,432	-
Adjustments	31,284	-
Amortisation for the year	61,893	3,432
<b>Balance at 31 December 2020</b>	<b>96,608</b>	<b>3,432</b>
<b>Carrying amounts</b>		
<b>Balance at 31 December 2020</b>	<b>364,372</b>	<b>377,368</b>

13 Intangible assets	2020	2020	2020	2019
	WIP	Computer	Total	Total
	Computer	Computer	Computer	Computer
	Software	Software	Software	Software
	N'000	N'000	N'000	N'000
<b>Cost</b>				
Balance at 1 January 2020	-	864,933	864,933	110,187
Addition	306,701	253,096	559,796	754,746
Adjustment	17,877	-	(17,877)	
<b>Balance at 31 December 2020</b>	<b>324,578</b>	<b>1,118,029</b>	<b>1,442,607</b>	<b>864,933</b>
<b>Amortisation and impairment losses</b>				
Balance at 1 January 2020	-	7,208	7,208	-
Adjustments	-	-	-	-
Amortisation during the year	-	94,182	94,182	7,208
<b>Balance at 31 December 2020</b>	<b>-</b>	<b>101,389</b>	<b>101,389</b>	<b>7,208</b>
<b>Carrying amounts</b>				
<b>Balance at 31 December 2020</b>	<b>324,578</b>	<b>1,016,640</b>	<b>1,341,218</b>	<b>857,725</b>

**TAJBANK LIMITED**  
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<b>14 Other assets</b>	<b>2020</b>	<b>2019</b>
	<b>N '000</b>	<b>N '000</b>
Branch development	565,605	2,400
Right of use assets	313,283	102,171
Prepayment	290,459	46,961
Account receivables	585,945	678,938
Settlement suspense	376,142	14,118
CBN FX Bid account	756,310	239,094
Inventory ( card & others)	32,217	9,924
<b>Balance at 31 December</b>	<b>2,919,961</b>	<b>1,093,606</b>
<b>15 Income tax</b>	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
<b>Statement of financial position</b>		
Opening balance	-	-
Charged for the year	8,086	-
	8,086	-
Less: payment during the year	-	-
<b>Balance at 31 December</b>	<b>8,086</b>	<b>-</b>
<b>15a Income statement</b>	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
Company income tax	-	-
Education tax	-	-
Information technology levy	7,938	-
Police trust fund levy	148	-
	8,086	-
<b>Deferred tax expenses</b>		
Deferred tax expenses (origination)/(reversal)	(556,945)	(52,603)
<b>Balance at 31 December</b>	<b>(548,859)</b>	<b>(52,603)</b>
<b>15b Deferred tax</b>	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
Opening balance	(52,603)	-
Deferred tax expenses(origination)/(reversal)	(556,945)	(52,603)
<b>Balance at 31 December</b>	<b>(609,548)</b>	<b>(52,603)</b>
<b>15c Reconciliation of tax expense and the accounting profit</b>	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
Accounting loss before tax	296,824	(79,904)
Add non-deductible expenses for tax purpose		
Depreciation of PPE and amortisation	359,210	23,915
Collective impairment	-	-
	656,035	(55,990)
Less:		
Exempted Income on Sukuk investment	2,130,353	44,634
Collective Impairment write-back	-	-
Capital allowance	-	-
Technology levy	7,938	-
<b>Adjusted profit/(loss)</b>	<b>(1,482,257)</b>	<b>(11,356)</b>
Company income tax at 30% of adjusted profit	-	-
Minimum tax	-	-
Technology levy	7,938	-
Education tax	-	-
Total tax payable	7,938	-
Deferred tax (origination)/reversal	(609,548)	(52,603)
<b>Income tax expense</b>	<b>(601,610)</b>	<b>(52,603)</b>
<b>15d Deferred tax movement</b>	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
The movement in the deferred tax account during the year by various components was as follows:		
Property, plant & equipment	456,660	394,919
Collective impairment	-	-
Unabsorbed capital allowance	(1,066,207)	447,522
Deferred tax (origination)/reversal	<b>(609,548)</b>	<b>(52,603)</b>

