



Mortgage Bankers
RC: 31732

20 / 21

ANNUAL REPORT & FINANCIAL STATEMENTS

Our vision

To be the leading provider of affordable home ownership solutions.

Our mission

Delivering innovative home ownership solutions through a happy workforce.

Our shared values

- Delivering on our promises
- Customer Delight
- Freedom to succeed
- Positive Attitude
- Empathy

Our Identity/Principal Activity

Lagos Building Investment Company Plc ('LBIC' or the 'Bank') is a licensed State Primary Mortgage Bank with a customer base of over 170,000 corporates and individuals alike. LBIC is a foremost player in the affordable housing initiative of the Lagos State Government. The Principal activity of the bank remains the provision of mortgage finance facilities to prospective home owners.

The Bank has through construction finance and joint venture development, supported delivery of over 330 units of houses in Lagos State.

The Bank also provides retail banking facilities with a wide range of product and services (savings and loans) within the Central Bank of Nigeria (CBN) Regulatory framework, designed to meet its customers' specific needs.

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Introduction

Introduction

Lagos Building Investment Company Plc's Financial Statements complies with the applicable legal requirements of the Companies and Allied Matters Act 2020 and the Investment and Securities Act 2007 regarding the Annual Financial Statements for the year ended December 31, 2021. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), adopted, and approved by the Financial Reporting Council of Nigeria.

To make for better understanding, certain disclosures and some prior year's figures have been presented in line with current year figures. Furthermore, due to rounding, numbers presented throughout this report may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Corporate Information

Name of Directors

Hakeem Ogunniran	_____	Chairman, Board of Directors
Tobiloba Lawal	_____	Managing Director
Afolabi Omilabu	_____	Executive Director
Layiwola Okoya	_____	Executive Director
Femi Adewole	_____	Non-Executive Director
Bolanle Banjo	_____	Non-Executive Director
Adewale Okesola	_____	Non-Executive Director
Tunde Owolabi	_____	Non-Executive Director (subject to Shareholder's approval)

Registered Office

Plot 1, ASSBIFI Road, Central
Business District, Alausa, Ikeja.

Telephone

0908 000 0721

Website

www.lbicplc.com

Auditors

Akapo and Partners
ojakapo@gmail.com
Plot 3, Otunba Jobifele Way, AMPAK Plaza,
CBD, Alausa, Ikeja, Lagos.

Company Secretary

Ayosunkami Olajide
FRC/2022/PRO/NBA/004/00000024146
Appointed on March 4, 2022

CAC RC Number

RC: 31732

CBN Licence Number

000005

CBN Approval Date

July 1, 1991

Registrars

Africa Prudential Plc.
22B, Ikorodu Road
Palmgroove, Lagos.

Bankers

Access Bank Plc
Ecobank
First City Monument Bank Plc
Guaranty Trust Bank Plc
Keystone Bank Limited
Polaris Bank
United Bank for Africa Plc.

Management Team

Names

Tobiloba Lawal	_____
Afolabi Omilabu	_____
Layiwola Okoya	_____
Wasiu Adeyemi	_____
Tunde Jinadu	_____
Cornelius Ayeleso	_____

Designation

Managing Director
Executive Director (Finance & Operations)
Executive Director (Business Development & IT)
Financial Controller
Head, Business Development
Head, Risk & Compliance

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 17th Annual General Meeting (“AGM”) of Lagos Building Investment Company Plc (“The Company”) will hold on Friday, 14th October, 2022, at the Conference Hall of the Lagos Building Investment Company Plc., Plot 1, ASSBIFI Road, Central Business District, Alausa, Ikeja, Lagos at 11.00am to transact the following businesses:

A. ORDINARY BUSINESS:

1. To present the Audited Financial Statements of the Company for the Financial Year ended 31st December 2021, the Reports of the Directors, Auditors and Audit Committee thereon;
2. To re-appoint External Auditors and authorize the Directors to fix the remuneration of the External Auditors so appointed;
3. To re-elect Directors;
4. To disclose Remuneration of Managers and
5. To elect members of the Statutory Audit Committee.

B. SPECIAL BUSINESS:

As Ordinary Resolution

1. That the Directors' fees for the financial year ending 31st December 2022 be and is hereby fixed at ₦6,850,000.00 (Six Million Eight Hundred and Fifty Thousand Naira only).
2. To approve the appointment of Mr. Tunde Owolabi as a Director of the Lagos Building Investment Company Plc.

Dated this 4th day of August 2022

By Order of the Board



Ayosunkami Olajide

Company Secretary

FRC/2022/PRO/NBA/004/00000024146

Plot 1, ASSBIFI Road

Central Business District

Alausa, Ikeja Lagos

NOTES:

1. PROXY

A member of the Company eligible to attend and vote at the Annual General Meeting is entitled to appoint a proxy in his/her stead. A proxy needs not be a member of the Company. All instruments of proxy must be completed, stamped by the Commissioner for Stamp Duties and deposited at the office of the Registrar, Africa Prudential Plc., 220B, Ikorodu Road, Palmgrove, Lagos not later than 48 hours before the time fixed for the meeting. A corporate body being a member of the Company is required to execute a proxy under seal.

2. NOMINATION TO THE AUDIT COMMITTEE

In accordance with Section 404(6) of the Companies & Allied Matters Act 2020, any member may nominate a shareholder as a member of the Audit Committee by giving notice in writing of such nomination to the Company Secretary at least 21 days before the Annual General Meeting. The Security and Exchange Commission's Code of Corporate Governance for Public Companies stipulates that member of the Audit Committee must have basic financial literacy and at least one member of the committee should be knowledgeable in accounting or financial management. Thus, a detailed Curriculum Vitae confirming the nominee's qualification should be submitted with each nomination.

3. CLOSURE OF REGISTER

Notice is hereby given that the Register of Members and Transfer Books of the Company will be closed from 4th October 2022 to 10th October 2022 (both dates inclusive) to enable the Registrars prepare an up-to-date Register of Shareholders for the meeting.

4. ELECTRONIC ANNUAL REPORT

The electronic version of the Annual Report will be made available online for members and the general public to view and download from our website www.lbicplc.com. Shareholders who have also provided their email addresses will receive the electronic version of the Annual Report via email.

5. DECLARATION OF SHAREHOLDERS' RIGHT

Shareholders have the right to make relevant enquiries in connection with investment or the status of the company in general. Shareholders have the right to make their enquiries during the Annual General Meeting. Shareholders may also send their written enquiry via the Company Secretariat at least five (5) business days before the date of the Annual General Meeting.

6. RE-ELECTION OF DIRECTORS

In accordance with the Company's Article of Association and S285(1) and (2) of the Companies and Allied Matters Act 2020, Mr. Hakeem Ogunniran and Mr. Femi Adewole will retire by rotation and being eligible, will be offering themselves for re-election. Their profile and details of attendance of Board and Committee meetings are contained in the Corporate Governance Report and Report of Directors.

7. WEBSITE

Copy of this Notice and other information relating to the meeting can be found at www.lbicplc.com.

Result At A Glance/Key Performance Indices

Financial Highlights

Income Statement Highlights	December, 2021	December, 2020	
	N'000	N'000	% Charges
Gross Earnings	916,036	581,134	58%
Net Interest Income	364,952	167,864	117%
Operating Expenses	(578,617)	(490,860)	18%
Profit/(Loss) before Tax	254,430	72,340	252%
Profit/(Loss) after Tax	209,027	51,583	305%
Earnings per share (kobo)	5.38	1.33	305%

Financial Position Highlights

	December, 2021	December, 2020	
	N'000	N'000	% Charges
Customers' Deposits	4,265,085	3,107,320	37%
Mortgage Loans and receivables	637,556	511,417	25%
Total Assets	8,263,757	6,257,054	32%
Shareholders' Fund	3,072,162	2,863,205	7%
Return on Capital Employed (ROCE)	8.3%	2.5%	228%
Return on Assets (ROA)	3.5%	1.2%	205%
Non-Performing Loans	0.0%	2.1%	100%

Chairman's Statement



Distinguished shareholders, Members of the Board of Directors, gentlemen of the press, ladies, and gentlemen, I am pleased to welcome you to our 17th Annual General Meeting and present to you our Annual Report for the year ended December, 2021.

Let me start by expressing our deep appreciation, as a Board, for the opportunity afforded us to serve on the Board of your company - Lagos Building Investment Company Plc. I am indeed privileged to lead your Board at this critical time to actualize the vision of our founding fathers in creating a robust platform for delivering affordable housing finance for the good people of Lagos State.

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

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

At LBIC, we took strategic steps towards creating channels which contributed enormous value without losing sight of our long term objectives. We ended 2021 on the high, giving us hope that our potential to be pace-setter in the industry is near actualization. With your cooperation and support, our Bank was able to deliver an astounding Profit Before Tax of N254million – signposting a growth of about 350% over the previous year.

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

MACROECONOMIC OVERVIEW

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

Nigeria's real GDP growth stood at 3.4% in full year (FY) 2021, the strongest growth since 2014 - when the GDP growth was about 6.3%. This commendable performance was largely due to several factors, including a positive base effect and more effective management of the pandemic.

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

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

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

THE BOARD OF DIRECTORS

The Board as at December 31, 2021 consisted of eight (8) members including five (5) Non-Executive Directors. In compliance with Corporate Governance requirements for public companies, Mr Owolabi Babatunde was appointed as an Independent Non-Executive Director in October 29th, 2021 and would be presented for your ratification at this meeting.

LBIC FINANCIAL PERFORMANCE REVIEW

The Bank continued on a path of growth despite the challenging operating environment and the impact of Covid-19 pandemic. In 2021, the gross earnings increased by 58% to ₦961m from ₦581m. The operating profit before tax grew significantly by 252% to ₦254m from ₦72m in 2020. There was a noticeable improvement with respect to fund mobilization, as customer deposit grew by 37% and stood at ₦4.27b as at December 31, 2021. The Bank continued to create quality mortgage loans in line with the underwriting standards of the NMRC resulting in an increase in the value of mortgage loan portfolio by 25% by December, 2021.

It is noteworthy that your Company closed the 2021 financial year with a Shareholders' fund of ₦3.07bn and a Total Asset of ₦8.26bn. With respect to Asset quality, the Non-Performing Loan ratio improved to 0.00% from 2.08% recorded in December 2020. Our Capital adequacy ratio remains strong at 65%, a performance above the regulatory requirement of 10%.

FUTURE PROJECTIONS

We expect a subdued growth in 2022 as Central Bank hike rates to contain inflation. Furthermore, as inflation continues to outpace wage growth; disposable income will come under intense pressures. These factors will negatively affect the overall demand for homeownership – in spite of the massive available market due to the current home deficit in Nigeria. In general, the economic prospects in 2022 remain in the cautious optimism territory, given these potential headwinds threatening the country.

Given the success recorded by your bank in the year 2021 and also recognizing the challenges ahead, we have worked assiduously with the leadership team to create a strategic framework to create even greater value for our stakeholders. We will consolidate the digital transformation of the Bank, whilst developing new products to deepen retail acquisition and retention. We will grow and strengthen our existing business relationships, establish and nurture new business relationships, diversify our products, and improve our operational efficiency.

The Bank is also not relenting its efforts to make mortgage loans very accessible to private individuals. The organization's commitment to reducing housing deficit has seen facilitating Lagos State Government's delivery of various Low-Cost Housing Estates in areas such as Ogba-Ijaiye, Amuwo-Odofin, Isolo etc. We have achieved practical completion on our Itesiwaju Court Project and we are set to deliver same in 2022. These projects are being aggressively driven together with capable Development Partners on a Public Private Partnership (PPP) arrangement.

The Bank is working intensely to improve the Shareholder's Fund so that the capital base of the bank will remain above the minimum capital requirement by the Central Bank of Nigeria for Primary Mortgage Banks. Our desire is to create sufficient value and generate robust returns that will enable the Bank to pay dividends to the shareholders in the near future.

Permit me to conclude this address by giving thanks to the Almighty God for the gift of life and to our esteemed shareholders for trusting us with the mandate to lead the company on your behalf at this critical time. Our sincere appreciation goes to our core investor, the Lagos State Government for supporting our strategic initiatives and smoothening the path for our various PPP projects. I must specifically thank my colleagues on the Board for always bringing robust perspectives to the table and helping to drive the building blocks of execution through the management team. The Management team has demonstrated exceptional understanding of the Board's position in setting stretching and audacious targets for the company. Their buy-in, passion and zest for achieving and surpassing set goals is responsible for the remarkable turnaround in the fortunes of our company – as amplified by the results presented. May I therefore seize this opportunity, on your behalf, to say 'Well done' to the leadership and management team.

Thank you all and God bless.



Hakeem Ogunniran

Chairman, Board of Directors

MD/CEO'S Statement



Introduction:

It is with great pleasure that I welcome our distinguished shareholders, partners, our customers and our regulators – to the Lagos Building Investment Company's 17th Annual General Meeting.

The global economy recovered modestly in the first half of 2021, driven, largely, by sustained fiscal stimulus, supportive monetary policy and a gradual easing of COVID-19 restrictions, following a progressive rollout of COVID-19 vaccines. The development was reflected in the IMF's output forecasts of 5.9 per cent for the global economy in 2021, as against the 3.2 per cent contraction recorded in 2020. Globally, inflationary pressures persisted, as rising demand, supply chain disruptions, as well as higher food and energy prices, pushed up inflation rates, leaving monetary authorities with the challenge of supporting the fragile economic recovery while containing the rising inflation.

Domestic economic recovery continued in the fourth quarter of 2021, though at a slower pace, owing to the emergence of the Omicron variant of the COVID-19 pandemic, which resulted in a re-introduction of partial lockdown measures. Real GDP grew by 3.98 per cent in the fourth quarter of 2021 (year-on-year), compared with 4.03 per cent in the preceding quarter. Inflationary pressures continued to moderate in Q4 2021, following the sustained implementation of the government's agricultural support schemes, which buoyed agricultural output. Accordingly, headline inflation (year-on-year) slowed to 15.63 per cent, from 16.63 per cent recorded in the third quarter of 2021. Also, food inflation dropped significantly to 17.37 per cent, from 19.57 per cent, although core inflation inched up to 13.87 per cent from 13.74 per cent, owing to higher demand for gas, liquid fuel, utilities, and other household consumables. The lingering security challenges and the delayed implementation of the Petroleum Industry Act (PIA) are, however, the major downside risks to the outlook.

