



HASAL Microfinance Bank Limited

Annual Financial Statements

For The Year Ended 31 December 2019



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HASAL MICROFINANCE BANK LIMITED

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HASAL MICROFINANCE BANK LIMITED

CORPORATE INFORMATION

DIRECTORS, PROFESSIONAL ADVISERS, ETC.

DIRECTORS:

Prince Olorunbemi Tiya miyu
Mr. Rogers Augustine . I. Nwoke
Prof (Mrs) Ndi Okereke- Onyiuke OON
Mr . Dagogo Emman Iyeimo
Mrs. Juliana Ngozi Achunine
Mr. Henry Imoh Akpan
Mr. Benjamin Okorie-Agidi
Mrs Nwanna Amerlia Joel-Ezeugo

Chairman
Managing Director / CEO (Outgoing)
Non Executive Director
Non Executive Director
Non Executive Director
Non Executive Director
Non-Executive Independent Director
MD/CEO

LEGAL ADVISER:

Ajunwa & Co.
Suite 2, 1st Floor
Plot 516, Sultan Abubakar Way
Zone 2, Wuse
Abuja, Nigeria.

BUSINESS OFFICE:

Plot 1652, Ahmadu Bello Way
Garki District
PMB 740
Abuja, Nigeria.

AUDITOR:

Adenusi & Co.
(Chartered Accountants)
2nd Floor, Wing B City Plaza,
7, Rukuba Close,
Off Ahmadu Bello Way, Garki, Abuja

BANKERS:

Access Bank Plc
Diamond Bank Plc
Ecobank Plc
FCMB Plc
Fidelity Bank Plc
First Bank Plc
Skye Bank Plc
Stanbic IBTC
Sterling Bank Plc
UBA Plc

HASAL MICROFINANCE BANK LIMITED

REPORT OF THE DIRECTORS

The directors have the pleasure in submitting their Financial Statements for the period ended 31 December, 2019 along with the Report of the Auditors thereon.

Legal Form

The bank was incorporated in Nigeria as a Limited Liability Company on 17 September 2003, under the name of Ril-Gwari Community Bank Limited.

- a) The name of the bank was change to HASAL Microfinance Bank Limited by Special resolution on 13 May 2008.
- b) The following subscribers of Ril-Gwari Community Bank Limited relinquished their shareholding to the new shareholders:

i.	Creative Financial Consultants Limited	-	12,500,000
ii.	Rogoyce Investments Limited	-	12,500,000
- c) The shares of the Bank were – allotted as follows:

i.	Prof (Mrs) Ndi Okereke - Onyiuke	-	7,500,000
ii.	Aya Okereke	-	2,500,000
iii.	Augustine Rogers Nwoke	-	3,750,000
iv.	Joyce Rogers-Nwoke	-	2,500,000
v.	Micheal Rogers-Nwoke	-	1,250,000
vi.	Dagogo- Iyeimo	-	5,000,000
vii.	Abinye Iyeimo	-	2,500,000
- d) The changes were subsequently filed with Corporate Affairs Commission on 21 August 2008.
- e) At the Board of Directors meeting held 24 December 2008 the authorized share capital of the Bank was increased to N275m by the creation of additional 250m ordinary shares at a nominal value of N1 each. The increase was filed with Corporate Affairs Commission on 9 January 2009.
- f) At the Board of Directors meeting held 28 March 2010, the authorized share capital of the Bank was increased to N500m by the creation of additional 225m ordinary shares at a nominal value of N1 each. The increase was filed with Corporate Affairs Commission on 21 April 2010.
- g) At the Board of Directors meeting held 8 October 2014, the authorized share capital of the Bank was increased to N1billion by the creation of additional 500m ordinary shares at a nominal value of N1 each. The increase was filed at the Corporate Affairs Commission on 16 October 2014.

Principal Activities

The principal activities of the Bank are Microfinance banking services.

HASAL MICROFINANCE BANK LIMITED

1. DIRECTORS

1. The names of the present Directors are listed on pages ii.
2. In accordance with article 33 of the bank's articles of association, the bank can by ordinary resolution remove a director and appoint another person in his stead.

2. DIRECTORS' INTEREST

1. The interest of the directors in the issued share capital of the bank as recorded in the register of Directors' shareholding as at 31 December, 2019 are as follows:

Prince Olorungbemiga Tiya miyu	14,366,667
Prof. Ndi Okereke-Onyiuke	52,500,000
Juliana Ngozi Achuinine	13,666,667
Dagogo Emman Iyeimo	18,690,000
Rogers Augustine Nwoke	149,000,000

3. SHAREHOLDINGS STRUCTURE

The shareholders' interests in the issued share capital of the bank as recorded in the register of the bank as at 31 December, 2019 are as follows:

4. ANALYSIS OF SHAREHOLDING

Range	Number of Shareholders	Number of Shares held	%
1- 2,000,000	1	1,050,000	0.16
2,000,001- 7,000,000	5	27,595,833	4.30
7,000,001- 9,000,000	3	23,750,000	3.71
9,000,001- 18,000,000	4	54,933,334	8.56
18,000,001- 50,000,000	2	62,690,000	9.77
50,000,001- 100,000,000	6	322,500,000	50.25
100,000,001- 150,000,000	1	149,000,000	23.23
Total	22	641,519,167	100

5. DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation of the financial statements, which gives a true and fair view of the state of affairs of the Bank as at the end of each financial year and of the profit or loss for that year which should comply with the provisions of the Companies and Allied Matters Act, CAP C20LFN 2004 and Banks and Other Financial Institution Act, CAP B3 LFN 2004. In doing so, they ensure that:

- Adequate internal control procedures are instituted to safeguard the assets, prevent and detect frauds and other irregularities;
- Proper accounting records are maintained.

HASAL MICROFINANCE BANK LIMITED

Name of Shareholders	No. of Shares	% of Shareholding
Augustine Rogers Nwoke	149,000,000	23.23%
Rogoyce Investment Limited	60,000,000	9.35%
Prof. Ndi Okereke Onyiuke	52,500,000	8.18%
Aya Okereke Onyiuke	52,500,000	8.18%
Creative Financial Consultants Ltd	52,500,000	8.18%
Hybrid Properties Limited	52,500,000	8.18%
Mining System Limited	52,500,000	8.18%
Dangogo-Emman Iyeimo	18,690,000	2.91%
N.D.I System	14,000,000	2.18%
Rear Adm. Festus Porbeni	8,000,000	1.25%
HASAL Staff Multipurpose Cooperative Society	12,900,000	2.01%
Tobechukwu Oreh	7,875,000	1.23%
Keneolisa Oreh	7,875,000	1.23%
Juliana Achunine	13,666,667	2.13%
Dr. Agbai Eke	7,000,000	1.09%
Tiyamiyu Olorungbemiga	14,366,667	2.24%
Joyce Rogers-Nwoke	5,075,000	0.79%
HASAL Shareholders Cooperative	6,150,000	0.96%
Michael Rogers Nwoke	3,237,500	0.50%
Tifab Limited	6,133,333	0.96%
Abinye Iyeimo	1,050,000	0.16%
Dadavine oil & Gas	44,000,000	6.86%
Total	641,519,167	100.00%

- Applicable accounting standards are adhered to;
 - Judgment and estimates made are reasonable and prudent;
- The financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

6. Board and Management

As at 31 December 2019 the HASAL Board of Directors is made up of seasoned professionals in banking, corporate finance, oil & gas, capital market and commerce.

The Board is a seven-man board comprised of Chairman, the Managing Director and four Non-Executive Directors.

HASAL MICROFINANCE BANK LIMITED

i. Prince Olorungbemiga Tiyamiyu;
Chairman

Olorungbemiga holds an MBA from the Research Institute for Management, Delft Netherlands with over 35-year career in the Nigerian Civil Service before retirement. His career achievement led to various appointments in the Civil Service Commission final before retirement being Director (Organisation Support) of the Economic & Financial Crimes Commission (EFCC).

Olorungbemiga is an avid golfer and a member of the prestigious IBB Golf Club Abuja.

ii. Mr. Rogers Augustine .I. Nwoke;
Managing Director/Chief Executive Officer(Outgoing)

Rogers holds an MBA from Warwick Business School, University of Warwick, England where his research interest focused on Microfinance and Entrepreneurship Development. This led to birth of HASAL Microfinance Bank Limited where he is the Chief Executive Officer.

He is an Alumnus of Harvard Business School Accion Program in Strategic Leadership for Microfinance. He is also a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN), an Honorary Senior Member (HCIB) of the Chartered Institute of Bankers of Nigeria.

His wealth of experience span over 2 decades in the Nigeria Finance Industry. He is an International Certified Expert on Microfinance (iCME) and International Certified Expert in SME, Finance (iCSME) from the Frankfurt School of Finance and Management, Germany.

iii. Prof. Mrs. Ndi Okereke-Onyiuke (OON)
Non-Executive Director

Prof has over thirty-five years Capital Market experience, working in the Capital Market from the New York stock exchange to the Nigerian Stock exchange where she rose to the position of the Director General.

She is a world acclaimed financial expert who has distinguished herself in her field of Endeavor. She belongs to many Professional Institutions including Chartered Institute of Stockbrokers (Fellow), African Stock Exchange Association (ASEA), World Federation of Exchanges (WFE) to mention but a few.

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- iv. **Mr. Dagogo Emman Iyeimo;**
Non- Executive Director

Dagogo holds an MSC in Economics from University of Manchester, United Kingdom and a professional Accountant and Chartered Stockbroker. His experience spans over the Nigerian Capital Market where he commenced his career from and now has his own Stock Broking firm. His competencies centre on Asset & Fund Management, Corporate Finance, stock broking and dealings amongst others.

He is an avid chess and tennis player.

- v. **Mrs. Juliana Ngozi Achunine;**
Non-Executive Director

Over 31 years working experience as Civil Servant with the Federal Civil Service where she started from the Ministry of Finance and spent 21 years there, to office of the Head of Service of the federation as Assistant Director, to Federal Ministry of Health as Deputy Director, to the Federal Ministry of Aviation as Deputy Director where she retired in 2010.

Her academic background is in Public Administration from Michigan State University USA.

- vi. **Mr. Henry Imoh Akpan;**
Non-Executive Director

Henry has over 9 years working experience covering business development, human resources, and training and in the Financial Sector. He holds a Bachelor of Engineering Degree from Federal University of Minna, a Certified Project Manager and Certified Economist.

- vii. **Mr. Benjamin Okorie-Agidi;**
Non-Executive Independent Director

Benjamin has Bachelor of Science degree in Accounting from University of Port Harcourt, he is an innovative leader imbued with high collaboration skills. He is a Fellow, of the Association of Chartered Certified Accountants (ACCA), Fellow, of the Institute of Chartered Accountants of Nigeria (ICAN), Master of Science – International Trade – Robert Gordon University, Aberdeen PTDF Scholar.

He has competences in different areas of finance.

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viii. Mrs Nwanna Amerlia Joel-Ezeugo;

Managing Director/Chief Executive Officer (In-coming)

Nwanna has Masters in Business Administration (Banking/Finance) ESUT Enugu and B.Sc. [Hons] in Accountancy - Imo [Abia] State University. She has over 30 years of progressive experience as a Banking, Financial services and Investment expert.