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16 Customers' current and qard saving account	2020	2019
	N '000	N '000
Analysis by type of account		
Current account	20,409,232	1,122,231
Qard saving account	1,621,903	126,919
<b>Balance at 31 December</b>	<b>22,031,135</b>	<b>1,249,150</b>

17 Other funding-CBN CACS	2020	2019
	N'000	N'000
Other financing-CBN CACS	1,000,000	-
<b>Balance at 31 December</b>	<b>1,000,000</b>	<b>-</b>

18 Other liabilities	2020	2019
	N'000	N'000
Accounts payable	3,890,168	91,178
Other tax liabilities	20,604	145,881
Profit payable to mudaraba account holders	21,042	1,247
Due to charity	60	239,094
Deposit for shares	550,000	803,075
Sundry creditors	561,385	593,002
Accrued audit and professional fees	13,860	7,580
Profit equilization reserve	6,855	36
Risk investment reserve	3,700	18
	<b>5,067,675</b>	<b>1,881,111</b>
Impairment allowance on contingents	16,098	-
<b>Balance at 31 December</b>	<b>5,083,773</b>	<b>1,881,111</b>

19a Equity of investment account holders	2020	2019
	N'000	N'000
Customers' mudarabah investment accounts (Saving account)	2,144,304	436
Murabaha term deposit (note 19b)	12,515,889	1,009,733
<b>Balance at 31 December</b>	<b>14,660,193</b>	<b>1,010,169</b>

19b Analysis of Mudaraba term deposit maturity by product	2020	2019
	N'000	N'000
MTD 30 days	5,770,152	140,119
MTD 60 days	632,821	5,100
MTD 90 days	2,211,275	52,500
MTD 180 days	3,576,028	802,000
MTD above 360 days	325,613	10,014
<b>Balance at 31 December</b>	<b>12,515,889</b>	<b>1,009,733</b>

**TAJBANK LIMITED**  
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<b>20 Owners' Equity</b>	<b>2020</b>	<b>2019</b>
<b>Share capital</b>	<b>N'000</b>	<b>N'000</b>
<b>(i) Authorised</b>		
10,000,000,000 Ordinary shares of N1.00 each (31 Dec 2019: 6,000,000)	10,000,000	6,000,000
<b>Balance at 31 December</b>	<b>10,000,000</b>	<b>6,000,000</b>

<b>(ii) Issued and fully paid share capital</b>	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
7,153,081 Ordinary shares of N1.00 each (31 Dec 2019: 5,887,000)	5,887,000	5,157,000
Addition during the year	1,266,081	730,000
<b>Balance at 31 December</b>	<b>7,153,081</b>	<b>5,887,000</b>

There was additional share capital paid during the year. The holders of ordinary shares are entitled to receive dividends and each shareholder is entitled to vote at the Shareholders' general meetings. All ordinary shares rank equally.

<b>21 Share premium</b>	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
Opening balance	-	-
Movement during the year	38,919	-
<b>Balance at 31 December</b>	<b>38,919</b>	<b>-</b>

Share premium is the excess paid by shareholders over the nominal value for their shares. The premium was as a result of additional shares issued during the year.

<b>22 Retained earnings</b>	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
Opening balance	(795,881)	-
Pre operating activities	-	(768,579)
Net profit/ (loss) for the year	845,683	(27,302)
Risk regulatory reserve	(118,105)	-
Statutory reserve	(89,047)	-
AGSMEIS reserve	(14,841)	-
<b>Balance at 31 December</b>	<b>(172,192)</b>	<b>(795,881)</b>

<b>23 Regulatory risk reserve</b>	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
Opening balance	-	-
Adjustment against retained earnings	(118,105)	-
<b>Balance at 31 December</b>	<b>(118,105)</b>	<b>-</b>

The regulatory risk reserves warehouses the difference between the allowance for impairment losses on financing and investments based on Central Bank of Nigeria prudential guidelines compared with the expected credit loss model used in calculating the impairment under IFRSs.

<b>24 Other reserve</b>	<b>2020</b>	<b>2019</b>
<b>(a) Statutory reserve</b>	<b>N'000</b>	<b>N'000</b>
Opening balance	-	-
Provision for the year	(89,047)	-
<b>Balance at 31 December</b>	<b>(89,047)</b>	<b>-</b>

<b>(b) Agriculture small and medium enterprises investment scheme</b>	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
Opening balance	-	-
Provision for the year	(14,841)	-
<b>Balance at 31 December</b>	<b>(14,841)</b>	<b>-</b>
<b>Total</b>	<b>(103,889)</b>	<b>-</b>

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).