The Banking sector sustained its development finance interventions in the real sector to boost economic recovery, improve access to credit and enhance job creation. The instability in the FX market persisted despite the CBN's efforts to increase supply to commercial banks. The Central Bank of Nigeria continued to seek ways to improve participation and therefore granted approvals in principle for payment service banks. The digital currency project – the e-Naira also launched as part of the efforts to build a more robust and inclusive financial system.

Performance Review:

The year 2021 was characterized by significant global and domestic economic developments with far-reaching implications for the Nigerian financial services sector. Notwithstanding the challenges, we were able to leverage the inherent opportunities within the business environment to record a performance that further attests that the Bank is on the path of growth. The Gross Earnings of the bank grew by 58% from N581m to N916m with a Profit before tax of N254million, representing a growth of 252% over N72million profit recorded in the previous year ended December 2020. Mortgage Loans increased by 25% from N511million in December 2020 to N638m unimpaired as at December 2021, while customers' deposits increased by 37% to N4.265billion from N3.107billion in December 2020. The Bank maintained a well-structured and diversified balance sheet with Total assets and Shareholders' Funds closing at N8.263billion and N3.072Billion respectively. Full Impact Capital Adequacy Ratio (CAR) remained very strong, closing at 65%. Overall, asset quality remains stable with NPL ratio improved to 0.00% in December 2021 from 2.08% in December 2020.

2022 Outlook:

There is an ever-widening disparity between citizens' income and the supply of affordable housing in Lagos State. More often than not, employee earnings are inadequate to afford the rising costs of housing in the state. Hence, the need for pragmatic solutions toward bridging the gap between income, available housing units and population growth.

As we enter the new year, we will build on our momentum by continuing to collaborate with our private partners to deliver more affordable housing projects to address the low home ownership rate in Lagos State. We will be intentional about delighting our customers, no matter the circumstances, by providing affordable home ownership solutions. We will continue to develop business products that will be aligned with the needs of all Lagosians and Nigerians in the Diaspora for mortgage financing with unique value propositions. We will continue to reposition the organization on the path of delivering profitability while steadily building for a future we can all benefit from. We will continue to invest in technology because that is what gives us wings to fly and we will continue to invest in all our staff because it is the engine for success.

Conclusion:

It is pertinent to note that despite the complex nature of mortgage banking in the country, LBIC has continued to wax stronger in leaps and bounds. We shall, however, continue to maximize the utilization of our assets through Public Private Partnership (PPP) arrangement, in providing affordable home ownership solutions and remain focused on the restructuring of our organization for a brighter future.

I would like to use this medium to express my sincere gratitude to our primary regulator, the Central Bank of Nigeria (CBN), for the opportunity and privilege to lead the Management team of this prestigious organization. I am equally grateful to the Board, under the Chairmanship of Mr. Hakeem Ogunniran, for his leadership and invaluable support that has helped to bring LBIC to where it is today. I also commend the entire workforce of the organization for commitment and a sense of dedication to the duty of making LBIC a great place to work.

Thankyou.



Tobiloba Lawal
(Managing Director/CEO)

Directors, Profiles



Hakeem Ogunniran
Chairman, Board of Directors



Tobiloba Lawal
Managing Director / CEO



Afolabi Omilabu
Executive Director



Layiwola Okoya
Executive Director



Bolanté Banjo
Non-Executive Director



Femi Adewole
Non-Executive Director



Adewale Atidade Okesola
Non-Executive Director



Tunde Owolabi
Non-Executive Director



Hakeem Ogunniran

Chairman, Board of Directors

Hakeem Ogunniran is the Founder and Chief Executive Officer of Eximia Realty Co Ltd, developers of the MaestroVille, and Fiona-Lawton Apartments, Lekki, and joint promoters of Lake City, LAGOS. His company is also the exclusive franchisee of Plovercrest Capital Inc for the West African territory.

He retired from UAC of Nigeria Plc in 2018 having served as the Managing Director of UACN Property Development Co Plc (Updc) from 2010 - 2018 and Managing Director of MDS Logistics (Division of UAC of Nigeria PLC) between 2000 - 2010. Prior to 2000, he was at various times a Law Lecturer, Company Secretary/Legal Adviser, Sales/Marketing Manager and Corporate Planning Manager.

Hakeem graduated from the University of Lagos with a Second-Class Honours (Upper division) in 1984 and passed the Bar Examinations at the Nigerian Law School in 1985 also with a Second-Class Honours (Upper Division). He also holds LL.M and MBA degrees from the University of Lagos. A former Fulbright Visiting Scholar at the Yale Law School, USA, he has attended several high level management training programmes including the Unilever (IMS), U.K 1996); General Management Programme (GMP) of Ashridge Management College, U.K.(2000); Strategic Leadership Programme of Cranfield University, U.K.(2004) Real Estate Management Program of Harvard Business School(2010) and Senior Financial Management program of the London Business School(2012)

Hakeem Ogunniran is also a past President and Chairman of the Institute of Chartered Secretaries and Arbitrators of Nigeria, Council and EXCO Member of the Lagos Chamber of Commerce & Industry and frequent speaker at international conferences including the Annual African Property Investment Summit in Johannesburg, South Africa. He was the Lead Speaker for Africa at the 1st International Conference on Corporate Governance at Shanghai in May, 2010.

As the CEO of UPDC plc, Hakeem changed the narrative of the real estate industry, in Nigeria; leading his team to deliver landmark and iconic projects in Lagos (such as Victoria Mall Plaza and KPMG Towers, Cameron Green, Festival Mall, The Residences, Pinnock Beach Estate, Alexander Miller Apartments, etc) Abuja(The Pinnacle, Metrocity, Emerald Court, etc) Port Harcourt(Vintage Gardens), Ibadan(Olive Court) and birthing projects in other cities including Asaba and Calabar. In the area of project funding, he led his team to float the first non-government/non-financial institution bond in Nigeria, CPs (vide FMDQ) and a unique DOT based Real Estate Investment Trust in 2013.

He is a recipient of many awards including the Federal Government's Scholarship for High Academic Standing (1981 – 1984), Fulbright Scholarship to Yale School, USA (1991/1992), Joint Best Individual Performance in Management Accounting in ICSA Final Examinations; Osun State Government of Nigeria's Merit Award, 2007, ICSAN's Special Award for Exemplary Service (2009); Kwame Nkrumah Award For Corporate Governance Excellence 2009, Distinguished Chartered Secretary of the Year, 2010; Association of Professional Bodies in Nigeria's Award for Professional Excellence, 2011 and Global Home Nigeria Property Award's Property CEO of the Year 2011, Real Estate Unite Person of the Year, 2013, the Odua Business Ambassador Awards and named one of the top 20 CEOs of the Listed Companies on the Nigerian Stock Exchange for 2013.



'Tobiloba Lawal

Managing Director/CEO

'Tobiloba Lawal is a highly dedicated, dynamic and visionary banking and financial expert with close to three decades experience in banking, financial management, project management and funding for both private and public sector organizations. He has handled numerous portfolios within and outside the Nigerian banking sector.

He understands investment and pays great attention to detail. Tobi is a confident team player who is particular about societal development, this had made him a sort-after mentor and he is still in the business of mentoring the upcoming generation. He has exposed himself to high level knowledge generation by participating in several training programmes both home and abroad; including the prestigious Harvard Business School.

Tobi is a member of several professional bodies among which are: Chartered Institute of Bankers of Nigeria (CIBN), National Institute of Marketing of Nigeria (NIMN), The Business Process Management Institute (BPMI) etc. He is married with children, and he loves to unwind with the game of golf.



Afolabi Omilabu

Executive Director

Afolabi Omilabu has close to 30 years' experience in various aspects of the banking industry including Enterprise Risk Management, Credit & Marketing, Audit & Control and Operations. He started his career in the finance industry with the Home Foundation Savings & Loans Limited in 1993 and his Banking career with the NAL Merchant Bank in 1997. He worked with various other commercial banks and rose through ranks to become a Deputy General Manager in one of the reputable commercial banks where he was critical to decision making, management of human resources, credit management as well as developing strategies to grow the business.

Before joining the Board, Mr Omilabu was the Chief Executive Officer of Headway Microfinance Bank and he was responsible for the supervision and coordination of the whole gamut of the bank's operations to achieve overall corporate goals and objectives whilst driving appropriate Enterprise Risk Management. He was awarded with series of awards for Outstanding Performance with the various organization. While working with other Banks, he received various commendation awards for outstanding performance.

He is an alumnus of the University of Lagos where he holds a Bachelors Degree in Economics and also a Fellow of the Institute of Chartered Accountants of Nigeria. He is happily married with children.



Layiwola Okoya

Executive Director

Layiwola Okoya is an experienced banker and a dynamic administrator with over 20-years' experience in accounting, finance, business development, operations, marketing and sales administration as well as real estate and management.

Mr Okoya has worked with various financial institutions and he is a pragmatic, results-driven and strategically minded problem solver.

He is also a resourceful professional with strong attention to details, excellent communication skills, committed and analytical with history of working well in a fast-paced challenging environment.

In his spare time, he loves to play lawn tennis and volunteers in social impact activities.

He is happily married with three children.



Bolanle Banjo

Non-Executive Director

Bolanle Banjo is an experienced dynamic and astute administrator, seasoned banker, and a business woman with demonstrable proficiency in board matters. She has over 20 years' experience in the financial service industry and management of other business enterprises both in Nigeria and Canada.

Her banking experience include over fourteen years at the defunct Gulf Bank of Nigeria, Plc; at the bank she rose to the level of Assistant General Manager (AGM) and became the Treasurer. Mrs. Bolanle Banjo is a co-founder of H2AFoods Nigeria Limited and the parent company, Heritage Agro-Allied Foods Inc., USA. She was appointed member of its Board of Directors in 2008.

She currently serves as the Chairman of Windsor Wood Limited an indigenous furniture manufacturing company which focuses on workspace planning, production of school and housing furniture, high-class interior planning and decorations for hotels and offices amongst others. Mrs. Banjo is a cofounder/Chairman of Newdawn Cleaning Service Ltd an operator under private sector participation scheme of Waste Management in Lagos State.

Bolanle is a Certified Real Estate and Insurance agent/broker in Canada; and has closed mortgage syndication in seven-digit transactions (Canadian Dollars) from mid-size to lower upper tier of the market on yearly basis. Bolanle Banjo obtained her Higher National Diploma (HND) in Business Administration from the Kwara State Polytechnic in 1987; she thereafter bagged an MBA(Marketing) in 1998 from the Lagos State University. She is a Licensed Mortgage Agent (AMP) and a Life Licensed Insurance Agent.



Femi Adewole

Independent Non-Executive Director

Femi Adewole is an experienced Housing Development and Finance Professional with over 25 years experience in Europe and Sub-Saharan Africa; he has strong knowledge of the Affordable Housing Market in Sub-Saharan Africa having executed housing projects in over 30 countries.

Femi trained as an Architect and holds a B.Sc. (Hons) Architecture and a M.Sc. Architecture from the University of Ile-Ife; He holds a M.Sc. Land Management and Property Development from the University of East London and bagged his Masters of Business Administration (MBA) from the prestigious Warwick Business School University of Warwick, Warwick, UK. He is a Member of the Royal Institute of Chartered Surveyors (MRICS); Member, International Union of Housing Finance and Member, Nigeria Institute of Architects.

Femi commenced his career as a project architect at Construction Consultants Nigeria; he was a senior development manager at Hyde Housing Group London – UK; he worked as the regional director at Bedfordshire Pilgrims Housing association, Bedford – UK; he was an executive director at InCommunities Ltd, Bradford – UK, he served as the Investment director at The Guinness Trust, London – UK; He was the Group Operations Director at Nothin Hill Housing, London where he successfully led the merger of three(3) branches; he was the CEO/MD at First World Communities Ltd, Lagos, whilst in that position, he was able to secure over \$14m in debt and equity; Femi was the Managing Director of Shelter Afrique, Nairobi- Kenya and was able among other things to successfully complete phase 1 of a major turnaround programme including the injection of up to \$70m new equity capital. Femi currently serves as the MD/CEO of Family Homes Funds, the largest housing fund in Sub-Saharan Africa focused on affordable homes for Nigerian's on low income. He has served on the board of several companies.

Following a rigorous selection process and in line with extant regulatory requirements, Femi was recently appointed as an Independent Non-Executive Director. He brings on board competencies and experiences requisite for the actualization of the company's vision.



Adewale Okesola

Non-Executive Director

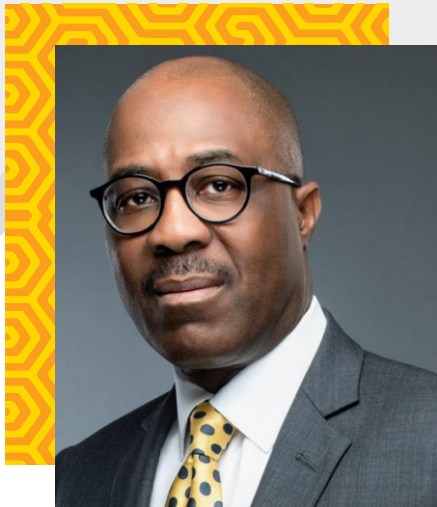
Adewale Okesola is an experienced Chief Executive with a demonstrated history of working in the Logistics, Outsourcing and Supply Chains Industries. He is skilled in management of human and material resources, strategic planning, business development, marketing, project evaluation, costing and planning.

Adewale is an entrepreneur in management of resources with decades of proven track record of success in business dealings with the Government (Parastatals & Agencies) and the Private Industrial sector. He is a result-oriented manager with strong technical ability and excellent relationship managing skills. He is a leader of teams and an expert in steering stalled projects back on track and leading them to successful completion.