She has demonstrated enormous capacity in working in organizations where integrity, ethics and hard work is adequately appreciated and rewarded before joining HASAL in October 2019 as the MD/CEO.

She is an alumna of the prestigious Harvard Business School, Lagos Business School and the ACCION ILO/ITC Programs and a member of Ikoyi Club 1938. She is a Fellow, Institute of Chartered Accountants of Nigeria (FCA), Associate, Taxation & Pension Institutes [ACTI & ACIP], Certified Microfinance Professional (MCIB), Member, Institute of Management Chartered (MNIM), Certificate in Strategic Management – Boulder Microfinance Institute, and Honorary Senior Member (HCIB) of the Chartered Institute of Bankers of Nigeria.

Her wealth of experience span over 3 decades in the Nigeria Finance Industry. She has experiences in different aspect of Banking with core competences in Risk Management & Control, Policy Formulation and Implementation, Financial planning and Business Development, Corporate Treasury Management, Origination and Syndication of Bonds, Treasury and International capital market etc.

7. DONATION

The Bank made donation, gifts in form of Corporate Social Responsibility of ₦0.5million during the year.

8. FIXED ASSETS

Movements in fixed assets during the year are shown in the notes to the account. In the opinion of the Directors, the market values of the bank's properties are not less than the value shown in the financial statements.

9. EMPLOYMENT AND EMPLOYEES

1. Employment of Disabled persons:

Applications for employment by disabled persons received full and fair consideration having regards to the aptitude and ability of each applicant. The Bank had one disabled persons in her employment as at 31 December 2019.

2. Health, Safety at work and Welfare of Employees:

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Health and safety regulations are in force within the premises of the bank. The bank provides subsidy to all levels of employees towards transportation, housing, lunch and medical expenses.

3. Employees' Involvement and Training:

The bank provides training for its employees through both internal and external courses.

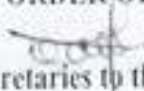
10. POST BALANCE SHEET EVENTS

There were no significant post balance sheet events, which could have had a material effect on the state of affairs of the bank as at 31 December 2019 which have not been adequately provided for or disclosed in the financial statements.

11. AUDITORS

In accordance with section 357(2) of the companies and Allied Matters Act CAP C20 LFN 2004, **Adenusi & Co. (Chartered Accountants)** has indicated their willingness to continue in office. A resolution will be proposed authorizing the Directors to determine their remuneration.

BY ORDER OF THE BOARD


Secretaries to the Board

8 May 2020

Abuja, Nigeria

HASAL MICROFINANCE BANK LIMITED

CORPORATE GOVERNANCE REPORT

INTRODUCTION

Hasal Microfinance Bank Limited maintains high Standards of Corporate Governance and best practice. This is reviewed from time to time to ensure we keep pace with global standards.

THE DIRECTORS AND OTHER KEY PERSONNEL

The Directors and other key personnel of the bank complied with the Codes of Corporate Governance issued by the Central Bank of Nigeria (CBN) for Microfinance Banks in Nigeria during the period under review.

SHAREHOLDING

The Bank has a shareholding structure with no single ultimate individual beneficiary holding more than 23.23% of the Bank's total issued shares.

BORAD OF DIRECTORS

The Board has the overall responsibility for setting the strategic direction of the bank and also oversight of senior Management. It also ensures that good Corporate Governance processes and best practices are implemented.

The Board of the bank consists of persons of diverse discipline and skills, chosen on the basis of professional background and expertise, business experience and integrity as well as knowledge of the bank's business.

Directors are fully abreast of their responsibilities and knowledgeable in the business and are therefore able to exercise good judgment on issues relating to the bank's business. They have on the basis of this acted in good faith with due diligence and skill and in the overall best interest of the bank and relevant stakeholders during the period under review.

BOARD STRUCTURE

The Board is made up of a Non-Executive Chairman, five Non-Executive Directors and one Executive Director, MD/CEO. In compliance with CBN directives, an independent Non-Executive Director has been appointed but still awaiting CBN approval.

The Managing Director/Chief Executive Officer is responsible for the day to day running of the bank, assisted by the Executive Committee (EXCO).

RESPONSIBILITIES OF THE BOARD

1. The Board shall be accountable and responsible for the performance and affairs of the MFB. Specifically, and in line with the provisions of the Companies and Allied Matters Act (CAMA) 1990 (as amended), Directors owe the MFB the duty of care and loyalty to act in the interest of the MFB's shareholders and other stakeholders.

2. Members of the Board are severally and jointly liable for the activities of the MFB.

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3. The Board shall define and document the MFB's strategic goals, approve its long and short-term business strategies and monitor their implementation by management.
4. The Board shall determine the skills, knowledge and experience that members require which shall, at the minimum, be in line with the requirements of the Approved Persons Regime.
5. The Board shall ensure that its human, material and financial resources are effectively deployed towards the attainment of set goals of the MFB.
6. The Board shall appoint the CEO as well as top management staff and establish a framework for delegation of authority in the MFB, which shall comply with extant regulations issued by the CBN from time to time.
7. The Board shall establish and monitor agreed performance targets for the management.
8. The Board shall set limits of authority, specifying the threshold for large transactions which it must approve before they take place.
9. The Board shall ensure that a succession plan is in place for the MD/CEO for Unit MFBs; and MD/CEO and executive directors for State and National MFBs.
10. The Board shall consider, approve and monitor the implementation of the MFB's budget, including setting expenditure limits for management and Board Committees.
11. The Board shall approve credit facilities in line with the approved limits of authority of the MFB.
12. The Board shall ensure strict adherence to the Code of Conduct for Directors of Banks and Other Financial Institutions in Nigeria.

The membership of the Board during the year is as follows:

Board of Directors

S/N	Name
1	Mr. Olorunbemi Tiya miyu
2	Mr. Rogers A.I Nwoke
3	Prof. Ndi Okereke-Onyiuke
4	Mr. Dagogo Iyeimo
5	Mrs. Juliana Ngozi Achunine
6	Mr. Henry Akpan
7	Mr. Benjamin Okorie-Agidi
8	Mrs. Nwanna Amerlia Joel-Ezeugo

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The Board meets at least every quarter and in special circumstances call for extra-ordinary sessions to address urgent matters requiring the attention of the Board.

BOARD COMMITTEES

The Board carries out its oversight functions using its various Board Committees. This makes for efficiency and allows for a deeper attention to specific matters for the Board.

Membership of the Committee of the Board is intended to make the best use of the skills and experiences of non-Executive directors in particular.

The standing Committees of the Board are:

A. GOVERNANCE, NOMINATION AND REMUNERATION COMMITTEE

I.	Mrs. Juliana N. Achunine	(Non-Executive Director)	Chairperson
II.	Mr. Henry Akpan	(Non-Executive Director)	Member
III.	Mr. Rogers Nwoke	(Outgoing Managing Director/CEO)	Member
IV.	Mrs Nwanna Amerlia Joel-Ezeugo	(Incoming Managing Director/CEO)	Member

B. RISK MANAGEMENT COMMITTEE

I.	Mr. Henry Akpan	(Non-Executive Director)	Chairman
II.	Mrs. Juliana Achunine	(Non-Executive Director)	Member
III.	Mr. Rogers Nwoke	(Managing Director/CEO)	Member
IV.	Mrs Nwanna Amerlia Joel-Ezeugo	(Incoming Managing Director/CEO)	Member

C. CREDIT RISK MANAGEMENT COMMITTEE

I.	Mr. Dagogo Iyeimo	(Non-Executive Director)	Chairman
II.	Mr. Benjamin Okorie-Agidi	(Non-Executive Director)	Member
III.	Mr. Rogers Nwoke	(Managing Director/CEO)	Member
IV.	Mrs Nwanna Amerlia Joel-Ezeugo	(Incoming Managing Director/CEO)	Member

D. AUDIT COMMITTEE

I.	Mr. Benjamin Okorie-Agidi	(Non-Executive Director)	Chairman
II.	Mr. Dagogo Iyeimo	(Non-Executive Director)	Member
III.	Mr. Henry Akpan	(Non-Executive Director)	Member

Each Committee's Terms of Reference are:

i. Governance, Nomination and Remuneration Committee's terms of reference include Succession plan, recruitment of Senior Management, evaluation and compensation of CEO, Pension matters etc.

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- ii. Risk Management Committee's terms of reference include approval of capital expenditures, ensure expenditures is in line with approved budget, compliance with laws in respect of directors related party transaction, reviewing remuneration policy & structure.
- iv. Credit Committee terms of reference is to ensure the Bank has quality risk asset, ensure director-related transactions are not abused etc.
- v. Audit Committee terms of reference is to appraise audit conducted internally and externally, review adequacy of internal control and ensuring compliance with prudential guidelines of the Bank.

Directors' Remuneration Policy:

Non-Executive Directors

Our Directors are only entitled to sitting allowance and offshore allowance when a meeting is held which caters for their logistics.

Directors are also sponsored for training programs that they require to enhance their duties to the bank.

Executive Directors

The remuneration policy for Executive Directors considers various elements, including fixed remuneration, taking into account the level of responsibility, and ensuring this remuneration is competitive with remuneration paid for equivalent posts in Microfinance banks of equivalent status in Nigeria.

Schedule of board committees meeting held during the year

Full Board and Committee Meeting was held 4 times during the year. The only director not present at any of the meetings was Prof. Ndi Okereke-Onyiuke with no apology or proxy.

The table below shows the frequency of meetings of the Board of directors, board committees and members' attendance at these meeting during the year under review:

Board Committees	Date of Committee Meetings	Attendees	Number of Meeting Attended by Members
Governance, Nomination and Remuneration	1 st Quarter 25/4/19 2 nd Quarter 25/7/19 3 rd Quarter 24/10/19 4 th Quarter 23/1/2020	Mrs Juliana Achunine Mr Henry Akpan Mr Rogers Nwoke Mrs Nwanna Amerlia Joel-Ezeugo	All board members attended 4 meetings each except Mrs Nwanna Amerlia Joel-Ezeugo that attended 2 meetings 24-Oct-2019 and 23-Jan 2020
Risk Management	1 st Quarter 25/4/19 2 nd Quarter 25/7/19 3 rd Quarter 24/10/19	Mr Henry Akpan Mrs Juliana Achunine Mr Rogers Nwoke	All board members attended 4 meetings each except Mrs

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	4 th Quarter 23/1/2020	Mrs Nwanna Amerlia Joel-Ezeugo	Nwanna Amerlia Joel-Ezeugo that attended 2 meetings 24-Oct-2019 and 23-Jan 2020
Credit Risk Management	1 st Quarter 25/4/19 2 nd Quarter 25/7/19 3 rd Quarter 24/10/19 4 th Quarter 23/1/2020	Mr Dagogo Iyeimo Mr. Benjamin Okorie-Agidi Mr Rogers Nwoke Mrs Nwanna Amerlia Joel-Ezeugo	All board members attended 4 meetings each except Mrs Nwanna Amerlia Joel-Ezeugo that attended 2 meetings 24-Oct-2019 and 23-Jan 2020
Audit	1 st Quarter 25/4/19 2 nd Quarter 25/7/19 3 rd Quarter 24/10/19 4 th Quarter 23/1/2020	Mr. Benjamin Okorie-Agidi Mr Dagogo Iyeimo Mr Henry Akpan	4 meetings each

The Bank's analysis of Fraud and Forgeries Returns is as given below:

Nature of fraud	Number recorded	% Loss	Actual loss to the Bank (N)
ATM	Nil		
Staff Perpetrate	3	Nil	All recovered.
Impersonation	Nil		
Stolen/forged instrument	Nil		
Others	Nil		
Total	Nil		

MONITORING COMPLIANCE WITH CORPORATE GOVERNANCE

Chief Compliance Officer

The bank has put arrangement in place for the appointment of a Chief Compliance Officer who will monitor compliance with money laundering requirements and the implementation of the code of Corporate Governance of the bank.