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	<b>2020</b>	<b>2019</b>
	<b>N '000</b>	<b>N '000</b>
<b>25 Income from financing contracts</b>		
<b>murabaha transactions</b>		
Profit on murahaba -retail	39,555	-
Profit on murabaha -corporate	838,000	-
Profit on murabaha -business	43	-
Profit on murabaha - CBN CACs	193	-
<b>Total profit from murabaha transactions</b>	<b>877,792</b>	<b>-</b>
<b>Ijara transactions</b>		
Profit on Ijarah of service	7,329	-
Profit on ijarah of service -retail	2,025	-
Profit on jarah service - retail (POS)	940	-
Profit on ijarah munt bittamleek -Retail	2,491	-
Profit on ijarah munt bittamleek -Corporate	34,619	-
Profit on ijarah munt bittamleek -CBN CACS	1,178	-
<b>Total profit from ijarah transactions</b>	<b>48,583</b>	<b>-</b>
<b>Istisna transactions</b>		
Profit on istisna -retail	595	-
<b>Total profit from Istisna transactions</b>	<b>595</b>	<b>-</b>
<b>Other financing profit</b>		
Wakala commission	8,895	-
Income on agent transactions	57,003	-
Income on inventory financing	42,075	-
<b>Total income from other financing contracts</b>	<b>107,972</b>	<b>-</b>
<b>Total income from financing contracts</b>	<b>1,034,943</b>	<b>-</b>
<b>26 Income from investment activities</b>		
Sukuk-rental	673,562	44,634
Profit on inter bank mudaraba	181,107	11,322
Profit on sukuk financed by banks	238,454	-
<b>Income from investment activities</b>	<b>1,093,122</b>	<b>55,956</b>
<b>Total income from financing and investment contracts</b>	<b>2,128,065</b>	<b>55,956</b>
<b>27 (i) Return on equity investment account holders</b>	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
Profit paid to mudaraba account holders	412,325	1,538
<b>Profit from financing investments paid to mudaraba account holders</b>	<b>412,325</b>	<b>1,538</b>
<b>(ii) Bank's shares on financing and investment activities</b>		
Total income from financing	2,236,037	11,322
Less: profit paid to investment account holders	(412,325)	(1,538)
<b>Bank's share as equity investor/mudarib</b>	<b>1,823,712</b>	<b>9,784</b>

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	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
<b>28 Impairment charge</b>		
Murabaha finance	126,032	-
Ijara finance	2,922	-
Istisna	647	-
Off balance sheet	16,098	-
<b>Balance at 31 December</b>	<b>145,699</b>	<b>-</b>
<b>29 Fees and commission</b>		
Banking services	64,342	97
Treasury income	10,019	-
Confirmation line income	25,326	-
LC income	10,281	-
<b>Balance at 31 December</b>	<b>109,967</b>	<b>97</b>
<b>30 Hibah income</b>		
Hibah received	1,218,338	-
<b>Balance at 31 December</b>	<b>1,218,338</b>	<b>-</b>
The amount represents profit received from Central Bank of Nigeria from investing the Bank's initial deposit in FGN Sukuk investment before commencement of banking operations.		
<b>31 Staff costs</b>		
Salaries	849,511	53,187
Staff pension	32,420	1,908
Training and seminar expenses	5,303	807
Other staff expenses	81,213	-
<b>Balance at 31 December</b>	<b>968,447</b>	<b>55,902</b>
<b>32 Depreciation and amortisation</b>		
Depreciation of property, plant & equipment	203,136	13,275
Amortisation of leasehold improvement	61,893	3,432
Amortisation of intangible assets	94,182	7,208
<b>Balance at 31 December</b>	<b>359,210</b>	<b>23,915</b>
<b>33 General and administrative expenses</b>		
Advertsing and marketing	84,811	5,653
Telephone expenses	1,520	160
Bank charges	15,972	337
Printing and stationery	38,388	3,477
Repair and maintenance	13,612	472
Sukuk premium expenses	123,619	10,720
Service contract	151,050	5,096
Travelling - local and foreign	22,403	1,705
Postage and courier charges	4,114	341
Premises expenses	104,305	16,500
Security guards	12,228	258
IT related expenses	32,395	872
Advisory Committee of Experts and Directors' expense	54,062	-
Insurance	13,342	69
Other miscellenous expense	292,222	973
Audit fees and expense	12,451	5,451
Vehicles repairs	11,926	125
Licences	77,026	-
NDIC premium	137,340	-
Subsriptions	51,345	-
Fuel expenses	19,732	2,398
<b>Balance at 31 December</b>	<b>1,273,864</b>	<b>54,604</b>