Adewale Okesola began his educational journey at Ladi Lak Primary School Yaba, he proceeded thereafter to Awori Ajeromi Grammar School, Agboju-Apapa. He attended the Lagos State Polytechnic where he obtained a Higher National Diploma in Accounting in the year 1986. He has a Post-Graduate Diploma in Management from the Rixcel Institute of Management Studies, Stratford, London. In the year 2013 he obtained a Master of Business Administration from the University of Chester, Chester U.K and a Master of Business Administration from the Metropolitan School of Business and Management UK, in the year 2017.

Adewale started his career with the West African Examination Council (WAEC) as a Clerical Officer, he then worked as an Audit Manager with Ajibade Durojaiye & Co (Chartered Accountants). He thereupon worked as an Accountant and Executive Officer Investment with the Nigeria Social Insurance Trust Fund (NSITF). Adewale resigned from NSITF in 1996 to start his private companies (spanning building renovations, constructions, resourcesourcing and procurements, facilities and janitorial management).

Adewale is a member of the Lagos Chamber of Commerce and Industry, member Nigeria British Chamber of Commerce and a member of Abuja Chamber of Commerce and Industries.



Tunde Owolabi

Independent Non-Executive Director

'Tunde Owolabi is a seasoned banking professional with over 30 years' work experience spanning Audit, Consulting and Banking where he had cross-functional exposure in the areas of Financial Control, Operations & Services as well as Credit and Relationship Management in Corporate, Commercial and Retail Banking.

He obtained a B.Sc. degree from the University of Ife in 1984 with a second class upper division and a Masters degree in Business Administration (MBA) from the University of Lagos in 1991. He qualified as a chartered accountant in 1988 and currently a fellow of both the institute of Chartered Accountants of Nigeria (FCA) and the Chartered Institute of Taxation (FCTI). He is a full member of the Nigerian Institute of Management (MNIM) and Honorary member of the Chartered Institute of Bankers (HCIB). He is also an alumnus of the Lagos Business School and has attended many professional development courses globally including London School of Retail Banking, School of Project Finance (International Faculty of Finance UK) and Harvard Business School.

He started his banking career at International Merchant Bank (IMB) after his accountancy training at KPMG Peat Marwick Ani Ogunde & Co. He had worked in few top-rated commercial banks like Zenith international bank, Access bank and Diamond bank before joining First Bank Nigeria Limited in 2007.

Until February 2022 when he retired from the service of First bank Nigeria Limited, 'Tunde was the Group Executive, Retail Banking, Lagos & West in the bank running the retail businesses of the bank in the Lagos & Western region of Nigeria, a position he took over from the Executive Director, Retail Banking, Lagos & West who was appointed as the Deputy Managing Director at the time. His portfolio comprised of 235 branches and over 35,305 Agents in the bank's agency network with a deposit balance sheet size of N1.3Trillion.

He won many recognition awards within the bank on quarterly basis and was a nominee for the Retail banker of the year award by Asian Bankers in Year 2020.

The revenue generating capacity of the retail Business Unit under his watch improved significantly and also impacted the overall profitability of the Bank over the years. Retail banking Lagos and West region under him kept contributing 30% of the bank's deposit base and an average of 25% of the bank's total net revenue between 2016 and 2020.

Between 2016 and 2019, his portfolio included oversight on the operations and services in those 235 business locations run by direct reports on DGM and AGM grades thus making it the largest Strategic business unit in terms of workforce.

Over the years, he achieved a strong track record of building customer franchises as well as championed and led strategic transformation initiatives in the retail space of the banking environment. He played an important role in the bank's adoption of digital products in the Nigerian market and the successful implementation of the bank's Agency banking initiative which has further helped to exponentially improve financial inclusion in the country. This significantly deepened the presence and increased the profitability of First Bank Nigeria Limited.

He was instrumental to the Bank's strategic focus of emerging as the largest and one of the best Retail Banking institutions in Nigeria and by extension, in Africa.

He currently sits on the board of FBN Bank Sierra Leone, a subsidiary of First bank of Nigeria Limited as a Non-Executive Director and serves as Chairman of both the Board Credit Committee (BCC) and Board Finance and Human Capital Committee (BFHCC).

Tunde plays golf in his spare time.

Corporate Governance Report

At Lagos Building Investment Company Plc ('LBIC' or the 'Bank') we are committed to maintaining the highest standards of corporate governance and best practices through the adoption of robust procedures in the establishment of a strong corporate governance framework. During the year ended December 31, 2021, LBIC regularly reviewed its corporate culture and practice to align with relevant regulatory requirements and global standards in order to be at the vanguard of good corporate governance. In the period under review, the Bank ensured the conformity with extant laws and regulations concerning corporate governance as required by the Central Bank of Nigeria (CBN) and the Nigeria Deposit Insurance Corporation. The Company's examiners' reports were implemented. A substantial improvement in the level of compliance was also achieved with respect to the Code of Corporate Governance issued by the Financial Reporting Council, Securities and Exchange Commission and the Code of Corporate Governance for Primary Mortgage Banks issued by the Central Bank of Nigeria. As an addition to its Code of corporate governance, the Company endorses its core values to its employees through its Code of Conduct and Business Ethics Policy which regulates employee relations with internal and external parties. This Policy guides the Company on issues of Conflict of Interest, Bribery and Corruption. Akin to this is an approved handbook which contains tenets of standard practices which guides the Company's employment and labour relations with its employees. This is a strong indication of LBIC's determination to ensure that its employees exhibit professionalism at all times in their business dealings.

1. Governance Structure

The Board of Directors is responsible for the governance, overall guidance and strategic policy formulation of the bank. The Board has the obligation of ensuring that the highest standards of Corporate Governance are observed and adhered to. The Board, as at 31st December 2021, consists of eight (8) members, five (5) of whom act in Non-Executive capacity.

Appointments to the Board of Lagos Building Investment Company Plc. is carried out in line with provisions of the Company's Article of Association, the Companies and Allied Matters Act 2020, the Nigerian Code of Corporate Governance issued by the Financial Reporting Council of Nigeria, Code of Corporate Governance for Public Companies by the Securities and Exchange Commission and the Central Bank of Nigeria's Code of Corporate Governance for Primary Mortgage Banks. Also, in adherence to the provisions of the relevant Codes of Corporate Governance, newly appointed members of the Board are taken through a formal induction session and training. The Board plays a central role in conjunction with Management to enhance the financial strength of the Bank and to see that it is properly governed and risk averse. The Board ensures that proper level of checks and balances is maintained, in order to ensure that decisions are taken with the best interest of the Bank's stakeholders in mind. The current membership of the board consists of persons of diverse discipline and skills; specially selected having regard to their professional background and expertise, business experience and integrity as well as knowledge of the bank's business. All of the Bank's Directors bring independent judgment to bear on deliberations and decisions of the Board (without prejudice to Directors' right to earn Directors' fees and hold interest in shares); they also possess the right balance of expertise and experience that enables them to properly evaluate information and responses provided by Management and provide objective challenge to Management.

2. Responsibilities of the Board

The Board is conversant with the fact that it is expected to set the right tone for enterprise-wide processes, thus, the Board is accountable and responsible for the affairs and performance of the company. The Board determines the strategic objectives and policies of the Company to deliver long-term value by providing overall strategic direction within a framework of rewards, incentives and controls. The Board also ensures that Management strikes an appropriate balance between promoting long-term growth and delivering short-term objectives. In fulfilling its primary responsibility, the Board is aware of the importance of achieving a balance between compliance with governance principles and economic performance.

The Board is tasked with the responsibility of the approval of quarterly, half-yearly and full year financial statements (whether audited or unaudited) and any significant change in accounting policies and/or practices; approval of major changes to LBIC's corporate structure and changes relating to its capital structure or its status as a public limited company; monitoring Management's performance against agreed targets; recommendation to shareholders of the appointment, removal and the remuneration of Auditors; approval of resolutions and corresponding documentation for shareholders in general meeting(s).

3. Separation of the Roles of the Chairman and CEO

At the top stratum, responsibilities and roles are well defined and as required by all relevant codes of Corporate Governance to which the Bank is subject to, the roles of the Managing Director/Chief Executive Officer and the Chairman are well separated. The Chairman's key responsibility is to lead and manage the Board to ensure that it operates effectively and fully performs its legal and regulatory duties. The Chairman is not involved in the day-to-day operations of the Bank and is not a member of any Board committee.

4. The Office of the Managing Director/Chief Executive Officer

The Managing Director/Chief Executive Officer of the Bank is responsible for providing strategic guidance and oversight to the Bank's Leadership Team in the development of strategic objectives and operational plans. The MD/CEO works with the Board of Directors to formulate policies and strategies for the growth of the organization. The MD/CEO is responsible for the implementation of long-term strategic goals, policies and plans as approved by the Board. The MD/CEO responsibilities include:

- The overall day-to-day management of the Bank.
- The development of strategic operating action-plans that reflect the long-term objectives established by the board.
- Ensuring that corporate strategic objectives and implementation guidelines are developed and duly communicated to and owned by the Leadership team and other employees.
- Fashioning a transparent and timely financial reporting and management information system to help manage the business.
- Representing the Bank to its customers, investors, Government and the general public.
- Ensuring the prudent management of the Bank's finances and other resources.
- Recruiting, building, developing and nurturing a team of highly competent, professional and effective staff.
- Ensuring that LBIC's operations are conducted in accordance with regulatory guidelines and rules of all regulatory bodies (Central Bank of Nigeria, Securities and Exchange Commission, etc.)

5. Induction and Continuous Training

The Company has put in place a continuous training framework and a robust induction program for newly appointed Directors which is tailored to meet their individual requirements. This is aimed at familiarizing individual Directors with their oversight functions, updating their knowledge and skills and to enlighten them on the business, policies, regulatory obligations and operating environment of the Bank.

6. Board Composition

The number of persons who held office as Directors during the year were eight (8), three(3) Executive Directors, three(3) Non Executive Directors and two(2) Independent Non Executive Directors, they are:

Name	Date of Appointment
Hakeem Oguniran	10 th June 2020
Tobiloba Lawal	16 th October 2019
Afolabi Omilabu	1 st December 2020
Layiwola Okoya	1 st February 2021
Femi Adewole	27 th June 2019
Bolanle Banjo	10 th June 2020
Adewale Okesola	10 th June 2020
Tunde Owolabi	29 th October 2021

7. Information Flows

It is the responsibility of Executive Management under the direction of the Board, to ensure that the Board receives adequate information on a timely basis, about the Bank's businesses and operations at appropriate intervals and in a proper manner, to enable the Board to effectively carry out its responsibilities.

8. Directors Remuneration Policy

The remuneration package of Directors is in alignment with the long-term interests of the Bank and all its stakeholders. The annual Board Fees is determined by the members in general meetings. Non-Executive Directors are paid sitting expenses for attending and returning from Board meetings, Committee meetings and Annual General Meetings held in connection with the business of the Bank.

For the financial year under review, a total of N4,750,000 (Four Million, Seven Hundred and Fifty Thousand Naira Only) was paid as Annual Director's Remuneration.

a. Non-Executive Directors' Remuneration

The Bank's policy on remuneration of Non-Executive Directors is guided by the provisions of the CBN Code which stipulates that Non-Executive Directors' remuneration should be limited to sitting allowances, Directors' fees and reimbursable travel and hotel expenses.

As at 31st December 2021, the Bank paid a total of N2,525,000 (Two Million, Five Hundred and Twenty -Five Thousand Naira Only) as to cover the cost of all sitting expenses incurred by Non-Executive Directors for company meetings, board meeting and board committee meetings attended during the year.

b. Executive Directors

The remuneration of Executive Directors is structured to link rewards to corporate and individual performance. The details of Director's remuneration are as follows:

TYPE OF PACKAGE FIXED	DESCRIPTION	TIMING
Basic Salary	This forms part of the gross salary and is paid to the Executive Directors only, as contained in their Contracts of Employment	Paid Monthly
13th Month Salary	Payable to Executive Directors only	Paid in the 11 th month or last month of the year
Leave Allowance	Payable to Executive Directors only, as contained in their contracts of Employment	

Further details of the remuneration paid to Executive and Non-Executive Directors are contained in Notes 10a-10e & 11b

9. Board Evaluation

The Bank conducted a Board Review/Appraisal covering all aspects of the Boards' structure, composition, responsibilities, processes and relationships, for efficiency and in compliance with extant codes of corporate governance. To conduct the Annual Board Appraisal for the financial year ended December 31, 2021, the Board appointed Averti Professional Managers. The Independent Consultants carried out a comprehensive review of the effectiveness of the Board by assessing its overall performance. The report of the Appraisal was submitted to the Central Bank of Nigeria in accordance with the requirements of the CBN Code and the summary of the report is included in the Annual Report for the year ended 31st December 2021.

10. Board Committees

The Board for the sake of efficiency has established four committees, namely, Board Audit Committee, Board Credit, Risk and Compliance Committee, Board Governance and Nomination Committee and Board Remuneration Committee. The committees were re-constituted at the meeting of the Board of Directors that was held on 4th November 2020 as follows:

10a. Board Audit, Risk and Compliance Committee (BARC) – The Committee was constituted in compliance with the Nigerian Code of Corporate Governance 2018 as well as the CBN Code of Corporate Governance. The Committee has oversight functions over Internal Audit, Information Technology, Outsourcing as well as the Risk & Compliance Departments. The Committee consists of only Non-Executive Board members and is chaired by the Independent Board member. The objective of the Committee is to entrench a formal and transparent arrangement towards ensuring a formidable financial reporting system and control measures. The Committee also reviews the Bank's report in respect of the Internal Control system and the Internal Audit Programme.

10b. Board Credit Committee (BCC) – The Committee was constituted in compliance with the Nigerian Code of Corporate Governance 2018 as well as the CBN Code of Corporate Governance. The Committee has oversight functions over the Mortgage & Credit team. The Committee's membership is a mix of Non-Executive and Executive Board members and is chaired by a Non-Executive member of the Board. The Committee meets as often as the need arises. The objective of the Committee is to ensure compliance to relevant laws, regulations and codes on financial reporting and credit risk management.