The Chief Compliance Officer and the Company Secretary will forward regular returns to the Central Bank of Nigeria on all whistle-blowing reports and also on Corporate Governance.

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compliance. Assess the appropriateness of internal policies, procedures and guidelines, ensure a follow-up of any identified deficiencies, make recommendations for amendments, where necessary, and supervise the implementation of corrective measures to mitigate the identified deficiencies;

Codes of Conduct

Hasal Microfinance bank has internal Code of Professional Conduct for Employees and Directors, which all members of staff subscribe to upon assumption of duties.

Annual Internal Audit

The Internal Audit Department of Hasal Microfinance Bank Limited carries out annual audit of each of the bank branches in line with the Bank's Annual Audit Programme and provide assurance on air tight control for policies and practices of the various departments and units of the bank. This audit exercise covers all operational areas of the bank and the outcome is discussed with Executive Management for timely intervention on identified lapses. It is important to note that this exercise is distinct from the daily operations transactions review carried out by the respective internal Control unit within the branches and Head Office departments/units

Quarterly Loan Review/Audit

This audit is carries out by the Internal Audit department of Hasal Microfinance Bank Limited. The core areas of concentration during this audit exercise include asset quality assessment, loan performance, review of security pledge, loan conformity with Credit Policy Guideline (CPG), documentation check and review of central liability report among others.

Report of External Auditors

In line with global best practices and regulatory guidelines, the bank undertakes review of Management letters from External Auditors on periodic audit of the bank. This is to ensure that all exceptions are complied with and for implementation of the Auditors' recommendations.

**REPORTS OF THE AUDITORS TO THE MEMBERS OF HASAL MICROFINANCE BANK LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2019**

We have audited the accompanying financial statements of **HASAL MICROFINANCE BANK LIMITED**

Which comprise the financial position as at 31 December 2019 and statement of comprehensive income, and statement of cash flows for the year then ended and a summary of significant accounting policies set out in pages 7 to 17 and other explanatory notes set out on pages 18 to 44 for the year ended 31 December 2019, prepared under the historical cost convention and going concern basis in line with International Financial Reporting Standards (IFRS).

Respective Responsibilities of Directors and Auditors

In accordance with the provisions of section 334 and 335 of the Companies and Allied matters Act, 1990, the Company's Directors are responsible for the preparation of the financial statements which give a true and fair view of the State of Affairs of the Company and of the comprehensive income for the financial year. These include ensuring that:-

- Adequate internal control procedures are instituted to safe guard the Bank's Assets as well as preventing and detect fraud and other irregularities.
- Proper accounting records are kept
- Sustaining accounting policies are used and consistently applied in line with accounting standard
- The financial statements are prepared on a going concern basis, unless it is presume that the Bank will not continue in business.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing. An audit includes examination, on test basis, of evidence relevant to the amount and disclosures in the financial statement. It also includes an assessment of the significant estimate and judgments made by the directors in the preparation of the financial statement and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statement are free from material misstatement, whether caused by fraud, error or other irregularity. In forming our opinion, we also evaluate the overall adequacy of the presentation of information in the financial statement, and assessed whether the company's books of account had been properly kept.

Opinion

In our opinion, the Assets have been properly valued and adequate provision have been made for depreciation in the value thereof, the Bank's books have been properly kept, the bank have not contravened the bank and other financial institution Acts (BOFIA) or any other regulatory guidelines. The financial statements which are in agreement with the book of accounts, give a true and fair view of the state of affairs of the Bank for the year ended 31 December, 2019 and complies with the Companies and Allied Matters Act, 1990, Bank and other financial institution Acts (BOFIA), Nigeria Deposit Insurance Act 1988 and relevant Central Bank of Nigeria regulations and circulars.

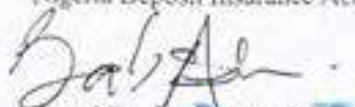
Contraventions

The bank did not contravened any section of the banks and other financial institution Acts during the year.

The financial statements which are in agreement with the book of accounts, give a true and fair view of the state of affairs of the Bank for the year ended 31 December 2019

Other reporting responsibilities

The Bank has complied with the relevant International Financial Reporting Standards (except IFRS 9), the Companies and Allied Matters Act, 1990, Financial Reporting Council of Nigeria, Bank and other financial institution Acts (BOFIA), Nigeria Deposit Insurance Act 1988 and relevant Central Bank of Nigeria Circulars.



Ahmed Tunde Adenusi FCA
FRC/2013/ICAN/00000001986

For: Adenusi & Co. (Chartered Accountants)


Abuja, Nigeria
14 May, 2020




HASAL MICROFINANCE BANK LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER, 2019.

	Note	31 December, 2019 N'000	31 December, 2018 N'000
Interest income	5	1,057,806	1,111,192
Interest expense	6	(440,319)	(483,330)
Net interest income		617,487	627,862
Impairment charge for Other known losses	18.1		(39,361)
Impairment charge for credit losses	7	(26,359)	(43,705)
Net interest income after impairment charge for losses		591,128	544,795
Fee and commission income	8	162,210	145,191
Staff expenses	9	(330,023)	(344,566)
Depreciation and amortisation	10	(25,996)	(30,990)
Other operating expenses	11	(250,069)	(303,695)
Profit/(Loss) before tax		147,251	10,736
Information Technology Development Levy	12b	(1,473)	(107)
Income tax expense	12	(20,850)	(510)
Profit/ (Loss) for the year		124,929	10,118
Other Comprehensive Income			
Exchange Rate Revaluation Gain			
Revaluation Surplus	19	-	-
Profit for the year attributable to:			
Owners of the parent		124,929	10,118
Total comprehensive income for the year		124,929	10,118
Total comprehensive income for the year attributable to the Owners of the Company		124,929	10,118
Earnings per share for profit attributable to owners of the parent			
Basic and diluted earnings per share (kobo)	13	0.19	0.02

The notes on pages 7 to 43 are an integral part of these financial statements
The financial statements on pages 3 to 6 were
approved by the Board of Directors on 8 May,


Nwoke Rogers Augustine - Managing Director / CEO
FRC/2014/ICAN/00000006141


Iyembo Dagogo Emmanuel - Non-Executive Director
FRC/2014/CISN/00000009009

HASAL MICROFINANCE BANK LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	31 December, 2019 N'000	31 December, 2018 N'000
Assets			
Cash and balances with banks	14	246,242	334,061
Financial assets held to maturity	15	268,725	200,000
Loans and advances to banks	16	470,524	570,409
Loans and advances to customers	17	4,430,073	4,352,327
Other assets and prepayments	18	59,579	59,648
Property and equipment	19	521,960	443,722
Intangible assets	20	2,165	7,449
Deferred tax - Asset	22	-	-
Total assets		5,999,268	5,967,617
Liabilities			
Deposits from customers	21	2,586,233	2,850,906
Current income tax liability	12	20,850	510
Deferred income tax liability	22	-	-
Other liabilities	23	358,696	387,500
Borrowings	24	767,156	588,493
Total liabilities		3,732,934	3,827,409
Equity			
Share capital	25	641,519	641,519
Share premium	25a	180,650	180,650
Statutory Reserve	26	550,265	519,033
Regulatory Risk Reserve		1,100,155	1,306,086
Revaluation Reserve		108,521	108,521
Retained earnings	SOCE	(314,777)	(615,602)
Total equity	SOCE	2,266,334	2,140,207
Total equity and liabilities		5,999,268	5,967,617

The notes on pages 7 to 43 are an integral part of these financial statements

HASAL MICROFINANCE BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER, 2019.

	Share Capital N'000	Share Premium N'000	Regulatory Risk Reserve N'000	Statutory Reserve N'000	Revaluation Reserve N'000	Retained Earnings N'000	Total N'000
Balance at 1 January 2019	641,519	180,650	1,306,086	519,033	108,521	(615,602)	2,140,207
Other Comprehensive income Profit/(Loss) for the period						124,929	124,929
Total comprehensive income						124,929	124,929
Transaction with owners							
Issue of shares							
Bonus issue							
Total Transactions with owners							
Adjustment- Write-off						(19,249)	(19,249)
Impairment charges and allowances						20,447	20,447
Transfer from regulatory risk reserve			(205,931)			205,931	
Transfer to statutory reserve				31,232		(31,232)	
At 31 December 2019	641,519	180,650	1,100,155	550,265	108,521	(314,777)	2,266,334

The notes on pages 7 to 43 are an integral part of these financial statements

HASAL MICROFINANCE BANK LIMITED
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER, 2019.

	Note	31 December, 2019 N'000	31 December, 2018 N'000
Cash flows from operating activities	31	(583,569)	56,830
Interest received		804,033	1,111,192
Interest paid		(418,772)	(483,330)
Income tax paid		(618)	(409)
Net cashflows from operating activities		(198,926)	684,283
Cash flows from investing activities			
Purchase of property, plant and equipment		(99,029)	(31,226)
Purchase of intangible assets		-	-
Proceed from sale of property and equipment		312	443
Net cash used in investing activities		(98,718)	(30,783)
Cash flows from financing activities			
Net inflow from issue of shares		-	-
Net Loan /loan repayment		178,664	(246,963)
Net cash (used in)/generated from financing		178,664	(246,963)
Increase in cash and cash equivalents		(118,980)	406,537
Cash and cash equivalents at start of year		1,104,470	697,932
Cash and cash equivalents at end of year		985,490	1,104,470
Cash and cash equivalents comprise:			
Cash balances	14	246,242	334,061
Loans and advances to banks	16	470,524	570,409
Treasury bills	15	268,725	200,000
Borrowings	24	-	-
		985,490	1,104,470

The notes on pages 7 to 43 are an integral part of these financial statements

1. General information

HASAL Microfinance Bank Limited was incorporated in Nigeria as a Limited Liability Company on 17 September 2003, under the name of Ril -Gwari Community Bank Limited. The name of the bank was changed to HASAL Microfinance Bank Limited by special resolution on 13 May 2008.

The principal activity of the bank is the provision of microfinance banking services such as savings, loans and other financial services.

The address of its registered office and principal place of business is Plot 1652, Ahmadu Bello Way Garki District, Abuja Nigeria.

The financial statements for the year ended 31 December 2019 were authorised for issue by the Board of Directors on 8 May 2020.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB. Additional information required by national regulations is included where appropriate.

The financial statements are presented in Naira, which is the microfinance bank's functional and presentation currency. The figures shown in the financial statements are stated in thousands.