### 34 Credit quality

#### 34 (a) Statement of prudential adjustment

##### Prudential Adjustment for the year ended 2020

In compliance with the provisions under the revised Prudential Guidelines issued by the Central Bank of Nigeria, which became effective 1 July, 2010. Which addresses the variance between the impairment allowance under prudential guidelines and the expected credit loss model required by IFRS 9.

Paragraph 12.4 of the revised Prudential Guidelines for Deposit Money Banks in Nigeria stipulates that Banks would be required to make provisions for loans as prescribed in the relevant IFRS Standards when IFRS is adopted. However, Banks would be required to comply with the following:

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

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

As at 31 December 2020, the difference between the Prudential provision and IFRS impairment was N118.1 million for the Bank (December 2019: Nil). This requires transfer of N118 million from retained earnings to regulatory risk reserves for Bank as disclosed in the statement of changes in equity. These amounts represent the difference between provisions for credit and other known losses as determined under the prudential guidelines issued by the Central Bank of Nigeria (CBN) and impairment reserve as determined in line with IFRS 9 as at the year end

The non-distributable reserve should be classified under Tier 1 core capital

##### Statement of prudential adjustments

	2020	2019	Total
	N'000	N'000	N'000
Total impairment allowance per IFRS 9	145,699	-	145,699
Total impairment per Prudential guidelines	263,805	-	263,805
<b>Risk regulatory reserves balance as at 31 December</b>	<b>118,105</b>	<b>-</b>	<b>118,105</b>

#### 34 (b) Carrying value of financing and investment assets

	2020									
	RISK ASSETS SUMMARY - 31 DEC 2020				IMPAIRMENT SUMMARY				Carrying Amount	
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Total	
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	
Murabaha finance	11,847,017	-	-	11,847,017	126,032	-	-	126,032	11,720,985	
Ijara finance	1,222,191	-	-	1,222,191	2,922	-	-	2,922	1,219,268	
Istisna	121,021	-	-	121,021	647	-	-	647	120,374	
	<b>13,190,228</b>	<b>-</b>	<b>-</b>	<b>13,190,228</b>	<b>129,601</b>	<b>-</b>	<b>-</b>	<b>129,601</b>	<b>13,060,627</b>	
Off balance sheet	3,020,845	-	-	3,020,845	16,098	-	-	16,098	3,004,747	
<b>Balance at 31 December 2020</b>	<b>16,211,073</b>	<b>-</b>	<b>-</b>	<b>16,211,073</b>	<b>145,699</b>	<b>-</b>	<b>-</b>	<b>145,699</b>	<b>16,065,374</b>	

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	2019				2019				Carrying Amount Total N'000
	RISK ASSETS SUMMARY - 31 DEC 2019				IMPAIRMENT SUMMARY - 31 DEC 2019				
	Stage 1 N'000	Stage 2 N'000	Stage 3 N'000	Total N'000	Stage 1 N'000	Stage 2 N'000	Stage 3 N'000	Total N'000	
Murabaha finance	-	-	-	-	-	-	-	-	-
Ijara finance	-	-	-	-	-	-	-	-	-
Istisna	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Off balance sheet		-		-	-	-	-	-	-
<b>Balance at 31 December 2019</b>	-	-	-	-	-	-	-	-	-

**34 (c) Reconciliation of impairment charged**

The following table reconciles the impairment loss allowance charged on financing assets and financing commitments and guarantee contracts determined in accordance with IFRS 9 as at 31 December, 2020