10c. Board Governance, Remuneration and Nomination Committee – The Committee was constituted in compliance with the Nigerian Code of Corporate Governance 2018 as well as the CBN Code of Corporate Governance for Banks and Other Financial Institutions 2003. The Committee consists only Non-Executive Directors. The Committee guides the Board on issues relating to selection, compensation, performance evaluation of members of the Board and staff as may be required from time to time. The Committee is a merger of the former Board Remuneration & Nomination Committee with the Board Governance Committee.

10d. Statutory Audit Committee (Audit) – The Committee is established in line with Section 404(3) of the Companies and Allied Matters Act 2020. The Committee's membership consists of three (3) representatives of shareholders elected at the Annual General Meeting held on Thursday, 26th August 2021 and two (2) Non-Executive Directors. The Committee is chaired by a Shareholder representative. The Committee is required to meet at least once in a quarter or as often as the need arises. The Head, Internal Audit, the Financial Controller and the External Auditors are required to make presentations to the Committee. The Executive Director may also be invited to attend the meeting. All members of the Committee are financially literate.

11. Dates of Meetings – Board and Board Committees

	JAN	FEB	MAR	APRIL	MAY	JUNE	JULY	AUG	SEP	OCT	NOV	DEC	TOTAL
BOARD	-	23rd	-	-	6th	-	15th	-	-	29th	-	7th	5
BARC	-	-	-	27th	-	-	14th	-	-	20th	-	-	3
BCC													1
BGRN	29th						13th						2
STAT AUDIT			18th	22nd			14th						4
TOTAL													15

12. Board and Board Committee Meeting Attendance Schedule

DIRECTORS	BOARD	BARC	BCC	BGRN	AUDIT
Number of Meetings	5	3	1	2	4
Hakeem Ogunniran	5	N/A	N/A	N/A	N/A
Tobiloba Lawal	5	N/A	1	N/A	N/A
Afolabi Omilabu	5	N/A	1	N/A	N/A
Layiwola Okoya	5	N/A	1	N/A	N/A
Femi Adewole	4	3	N/A	2	N/A
Bolanle Banjo	5	3	1	2	4
Adewale Okesola	5	2	1	2	4
Tunde Owolabi	2	N/A	N/A	N/A	N/A

**Mr Tunde Owolabi was appointed vide a resolution at the meeting of the Board of Directors that was held on Friday, 29th October 2021.*

13. Executive Committee (EXCO)

The EXCO comprises of all the Bank's Executive Directors, with the MD/CEO as its Chairman. The Committee meets fortnightly (or at such other times as business exigency may require) to consider and make policy decisions on the effective management of the bank. It also serves as a first review platform for issues to be discussed at the Board level. The EXCO is tasked with the primary responsibility of ensuring the implementation of Board approved strategies, provide leadership to the Management team and ensure effective utilization and administration of the bank's resources.

14. Relationship with Shareholders

The Bank guarantees adequate interaction among its Shareholders, Management and Board ensuring that the interest of the minority shareholders is protected; the General Meeting gives Shareholders the platform to contribute to the management of the Bank. General Meetings are conducted in an open manner which facilitates shareholders participation in accordance with regulatory and statutory requirements; the meetings are held in accessible locations and are open to shareholders and their proxies. At the General Meetings, all Shareholders irrespective of the volume of their shareholding or social status are treated equally.

The Shareholders also have direct access to the Company Secretary to clarify any issue of concern on the Bank's activities.

15. The Company Secretary

The Company Secretary provides a point of reference and support for all Directors. The Company Secretary also consults regularly with Directors to ensure that they receive required information promptly.

The Company Secretary ensures that the Bank complies with and implements relevant regulatory laws including the CBN Guidelines for Primary Mortgage Banks, the Central Bank of Nigeria Code of Corporate Governance for Banks and Other Financial Institution, the Securities and Exchange Commission Code of Corporate Governance, the Nigeria Deposit Insurance Act 2006 and the Companies and Allied Matters Act 2020.

The Company Secretary is responsible for the induction and orientation of new Directors and the provision of continuous education/ training for the Non-Executive Directors. The Company Secretary provides a central source of guidance and advice to the Board and the Bank on matters of ethics, conflict of interest and good corporate governance. The Company Secretary is a source through which the Shareholders of the Bank access information on the Company.

The Company Secretary ensures adequate dissemination of information among board members and between the board and the Management of the Bank. The Company Secretary also organizes Board meetings, undertakes the preparation of necessary documents requisite for successful deliberations thereto and ensures that the minutes of Board meetings clearly and properly capture Board discussions and decisions. It is also the responsibility of the Company Secretary to ensure that all regulations and policies of the Bank including the Memorandum and Articles of Association are complied with.

16. External Auditors

The External Auditors for the 2021 Financial Year were Messrs.' Akapo and Partners. In compliance with the CBN Code, the external auditors were appointed as sole auditors commencing 2017 financial year and have been retained for four years.

17. Audit Fees

The audit fees paid by LBIC to the external auditors for the 2021 Statutory Audit was ₦3,000,000 (Three Million Naira) only. There were no non-audit services rendered to the Bank during the year under review.

18. Independent Professional Advice

The board in order to effectively perform certain responsibilities and to make well-informed decisions obtains Independent professional advice as appropriate.

19. Monitoring Compliance with Corporate Governance

The Chief Compliance Officer monitors compliance with money laundering requirements and the implementation of the CBN Code of Corporate Governance for Primary Mortgage Banks. The Chief Compliance Officer and the Company Secretary forward regular returns to the Central Bank of Nigeria on all whistle-blowing reports and also on corporate governance compliance.

20. Management Committees

These are Committees comprising Senior Management Staff of the Bank. The Committees are risk driven as they are basically set up to identify, analyze, synthesize and make recommendations on risks arising from the day-to-day activities of the Bank. They also ensure that risk limits as contained in the Board and Regulatory policies are complied with at all times. They provide input for the respective Board Committees and ensure that the recommendations of the Board Committees are effectively and efficiently implemented. They meet as frequently as necessary to immediately take action and decisions within the confines of their powers. The Standing Management Committees in the Bank are:

- Assets & Liabilities Management Committee;
- Management Credit Committee;
- IT Steering Committee; and
- Risk Management Committee

a. Assets and Liabilities Management Committee:

The Assets and Liabilities Management Committee is responsible for the management of a variety of risks arising from the Bank's business. The committee meets quarterly and has the following terms of reference:

- Ensuring that the Bank has adequate liquidity while managing the spread between interest income and interest expense.
- Monitor and Control all liquidity, market and interest risk across the Bank.
- Review the financial report with a view to match the liabilities with Assets to avoid mismatch. To review immediate funding and to develop contingency funding plans.
- Review and note the impact of internal and external factors on the net interest margin.
- To ensure regulatory ratios are adhered to.

b. Management Credit Committee

The Management Credit Committee reviews the entire credit portfolio of the Bank and conducts a periodic assessments of the quality of risk assets in the Bank, the committee meets monthly and has the following terms of reference:

- Review credit policy recommendations for approval.
- Approve credit proposals in line with its approval limits and the active management of individual portfolios by:
- Reviewing risk trends and related provisioning
- Monitoring problem exposures and reviewing large exposures; and
- Monitoring portfolio exposures and trends.
- Agree and advise the Board through the appropriate Board Committee on the portfolio plan/strategy for the Bank.
- Review the credit portfolio against the Bank's appetite for credit risk
- Coordinate the Bank's response to material event that may have an impact on the credit portfolio.
- Review monthly credit risks report and remedial action plan
- Ensure that top management as well as the individuals responsible for credit risk management possess the requisite expertise and knowledge to accomplish the risk management function.

c. IT Steering Committee

The IT steering committee is responsible for the:

- Implementation of the approved IT strategy by the Board.
- Provision of insight on long-term information system strategies in support of legislative and regulatory mandates.
- Alignment of information system goals and objectives to the banks business goals and objectives.
- Giving direction and control to information systems task and activities.
- The consideration of all proposal for information systems development and approval of their adaption or otherwise in terms of cost, resource requirements, net benefit, organizational impact and technology impact.

d. Risk Management Committee

This Committee is responsible for regular analysis and consideration of risks in the Bank. The Committee meets at least quarterly. However, additional meetings may be held if required. The Committee reviews and analyses environmental issues and policies impacting either directly or remotely on the Bank, brainstorms on such issues, and recommends steps to be taken by the Bank. The Committee's approach is risk based.

- The Committee provides input for the Board Risk Management Committee and also ensures that the decisions and policies emanating from the Committee's meetings are implemented. The mandate of the Committee includes:
- Review the effectiveness of the Bank's overall risk management strategy at the enterprise level. Review the enterprise risk scorecard and determine the risks to be escalated to the Board on a quarterly basis.
- Identify and evaluate new strategic risks including corporate matters involving regulatory, business development issues etc., and agree on suitable mitigants.
- Follow-up on management action plans based on the status of implementation compiled by the Management Risk Committee.

21. Board Selection and Appointment Process

The process of appointing a Director is done in accordance with the Company's Articles of Association, the Companies and Allied Matters Act 2020, the Board Charter and other relevant Codes of Corporate Governance which the Company is subject to. The process includes the following:

- The Board ensures that the procedure for selection and appointment of new director on the Board of the Company is clearly defined, formal and transparent.
- The selection process reflects the strengths, the required skill and experience, age and gender composition.
- The Board conducts a thorough analysis of the existing Board's status and confirms whether there is a need to appoint a new Director, especially in events of causal vacancies.
- Nominations are forwarded to the Board through the Company Secretary to the Governance and Nomination Committee for their review and to make recommendations to the Board on the suitability of any proposed candidates.
- The Board considers the Committee's recommendation and conducts relevant checks to ensure that a proposed candidate is fit and proper to sit on the Board of a bank, and also not disqualified from being a director in accordance with legislations and Codes of Corporate Governance to which the Company is subject to.
- Sequel to the Board's approval of the appointment of a proposed candidate, the appointment is formally communicated to the successful candidate. The successful candidate will be required to formally accept or reject the appointment.
- Following the approval of the Board, the Company Secretary notifies the Central Bank of Nigeria in writing, seeking the Bank's approval of the appointment.

22. Biography of Director whose Appointment is Presented for Approval

'Tunde Owolabi (Independent Non-Executive Director)

Tunde Owolabi is a seasoned retail banking professional with over 30 years of work experience spanning Audit, Consulting and Banking. He started his banking career with the International Merchant Bank (IMB) after completing his accountancy training with KPMG Peat Marwick Ani Ogunde & Co.

He has confirmed that his appointment on the Boards of other companies does not have real or potential conflict with the interest of Lagos Building Investment Company Plc. He was born in 1962, a Nigerian national and resides in Nigeria.

23. Biography of Directors Standing for Re-Election

I. Mr Hakeem Ogunniran - Chairman, Board of Directors

Hakeem Ogunniran is the Founder/CEO of Eximia Realty Co Ltd and Home for Me NIGERIA LTD. He is also the Chairman of the Board of Directors of Lagos Building Investment Co Plc and a Non-Executive Director of a few other companies. He retired from UAC of NIGERIA Plc in having served as the Managing Director of UACN Property Development Co Plc (UPDC) from 2010 - 2018 and Managing Director of MDS Logistics (Division of UAC of Nigeria PLC) between 2000 -2010. Prior to 2000, he was at various times a Law Lecturer, Company Secretary/Legal Adviser, Sales/Marketing Manager and Corporate Planning Manager.

He has confirmed that his appointment on the Boards of other companies does not have real or potential conflict with the interest of Lagos Building Investment Company Plc. He was born in 1962, a Nigerian national and resides in Nigeria.

II. Mr Femi Adewole - Non-Executive Director

Femi Adewole is an experienced Housing Development and Finance Professional with over 25years of experience in Europe and Sub-Saharan Africa; he has strong knowledge of the Affordable Housing Market in Sub-Sahara Africa having executed housing projects in over 30 countries. Femi trained as an Architect and holds a B.Sc. (Hons) in Architecture and an M.Sc. Architecture from the University of Ile-Ife; He holds an M.Sc. Land Management and Property Development from the University of East London and bagged his Masters of Business Administration (MBA) from the prestigious Warwick Business School University of Warwick, Warwick, UK. He is a Member of the Royal Institute of Chartered Surveyors (MRICS); Member, the International Union of Housing Finance and a Member of Nigeria Institute of Architects.

He has confirmed that his appointment on the Boards of other companies do not have real or potential conflict with the interest of Lagos Building Investment Company Plc. He was born in 1962, a Nigerian national and resides in Nigeria.

24. Gender Diversity

The Bank is aware that there has to be a fair representation of people of different genders as members of the Board, Executive Management as well as other member of staff. The Bank thus provides a level playing field for all gender such that no gender is seen as being more important to the business of the bank than the other.

25. Fines & Penalties

At the end of the financial reporting year, no fine was imposed on the Company.

26. Whistleblowing Policy

In line with the provisions of relevant Corporate Governance Codes, the Company has incorporated in its Code of Ethics & Business Conduct, a robust whistle blowing policy which encourages anonymous reporting of unethical and illegal actions and activities.

27. Corporate Social Responsibility and Sustainability

As a major player in the mortgage banking industry, LBIC is awake to its status and responsibilities in the Nigerian society as a corporate citizen. As such, the Company deliberately integrates the society in its plans and maintains a very robust relationship with all stakeholders.

28. Statement of Compliance

The Bank carries out its Corporate Governance practice in line with the Nigerian Code of Corporate Governance and other Codes of Corporate Governance provided by the Securities and Exchange Commission and the Central Bank of Nigeria.

Report of the Directors

The Directors have the pleasure of presenting their report on the affairs of Lagos Building Investment Company Plc (LBIC) together with the audited financial statements and Auditor's report for the financial year ended December 31, 2021.

1. Legal Status

Lagos Building Investment Company Plc (LBIC) was initially incorporated as Lagos State Building Corporation in 1980, it attained a limited liability company status in 1991. Following a successful Private Placement, the Authorized Share Capital base of LBIC was increased from ₦100 Million to ₦3 Billion with a Paid-Up Share Capital of ₦2,882,047,223.00. In May 2013, LBIC was registered as a Public Limited Company (PLC) following a resolution of the board of Directors on 29th January 2013. The Authorized Share Capital and the Paid-Up Share Capital of LBIC was further increased from ₦3 Billion to ₦4 Billion and ₦2,882,047,223.00 to ₦3,882,047,223.00 respectively pursuant to the resolution of members in the General Meeting of 6th April, 2017.