The disclosures on risks arising from financial instruments are presented in the financial risk management report contained in Note 7&17.2

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted

The following standards have been adopted by the microfinance bank:

IAS 19, 'Employee benefits' was revised in June 2011. The changes on the Microfinance bank's accounting policies has been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The impact of this amendment is a change in the presentation of the Statement of profit or loss and other comprehensive income.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these annual financial statements. None of these is expected to have a significant effect on the financial statements of the microfinance bank.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the Statement of profit or loss and other comprehensive income, unless this creates an accounting mismatch.

Amendments to IAS 32, Offsetting financial assets and financial liabilities, this clarifies the requirements to the offset of financial assets and financial liabilities. Specifically, the amendments clarifies the meaning of 'currently has a legal enforceable right of set - off' and simultaneous realization and settlement.

The directors of the microfinance bank do not anticipate that the application of these amendments to IAS 32 will have a significant impact on its financial statements as the microfinance bank does not have any financial assets and financial liabilities that qualify for offset.

2.2 Financial assets and liabilities

The microfinance bank initially recognizes financial instruments on the date at which they are originated. All financial instruments are initially recognized on the trade date at which the microfinance bank becomes a party to the contractual provisions of the instrument.

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

2.2.1 Financial assets

The microfinance bank's financial assets were classed into the following IAS 39 categories: loans and receivables and held-to-maturity.

Management determines the classification of its financial instruments at initial recognition depending on the nature and purpose of financial assets and management intentions.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

i) those that the microfinance bank intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;

ii) Those that the microfinance bank upon initial recognition designates as available for sale; or

iii) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognized at fair value – which is the cash consideration to originate or purchase the loan and receivable including any transaction costs – and measured subsequently at amortized cost using the effective interest rate method. Interest on loans and receivables are included in the profit or loss and reported as 'interest income'.

The microfinance bank's financial assets classified as loans and receivables are cash balances, loans and advances to banks, loans and advances to customers and other assets.

(b) Held-to-maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the microfinance bank's management has the positive intention and ability to hold to maturity, other than:

- i) those that the microfinance bank upon initial recognition designates as at fair value through profit or loss;
- ii) those that the microfinance bank designates as available for sale; and
- iii) those that meet the definition of loans and receivables.

These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method. Interest on held to maturity financial assets are included in the profit or loss and reported as 'interest income'.

The microfinance bank's held to maturity investments are treasury bills at the reporting dates presented.

2.2.2 Financial liabilities

The microfinance bank's holding in financial liabilities are those subsequently carried at amortised cost.

(a) Other financial liabilities

Other financial liabilities that are not classified as 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 customers and other liabilities. Interest on 'other financial liabilities' are included in the profit or loss and reported as 'interest expense'.

2.2.3 Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the microfinance bank tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

2.2.4 Reclassification of financial assets

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

The microfinance bank may reclassify a financial instrument when its intentions and the characteristics of the financial instrument changes.

2.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.4 Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges (for example, Nigeria Stock Exchange).

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the measurement dates.

The carrying amounts of the financial assets classified as loans and receivables approximate their fair values.

2.5 Impairment of financial assets

The microfinance bank assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the microfinance bank uses to determine that there is objective evidence of an impairment loss include existence of the following circumstances:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral;
- Downgrading below investment grade level;
- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; and
- Observable data indicating that there is an measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets although the decrease cannot yet be identified with the individual financial assets in the portfolio, including: adverse changes in the payment status of borrowers in the portfolio; and national or local economic conditions that correlate with defaults on the assets in the portfolio.

The microfinance bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the microfinance bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the company's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets are reflected and directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the company to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

Impairment charges relating to loans and advances to banks and customers are classified in "impairment charges for credit losses". The impairment charge for other assets is included in other operating expenses.

2.6 Collateral

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

Collateral received in the form of cash is recorded on the statement of financial position with a corresponding liability. Collateral received in other form is not recorded on the statement of financial position. These items are assigned to deposits received from bank or other counterparties. Any interest payable or receivable arising is recorded as interest expense or interest income respectively.

2.7 Revenue recognition

(a) Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the income statement using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the microfinance bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Where the estimated cash flows on financial assets are subsequently revised, other than impairment losses, the carrying amount of the financial assets is adjusted to reflect actual and revised estimated cash flows.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(b) Fees and commission income

Unless included in the effective interest calculation, fees and commissions are recognized on an accruals basis as the service is provided. Fees and commissions not integral to effective interest rate are loan application fees, commission on turnover and other income.

2.8 Cash flow statement

The statement of cash flows shows the changes in cash and cash equivalents arising during the period from operating activities, investing activities and financing activities. Cash and cash equivalents include highly liquid investments.

The cash flows from operating activities are determined by using the indirect method. Net income is therefore adjusted by non-cash items, such as measurement gains or losses, changes in provisions, as well as changes from operating assets and liabilities. In addition, all income and expenses from cash transactions that are attributable to investing or financing activities are eliminated. Interest received or paid is classified as operating cash flows.

The cash flows from investing and financing activities are determined by using the indirect method. The microfinance bank's assignment of the cash flows to operating, investing and financing category depends on the microfinance bank's business model (management approach).

For the purposes of the cash flow statement, cash and cash equivalents include cash balances, treasury bills and loans and advances to banks.

2.9

Leases

- (a) Leases are divided into finance leases and operating leases. The microfinance bank is the lessee

(i) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(ii) Finance lease

Leases of assets where the company has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in deposits from banks or deposits from customers depending on the counter party. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(b)

(i) The microfinance bank is the lessor

Operating lease

When assets are subject to an operating lease, the assets continue to be recognized as property and equipment based on the nature of the asset. Lease income is recognized on a straight line basis.

(ii)

Finance lease

When assets are held subject to a finance lease, the related asset is derecognized and the present value of the lease payments (discounted at the interest rate implicit in the lease) is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

2.10

Property and equipment

All property and equipment used by the microfinance bank is stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditures are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the microfinance bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repair and maintenance costs are charged to other operating expenses during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, using the following annual rates:

Building	2%
Furniture and fittings	25%
Motor vehicle	25%
Plant and machinery	25%
Communication and office equipment	33%

Land is not depreciated. The assets' residual values and useful lives are reviewed annually, and adjusted if appropriate. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment charges are recognized in the profit or loss under other operating expenses.

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 disposals are determined by comparing proceeds with carrying amount. These are included in other operating expenses in the profit or loss.

2.11 Intangible assets

Computer software

Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the microfinance bank, are recognized as intangible assets when the following criteria are met:

- + It is technically feasible to complete the software product so that it will be available for use;
- + Management intends to complete the software product and use or sell it;
- + There is an ability to use or sell the software product;
- + It can be demonstrated how the software product will generate probable future economic benefits;
- + Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- + The expenditure attributable to the software product during its development can be reliably measured.

Subsequent expenditure on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Direct computer software development costs recognised as intangible assets are amortised on the straight-line basis over 3 years and are carried at cost less any accumulated amortisation and any accumulated impairment losses. The carrying amount of capitalised computer software is reviewed annually and is written down when the carrying amount exceeds its recoverable amount.

2.12 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Additionally, intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.13 Income taxation

(a) Current income tax

Income tax is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognised as an expense (income) for the period except to the extent that current tax related to items that are charged or credited in other comprehensive income or directly to equity. In these circumstances, current tax is charged or credited to other comprehensive income or to equity (for example, current tax on equity instruments for which the entity has elected to present gains and losses in other comprehensive income).

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The principal temporary differences arise from depreciation of property, plant and equipment provisions for pensions and other post-retirement benefits and carry-forwards. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

The tax effects of carry-forwards of unused losses, unused tax credits and other deferred tax assets are recognised when it is probable that future taxable profit will be available against which these losses and other temporary differences can be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted. Deferred tax assets are reviewed at each statement of financial position date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the microfinance bank and it is probable that the difference will not reverse in the foreseeable future. The microfinance bank has no investments in subsidiaries or associates.

Deferred tax related to fair value re-measurement of equity instruments, which are recognised in other comprehensive income, is also recognised in the other comprehensive income and subsequently in the profit or loss together with the deferred gain or loss. The microfinance bank had no equity investments at the reporting date.

2.14 Employee benefits

(a) Defined contribution scheme

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

The microfinance bank pays contributions to publicly or privately administered pension insurance plans on a contractual basis. The microfinance bank has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. Amounts outstanding as at year end are included in the retirement benefit obligation balance on the statement of financial position.

2.15 Provisions

Provisions are recognised for present obligations arising as consequences of past events where it is probable that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated.

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

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

2.16 Share capital

(a) Share issue costs

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) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the microfinance bank's shareholders.

Dividends for the year that are declared after the date of the statement of financial position are dealt with in the subsequent events note.

(c) Retained earnings

Retained earnings comprise the undistributed profits from previous years, which have not been reclassified to the other reserves.

Statutory reserve

The central bank of Nigeria requires all microfinance banks to make an annual appropriation to a statutory reserve. As stipulated in Section 18.1.7 of the revised regulatory and supervisory guidelines for Microfinance banks in Nigeria

- An appropriation of 50% of profit after tax is made if the statutory reserve is less than the paid-up share capital.
- 25% of profit after tax if the reserve is 50% or more and
- 12.5% of profit after tax if the statutory reserve is greater than the paid-up share capital

3 Critical accounting estimates and judgements

The Microfinance bank's IFRS financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of these IFRS financial statements. The microfinance bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgements for certain items are especially critical for the microfinance bank's results and financial situation due to their materiality.

(a) Impairment charges on financial assets

The microfinance bank reviews its loan portfolios for impairment on an ongoing basis. The microfinance bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and for collectively for financial assets that are not individually significant together with significant assets assessed individually as not impaired. Impairment provisions are also recognized for losses not specifically identified but which, experience and observable data indicate, are present in the portfolio at the date of assessment.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio, when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The use of historical loss experience is supplemented with significant management judgment to assess whether current economic and credit conditions are such that the actual level of inherent losses is likely to differ from that suggested by historical experience. In normal circumstances, historical experience provides objective and relevant information from which to assess inherent loss within each portfolio. In other circumstances, historical loss experience provides less relevant information about the inherent loss in a given portfolio at the statement of financial position date, for example, where there have been changes in economic conditions such that the most recent trends in risk factors are not fully reflected in the historical information. In these circumstances, such risk factors are taken into account when calculating the appropriate levels of impairment allowances, by adjusting the impairment loss derived solely from historical loss experience.

The detailed methodologies, areas of estimation and judgement applied in the calculation of the microfinance bank's impairment charge on financial assets are set out in the financial risk management section.

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4. Financial risk management

HASAL Microfinance Bank Limited defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors. The microfinance bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the microfinance bank's financial performance.

Risk management is carried out by the microfinance bank's Group Head Credit Risk under policies approved by the Board of Directors. The microfinance bank's Finance department provides central oversight of risk management across the microfinance bank to ensure that risk are mitigated. The risks arising from financial instruments to which the microfinance bank is exposed are financial risks, which includes credit risk, liquidity risk and market risk.