	2020				
	Stage 1 N'000	Stage 2 N'000	Stage 3 N'000	OKL N'000	TOTAL N'000
Balance at 1 January 2020	-	-	-	-	-
Impairment charged during the year	145,699	-	-	-	145,699
Transfer between stages	-	-	-	-	-
<b>Balance at 31 December 2020</b>	<b>145,699</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>145,699</b>

	2019				
	Stage 1 N'000	Stage 2 N'000	Stage 3 N'000	OKL N'000	TOTAL N'000
Balance as at 1 January 2019	-	-	-	-	-
Impairment charged during the year	-	-	-	-	-
Transfer between stages	-	-	-	-	-
<b>Balance at 31 December 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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**35 Financing and investment analysis**

<b>(i) By Security</b>	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
Legal mortgage	7,981,806	-
Total asset debenture	2,080,772	-
Cash and deposits	1,149,680	-
Equitable mortgage	1,206,095	-
Personal guarantees	230,723	-
Assets - Other	541,152	-
<b>Balance at 31 December</b>	<b>13,190,228</b>	<b>-</b>
<b>(ii) By product</b>	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
Ijara of service	225,001	-
Profit on Sale - ijara of service	24,992	-
Ijara muntahia (Retail and corporate)	814,246	-
Murabaha Corporate Finance	215,600	-
CACS	222,643	-
Murabaha Retail	590,592	-
Murabaha Corporate	10,976,133	-
Istisna	121,021	-
<b>Balance at 31 December</b>	<b>13,190,228</b>	<b>-</b>
<b>(iii) By sector</b>	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
Agriculture	1,704,344	-
Construction	2,468,017	-
Education	2,203,206	-
General	982,551	-
General Commerce	1,433,977	-
Human health and social work activities	120,182	-
Information and communication	114,231	-
Manufacturing	200,000	-
Oil and Gas	1,618,397	-
Professional, Scientific and Technical activities	309,776	-
Public Utilities	13,982	-
Real Estate	1,807,232	-
Transportation and Storage	214,333	-
<b>Balance at 31 December</b>	<b>13,190,228</b>	<b>-</b>
<b>(iv) By Business Unit</b>	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
Corporate	12,411,609	-
Retail	778,619	-
<b>Balance at 31 December</b>	<b>13,190,228</b>	<b>-</b>
<b>(v) By tenor</b>	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
0 - 60 days	-	-
61 - 90 days	603,217	-
91 - 180 days	369,978	-
180 - 360 days	1,981,656	-
Over 360 days	10,235,377	-
<b>Balance at 31 December</b>	<b>13,190,228</b>	<b>-</b>
<b>(vi) By performance</b>	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
Performing	13,190,228	-
<b>Non Performing:</b>		
Substandard	-	-
Doubtful	-	-
Lost	-	-
<b>Balance at 31 December</b>	<b>13,190,228</b>	<b>-</b>

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**36 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.

			2020	
			N'000	
Name	Related party	Relationship with the Bank	Amount	Classification
Bedmod Integrated Farms Limited	Habib Alkali	Shareholder / Non Executive Director	222,643	Performing
Hamid Abubakar Joda	Hamid Abubakar Joda	Executive Director	159,998	Performing
Sherif Audu Idi	Sherif Audu Idi	Senior Management	147,691	Performing
<b>Balance at 31 December</b>			<b>530,332</b>	
			2019	
			N'000	
	Related party	Relationship with the Bank	Amount	Classification
			-	
<b>Balance at 31 December</b>			<b>-</b>	

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37 Significant shareholding (5% & above)	2020		2019	
	Holdings	%	Holdings	%
GSCL Investments Limited	3,060,000,000	42.78	3,060,000,000	51.98
ADAMA Beverages Limited	1,000,000,000	13.98	-	-
Lawal Garba	700,000,000	9.79	700,000,000	11.89
Inverness Wealth Management Limited	670,000,000	9.37	670,000,000	11.38
Sokoto State Government	500,000,000	6.99	500,000,000	8.49
<b>Balance at 31 December</b>	<b>5,930,000,000</b>	<b>82.90</b>	<b>4,930,000,000</b>	<b>83.74</b>

**38 Earnings per share**

**Basic earnings per share**

Basic earnings per share of of N12.46 (31 December 2019: (0.46) kobo) is based on the profit N852 million attributable to shareholders with ordinary shares of 7,153,081.