2. Regulators

LBIC has been operating under the Mortgage Institutions Act of 1989 as amended, Banks and Other Financial Institutions Act of 2020 (BOFIA), the Companies and Allied Matters Act 2020.

3. Principal Activity

Today, LBIC operates as a State Primary Mortgage Bank with a customer base of over 170,000 cutting across corporate institutions and individuals alike. The Bank's principal activity continues to be the provision of mortgage finance facilities to prospective home owners. The Bank has also through joint venture development, supported the delivery of over 330 units of houses. In conjunction with joint venture developers, In addition, LBIC also provides retail banking facilities with a wide range of product and services (savings and loans). The Bank is the sole mortgage administrator to the Lagos State Government Home Ownership Scheme (Lagos Homs).

4. Branches

LBIC operates two branches in Abesan and CBD Alausa.

5. Operating Results

The Bank's Gross Earnings increased by 58% and Profit Before Tax improved by 252%. Highlights of the Bank's operating results for the year are as follows:

	Dec-2021 N'000	Dec-2020 N'000
Gross Earning	916,036	581,134
Net Profit or (Loss) before Taxation	254,430	72340
Taxation for the year	(45,402)	(20,756)
Profit/(Loss) attributable to equity holders for the year	209,027	51,583
Basic Earning Per Share (kobo)	5.38	1.33

6. Dividend

The Directors have not recommended the payment of dividend.

7. Directors

The following are the names of the Directors as at the date of this Report and those who held office during the year under review:

DIRECTOR	CAPACITY	REMARK
Hakeem Ogunniran	Chairman	Appointed on 1 st June 2020
Tobilobal Lawal	Managing Director	Appointed on 16 th October 2019
Femi Adewole	Independent Non-Executive Director	Appointed on 27 th June 2019
Bolanle Banjo	Non-Executive Director	Appointed on 1 st June 2020
Adewale Okesola	Non-Executive Director	Appointed on 1 st June 2020
Afolabi Omilabu	Executive Director	Appointed on 1 st December 2020
Layiwola Okoya	Executive Director	Appointed on 1 st February 2021
Tunde Owolabi	Independent Non-Executive Director	Appointed on 29 th October 2021

The following changes were recorded since the last Annual General Meeting which held on 26th August 2021; The Board approved the appointment of Mr Tunde Owolabi as a Second Independent Non-Executive Director on the Board of the Company. The appointment is however subject to the approval of the members in General Meeting as well as relevant regulatory approvals.

8. Expenditure on Property, Plant and Equipment (PPE)

The total expenditure on property, plant and equipment during the year was ₦227,448,259.50 (2020: ₦27,523,250.50). The expenditure was for replacement of office equipment, computer and electronics, furniture and fixtures and Motor Vehicles.

9. Directors Interest in the Shares of Lagos Building Investment Company Plc

The interest of Directors in the issued share capital of the bank is as recorded in the Directors' Register of Shareholdings and or as notified by the directors for the purpose of the provisions of Sections 301 of the Companies and Allied Matters Act 2020 is as follows:

S/N	NAME	HOLDINGS
1	HAKEEM OGUNNIRAN	NIL
2	TOBILOBA LAWAL	NIL
3	AFOLABI OMILABU	NIL
4	FEMI ADEWOLE	NIL
5	BOLANLE BANJO	NIL
6	ADEWALE OKESOLA	NIL
7	LAYIWOLA OKOYA	NIL
8	'TUNDE OWOLABI	NIL

10. Directors Interest in Contract

None of the Directors has informed the Company for the purpose of Section 303 of the Companies and Allied Matters Act 2020, of any disclosable interest in contracts with which the company was involved during the year ended December 31, 2021.

11. Analysis of Shareholding

As at reporting date, the Company did not acquire any of its own shares. According to the Register of members, the following Shareholder held more than 5% of the Issued Share Capital of the Bank as at the reporting date:

	NUMBER OF SHARES	%
Lagos State Government	3,325,000,000	85.65

12. Shareholding Range Analysis

The shareholding range of the company as at December 31, 2021 is as shown below:

LAGOS BUILDING INVESTMENT COMPANY PLC									
SHAREHOLDING RANGE ANALYSIS AS AT DECEMBER 31, 2021									
Headline			Shareholders			Holdings			
Range			NO. of Holders	Holders %	Holders Cumulated	Units	%	Units Cumulated	
1	-	1000	0	0	0	0	0	0	0
1,001	-	5,000	0	0	0	0	0	0	0
5,001	-	10,000	0	0	0	0	0	0	0
10,001	-	50,000	0	0	0	0	0	0	0
50,001	-	100,000	851	65.92	85,100,000	85,100,000	2.19	85,100,000	
100,001	-	500,000	364	28.20	109,543,954	109,543,954	2.82	194,643,954	
500,001	-	1,000,000	63	4.88	110,943,269	110,943,269	2.86	305,587,223	
1,000,001	-	Above	13	1.01	3,882,047,223	3,576,460,000	92.13	3,882,047,223	
-			1291	100.00	3,882,047,223				

13. Employment and Employees

The Bank operates a non-discriminatory policy in its consideration of applications for employment. The Bank's policy is that the most qualified persons are recruited to fill available vacancies thus, all prospective employees, irrespective of their gender and whether physically challenged or not, are given equal opportunities relative to their respective skills set and abilities to develop their competencies in furtherance of their careers.

14. Health, Safety at Work and Welfare of Employees

The health, safety and welfare of the Banks employees is prioritized. Thus, necessary health and safety regulations are in force within the Bank's premises; Fire prevention and fire-fighting equipment are installed in strategic locations within the Bank, while appropriate and regular trainings on the use of the equipment are carried out. In the same vein, the Bank has a comprehensive health insurance scheme for its staff, through which the medical needs of respective staff and their immediate family members are met. The Bank operates a contributory pension plan in accordance with the Pension Reform Act, 2004, wherein it contributes 10% of employees' total emolument to the designated pension fund administration chosen by each employee. As a part of the scheme, the Bank also remit employees' contribution of 8% of the relevant compensation to the same account.

15. Employees Involvement and Training

The Bank is committed to ensuring that its employees are properly informed about its performance and progress and on matters which particularly affect them as employees. The Bank encourages participation of its employees in arriving at decisions in respect of matters affecting their well-being. To this end, the Bank provides formal and informal opportunities where employees deliberate on issues affecting the Bank and employees' interest, with a view to making inputs and decision thereon. The MD/CEO operates an open-door policy and encourages employees to channel suggestions and complaints to him as may be required in the circumstance. The Bank places a premium on the development of its manpower. The Bank also appreciates technical expertise as its major assets and often organizes in-house and external (both local and foreign) training for its employees. The emphasis on training is to prepare employees for new and/or unfamiliar jobs as well as to enhance their efficiency in their current roles. The Bank also provides for the development of managerial skills by broadening and improving the skills. The Human Capital 'Management Department also readily addresses issues relevant to employees' welfare and career satisfaction.

16. Donation

In the year under review, the Bank in line with its Corporate Social Responsibility donated the sum of N500,000 (Five Hundred Thousand Naira) only, in support of the Mother, Infant & Child Initiative (Civil Engagement).

17. Auditors

The Company's Auditors, Messrs. Akapo & Partners have indicated the willingness to continue in office as auditors to the Bank. Therefore, in accordance with the provisions of Section 401(2) of the Companies and Allied Matters Act 2020, the Auditors will be presented for re-appointment at the Annual General Meeting.

Date March 23, 2022
BY ORDER OF THE BOARD



Ayosunkami Olajide

Company Secretary

FRC/2022/PRO/NBA/004/00000024146

The Audit Committee Report for the year ended December 31, 2021

To the members of Lagos Building Investment Company Plc.

In accordance with the International Financial Reporting Standards, the provisions of Section 404 (7) of the Companies and Allied Matters Act 2020, the CBN Code of Corporate Governance and the Financial Reporting Council Act of Nigeria 2011, the members of the Audit Committee of Lagos Building Investment Company Plc hereby report as follows:

- We have exercised our statutory functions under Section 404 (7) of the Companies and Allied Matters Act, 2020 and acknowledge the co-operation of management and staff in the conduct of these responsibilities.
- We are of the opinion that the accounting and reporting policies of the Bank are in the accordance with legal requirements and agreed ethical practices and that the scope and planning of the both the external and internal audits for the year ended December 31, 2021 were satisfactory and reinforce the Bank's internal control system.
- We have deliberated on the findings of the External Auditors, who have confirmed that necessary cooperation was received from management in the course of their statutory audit and we are satisfied with management's responses to the External Auditor's recommendations on accounting and internal control matters and with the effectiveness of the Bank's system of accounting and internal control.



Chairman, Statutory Audit Committee

FRC/2015/ICAN/0001216

29th August, 2022

Members of the Statutory Audit Committee are:			
1.	Abiodun Yusuf	Shareholder	Chairman
2.	Isiaka Saliu	Shareholder	Member
3.	Bola Banjo	Director	Member
4.	Adewale Okesola	Director	Member
5.	Thomas Folorunsho	Shareholder	Representative



Secretary to the Committee

Ayosunkanmi Olajide



AVERTI Professional Managers

- Financial Services
- Training
- Auditing
- Process Management
- Consultancy

August 25, 2022

**The Board Chairman
Lagos Building Investment Company
1, Assibifi Road,
Central Business District
Alausa – Ikeja
Lagos**

Dear Sir,

LAGOS BUILDING INVESTMENT COMPANY (LBIC) ABRIDGED 2021 FINANCIAL YEAR CORPORATE GOVERNANCE EVALUATION REPORT

Corporate Governance Audit is conducted to address the oversight of the company's performance and the contribution to corporate success and growth from the Board of Directors in the context of effective and efficient implementation of the company's strategic goals and objectives.

Although corporate governance best practice is not peculiar to almost all the countries in the world, yet the Federal Government of Nigeria, using international standards, has domesticated and made its essence felt, as it is believed that a strong corporate governance not only provides a proper inducement to the owners and managers to achieve their objectives that are in the interests of the shareholders and the organization, but also maintains investors' confidence and ensures that the organization is managed in a manner that fits the best interests of all.

As the norm, the evaluation process covered all the aspects of corporate governance as mentioned in the Central Bank of Nigeria Code of Corporate Governance Act 2018, ranging from the highest on the cadre which is the Board and Management to Shareholders, Rights of other stakeholders, Risk Management, Ethics and Professionalism and Conflict of Interest to the least and most important which is Compliance and Sanctions respectively.

The 2021 financial year corporate governance audit exercise is based on the above submission and below are the compliance percentages for each milestone:

- Board and Management – **89.5%** compliant, **3.5 %** partially compliant and **7%** non-applicable
- Shareholders – **100%**
- Rights of other Stakeholders – **100%**
- Disclosures and Transparency – **100%**



- Risk Management – **100%**
- Ethics & Professionalism and Conflict of Interest - **81.8%** Compliant and **18.2%** non-applicable
- Compliance – **100%**
- Sanctions – **100%**

The overall compliance status of Lagos Building Investment Company (LBIC) as at the year under review was **92.56%** compliant, **1.65%** partially compliant, **0%** not compliant while other principles of about **5.79%** were not applicable.

Also, for effective audit, Averti Professionals Managers have also taken it a step further by identifying where the Primary Mortgage Bank's (PMB) shortcoming is under the principles, and this is evident under the Board and Management segment and Ethics & Professionalism and Conflict of Interest respectively which had partially compliant and non-applicable principles.

In the year under review, the Board Members and Management have shown that they are focused, honest and reliable in directing the affairs of the Bank and also ensuring that the company achieved its business strategic goals.

In conclusion, we strongly recommend that the PMB executes all outstanding non-applicable and partially compliant principles so that the company can attain a hundred percent (100%) compliance status which is the tenable height for all corporate organisations whether private or public owned.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'MOTUNRAYO AJIBESIN'.

MOTUNRAYO AJIBESIN (MS.)
Associate

A handwritten signature in black ink, appearing to read 'INYANG SAMI-ORUNGBE'.

INYANG SAMI-ORUNGBE (MRS.)
Managing Partner

CERTIFICATION OF ACCOUNT PURSUANT TO SECTION 60, INVESTMENTS AND SECURITIES ACT, 2007

We **Tobiloba Lawal** and **Afolabi Omilabu** being the Chief Executive Officer and Finance Director respectively of Lagos Building Investment Company Plc in compliance with section 60 of the Investments and Securities Act, 2007 and with regard to the audited financial statements for the year ended 31st December 2021 now submitted to the Commission, hereby certify that:

- (a) We have reviewed the report;
- (b) Based on our knowledge, the report does not contain;
 - (i) Any untrue statement of a material fact, or
 - (ii) Omit to state a material fact, which would make the statement misleading in the light of the circumstances under which such statement was made;
- (c) Based on our knowledge, the financial statements and other financial information included in the report fairly present in all material respects the financial condition and results of operations of the company as of and for the period presented in the report;
- (d) We:
 - i) are responsible for establishing and maintaining internal controls.
 - ii) have designed such internal controls to ensure that material information relating to the company and its consolidated subsidiaries is made known to us by others within the company particularly during the financial year ended 31st December 2021.
 - iii) have evaluated the effectiveness of the company's internal controls as of date within 90 days prior to the report.
 - iv) have presented in the report our conclusions about the effectiveness of our internal controls based on our evaluation as of that date;
- (e) We have disclosed to the Auditors of the company and Audit Committee:
 - i. All significant deficiencies in the design or operation of internal control which would adversely affect the company's ability to record, process, summarize and report financial data and have identified for the company's Auditors any material weakness in internal controls;
- (f) We have identified in the report whether or not there were significantly changes in internal controls or other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Certified by:

Afolabi Omilabu
(Executive Director - Finance & Operations)
FRC/2017/ICAN/00000016889

Tobiloba Lawal
(Managing Director/CEO)
FRC/2020/003/00000020529

Statement Of Directors' Responsibilities

For the year ended December 31, 2021

The Companies and Allied Matters Act and the Banks and other Financial Institutions Act require the Directors to prepare financial statements for each financial year that gives a true and fair view of the state of the financial affairs of the Company at the end of the year and of its profit or loss. The responsibilities include ensuring that the Company:

Keeps proper accounting records that disclose with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act and the Banks and other Financial Institutions Act.

Establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and

Prepare its financial statements using suitable accounting policies supported by reasonable and prudent judgement and estimates that are consistently applied.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgement and estimates, in conformity with:

- Financial Reporting Council of Nigeria Act;
- Prudential Guidelines for Licensed Banks as issued by the Central Bank of Nigeria;
- The requirements of the Bank and Other Financial Institutions Act;
- The requirements of the Companies and Allied Matters Act;
- The requirements of the Investment & Securities Act; and
- The rules and regulations of Securities and Exchange Commission.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of the financial performance and cash flows for the period.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Bank will not remain a going-concern for at least twelve months from the date of this statement.



Afolabi Omilabu

(Executive Director – Finance & Operations)

FRC/2017/ICAN/00000016889

March 23, 2022



Tobiloba Lawal

(Managing Director/CEO)

FRC/2020/003/00000020529

March 23, 2022



AKAPO AND PARTNERS
CHARTERED ACCOUNTANTS
Audit & Assurance, Tax & Business Advisory

INDEPENDENT AUDITOR'S REPORT TO THE
MEMBERS OF LAGOS BUILDING INVESTMENT COMPANY PLC

We have audited the accompanying financial statements of LAGOS BUILDING INVESTMENT COMPANY PLC (the Bank). The financial statements comprise;

THE STATEMENT OF COMPREHENSIVE INCOME;
STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2021;
STATEMENT OF CHANGES IN EQUITY
CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2021 and

Summary of significant accounting policies and other explanatory information set out on pages 26 to 97.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and the presentation of these financial statements in accordance with the International Financial Reporting Standards, Companies and Allied Matters Act 2020, the Banks and Other Financial Institutions Act 2020, the Financial Reporting Council of Nigeria Act No 6 2011 and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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

Opinion

In our opinion, the financial statements present a true and fair view of the financial position of the Bank as at December 31, 2021 and the financial performance and cash flows for the year ended December 31, 2021 in accordance with the Financial Reporting Council of Nigeria Act No 6 2011, the International Financial Reporting Standards and the Companies and Allied Matters Act 2020.

24.

📍 34, Ijaiye Road, Ogba, Lagos.

☎ :0808 383 8309, 0803 313 0365 📧 ojakapo@gmail.com

Other Reporting and Legal Responsibilities

Contravention of Primary Mortgage Bank Prudential Guidelines:

The bank did not contravene any of the Primary Mortgage Banks Prudential Guidelines and therefore no penalty was due for payment during the period under review. However, there is need to improve on mortgage related ratios.

The bank has complied with the requirements of the relevant circulars issued by the Central Bank of Nigeria. We also confirm that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii) in our opinion, proper books of account have been kept by the Company and adequate internal control maintained, so far as it appears from our examination of these books; and
- iii) the bank's statement of financial position and statement of comprehensive income agree with the books of account.

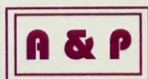
Akapo And Partners.

(Chartered Accountants)
23rd March 2022.
Lagos, Nigeria



Olukayode Akapo. FCA

FRC/2015/ICAN/00000012746



34, Ijaiye Road, Ogba, Lagos.

0808 383 8309, 0803 313 0365 ojakapo@gmail.com

Statement Of Comprehensive Income

For the Period ended December 31, 2021

		Dec 21	Dec 20
	Note	N'000	N'000
Interest Income	5a	445,048	198,096
Interest Expenses	5b	(80,096)	(30,233)
Net Interest Income		364,952	167,864
Loan impairment (charges)/write-back	9a	420	11,935
Net interest income after loan impairment charges		365,372	179,798
Net Fee and Commission Income	6	271,818	220,343
Net Trading Income	7	199,170	162,695
Net fee, commission and trading income		470,988	383,038
Net Operating Income		836,360	562,836
Impairment (charges)/write-back on Other Known Loss	9	(3,314)	364
Net Operating Income		833,046	563,200
Net gain/(loss) on assets at fair value through profit or loss	8	-	-
Staff Cost	10a	(215,862)	(194,406)
Depreciation & Amortisation	11a	(123,253)	(105,919)
Administrative Expenses	11b	(239,502)	(190,535)
Profit Before Income Tax		254,430	72,340
Income Tax Expenses	12	(45,402)	(20,756)
Profit /(loss) after tax for the year		209,027	(51,583)
Other Comprehensive Income (OCI)		-	-
Income Tax Expenses on OCI		-	-
Other Comprehensive Income (OCI) after Tax		-	-
Total Comprehensive Income /(Loss) After Tax For The Year		209,027	(51,583)
Basic EPS (Kobo)		5.38	1.33

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

Financial Position

As at December 31, 2021

	Notes	Dec 21 N'000	Dec 20 N'000
Cash and Cash Equivalents	15	4,441,003	2,647,316
Financial Assets at Fair value through profit or loss	16	195,784	195,854
Mortgage loans and Advances	17a	637,556	511,417
Non current assets held for sale	18	749,034	779,323
Investment Properties	18b	429,743	429,743
Other Assets	19	43,774	30,685
Property, Plant and Equipment	20	1,766,861	1,641,200
Intangible Assets	21	-	21,516
Total Assets		8,263,757	6,257,054
Liabilities			
Customers' Deposits	22	4,265,085	3,107,320
Financial Liabilities	23	86,658	32,130
Creditors and Other Liabilities	24	778,045	233,393
Current Tax Liabilities	25	61,808	21,006
Total Liabilities		5,191,595	3,393,849
Equity			
Share Capital	26	3,882,047	3,882,047
Share Premium	27	119,802	119,802
Retained Earnings	28	(1,044,875)	(1,253,902)
Statutory Reserve	29	56,123	56,123
Non-Distributable Regulatory Reserve	28	32,048	32,048
Assets Revaluation Reserve	30	27,016	27,086
Total equity attributable to equity holders of the company		3,072,162	2,863,205
Total Equity and Liabilities		8,263,757	6,257,054

The accompanying notes are an integral part of these financial statements, and were approved and authorized for issue by the board of directors on February 23, 2021 and were signed on its behalf

Afolabi Omilabu
(Executive Director – Finance & Operations)
FRC/2017/ICAN/00000016889

Tobiloba Lawal
(Managing Director/CEO)
FRC/2020/003/00000020529

Statement Of Changes In Equity

For the Period ended December 31, 2021

	SHARE CAPITAL	SHARE PREMIUM	ASSETS REVALUATION RESERVE	STATUTORY RESERVE	NON- DISTRIBUTABLE REGULATORY RESERVE	RETAINED EARNINGS	TOTAL EQUITY
	N'0,00	N'0,00	N'0,00	N'0,00	N'0,00	N'0,00	N'0,00
Balance as at 1/1/2021	3,882,047	119,802	27,086	56,123	32,048	(1,253,902)	2,863,205
Profit and Loss	-	-	-	-	-	209,027	209,027
Total Comprehensive Income	-	-	-	-	-	209,027	209,027

**Transaction with owners recorded
directly in equity and Contributions
by Owners (Issue cost etc)**

Transfer to Statutory Reserves	-	-	-	-	-	-	-
Transfer to Non-distributable	-	-	-	-	-	-	-
Reserves	-	-	-	-	0	(0)	-
Shares Issued	-	-	-	-	-	-	-
Share cost written off/Asset	-	-	-	-	-	-	-
Revaluation	-	-	(70)	-	-	-	(70)
Prior year adjustments	-	-	-	-	-	-	-
Balance as at 31/12/2021	3,882,047	119,802	27,016	56,123	32,048	(1,044,875)	3,072,162

	SHARE CAPITAL	SHARE PREMIUM	ASSETS REVALUATION RESERVE	STATUTORY RESERVE	NON- DISTRIBUTABLE REGULATORY RESERVE	RETAINED EARNINGS	TOTAL EQUITY
	N'0,00	N'0,00	N'0,00	N'0,00	N'0,00	N'0,00	N'0,00
Balance as at 1/1/2020	3,882,047	119,802	27,086	56,123	24,844	(1,298,281)	2,811,622
Profit and Loss	-	-	-	-	-	51,583	51,583
Total Comprehensive Income	-	-	-	-	-	51,583	51,583

**Transaction with owners recorded
directly in equity and Contributions
by Owners (Issue cost etc)**

Transfer to Statutory Reserves	-	-	-	-	-	-	-
Transfer to Non-distributable	-	-	-	-	-	-	-
Reserves	-	-	-	-	7,204	(7,204)	-
Shares Issued	-	-	-	-	-	-	-
Share cost written off/Asset	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
Prior year adjustment	-	-	-	-	-	-	-
Balance as at 31/12/2020	3,882,047	119,802	27,086	56,123	32,048	(1,253,902)	2,863,205

Statement Of Cash Flow

For the Period ended December 31, 2021

	Notes	Dec 21	Dec 20
		N'000	N'000
Cash Flow from Operating Activities			
Cash Generated from Operations	31	1,942,933	1,472,604
Tax Paid		(4,601)	(5,479)
Net Cash from Operating Activities		1,938,332	1,467,125
Cash Flow from Investing Activities			
Purchase of Fixed Assets		(227,448)	(6,118)
Acquisition/(Disposal) of Non Current Assets Held for Sales		26,975	168,863
(Increase)/Decrease in fair of equities		-	-
Proceed from Disposal of Fixed Assets		1,301	473
Net Cash from Investing Activities		(199,173)	163,218
Cash Flow from Financing Activities			
Financial Liabilities (NHF Loans Received)		54,528	32,130
Recapitalisation		-	-
Net Cash from Financing Activities		54,528	32,130
Increase/(Decrease) in Cash and Cash Equivalent		1,793,687	1,662,473
Cash and Cash Equivalent at Beginning		2,647,316	984,843
Cash and Cash Equipment as at Dec 2020		4,441,003	2,647,316

Notes To The Financial Statements

1. Reporting Entity

LBIC Plc (the 'Company' or the 'Bank') is registered in Nigeria in 1980. The company's registered office is Plot 1 ASSBIFI Road, Central Business District, Alausa, Ikeja, Lagos. The Bank is exploring ways to enhance sustainable growth in order to maximise returns on its assets including but not limited to subsidiary operations within the Regulatory framework, in a legally and efficient manner.

2. Summary of Significant Accounting Policies

2.1. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB, the requirements of the Companies and Allied Matters Act and with the Banks and other Financial Institutions Act. The financial statements have been prepared on a historical cost basis except for investment in quoted equities which are carried at fair value.

a. Going Concern

Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least twelve months from the date of the financial statements as the capital base of the Company is within the statutory requirements of the Central Bank of Nigeria.

b. Functional and presentation currency

These financial statements are presented in Nigerian Naira which is the Company's functional currency. Except as otherwise indicated, financial information presented in Naira has been rounded to the nearest thousand.

c. Basis of measurement

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

- Financial instruments as fair value through profit or loss are measured as fair value.
- Available-for-sale financial assets are measured at fair value through equity,
- Inventory of properties is measured at the lower of cost and net realizable value.

d. Use of estimates and judgements

The preparation of financial statements in conformity with IFRS require management to make judgement, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of which forms the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period or in the period of the revision and future periods, if the revision affects both current and future periods. Judgements made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of adjustment are discussed in the notes to the accounts.

2.2 Accounting Policy and disclosures

The following standards, accounting policies set out below have been consistently applied in all periods presented in these financial statements.

a. Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the Bank entities at the exchange rates on the dates of the transactions. At the statement of financial position date, monetary assets and liabilities denominated in foreign currencies are reported using the closing exchange rate. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period using the rates prevalent at the beginning, adjusted for effective interest and payments during the period, and the amortized cost in the functional currency at the period end using the rates prevalent at the period end.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available - for - sale equity instruments, which are recognized directly in equity. Non -monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

b. Interest

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instruments but not future credit losses.

The effective interest rate is calculated on initial recognition of the financial asset and liability and is not revised subsequently. The calculation of the effective interest rate includes contractual fees and points paid or received transaction costs, and mortgages that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability. Interest income and expense presented in the statement of comprehensive income include: Interest on financial assets and liabilities measured at amortized cost calculated on an effective interest rate basis.

- Interest on available -for -sale investment securities calculated on an effective interest basis
- Interest income and expense on all trading assets and liabilities are considered to be incidental to the Company's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Fair value changes on other financial assets and liabilities carried at fair value through profit or loss, are presented in net trading income from other financial instruments and carried at fair value through profit and loss in the statement of comprehensive income.

c. Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, are recognized as the related services are performed.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

d. Net Trading Income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realized and unrealized fair value changes, dividends and foreign exchange differences.

e. Net Income from other financial instruments at fair value through profit or loss

Net income from other financial instruments at fair value through profit or loss financial assets and liabilities are designated at fair value through profit or loss, and include all realized and unrealized fair value changes, interest, dividends and foreign exchange differences.

f. Dividends

Dividend income is recognized when the right to receive income is established. Dividends on trading equities are reflected as a component of net trading income, net income from other financial instruments at fair value through profit and loss or other operating income based on the underlying classification of the equity investment. Dividend income on available-for-sale securities are recognized as a component of other operating income.

g. Income Tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity through other comprehensive income, in which case it is recognized in equity.

(i) Current Tax

Current tax is the expected tax payable on taxable income for the year determined in accordance with the Companies Income Tax Act (CITA), using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is provided for using the balance sheet liability method. Deferred tax is not recognized for the following temporary differences:

- The initial recognition of goodwill;
- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend is recognized.

h. Financial Assets and Liabilities – Prior to IFRS 9

(i) Recognition

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

(ii) Subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or

a. Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed determinable payments and fixed maturities that management has both the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or as available for sale. Where the Company sells more than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale assets and the difference between amortized cost and fair value will be accounted for in equity.