4.1 Classification of financial assets and liabilities

The microfinance bank's financial instruments are classified as stated below:

	Held to Maturity N'000	Loans and Other receivables N'000	financial Liabilities N'000
31 December 2019			
Financial assets			
Cash and bank balances	246,242		
Financial assets held to maturity	268,725		
Loans and advances to banks		470,524	
Loans and advances to customers		4,828,775	
Other assets		59,579	
Financial liabilities			
Deposits from customers			2,586,233
Other liabilities			358,696
	514,967	5,358,877	2,944,928

	Held to Maturity N'000	Loans and Other receivables N'000	financial Liabilities N'000
31 December 2018			
Financial assets			
Cash and bank balances	334,061		
Financial assets held to maturity	200,000		
Loans and advances to banks		570,409	
Loans and advances to customers		4,748,349	
Other assets		59,648	
Financial liabilities			
Deposits from customers			2,850,906
Other liabilities			387,500
	534,061	5,378,406	3,238,406

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	Held to Maturity N'000	Loans and Other receivables N'000	financial Liabilities N'000
31 December 2017			
Financial assets			
Cash and bank balances	170,715		
Financial assets held to maturity	200,000		
Loans and advances to banks		420,271	
Loans and advances to customers		4,897,685	
Other assets		201,686	
Financial liabilities			
Deposits from customers			2,534,196
Other liabilities			255,107
	370,715	5,519,642	2,789,304

4.2 Credit risk

4.2.1 Management of credit risk

Credit Risk is the risk that the microfinance bank will not be able to recover funds and suffer losses because another party is unable or unwilling to meet contractual obligations to the microfinance bank when due. The principal banking activities that create exposure to credit risk include loans and advances to banks, loans and advances to customers.

The following principles guide credit risk management across the microfinance bank:

Generally, the microfinance banks runs a end-to-end credit risk management process flow for its loans and advances to customers.

The Relationship officer generate new loan customers and carries out the initial risk assessment.

Afterwards, the branch Credit Committee meets, deliberates and make individual and collective recommendations. The completed credit request document is forwarded to management credit committee for approval.

The Bank's risk philosophy on risk limit control (Single Obligor is 5% of SHF for group and 1% for individuals), the Bank is focused on maximizing business opportunities while minimizing adverse risk. Out comes, thereby enhancing shareholder value by effectively balancing risk and reward.

The principles that guide the management of our risks across the enterprise are:

- 1 **Effective balancing of risk and reward** by aligning risk appetite with business strategy, diversifying risk, pricing appropriately for risk, mitigating risk through preventive and detective controls.
- 2 **Shared responsibility for risk management** as business segments are responsible for active management of their risks, with direction and oversight provided by the Management, and other corporate support unit.
- 3 **Business decisions that are based on an understanding of risk** as we perform rigorous assessment of risk in relationships, products, transactions and other business activities.
- 4 **Avoid activities that are not consistent with our values, Code of Conduct or Policies**, which contributes to the protection of our reputation.

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- 5 **Proper focus on customers reduces our risks**, by knowing our customers and ensuring that the services we provide are suitable for and understood by our customers.

Risks Appetite

Risk Appetite Statement defines the amount and type of risk the Bank is willing to accept in the pursuit of its strategic objectives, while recognizing a range of possible outcomes as business plans are implemented. In arriving at the risk appetite, the enterprise risk framework which is approved by the Board / Management combines a top-down view of its capacity to take risk with a bottom-up view of the business risk profile requested and recommended by each business area.

Risk Governance and Structure

Our overall risk governance structure shown below illustrates the roles and responsibilities of the various stakeholders in our enterprise risk management program. Our risk governance structure is reviewed regularly against industry best practices and regulatory guidelines.

Risk Management Framework

A part of the oversight function of the Board of Directors, is the development of the Risk Management Framework. This framework provides guidelines for the Bank's risk identification, measurement, monitoring and reporting. The Board achieves this through its Board Risks Management Committee which is assisted by the Management Risk Committee.

The day to day execution of the framework is a function of the Enterprise Risk Management (ERM), under policies that are approved by the Board of Directors. The ERM of the Bank identifies, evaluates and hedges financial risks in close co-operation with the Bank's strategies business units.

The Board Risk committee, Board Audit Committee and the Board Credit Committee assisted by Management Committees, provide written principles for overall risk management as well as written policies covering specific areas. These include interest rate risk, credit risk and liquidity risks. In addition, the Bank audit committees, assisted by the internal audit department, have an oversight role in ensuring that appropriate risk management processes are in place and that these processes are adequate and effective. The department is responsible for the independent review of risk management functions and the control environment.

Risk management policies and systems are reviewed periodically and at least once in a year upon Board approval to reflect changes in markets, products and market practice.

Risk Identification

Early identification of risks is fundamental to the risk management process within the Bank. We are deliberate in proactively identifying risks inherent in our products, processes,

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activities and new markets. This is in addition to the periodic review of risk profile of existing products, processes and activities. To expedite identification of potential risks, the Bank considers events as they relate Credit, Operations, Market, Liquidity, Legal, Compliance and Strategic Risks. The process is achieved through:

- Ø Approved processes and templates for documenting identified risks
- Ø A strategic framework for the assessment of risks associated with new ventures (markets and products)
- Ø Periodic review of existing products
- Ø Defined Key Risk Indicators
- Ø Periodic risk and control self-assessment exercise

Risk Measurement

The Bank's ability to measure risks is a key component to its enterprise-wide risk management process. Certain measurement methods are common to a number of risk types, while others may only apply to a single risk type. While quantitative risk measurement is important, we also place reliance on qualitative factors. Our measurement models and techniques are continually subjected to independent assessment for appropriateness and reliability. For those risk types that are difficult to quantify, we place greater emphasis on qualitative risks factors and assessment of activities to gauge the overall level of risk in order to determine if it is within our risk appetite, or not.

Expected Loss

Statistically, expected loss represents losses that are expected to occur in the normal course of business in a given period of time.

Unexpected Loss and Economic Capital

Unexpected loss is a statistical estimate of amount by which actual losses can exceed losses over a specified time horizon, measured at a specified level of confidence. On an enterprise-wide basis, our estimate of the unexpected loss associated with our business determines our economic capital.

Sensitivity Analysis and Stress Testing

Sensitivity analysis and stress testing are risk measurements techniques that help us ensure the risks we take remain within our risk appetite and that our level of capital remains adequate. Sensitivity analysis involves varying a single factor (e.g a model input or specific assumptions) to assess the impact on various risk measures.

Stress testing generally involves consideration of the simultaneous movements in a number of risk factors. It is used to measures the level of potential unexpected losses for Credit, Market Operational and Liquidity Risks.

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Under potential adverse conditions, stress testing plays an important role in supporting overall capital management and adequacy assessment processes. Our enterprise-wide stress testing program utilizes stress scenarios featuring a range of severities based on unlikely but possible adverse market and economic events. These common stress scenarios are evaluated across the organization, and integrated to develop an enterprise-wide view of the impacts on our financial results and requirements. This program uses macro-economic projections and applies them as stress impacts on the organization viz-a-viz the various risk types.

Operational Risk

People Risk

This is the risk arising from failure of employees or employer, conflict of interest or other internal fraudulent behavior.

Impact on Business

Human actions (accidental or deliberate) can put the business at risk notwithstanding flawless processes and technology. This could lead to financial loss, as well as reputational damage, hence, not being able to meet or exceed stakeholders' expectations.

Mitigation measures

- § Zero tolerance of staff non-integrity issues and fraud.
- § Effective background checks and thorough confirmation process on new hires.
- § A disciplinary committee that deals with and resolves employees' issues.
- § Meeting training and development needs to staff.
- § Proper segregation of duties.

Technology Risk

This is the risk of failing to implement or develop, as well as operate, the Bank's technology

Impact on Business

This could manifest in defective hardware or software, failures in other technology such as networks or telecommunications, breaches in IT security, or lack of support from the manufacturers.

Mitigation measures

- § Regular IT audit and control.

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- § Comprehensive service level agreements with service providers.

External Risk

This is the risk arising from fraud or litigation by parties external to the firm, as well as lack of physical security for the institution and its representatives.

Impact on Business

This could lead to poor service, reputational damage and financial loss to the Bank.

Mitigation measures

- § Enforcing sanctions for breach of contracts.
- § Strict adherence to the Bank's outsourcing policy.

Market Risk and Liquidity Risk

The Bank's market risk management process allows discipline risk taking within a framework of well-defined risk appetite that enables the Bank to enhance shareholder value while maintaining competitive advantage through effective utilization of risk capital.

Liquidity risk is the risk that the Bank does not have financial resources to meet its obligations as they fall due, or will have to meet the obligations at an excessive cost. The objectives of the Bank's liquidity risk management is to ensure that all anticipated funding commitments can be met when due and that access to funding sources is coordinated and cost effective.

Impact on Business

This could result in significant financial loss from reduction in net interest income and impairment of interest rate-related instruments. In addition, there is an insolvency and eventual reputational risk that could unfold.

Mitigation Measures

Market Risk

- Ensuring the implementation of market risk and the board policies including credit limits.
- Monitoring and provision of relevant information and data on liquidity, pricing and interest rates to the MD/CEO.

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Continual elevation of risk appetite, communicated through risk limits and overall effectiveness of the market management process. The bank does not undertake any risk that cannot be managed, or risks that are not fully understood especially for few products. Where the bank takes on any risk, full consideration is given to regulatory pronouncements guidelines or policies. The risk taken must be adequately compensated by the anticipated reward.

Liquidity Risk

Adherence to liquidity risk tolerance appropriate for the microfinance business and in line with the central Bank's Microfinance Policy guidelines.

Alignment of the business undertaken with resultant liquidity risk exposure in performance management and in product approval process.

Sound processes for identifying, measuring, monitoring and controlling liquidity risk, including projections for cash flows arising from assets, liabilities and off-balance sheet items over an appropriate period of time.

Clear funding strategy providing effective diversification in the sources and tenor of funding.

Ranking and prioritizing funding sources by stability.

Early warning indicators to aid prompt identification of liquidity risk such as concentrations in either assets or liquidities, and deterioration in quality of credit portfolio.

Proper and effective portfolio management. The banks' liquidity ratio as at year end was 2 : 1

Compliance Risk

Compliance risk is the risk to earnings, capital or reputation occurring from violations or

Impact on business

This could result in significant financial loss, impairment of shareholders' funds and/or outright closure of business, occasioned by sanctions or fines on the group, or loss or suspension of its license.

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Mitigation Measures

To ensure effective management of compliance risk, the bank:

- Develops worksheets, forms and checklists to assist the staff, as they perform their jobs, in complying with laws, regulations and rules;
- Creates an extensive profile of laws, regulations and guidelines with the company must comply, i.e., the rule book;
- Analyses the impact of new and amended legal and regulatory requirements, and implements such requirements;
- Tracks changes to federal and state laws and regulation, and disseminates relevant information across the company; and
- Takes prompt and appropriate action to compliance problems that are identified through self-assessments, internal or external compliance audits.

Information security

This is the risk of confidentiality, integrity and availability of bank's information assets.

Impact on business

Information assets are critical to HASAL Micro Finance bank's operation and the confidentiality, integrity and availability of these assets are crucial to the effective and

Mitigation Measures

- Development of a risk assessment methodology that enables the bank to carry out risk assessment of its information assets.
- Documenting and standardizing the processes with the bank while building appropriate controls into these processes.

Legal risk

Our ability to identify, mitigate and manage the legal risks in our activities and business transactions continues to improve.