Profit attributable to ordinary shareholders	2020	2019
	N'000	N'000
Profit/(loss) for the year	845,683	(27,302)
<b>Profit/(loss) attributable to ordinary shareholders</b>	<b>845,683</b>	<b>(27,302)</b>

Weighted average number of ordinary shares	2020	2019
	In Thousand	In Thousand
Issued ordinary shares	7,153,081	5,887,000
<b>Weighted average number of ordinary shares at 31 December</b>	<b>7,153,081</b>	<b>5,887,000</b>

**Basic and diluted earnings per share (kobo)** 11.82 kobo (0.46) kobo

There have been no transactions during the year which caused dilution of the earnings per share.

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**39 Information regarding directors**

	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
Emoluments		
Fees:		
Chairman	2,500	2,500
Other directors	2,000	2,000
Emolument as executives	100,245	86,420

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

N		N		<b>2020</b>	<b>2019</b>
				<b>Number</b>	<b>Number</b>
1,000,000	-	2,000,000		8	8
2,000,001	-	5,000,000		1	1
5,000,001	-	above		2	2

**40 Information regarding employees**

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

N		N		<b>2020</b>	<b>2019</b>
				<b>Number</b>	<b>Number</b>
500,000	-	5,000,000		101	33
5,000,001	-	10,000,000		46	26
10,000,001	-	Above		23	19
				<b>170</b>	<b>78</b>

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

	<b>2020</b>	<b>2019</b>
	<b>Number</b>	<b>Number</b>
Executive directors	2	7
Management	31	17
Non -management	137	54
	<b>170</b>	<b>78</b>

**41 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

CARD TYPE	<b>TRANSACTION VOLUMES</b>	<b>TRANSACTION VOLUMES N'000</b>
VERVE CARD	54,268	662,931
VISA CARD	-	-
<b>Total</b>	<b>54,268</b>	<b>662,931</b>

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

**(i) ATM complaints data- 31 December 2020**

	<b>Number</b>	<b>Amount N'000</b>
Unresolved as at 1 January		
Number of complaints	13	99
Number of complaints resolved	13	99
<b>Unresolved as at 31 December</b>	<b>-</b>	<b>-</b>

**(ii) ATM complaints data- 31 December 2019**

	<b>Number</b>	<b>Amount N'000</b>
Unresolved as at 1 January		
Number of complaints	4	30
Number of complaints resolved	4	30
<b>Unresolved as at 31 December</b>	<b>-</b>	<b>-</b>

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**42 Contingencies and commitments**

**(i) Litigation**

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Bank has proper controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing.

The Bank, in its ordinary course of business, is presently involved in 2 litigation suits (31 December, 2019: Nil).

The Directors are of the opinion that, based on currently available information and advice of counsel, none of the aforementioned cases is likely to have a material adverse effect on the financial position of the Bank and are not aware of any other pending or threatened claims and litigations. No provision has been made for the year ended 31 December 2020.

**(ii) Other contingent liabilities**

In the normal course of business, the Bank enters into various types of transactions that involve undertaking certain commitments such as Bid security, guarantees and other financial commitments.

	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
Advanced payment guarantees	2,430,099	-
Bank guarantees	450,000	-
Bid Security	140,747	-
<b>Balance at 31 December</b>	<b>3,020,845</b>	<b>-</b>

**(iii) Capital commitments**

There were no capital commitments at the end of the reporting period of 31 December 2020.

**(iv) Guarantees and other financial commitments**

The Directors are of the opinion that all known liabilities and commitments which are relevant in assessing the Bank's financial position, financial performance and cash flows have been taken into account in the preparation of these financial statements.

**43 Contravention of CBN/NDIC guidelines**

In 2020 financial year, the Bank did not contravene any CBN guidelines

**44 Operating segments**

For reporting purposes, the Bank is organised into business segments and has reportable operating segments as follows:

Resources are allocated based on the business segments and Management reviews the segments on periodic basis to assess their performance. The Chief Operating Decision Maker of the Bank is the Management Committee, which reviews and allocates the necessary resources for the achievement of the Bank's objectives.