Held-to-maturity investments are carried at amortized cost, using the effective interest method, less any provisions for impairment. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Bank from classifying investment securities as held-to-maturity for the current and the following two years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- Sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial assets fair value,
- Sales or reclassifications after the Company has collected substantially all of the asset's original principal; and
- Sales or reclassifications attributable to non-recurring isolated events beyond the company's control that could not have been reasonably anticipated.

b. Financial assets held at fair value through profit and loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as trading if acquired principally for the purpose of selling in the short term.

Financial assets may be designated at fair value through profit or loss when:

- The designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on different basis; or
- A group of financial assets is managed and its performance evaluated on a fair value basis. Subsequent to initial recognition, the fair values are re-measured at each reporting date. All gains and losses arising from changes therein are recognised in the income statement in 'net trading income for trading assets, and in 'net income from other financial instruments carried at fair value' for financial assets designated at fair value through profit or loss at inception.
- Interest earned and dividends received while holding trading assets at fair value through profit or loss are included in net trading income. Trading assets are not reclassified subsequent to their initial recognition.

c. Available-for-sale

Financial assets classified by the Company as available-for-sale financial assets are generally those that are not designated as another category of financial assets, or strategic capital investments held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Available-for-sale financial assets are subsequently carried at cost.

Interest income, calculated using the effective interest method, is recognised in the income statement. Dividends received on available-for-sale instruments are recognised in income statement when the Company's right to receive payment has been established.

Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in fair value reserve in equity until the financial asset is de-recognised or impaired. When available-for-sale financial assets are disposed of, the fair value adjustments accumulated in equity are recognised in the income statement.

d. 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 those classified by the Company as at fair value through profit or loss or available-for-sale.

Loans and receivables are measured at amortised cost using the effective interest method less any impairment losses. Origination transaction costs and origination fees received that are integral to the effective rate are capitalised to the value of the loan and amortised through interest income as part of the effective interest rate.

(I) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(ii) Fair value measurement

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. The best evidence of the fair value of a financial instrument on initial recognition is the transaction price, i.e. the fair value of the consideration paid or received, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument without modification or repackaging, or based on discounted cash flow models and option pricing valuation techniques whose variables include only data from observable markets.

Subsequent to initial recognition, the fair values of financial instruments are based on quoted market prices or dealer price quotations for financial instruments traded in active markets. If the market for a financial asset is not active or the instrument is an unlisted instrument, the fair value is determined by using applicable valuation techniques. These include the use of recent arm's length transactions discounted cash flow analyses, pricing models and valuation techniques commonly used by market participants.

Where discounted cash flow analyses are used, estimated cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date from a financial asset with similar terms and conditions. Where pricing models are used, inputs are based on observable market indicators at the balance sheet date and profits or losses are only recognised to the extent that they relate to changes in factors that market participants will consider in setting the price.

(I) Impairment of financial assets – Prior to IFRS 9

(I) Assets carried at amortised cost

The company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets (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.

Objective evidence that financial assets (including equity securities) are impaired may include:

- default or delinquency by a borrower;
- restructuring of a loan or advance by the Company on terms that the Company would not otherwise consider;
- indications that a borrower or issuer will enter bankruptcy;
- the disappearance of an active market for a security; or
- other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

The company 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 that are not individually significant.

If the Company 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.

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 which considers asset type, industry, geographic location, collateral type, past-due status and other relevant factors). These characteristics are relevant to the estimation of future cash flows of such assets being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

In assessing collective impairment, the Company uses statistical modeling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modeling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

If there is objective evidence that an impairment loss on a loan and receivable or a held-to-maturity asset has been incurred, 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 asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. The carrying amount of the asset is reduced through the use of an allowance account.

The calculation of the present value of the estimated future cash flows of a collateralized 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.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the 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 exist currently.

To the extent at which a loan is irrecoverable, it is written off against the related allowance 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. Subsequent recoveries of amounts previously written off decrease the amount of the allowance for loan impairment in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (Such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are impaired if there is objective evidence of impairment resulting from one or more loss events that occurred after initial recognition but before the balance sheet date, that have an impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. Where an available-for-sale asset, which has been measured at fair value directly through equity, is impaired, the impairment loss is recognised in profit or loss. Any loss on the financial asset was previously recognised directly in equity as a reduction in fair value, the cumulative net loss that had been recognised in equity is transferred to profit or loss and is recognised as part of the impairment loss. The amount of the loss recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any previously recognised impairment loss.

If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised in the income statement, where the instrument is a debt instrument, the impairment loss is reversed through profit or loss. An impairment loss in respect of an equity instrument classified as available-for-sale is not reversed through profit or loss but accounted for directly in equity.

(iii) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by accounting standards, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

(iv) De-recognition of financial Instruments

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or has assumed an obligation to pay those cash flows to one or more recipients, subject to certain criteria.

Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability. The Company de-recognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Company enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all risks or rewards of the transferred assets or a portion of them.

If all or substantially all risks and rewards are retained, then the transferred assets are not de-recognised from the balance sheet. In transactions where the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it de-recognises the asset if control over the asset is lost.

The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Company continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Company writes off certain loans and investment securities when they are deemed to be uncollectible.

(ii) IFRS 9 - Financial Instruments

In accordance with the transitional provisions of IFRS 9, the Bank elected to restate comparative figures. Adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognized accordingly. The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 introduces a new approach for classification and measurement of financial instruments, a more forward looking Impairment methodology and a new general hedge accounting requirement.

Classification and Measurement - IFRS 9 requires financial assets to be classified into one of three measurement categories: fair value through profit or loss, fair value through other comprehensive income and amortised cost.

Financial assets will be measured at amortised cost if they are held within a business model with the objective of to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest.

Financial assets not meeting either of these two business models; and all equity instruments (unless designated at inception to fair value through other comprehensive income); and all derivatives are measured at fair value through profit or loss.

An entity may, at initial recognition, designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

The Bank has undertaken an assessment to determine the potential impact of changes in classification and measurement of financial assets. Our assessment revealed that the adoption of FRS 9 is unlikely to result in significant changes to existing asset measurement bases. IFRS 9 retains most of the existing requirements for financial liabilities. However, for financial liabilities designated at fair value through profit or loss, gains or losses attributable to changes in own credit risk shall be presented in Other Comprehensive Income.

(k) Expected Credit Loss (ECL) Impairment Model

The Bank's allowance for credit losses calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either over the following twelve months or over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

LBIC Plc has built its own ECL model appropriate for its size and complexity, and supported by historical, current and forecast data of relevance. Management's judgment and understanding of business risks played an equally important role in validating the inputs and output of the ECL model. LBIC Plc adopts a three-stage approach for impairment assessment based on changes in credit quality since initial recognition.

- **Stage 1** – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.

All staff loans are less than 12 months tenor and the staff are still in the employment of the bank, LBIC Plc will not subject the staff loan to impairment.

- **Stage 2** – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
- **Stage 3** – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

The guiding principle for ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments since initial recognition. The ECL allowance is based on credit losses expected to arise over the life of the asset (life time expected credit loss), unless there has been no significant increase in credit risk since origination. The assessment of whether an asset is in stage 1 or 2 considers the relative change in the probability of default occurring over the expected life of the instrument, not the change in the amount of expected credit losses. Reasonable and supportable forward looking information will also be used in determining the stage allocation. In general, assets more than 90 days past due, but not credit impaired, will be classed as stage 2. IFRS 9 requires the use of more forward-looking information including reasonable and supportable forecasts of future economic conditions. The Bank has developed the capability to model a number of economic scenarios and capture the impact on credit losses to ensure the overall ECL represents a reasonable distribution of economic outcomes.

Measurement of Expected Credit Losses

The probability of default (PD), exposure at default (EAD), and loss given default (LGD) inputs used to estimate expected credit losses are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio.

Details of these statistical parameters/inputs are as follows

- **PD** – The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognized and is still in the portfolio.
- **12-month PDs** – This is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12-month ECLs. The Bank obtains the constant and relevant coefficients for the various independent variables and computes the outcome by incorporating forward looking macroeconomic variables and computing the forward probability of default.
- **Lifetime PDs** – This is the estimated probability of default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECLs for 'stage 2' and 'stage 3' exposures. PDs are limited to the maximum period of exposure required by IFRS 9. The Bank obtains 3 years forecast for the relevant macroeconomic variables and adopts exponentiation method to compute cumulative PD for future time periods for each obligor.
- **EAD** – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- **LGD** – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

Forward Looking Information (FLI)

A key addition to impairment under IFRS 9 in comparison to IAS 39 is the introduction of forward-looking information (FLI) and macroeconomic estimates into the computation. The standard requires the computation of ECL to also reflect an unbiased and Probability-Weighted amount that is determined by evaluating a range of possible outcomes of FLI estimates. A simplifying assumption; the standard recommends a minimum number of 2 scenarios but 3 scenarios have been adopted in our model. Each of these scenarios (SC) have been assigned a probability (P) indicating their likelihood of occurrence. The 3 scenarios reflect FLI estimates that indicate the following outlook on the direction of the economy;

1. Best Case (Alternate A)
2. Most Likely (Baseline)
3. Worst Case (Alternate B)

Portfolio Segmentation

In line with IFRS, the Bank shall group its financial assets into homogenous groups with similar credit risk characteristics for the purpose of credit risk parameters calculation. In this Methodology, the process of grouping the portfolio is further referred to as portfolio segmentation.

For the purpose of practical implementation, it is assumed that exposures with similar risk profile are allocated to the same risk portfolio, and further to the same risk group within the portfolio. A single risk group within the given portfolio is assumed to be the homogenous group of assets according to the IFRS definition.

Notes To The Financial Statements (contd.)

The segmentation criteria are usually based on expert judgment and experience of the Bank's employees, supported by historical data where necessary. The general segmentation criteria are presented below.

Risk portfolios

The segmentation into risk portfolios is based on client segments at product levels. For the segmentation, exposures are subdivided based on product types, e.g. Mortgage, NHF Loan, Overdraft.

Risk groups

Each risk portfolio is further divided into risk groups based on:

- DPD (Days Past Due) intervals (applicable only for non-defaulted exposures and defaulted exposures),
- Internal client rating.

Additionally, the following rules are applicable for the risk group segmentation process:

- On the default identification approach, days past due (DPD) are examined at the transaction level. The following conditions are taken into account:
- DPD at the transaction level is counted from the date, on which any part of the exposure becomes due, regardless of the amount of due exposure,
- Overdue amount is compared to the materiality threshold. Overdue amount is calculated at the transaction level in line with the point stated above, taking into account the following conditions:
- Overdue amount at the transaction level is the sum of overdue principal, interest and fee balance for the exposure,

For the purpose of ECL parameters calculations the following risk segmentation were determined:

- Performing Risk Groups
 - RG1 – When $DPD \leq 30DAY_PAST_DUE$
 - RG2 – When $DPD > 30DAY_PAST_DUE \ \& \ \leq 90 \ DAYS_PAST_DUE$
- Defaulted Risk Groups
 - RG3 – When $DPD > 30DAYS_PAST_DUE \ \& \ < 180DAYS_PAST_DUE$
 - RG4 – When $DPD > 180DAYS_PAST_DUE \ \& \ < 360DAYS_PAST_DUE$
 - RG5 – When $DPD > 360DAYS_PAST_DUE$

Grouping of defaulted exposures (risk groups RG3, RG4 and RG5) is based on the number of days in default. Time horizon after default is set individually for each risk portfolio and represent the period after which no material recoveries, other than those from collaterals, are expected. Risk group "RG5" is considered the worst default risk group, in which by definition, no natural cures and repayments are expected. Hence the Bank expects a loss of 100% of exposure not covered by discounted expected recoveries from collateral (DRfC). Only recoveries from collaterals are expected in case of collateralized exposures.

(1) Cash and cash equivalents

Cash and cash equivalents include notes and coins in hand, unrestricted balances with banks and highly liquid financial assets with original maturities of three months or less from the acquisition date, which are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments. Cash reserves deposits held by the CBN are also included.

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

(k) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labour:
- Any other costs directly attributable to bringing the assets to a working condition for their intended use;
- When the company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located and;
- Capitalized borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or losses on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Reclassification to investment property

When the use of property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified as investment property. Any gain arising on re-measurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive Income and presented in revaluation reserve in equity. Any loss is recognised immediately in profit or loss.

(iii) Subsequent costs

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

(iv) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis to write down the cost of each asset, to their residual values over the estimated useful lives of each part of an item of property and equipment. Leased assets under finance lease are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is de-recognised or classified as held for sale in accordance with IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations). A non-current asset or disposal group is not depreciated while it is classified as held for sale.

The estimated useful lives for the current and comparative period are as follows:

Buildings	50 years
Plants and machinery	10 years
Motor vehicles	4 years
Furniture & fittings	10 years
Computer equipment	5 years

The depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(v) De-recognition

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

(l) Investment property

Investment property is an investment in land and building held primarily for generating income or capital appreciation; or both but not for sale in the ordinary course of business, use in the production of goods and services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss. Subsequent expenditure is included in the assets carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When an investment property that was previously classified as property and equipment is sold, any related amount included in revaluation reserve is transferred to retained earnings.

When the use of an asset changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(m) Intangible asset

Software acquired by the Company is stated at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development.

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

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

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is five years

Amortisation method, useful lives, and residual values are reviewed at each reporting date and adjusted where appropriate.

(o) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of goodwill is estimated at each reporting date. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss, Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, 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 assets 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.

(p) Provisions

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

(q) Employee Benefits

(a) Short-term benefits

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

Financial Statements

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

(b) Post-employment benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and has no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the period during which the employees have rendered service entitling them to the contributions, Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that is due more than 12 months after the end of the period in which the employees render the service are discounted to their present value at the reporting date.

The Bank operates a funded defined contribution retirement benefit scheme for its employees under the provisions of the Pension Reform Act 2004 as amended. Employees and the Company's contributions to the scheme are 8% and 10% respectively of each employee's total emolument. Employees' contributions to the scheme are funded through payroll deductions while obligations in respect of the Company's contribution to the scheme are recognised as an expense in the profit and loss account on an annual basis.