Impact on business

Increased costs, loss of revenue, abuse and/or intellectual property, distraction, negative brand equity, strained relationships with customers, employees, service providers,

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Mitigation Measures

fairness. Transacting, bespoke documentation and clarity in documentation and agreements are some of the measures taken to prevent possible conflicts, while engaging external counsel with proven competence in the prosecution of the bank's claims against third parties and in the conduct of the bank's defense, and exploring alternative dispute resolution mechanisms, among others.

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

The microfinance bank's maximum exposure to credit risk at 31 December 2019 and 31 December 2018 respectively, is represented by the net carrying amounts of its financial assets in the statement of financial position

4.2.3 Credit concentrations

The microfinance bank monitors concentrations of credit risk by sector and by geographical location. An analysis of concentrations of credit risk at 31 December 2019 and 31 December 2018 respectively, is set out below:

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Concentration of risks of financial assets with credit risk exposure

a) Industry sector

The following table breaks down the company's credit exposure at carrying amounts (without taking into account any collateral held or other credit support), as categorised by the industry sectors;

	Retail and Trade	Financial Services	Public sector	Other sectors
	N'000	N'000	N'000	N'000
31-Dec-19				
Financial assets				
Cash and balances with banks	-	246,242	-	-
Financial assets held to maturity	-	268,725	-	-
Loans and advances to banks	-	470,524	-	-
Loans and advances to customers	4,828,775	-	-	-
	4,828,775	985,490		
31-Dec-18				
Financial assets				
Cash and balances with banks	-	334,061	-	-
Financial assets held to maturity	-	200,000	-	-
Loans and advances to banks	-	570,409	-	-
Loans and advances to customers	4,748,349	-	-	-
	4,748,349	1,104,470		

(b) Geographical sectors

The geographical concentration risk of the microfinance bank's for its financial assets carried at amortised cost is Abuja. The counterparties are majorly based in the Abuja part of Nigeria as the microfinance bank is licensed to operate in Abuja area only.

4.2.4 Loans and advances

The credit quality of Loans and advances to customers is summarised as follows:

	31-December, 2019	31-December, 2018	31-December, 2017
	N'000	N'000	N'000
Loans and advances to customers			
Individual & Collectively impaired	4,828,775	4,748,349	4,897,685
Carrying Amount	4,828,775	4,748,349	4,897,685

Impairment allowance:

	31 December, 2019		
	N'000	N'000	N'000
	Specific	Collective	Total
At Start of the period	339,477	56,544	396,022
Transfer to regulatory reserve	-	-	-
Written-off	(23,679)	-	(23,679)
Recovery written back for the year	-	-	-
Charge for the year	15,861	10,498	26,359
At end of the period	331,659	67,042	398,701

Impairment allowance:

	31 December, 2018		
	N'000	N'000	N'000
	Specific	Collective	Total
At Start of the period	493,902	47,411	541,312
Transfer to regulatory reserve	(109,298)	-	(109,298)
Written-off	(71,200)	-	(71,200)
Recovery written back for the year	(8,498)	-	(8,498)
Charge for the year	34,572	9,133	43,705
At end of the period	339,477	56,544	396,022

(a) Loans and advances to customers: neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired are assessed by reference to the customer's ability to pay based on loss experience. They are not rated based on any formal internal rating system.

(b) Loans and advances to customers: collectively and individually impaired loans

Loans and advances to customers: collectively impaired

	31 December, 2019	31 December, 2018
	N'000	N'000
Gross amount	4,828,775	4,748,349
Collective impairment	(10,498)	(9,133)
Net amount	4,818,276	4,739,215

These are impaired loans which are assessed based on shared risk characteristics of the loans. They are assessed for impairment on a collective basis.

Loans and advances to customers: individually impaired

	31 December, 2019	31 December, 2018
	N'000	N'000
Gross amount	4,828,775	4,748,349
Specific impairment	(15,861)	(34,572)
Net amount	4,812,914	4,713,777

(c) Credit quality of cash and cash equivalents

The credit quality of cash and cash equivalents that were neither past due nor impaired can be assessed by reference to rating agency designation as at 31 December 2019, 31 December 2018 and 31 December, 2017.

The Microfinance Bank only maintains cash and cash equivalents with banks and financial institutions in Nigeria with strong financial ratings (Augusto Rating). The rating of the banks and other financial institutions are reviewed by management on a periodic basis.

	Cash balances	Treasury bills	Balances and placements with bank
	N'000	N'000	N'000
31 December 2019			
AAA	246,242	268,725	470,524
AA+	-	-	-
Unrated	-	-	-
31 December 2018			
AAA	334,061	200,000	570,409
AA+	-	-	-
Unrated	-	-	-
31 December 2017			
AAA	170,715	200,000	420,271
AA+	-	-	-
Unrated	-	-	-

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4.3 Liquidity risk

Liquidity risk is the risk that the microfinance bank will not be able to meet its maturing financial obligations as they fall due. The nature of banking activities requires the microfinance bank to maintain adequate liquid assets to meet maturing deposit obligations.

The overall objective of the microfinance bank's liquidity risk framework is to maintain sufficient liquidity in order to ensure safe and sound banking operations. In managing liquidity risk, the management of the microfinance bank, which bears overall responsibility for liquidity risk, ensures that adequate funds are invested to match maturing deposit liabilities.

4.3.2 Liquidity gap analysis

The table below analyses the microfinance bank's financial assets and financial liabilities into relevant maturity groupings based on the remaining period at the measurement date to the contractual maturity date.

31 December 2019	Carrying amount N'000	0 - 30 days N'000	31 - 180 days N'000	181-365 days N'000
Financial assets				
Cash and balances with banks	246,242	246,242		
Financial assets held to maturity	268,725	268,725		
Loans and advances to banks	470,524	470,524		
Loans and advances to customers	4,828,775	589,342	2,690,447	1,548,985
Other assets	59,579	59,579		
Total financial assets	5,873,844	1,634,411	2,690,447	1,548,985
Financial liabilities				
Deposits from customers	2,586,233	740,834	1,684,056	161,342
Other liabilities	358,696	358,696		
Total financial liabilities	2,944,928	1,099,530	1,684,056	161,342
Gap (assets - liabilities)	2,928,915	534,881	1,006,391	1,387,643
31 December 2018	Carrying amount N'000	0 - 30 days N'000	31 - 180 days N'000	181-365 days N'000
Financial assets				
Cash and balances with banks	334,061	334,061		
Financial assets held to maturity	200,000	200,000		
Loans and advances to banks	570,409	570,409		
Loans and advances to customers	4,748,349	469,453	2,960,310	1,318,585
Other assets	59,648	59,648		
Total financial assets	5,912,467	1,633,571	2,960,310	1,318,585
Financial liabilities				
Deposits from customers	2,850,906	1,046,612	1,711,888	92,406
Other liabilities	387,500	387,500		
Total financial liabilities	3,238,406	1,434,112	1,711,888	92,406
Gap (assets - liabilities)	2,674,061	199,459	1,248,422	1,226,179

4.4 Market risk

Market risk is the risk that changes in market prices, such as interest rates will have adversely affects the profitability and value of the microfinance bank. The microfinance bank's objective of managing market risk is directed towards effective monitoring of price sensitive financial instruments. The microfinance bank also ensures a good mix of its investments in financial assets and financial liabilities so as to maximize net income on such investment. Market risk arises from loans and advances to banks and customers treasury bills and deposits from customers activities of the microfinance bank.

The microfinance bank exposure to market risk is in interest rate risk.

The microfinance bank is not significantly exposed to foreign exchange risks as it does not trade in foreign currencies and as most of its operations are denominated in the Nigerian Naira. It is also not significantly exposed to other price risks because of the nature of its investment portfolio.

4.4.1 Measurement of market risk

The microfinance bank's major measurement technique used to measure and control market risk is outlined below.

Sensitivity analyses

The interest rate risk sensitivity analysis reflects the expected financial impact from a percentage change in interest rate currency risk exposure. This analysis assumes that all other variables remain constant.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The microfinance bank manages its interest rate risk on a net basis.

The table below shows the impact on the microfinance bank's profit before tax if interest rates had increased or decreased by 10 percent, with all other variables held constant.

	Impact on pre-tax profit		
	31-Dec 2019 N'000	31-Dec 2018 N'000	31-Dec 2017 N'000
10% increase in interest rate	105,781	150,481	186,180
10% decrease in interest rate	(105,781)	(150,481)	(186,180)

4.5 Fair value of financial assets and liabilities

(a) Financial instruments not measured at fair value

The following table summarizes the carrying amounts of financial assets and liabilities not measured at fair value on the microfinance bank's statement of financial position:

	31-Dec-19		31-Dec-18	
	Carrying amount N'000	Fair value N'000	Carrying amount N'000	Fair value N'000
Financial assets				
Cash and balances with banks	246,242	246,242	334,061	334,061
Financial assets held to maturity	268,725	268,725	200,000	200,000
Loan and advances to banks	470,524	470,524	570,409	570,409
Loan and advances to customers	4,828,775	4,828,775	4,748,349	4,748,349
Other assets	59,579	59,579	59,648	59,648
	5,873,844	5,873,844	5,912,467	5,912,467
Financial liabilities				
Deposits from customers	2,586,233	2,586,233	2,850,906	2,850,906
Other liabilities	358,696	358,696	387,500	387,500
	2,944,928	2,944,928	3,238,406	3,238,406

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(b) Financial instruments measured at fair value

The microfinance bank has no financial asset measured at fair value, subsequent to initial measurement.

(c) Fair value hierarchy

IFRS 13 : Fair value specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflect market data obtained from independent sources; unobservable inputs reflect the bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

31 December 2019				
Carrying amount	Level 1	Level 2	Level 3	
N'000	N'000	N'000	N'000	
Financial assets				
Cash and balances with banks	246,242	246,242	-	
Financial assets held to maturity	268,725	-	-	
Loans and advances to banks	470,524	470,524	-	
Loans and advances to customers	4,828,775	4,828,775	-	
Other assets	59,579	59,579	-	
	<u>5,873,844</u>	<u>268,725</u>	<u>5,605,119</u>	<u>-</u>
Financial liabilities				
Deposits from customers	2,586,233	2,586,233	-	
Other liabilities	358,696	358,696	-	
	<u>2,944,928</u>	<u>-</u>	<u>2,944,928</u>	<u>-</u>

31 December 2018				
Carrying amount	Level 1	Level 2	Level 3	
N'000	N'000	N'000	N'000	
Financial assets				
Cash and balances with banks	334,061	334,061	-	
Financial assets held to maturity	200,000	-	-	
Loans and advances to banks	570,409	570,409	-	
Loans and advances to customers	4,748,349	4,748,349	-	
Other assets	59,648	59,648	-	
	<u>5,912,467</u>	<u>200,000</u>	<u>5,712,467</u>	<u>-</u>
Financial liabilities				
Deposits from customers	2,850,906	2,850,906	-	
Other liabilities	387,500	387,500	-	
	<u>3,238,406</u>	<u>-</u>	<u>3,238,406</u>	<u>-</u>

HASAL MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2019.