	<b>Corporate Banking</b>	<b>Retail Banking</b>	<b>Total</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
<b>Balance at 31 December 2020</b>			
<b>Assets</b>			
Cash balances	793,435	-	793,435
Balances with Central Bank	11,453,392	-	11,453,392
Due from banks and financial institutions	7,510,501	-	7,510,501
Interbank receivables	3,753,352	-	3,753,352
Sukuks	5,797,425	-	5,797,425
Murabaha receivables	10,890,827	507,622	11,398,450
Investments in Ijarah assets	1,134,954	65,696	1,200,651
Istisna	-	114,949	114,949
Inventory financing	595,699	295,000	890,699
Property & Equipment	1,877,037	-	1,877,037
Leasehold improvement	364,372	-	364,372
Intangible assets	1,341,218	-	1,341,218
Other assets	2,919,961	-	2,919,961
Deferred tax	609,548	-	609,548
<b>Total assets</b>	<b>49,041,722</b>	<b>983,268</b>	<b>50,024,989</b>

	<b>Corporate Banking</b>	<b>Retail Banking</b>	<b>Total</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
<b>Balance at 31 December 2019</b>			
<b>Assets</b>			
Cash balances	39,665	-	39,665
Balances with Central Bank	5,576	-	5,576
Due from banks and financial institutions	577,297	-	577,297
Interbank receivables	715,941	-	715,941
Sukuks	4,299,484	-	4,299,484
Murabaha receivables	-	-	-
Investments in Ijarah assets	-	-	-
Istisna	-	-	-
Inventory financing	-	-	-
Property, plant & equipment	1,212,284	-	1,212,284
Leasehold improvement	377,368	-	377,368
Intangible assets	857,725	-	857,725
Other assets	1,093,606	-	1,093,606
Deferred tax	52,603	-	52,603
<b>Total assets</b>	<b>9,231,549</b>	<b>-</b>	<b>9,231,549</b>

The investments in islamic finance are shown here as gross, while on the face of statement of financial position they are shown net of impairment and deferred profit. This accounts for the difference between the balance sheet size in the notes to the financial statements and what is disclosed on the face of the statement of financial position.

**TAJBANK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

**45 Capital Adequacy Ratio**

The Bank presents details of its regulatory capital resources in line with the Central Bank of Nigeria's guidance on Pillar I capital requirements.

	<b>2020</b>	<b>2020</b>
	<b>N'000</b>	<b>N'000</b>
Regulatory capital		
Tier 1 capital		
Share capital	7,153,081	5,887,000
Share premium	38,919	(795,881)
Retained earnings	(172,192)	-
Other reserves	103,889	-
	<b>7,123,697</b>	<b>5,091,119</b>
Less: Deferred tax assets	609,548	52,603
Intangible assets	1,341,218	857,725
Total qualifying Tier 1 capital	5,172,931	4,180,791
Tier 2 capital		
Qualifying other reserves	-	-
Other comprehensive income		
<b>Total qualifying Tier 2 capital (100% of total qualifying Tier I capital)</b>	<b>-</b>	<b>-</b>
<b>Total qualifying capital</b>	<b>5,172,931</b>	<b>4,180,791</b>
Risk - weighted assets:		
Credit risk	17,682,361	3,728,038
Operational risk	105,100	105,100
Market risk	1,670,061	-
Total risk-weighted assets	<b>19,457,522</b>	<b>3,833,138</b>
<b>Risk-weighted capital adequacy ratio</b>	<b>26.59%</b>	<b>109.07%</b>

**46 Comparatives figures**

Certain comparative figures have been restated where necessary for a more meaningful comparison.

**47 Assessing the impact of COVID-19**

The COVID-19 pandemic has caused disruptions to global economic and social activities during the year ended 31 December 2020. The impact in Nigeria markets was experienced in the second quarter and few months of the third quarter period, by way of reduction in social interactions and disruptions in economic activities. The Bank has assessed on a line-by-line basis the impact of Covid-19 on the amount presented on the statement of financial position and concluded that no further adjustment will be required in the financial statements. The Bank has also reviewed the current uncertainty as a result of this pandemic and nothing has come to the attention of the Directors to indicate that the Bank will not remain a going concern for at least twelve months from the date of this statement.