	31 December 2017			
	Carrying amount N'000	Level 1 N'000	Level 2 N'000	Level 3 N'000
Financial assets				
Cash and balances with banks	170,715		170,715	-
Financial assets held to maturity	200,000	200,000	-	-
Loans and advances to banks	420,271	-	420,271	-
Loans and advances to customers	4,897,685	-	4,897,685	-
Other assets	201,686	-	201,686	-
	<u>5,890,357</u>	<u>200,000</u>	<u>5,690,357</u>	<u>-</u>
Financial liabilities				
Deposits from customers	2,534,196	-	2,534,196	-
Other liabilities	255,107	-	255,107	-
	<u>2,789,304</u>	<u>-</u>	<u>2,789,304</u>	<u>-</u>

(d) Fair value methods and assumptions

i) Cash and cash equivalents

- ii) The carrying amounts of these balances approximate their fair values. They are on level 2 of the fair value hierarchy.

Loans and advances to customers and banks

Loans and advances are carried at amortised cost net of provision for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. They are on level 2 of the fair value hierarchy.

iii) Financial assets held to maturity

Treasury bills represent short term instruments issued by the Central bank of Nigeria. The fair value of treasury bills are determined with reference to quoted prices (unadjusted) in active markets for identical assets. They are on level 1 of the fair value hierarchy.

v) Deposits from customers

The estimate fair value of deposits with no stated maturity, is the amount repayable on demand. The estimated fair values of fixed interest-bearing deposits are determined using a discounted cash flow model based on a current yield curve appropriate for the remaining term to maturity. They are on level 2 of the fair value hierarchy.

vi) Other assets and other liabilities

Other assets and other liabilities represent monetary assets which usually has a short recycle period and as such the carrying amount of these balances approximate their values. They are on level 2 of the fair value hierarchy.

4.6 Capital management

The Microfinance bank's objectives when managing capital, is to ensure that it has adequate capital to run and grow its banking business and continue as a going concern into the foreseeable future. It also ensures that it has strong capital base so as to be able to response to unexpected risk and provide adequate returns to its shareholders and other stakeholders. The Microfinance bank defines capital to include equity and other reserves.

The Microfinance bank is exposed to externally imposed capital as stated by the Central Bank of Nigeria (CBN).

Capital management information are submitted to CBN on a monthly basis and Auditors to the Bank are also required to render an annual certificate to the Nigeria Deposit Insurance Corporation (NDIC) that includes the computed capital adequacy ratio of the Bank.

HASAL MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2019.

	31 December, 2019 N'000	31 December, 2018 N'000
5 Interest income		
Interest on Loan	935,602	1,023,374
Interest on term deposit	122,204	87,818
	<u>1,057,806</u>	<u>1,111,192</u>
6 Interest Expense		
Borrowings	74,062	70,087
Term deposits	356,644	403,689
Savings	9,614	9,554
	<u>440,319</u>	<u>483,330</u>
7 Impairment charge for credit losses		
Loans and advances to customers		
Specific impairment	15,861	34,572
Collective impairment	10,498	9,133
Written off during the year as bad debt	<u>26,359</u>	<u>43,705</u>
8 Fee and commission income		
Management and processing fee	77,976	83,869
Current Account maintenance charges	-	11,494
Other charges and commission income	84,235	49,828
	<u>162,210</u>	<u>145,191</u>
Fees and commission income excludes amounts included in determining the effective interest rate on financial assets measured at amortised cost.		
9 Staff expenses		
Salaries and wages	281,970	298,334
Other short term benefits	15,610	11,752
Pension costs	32,443	34,480
	<u>330,023</u>	<u>344,566</u>
10 Depreciation and amortisation		
Depreciation	25,996	30,990
	<u>25,996</u>	<u>30,990</u>

The notes on pages 7 to 43 are an integral part of these financial statements.

HASAL MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2019.

	31 December, 2019 N'000	31 December, 2018 N'000
11 Other Operating expenses		
Directors allowances	44,263	44,647
Audit/consultancy fees	11,974	10,628
Other expenses (Schedule 1, page 45)	193,832	248,420
Other Operating expenses	250,069	303,695
12 Income tax expenses		
Current tax:		
Current taxes on profit for the year	20,850	510
Total current tax	20,850	510
Deferred tax		
Total deferred tax Asset / Liability		
Income tax expenses	20,850	510
Reconciliation of effective tax rate		
Profit before income tax	147,251	10,736
Income tax @30% Tax effects of:	17,375	425
Education tax levy	3,475	85
Utilisation of previously unrecognised tax losses	-	-
Tax charge	20,850	510
12a Movement in current income tax liability		
At start of the period	510	278
Charge for the year	20,850	510
Payments during the year	(510)	(278)
At end of the period	20,849	510
12b Information Technology Development Levy		
Information Technology Development Levy is 1% of PBT	1,473	107
13 Earnings per share		
Basic earnings per share is calculated by dividing the net profit to equity holders of the Company by the weighted average number of ordinary share in issue during the year.		
Basic and diluted earnings per share		
Profit/(loss) attributable to equity holders of the Company	124,929	10,118
Weighted average number of ordinary shares in issue (in '000s)	641,519	641,519
Basic earnings per share (expressed in Kobo per share)	0.19	0.02

The company does not have potential ordinary shares with convertible options. Hence, basic and diluted EPS are the same

The notes on pages 7 to 43 are an integral part of these financial statements

HASAL MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2019

	31 December, 2019	31 December, 2018
	N'000	N'000
14 Cash and balances with banks		
Cash	44,306	33,684
Current account balances with banks	201,935	300,377
Cash balances	246,242	334,061

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash in hand, balances held in current and call account, placements held with banks and other short-term highly liquid investments from the day of acquisition with less than three months' maturity from the date of acquisition

Cash and cash equivalents

Cash and cash equivalents comprise of: Cash balances (note 14)	246,242	334,061
Loans and advances to banks (note 16)	470,524	570,409
Treasury bills (note 15)	268,725	200,000
Total cash and cash equivalents	985,490	1,104,470

15 Financial assets held to maturity

Treasury bills	268,725	200,000
	268,725	200,000
Current	268,725	200,000
Non-current	-	-
	268,725	200,000

The treasury bills are classified as held to maturity and are carried at amortised cost.

16 Loans and advances to banks

Placements with banks	470,524	570,409
	470,524	570,409

17 Loans and advances to customers

17.1 Analysis by customers:

Term loans	2,876,800	2,776,727
Overdrafts	1,931,565	1,932,955
Staff loans	20,410	38,667
Others	-	-
	4,828,775	4,748,349
Current	4,828,775	4,748,349
Non-current	-	-
Allowances for Credit losses	(398,701)	(396,022)
	4,430,073	4,352,327

Allowances for Credit losses is made up of:

Specific Impairment 331,659

Collective Impairment 67,042

The notes on pages 7 to 43 are an integral part of these financial statements

HASAL MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2019.

17.2 Reconciliation of impairment allowance on loans and advances to customers:

	31 December, 2019 N'000	31 December, 2018 N'000
Specific allowance for impairment		
At start of the period	339,477	518,237
Impairment loss for the year		
Adjustment to impairment allowance	(23,679)	(213,331)
Charge/(write back) for the year	15,861	34,572
At end of the period	331,659	339,477
Collective allowance for impairment		
At start of the period	56,544	47,411
Impairment loss for the year		
Adjustment to impairment allowance	7	7
Charge/(write back) for the year	10,498	9,133
At end of the period	67,042	56,544
Total impairment	398,701	396,022
Carrying amount	4,430,073	4,352,327

17.3 Analysis by security:

	31-Dec-19 N'000	31-Dec-18 N'000
Secured against real estates	2,876,800	2,776,727
Otherwise secured	1,951,975	1,971,622

The Microfinance Bank do not sell or repledge the collateral normally, except where the owner of the collateral is in default.

17.4 Analysis of loans and Advances by Quality CLASSIFICATION

	RATIO	AMOUNT 2019	AMOUNT 2018	AMOUNT 2017
Performing	1%	3,761,555	4,304,787	4,512,915
Pass and Watch	5%	3,708	8,101	58,249
Substandard	20%	57,238	26,131	13,320
Doubtful	50%	31,638	3,006	80,740
Lost	100%	974,636	206,324	232,461
		4,828,774	4,748,348	4,897,685
By maturity:				
under 1 month		589,342	469,453	275,893
1-3 months		1,988,972	2,001,353	1,712,413
3-6 months		702,373	958,957	1,400,659
6-12 months		1,018,106	942,155	1,125,611
Over 12 months		530,879	376,430	383,409
		4,828,774	4,748,348	4,897,685

18 Other assets and prepayments

	31-Dec-19 N'000	31-Dec-18 N'000	31-Dec-17 N'000
Other assets			
Sundry debtors	278	10,838	130
Accounts Receivable	10,274	8,425	8,398
	10,552	19,263	8,529
Prepayments			
Stock	24,086	44,739	30,990
Vendor Advances	8,564	12,449	9,321
Others-Atlas MFB	11,376	7,559	97,846
HIMS and System solutions	40,000	40,000	40,000
	5,000	15,000	15,000
	89,026	119,747	
Less: specific allowances for impairment	(40,000)	(79,361)	
	49,026	40,386	193,157
	59,579	59,649	201,686

"Others" is made up of the bank's deposit with Atlas Microfinance Bank. For the insolvency of Atlas Microfinance Bank, an impairment allowance has been made for this in line with CBN directive.

HASAL MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2019.

	31 December, 2019 N'000	31 December, 2018 N'000
18.1 Reconciliation of impairment allowance on Other Known Loss		
At start of the period	79,361	40,000
(Write back)/charge for the year	(39,361)	39,361
At end of the period	<u>40,000</u>	<u>79,361</u>
The bank had impaired deposit with Atlas Microfinance Bank. This calls for the impairment allowance.		
19 Property and equipment		
<u>Refer to Property, plant and equipment on page 39</u>		
20 Intangible assets	Computer Software N'000	Computer Software N'000
Cost		
At 1 January, 2019	25,735	25,735
Additions	-	-
At 31 December 2019	<u>25,735</u>	<u>25,735</u>
Accumulated amortisation		
At 1 January, 2019	18,286	12713
Amortisation charge	5,284	5,573
At 31 December 2019	<u>23,570</u>	<u>18,286</u>
Carry Amount		
At 31 December 2019	<u>2,165</u>	<u>7,449</u>
At 31 December 2018	<u>7,449</u>	<u>13,022</u>
21 Deposits from customers	31-Dec-19 N'000	31-Dec-18 N'000
Demand	257,496	271,965
Time	2,075,334	2,357,680
Savings	253,403	221,261
	<u>2,586,233</u>	<u>2,850,906</u>
Current	2,586,233	2,850,906
Non-current	-	-
	<u>2,586,233</u>	<u>2,850,906</u>
22 Deferred tax	31-Dec-19 N'000	31-Dec-18 N'000
(a) - Deferred tax assets	-	49,045
(b) - Deferred tax liabilities		
Deferred tax liability to be recovered within 12 months	-	49,045
	-	<u>49,045</u>
(a-b) - Deferred tax Net	-	-

HASAL MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2019.

	31 December, 2019 N'000	31 December, 2018 N'000
23 Other liabilities		
Sundry creditors	54,077	123,003
Account payables	49,368	40,176
Interest payables	21,548	30,920
Other payables	232,231	193,293
Information Technology Development Levy	1,473	107
	<u>358,696</u>	<u>387,500</u>
Other payables are made up of unclaimed deposits and taxes		
24 Borrowings		
Long Term Loan	767,156	588,493
Term loan	-	-
	<u>767,156</u>	<u>588,493</u>
Bank overdrafts	-	-
	<u>767,156</u>	<u>588,493</u>
Term loan		
Current	-	-
Non-current	767,156	588,493
	<u>767,156</u>	<u>588,493</u>
Analysis of Borrowings:		
HASAL SMEDAN OLOP Prog	46,407	-
FCMB Plc	200,000	-
MSMED Funds	388,600	388,600
CBN Housing Funds	57,338	50,000
BOI Fund	74,812	149,892
	<u>767,156</u>	<u>588,493</u>
25 Share capital		
Authorised		
1,000,000,000 ordinary shares of N1 each	1,000,000	1,000,000
Issued and fully paid		
Opening	641,519	641,519
Issued during the year	-	-
Ordinary shares of N1 each	<u>641,519</u>	<u>641,519</u>
25a Share premium		
Opening	180,650	180,650
Issued during the year	-	-
Ordinary shares of N1 each	<u>180,650</u>	<u>180,650</u>

HASAL MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2019.

26 Statutory and Regulatory Risk Reserves

During the period under review, there was transfer to statutory reserve as stipulated by Section 19(d) of the regulatory and supervisory framework for Microfinance banks in Nigeria.

Statutory Reserve	31-Dec-19 N'000	31-Dec-18 N'000
At start of the period	519,033	516,503
Transfer from profit and loss account	31,232	2,529
At end of the period	550,265	519,033

Nigeria Prudential Guidelines

The Bank maintains information on the credit quality of its loans and advances in line with CBN prudential guidelines. Where the provision under prudential guideline is higher than IFRS impairment, the Bank recognises impairment based on IFRS and difference between IFRS and Prudential Guideline is recognised in Regulatory Risk Reserve as non distributable reserve. Where the provision under Prudential Guideline is less than the IFRS impairment, the Bank recognises impairment based on IFRS.

Loan Loss Provision	NGAAP N'000	IFRS N'000	Difference N'000
31-Dec-18	(1,592,810)	(396,022)	(1,196,788)
31-Dec-19	(398,701)	(398,701)	-

Regulatory Risk Reserve	31-Dec-19 N'000	31-Dec-18 N'000
At start of the period	1,306,086	109,298
Current year	(205,931)	1,196,788
At end of the period	1,100,155	1,306,086

Revaluation Reserve	31-Dec-19 N'000	31-Dec-18 N'000
At start of the period	108,521	108,521
Current year	-	-
At end of the period	108,521	108,521

HASAL MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2019.

27 Related party transactions

The Microfinance bank was incorporated in Nigeria, and it is controlled by various shareholders of the company's ordinary shares.

27.a Transactions and balances & Insider Related Credits

There are transactions and outstanding balances between the key management personnel and the company in the normal course of business during 31 December 2019 financial year end - N249,326,929.04 (- 31 December 2018: N279,903,067) .

The Credit facilities was extended in the normal course of business to companies in which some of the bank's Directors have interest during the year under review. The facility is performing and significantly cash backed.

27.b Key management compensation

Key management has been determined to be the members of the Executive Committee (EXCO) of the Microfinance bank. The compensation paid to key management personnel for employee services is shown below:

	31 December, 2019	31 December, 2018
	N'000	N'000
Salaries and other short-term employee benefits	26,263	23,993
	<u>26,263</u>	<u>23,993</u>

28 Employees

The number of employees of the Company, other than directors, who received emoluments in the following ranges (excluding pension contributions and certain benefits) were:

	31-Dec-19	31-Dec-18
N150,001-N250,000	-	-
N250,001-N300,000	-	-
N300,001 - N350,000	-	-
N350,001-N450,000	17	8
N450,001-N550,000	2	4
N550,001 and N650,00	9	37
N650,001 and above	124	112
	<u>152</u>	<u>161</u>

29 Compliance with banking regulation

The bank did not contravene any regulation of the Banks and Other Financial Institutions Act 1991 or relevant circulars issued by the Central Bank of Nigeria, except the non implementation of IFRS 9.

30 Events after statement of financial position date

Apart from the general economic effect of COVID-19, there were no significant events that occurred subsequent to the statement of financial position date. The various preventive measures ranging from isolation of infected persons, lockdown to social distancing e.t.c introduced by Government to curtail the virus and protect the citizens disrupted the bank's operations in the first quarter of year 2020. It has no effect on the 2019 financial statements. Thus, it is thereby disclosed as a nonadjusting event during the period.

31 Reconciliation of profit before tax to cash generated from operations

	31-Dec-19	31-Dec-18
	N'000	N'000
Profit (loss) before income tax	147,251	10,736
Adjustments for:		
- Depreciation	20,712	25,417
- Amortisation	5,284	5,573
- Adjustment	208,064	(214,909)
- (Profit) Loss from sale of property and plant	81	3,026
- Impairment charge on credit losses	26,359	43,705
- Income from sales of property	-	443
- Impairment (write back) charge on other known loss	-	70,225
- Interest income	(1,057,806)	(1,111,192)
- Interest expense	440,319	483,330
(Increase)/decrease in operating assets:		
- Loans and advances to customers	(80,426)	149,336
- Other assets	70	142,037
Increase/(decrease) in operating liabilities:		
- Deposits from customers	(264,673)	316,709
- Other liabilities	(28,805)	132,393
Cash generated from operations	<u>(583,569)</u>	<u>56,830</u>

HASAL MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER, 2019.

19 Property and Equipment

	Land N'000	Building N'000	Motor Vehicles N'000	Furniture and fittings N'000	Plant and machinery N'000	Communication & office Equipment N'000	IT Infrastructure N'000	Total N'000
Cost								
At 1 January, 2019	166,650	280,243	49,706	23,838	20,301	40,186	83,584	664,508
Additions	10,500	59,500	14,900	2,086	3,472	1,864	6,708	99,029
Adjustment	-	-	-	-	-	-	-	0
Disposal/Written Off	-	-	(8,000)	(571)	-	(2,925)	-	(11,496)
At 31 December 2019	177,150	339,743	56,606	25,352	23,773	39,125	90,292	752,041
Accumulated depreciation								
At 1 January 2019	-	23,907	46,758	22,760	18,740	31,303	77,317	220,786
Charge for the year	-	6100	3,481	708	1,750	3,761	4,911	20,711
Adjustment	-	-	-	-	-	-	-	-
Disposal/Written Off	-	-	(8,000)	(571)	-	(2,844)	-	(11,415)
At 31 December 2019	-	30,007	42,239	22,897	20,490	32,220	82,228	230,082
Carrying value								
At 31 December, 2019	177,150	309,736	14,367	2,456	3,283	6,904	8,064	521,960
At 31 December, 2018	166,650	256,336	2,948	1,078	1,561	8,883	6,267	443,722

HASAL MICROFINANCE BANK LIMITED
STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED 31 DECEMBER, 2019.

	31 December, 2019 N'000	%	31 December, 2018 N'000	%
Income interest	1,057,806		1,111,192	
	<u>1,057,806</u>		<u>1,111,192</u>	
Overheads and payments for other services	105,422		(47,922)	
	<u>1,163,229</u>		<u>1,063,270</u>	
Other Income	162,210		145,191	
	<u>1,325,439</u>	<u>100</u>	<u>1,208,461</u>	<u>100</u>
Applied as follows:				
To pay employees:				
Salaries, wages and social benefits	330,023	25	344,566	29
To pay government:				
Taxation	20,850	1.6	510	0.04
Information Technology Development Levy	1,473	0.1	107	0.01
Deferred tax	-	-	-	-
To provide Capital	822,169	62	822,169	68
To provide for enhancement of assets expansion of business and payment of dividend to shareholders:				
Depreciation	25,996	2	30,990	3
Profit retained	124,929	9	10,118	1
	<u>1,325,439</u>	<u>100</u>	<u>1,208,460</u>	<u>100</u>

Value added is the wealth created by the efforts of the company and its employees and its allocation between employees, shareholders, government and re-investment for the future creation of further wealth.

HASAL MICROFINANCE BANK LIMITED
FIVE YEARS FINANCIAL SUMMARY
FOR THE YEAR ENDED 31 DECEMBER, 2019.

	31 December, 2019 N'000	31 December, 2018 N'000	31 December, 2017 N'000	31 December, 2016 N'000	31 December, 2015 N'000
Assets:					
Cash and balances with banks	246,242	334,061	170,715	121,146	224,910
Financial assets held to maturity	268,725	200,000	200,000	195,809	220,000
Loans and advances to banks	470,524	570,409	420,271	870,124	953,485
Loans and advances to customers	4,430,073	4,352,327	4,441,335	4,131,562	2,931,466
Other assets and prepayments	59,579	59,648	201,686	119,007	95,578
Property and equipment	521,960	443,722	437,444	382,620	389,856
Intangible assets	2,165	7,449	13,022	18,595	20,286
Deferred income tax Asset	-	-	11,718	11,718	12,991
Total assets	5,999,268	5,967,617	5,896,192	5,850,582	4,848,570
Liabilities					
Deposits from customers	2,586,233	2,850,906	2,534,196	2,796,085	2,602,768
Current income tax liability	20,850	510	278	2,112	3,530
Other liabilities	358,696	387,500	255,107	379,245	345,777
Borrowings	767,156	588,493	928,509	929,675	449,841
Total liabilities	3,732,934	3,827,409	3,718,090	4,107,117	3,401,916
Equity					
Share capital	641,519	641,519	641,519	594,186	559,952
Share premium	180,650	180,650	180,650	112,983	87,867
Revaluation Reserve	108,521	108,521	108,521	-	-
Regulatory risk reserve	1,100,155	1,306,086	109,298	-	-
Statutory reserve	550,265	519,033	516,503	513,330	437,768
Retained earnings	(314,777)	(615,602)	621,611	522,964	361,068
Total equity	2,266,334	2,140,207	2,178,102	1,743,463	1,446,655
Total equity and liabilities	5,999,268	5,967,617	5,896,192	5,850,582	4,848,570

HASAL MICROFINANCE BANK LIMITED
SCHEDULE OF OTHER EXPENSES
FOR THE YEAR ENDED 31 DECEMBER, 2019.

Note 11	31 December, 2019 N'000	31 December, 2018 N'000
NDIC Premium and other insurance	17,322	15,557
Office Expenses	1,092	4,226
Repairs and Maintenance	9,722	5,502
Transport and Accommodation expenses	4,696	3,571
Diesel and Fuel expenses	14,560	18,614
Directors related expenses	3,932	3,836
Utility	7,701	6,498
Corporate Social Responsibility	500	14,116
Operating expenses	54,460	57,497
Printing and Stationery expenses	5,782	9,317
Rent	15,122	16,000
Bank Charges	11,908	14,141
Security Services	29,583	39,754
Staff welfare	5,487	4,646
Telephone expenses	2,066	2,240
Vehicles running expenses	8,936	9,847
Local Training	-	10,500
Legal Expenses	965	12,558
	193,832	248,420