**48 Events after the reporting date**

There were no events after the reporting date that could have material effect on the financial condition of the Bank as at 31 December 2020 and the profit and other comprehensive income for the year ended which have not been adjusted or disclosed.

**TAJBANK LIMITED**  
**OTHER NATIONAL DISCLOSURES**  
**VALUE ADDED STATEMENT**

	<b>2020</b>	<b>2020</b>	<b>2019</b>	<b>2019</b>
	<b>N`000</b>	<b>%</b>	<b>N`000</b>	<b>%</b>
Gross income from financing, investing transactions and fees	3,456,370		56,053	
Return on equity of investment account holders	(412,325)		(1,538)	
Bank's share as a mudarib/equity investor	3,044,045		54,516	
Impairment allowance	(145,699)		-	
	2,898,346		54,516	
Bought in goods and services	(1,273,864)		(54,604)	
<b>Value Added</b>	<b>1,624,482</b>	<b>100%</b>	<b>(88)</b>	<b>100%</b>
<b>Distribution</b>				
<b>Employees</b>				
Salaries and benefits	968,447	60%	55,902	-634%
<b>Government</b>				
Taxation	(548,859)	-34%	(52,603)	596%
<b>Retained in the Bank</b>				
Replacement of property and equipment / intangible assets	359,210	22%	23,915	-271%
Profit/(loss) for the year	845,683	52%	(27,302)	309%
<b>Total Value Added</b>	<b>1,624,482</b>	<b>100%</b>	<b>(88)</b>	<b>100%</b>

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**

	2020	2019
	N'000	N'000
<b>Assets</b>		
Cash and balances with Central Bank of Nigeria	12,246,827	45,241
Due from banks and other financial institutions	7,510,501	577,297
Interbank receivables	3,753,352	715,941
Investment in sukuk	5,797,426	4,299,484
Murabaha receivable, net	11,398,450	-
Istisna receivable, net	114,948	-
Ijarah muntahia bitamleek, net	1,200,650	-
Inventory financing	890,699	-
Property, plant and equipment	1,877,037	1,212,284
Leasehold improvement	364,372	377,368
Intangible assets	1,341,218	857,725
Other assets	2,919,961	1,093,606
Deferred tax asset	609,548	52,603
<b>Total Assets</b>	<b>50,024,989</b>	<b>9,231,549</b>
<b>Liabilities</b>		
Customers' current and qard saving deposits	22,031,135	1,249,150
Other funding-CBN CACS	1,000,000	-
Other liabilities	5,083,773	1,881,111
Tax payable	8,086	-
<b>Total liabilities</b>	<b>28,122,994</b>	<b>3,130,261</b>
<b>Equity of investment account holders</b>		
Customers' mudarabah investment accounts	2,144,304	436
Mudaraba term deposit	12,515,889	1,009,733
<b>Total Equity of Investment Account Holders</b>	<b>14,660,193</b>	<b>1,010,169</b>
<b>Equity</b>		
Share capital and share premium	7,192,000	5,887,000
Reserves	49,802	(795,881)
<b>Total equity</b>	<b>7,241,802</b>	<b>5,091,119</b>
<b>Total equity and liabilities</b>	<b>50,024,989</b>	<b>9,231,549</b>
<b>summarized statement of profit or loss and other comprehensive income</b>		
	N'000	N'000
Gross earnings	3,456,370	56,053
Return on equity of investment account holders	(412,325)	(1,538)
Impairment charges	(145,699)	-
	<b>2,898,346</b>	<b>54,516</b>
Operating expenses and administrative expenses	(2,601,522)	(134,420)
<b>Net profit/(loss) before tax</b>	<b>296,824</b>	<b>(79,904)</b>
Income tax credit	548,859	52,603
<b>Net profit/(loss) for the period</b>	<b>845,683</b>	<b>(27,302)</b>
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>845,683</b>	<b>(27,302)</b>
Earnings per share		
<b>Basic and diluted earnings per share (kobo)</b>	<b>11.82 kobo</b>	<b>(0.46) kobo</b>