(r) Contingencies

(a) Contingent Asset

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

A contingent asset is disclosed when an inflow of economic benefit is probable. When the realization of income is virtually certain, then the related asset is not a contingent and its recognition is appropriate.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statement.

(b) Contingent Liability

Contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefit is remote. A provision for the part of the obligation for which an outflow of resources embodying economic benefits are probable is recognised except in the extremely rare circumstances where no reliable estimate can be made.

Contingent liabilities are assessed continually to determine whether an outflow of economic benefit has become probable.

Commissions and fees charged for services rendered are recognised in the accounting period in which the services were rendered.

Revenue is recognised on a straight line basis over the specified period.

(s) Share capital and reserves

(i) Share issue costs

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

(ii) Dividend on ordinary shares

Dividends on the Company's ordinary shares are recognised in equity in the period in which they are paid or, if earlier, approved by the Company's shareholders.

(t) Earnings per share

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

3.0 Capital Management

LBIC Plc's objectives in managing capital are:

- i To comply with the capital requirements set by the Central Bank of Nigeria
- ii To safeguard the Bank's ability to continue as a going concern and
- iii To maintain an optimal capital structure suitable for the bank's business strategy

The Bank's capital management approach is driven by its strategy and organizational requirements, considering the regulatory and commercial environment in which it operates. It is the bank's policy to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times.

4.0 Risk Management

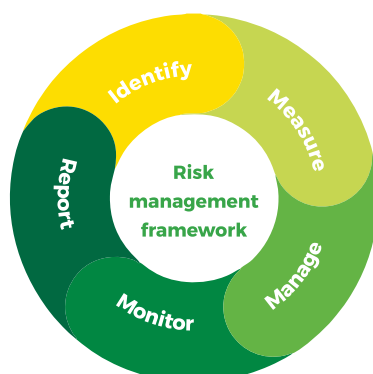
4.1 Enterprise Risk Management

The Bank implements an Enterprise Risk Management program that is directly related to strategy setting and embedded in execution processes. It takes a comprehensive view of risk from both operational and strategic perspectives, supporting reduction of uncertainties and promoting the exploitation of opportunities in a cost-effective manner.

As part of its risk management policy, the Bank segregates duties between market-facing business units and risk management functions while management is governed by well-defined policies, which are clearly communicated across the bank.

Appropriate controls are embedded in each business process and activity while the risk department provides proactive support to the risk owners.

4.1.1 Risk Management Framework



The Bank's Risk Management Framework is built on a well-defined organizational structure and policies. The aim of the framework is to provide all staff of the Bank with the appropriate guidance to ensure that the actions and activities of the Bank with respect to risk management are consistent with the need to meet its business strategy and objectives, competitive challenges and regulatory requirements. The issues covered in the policy are integral to the processes of identification, assessment, measurement, monitoring, mitigation and control and reporting of risk exposures.

The key elements of the Bank's Enterprise Risk Management addressed in the policy framework include:

- The Bank's risk philosophy, culture and objectives;
- The Bank's risk management governance framework;
- The Bank's risk management stakeholders and development of an action plan to meet their expectations;
- Establishment of policies and procedures to identify, measure, monitor, control and report the risks the Bank faces;
- Processes for identifying and evaluating risks in new products and markets;
- Stress testing and capital management;
- Training in Risk Management;
- Management Information and Application Architecture

In developing the policy framework, significant emphasis was placed on:

- establishing a strong, independent risk management function to champion, coordinate and monitor the enterprise-wide risk methodology across the Bank;
- formally assigning accountability and responsibility for risk management; and
- breaking the Bank's risk universe down into manageable, tailored, well-resourced and specialized components.

The Enterprise Risk Management (ERM) policy is complementary to other specific risk management frameworks and policies such as credit risk, market risk, liquidity risk, operational risk, strategic risk, reputational risk, legal risk, compliance risk etc. and does not replace them. It brings all these various elements together, enabling the bank to have a holistic view and management of its risk exposures.

4.2 Risk culture

- a) The Risk and Compliance (R&C) Department provide a centralized oversight of risk management across the Bank such that the full spectrum of risks facing it are properly identified, measured, monitored and controlled to minimize adverse outcomes.
- b) Risk management is a shared responsibility. Therefore, the Bank continually builds a shared standpoint on risks that is grounded on consensus.
- c) There is clear segregation of duties between market-facing business units and risk management functions.
- d) Risk related issues are taken into consideration in all business decisions.
- e) The R & C department co-ordinates the monitoring and reporting of all risks across the Bank. Without prejudice to the above, the Internal audit function reports to the Board Audit Committee and provides independent validation of the business units' compliance with risk policies and procedures, and the adequacy and effectiveness of the risk management framework on an enterprise-wide basis.

4.3 Risk Management Approach

The Bank manages its risks in a structured, systematic and transparent manner through Enterprise risk management policy which embeds comprehensive risk management processes into the Bank's organizational structure, risk measurement and monitoring activities.

The Board drives the risk governance and compliance process through its committees. The audit committee provides oversight on the systems of internal control and financial reporting. The Board credit committee reviews the credit policies and approves all loans above the limits of Management Credit Committee. The Board Risk Committee sets the risk philosophy, policies and strategies as well as provides guidance on management of the various risk elements.

The Board Risk Committee are supported by Management Risk Committee, Management Credit Committee and Assets and Liabilities Committee that helps the Committee develop and implement various risk strategies. The Credit committee manages the credit approval and documentation activities. It ensures that the credit policies and procedures are aligned with the Bank's business objectives and strategies. The Risk Management Committee drives the operational risks, compliance risk, strategic and reputational risks. The Assets and Liabilities Committee drives the Market and Liquidity management of the bank.

The main characteristics of the Bank's risk management policy are:

- a. The Board of Directors provides overall risk management oversight;
- b. The Board approves risk policy and risk limits;
- c. Risk management is embedded in the Bank's process;
- d. The Bank's risk management function is independent of the business divisions;
- e. The individuals who take or manage risks clearly understand it;
- f. The Bank's risk exposures are within the appetites established by Board of Directors;
- g. Risk taking decisions are in line with the business strategy and objectives set by the Board of Directors;
- h. The expected payoffs compensate for the risks taken;
- i. Risk taking decisions are explicit and clear;
- j. Sufficient capital as a buffer is available to take risk;
- k. Compliance risk is monitor accordingly;
- l. The Bank manages its credit, market, liquidity and operational risks in a coordinated manner within the organization; and
- m. The internal audit function reports to the Board Audit Committee and provides independent validation of the business units' compliance with risk policies and procedures, and the adequacy and effectiveness of the risk management framework on an enterprise-wide basis.

Risk and Responsibility Matrix

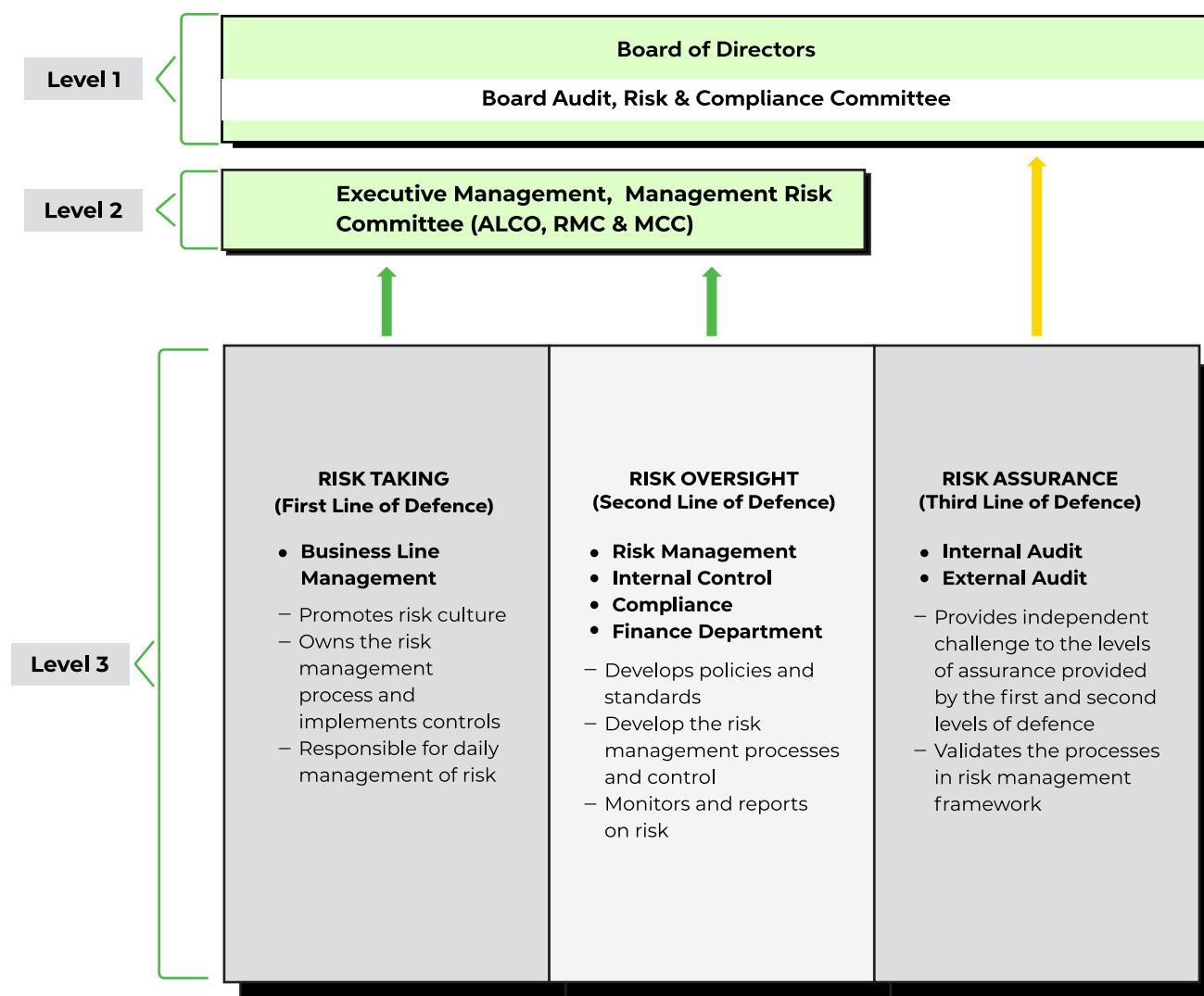
LBIC RISK UNIVERSE AND RESPONSIBILITY MATRIX										
Risk Universe	Credit Risk	Concentration Risk	Market Risk	Liquidity Risk	Operational Risk	Strategic Risk	IT Risk	Legal Risk	Reputational Risk	Compliance Risk
Primary Risk Owner	Head, Mortgage & Credit		CFO/Head Treasury HODs			Finance & EXCO	Head, IT	Head Legal Services	HCM	CCO
Secondary Risk Owner	CRO									CCO
Management Committees	Management Credit Committee		ALCO		Risk Management Committee (RMC)					
	Executive Management Committee									
Board Committees	Board Credit Committee		Board Audit, Risk and Compliance Committee							
	Board of Directors (BOD)									

4.4 Risk Governance Structure

The Bank has three levels of Governance Structure:

1. The Board and Board Risk Management Committees;
2. Management Risk Committees; and
3. The Business Units and Functions with Risk & Control responsibilities

The Three-Level Governance and Lines of Defence



4.4.1 Board of Directors

The Board of Directors (“the Board”) has the ultimate responsibility for risk management in the Bank, including ensuring the implementation and maintenance of effective systems for risk management and internal control oversight role, with emphasis on understanding the priority risks, approving risk management policies for risks and determining that risk responses are effective. The board is responsible for;

Setting the Bank's risk appetite across the risk spectrum

- Ensuring that executive management as well as individuals responsible for managing risks facing the bank possess sound expertise and knowledge to accomplish the risk management function.
- Ratifying the decision of the Board Audit, Risk & Compliance Committee (BARCC) with respect to the following:
 - Approval of the risk management frameworks and policies
 - Approval of new products/markets
 - Approval of any complementary methodologies with respect to risk management
- Ensuring that the Risk Management Policy Frameworks are implemented in line

- with the Board approval.
Ensure that the Bank maintains a sound system of risk management and internal
- control with respect to:
 - i. Efficiency and effectiveness of operations;
 - ii. Safeguarding the Banks assets (including information);
 - iii. Compliance with applicable laws, regulations and supervisory requirements;
 - iv. Reliability of reporting; and
 - v. Behaving responsibly towards all stakeholders.

4.4.2 The Role of the Board Audit, Risk and Compliance Committee

The roles and responsibilities of the Board Audit, Risk & Compliance Committee with respect to risk management functions include (but not limited to) the following:

- Setting the enterprise risk management vision, goals and objectives;
- Providing required support to the Board of Directors to guide the definition of the bank's risk appetite and ensuring that all exposures are in line with the approved appetite;
- Ensuring the bank has appropriate risk management frameworks and policies, processes and methodologies in place for managing the various risk exposures of the Bank;
- Ensuring adherence to the risk management frameworks and policies through audit, inspection and exception monitoring
 - Ensure Internal Audit & Control conducts periodic independent assessment of the risk management functions, including established controls
 - Review exception reports and determine appropriate actions for policy breaches
- Endorsing approval of new products/markets subject to the ratification of the full Board;
- Reviewing the outcomes/results of stress testing activities and using the outcome to conduct an internal assessment of capital adequacy;
- Using reports on the bank's risk profile and capital needs to:
 - Evaluate the level and trend of material risks and their effect on capital level
 - Ensure that the bank holds sufficient capital for all its material risk exposures and complies with established capital adequacy goals.)
 - Review and approve capital allocation among major classes of risk, business lines and geography.
- Initiating a benchmarking study and internal review to ascertain the adequacy of the Bank's approach to managing risks across all risk areas;
- Presenting reports on compliance with the Enterprise Risk Management policy to the Board of Directors;
- Approving all material aspects of rating and estimation processes;
- Ensuring the Bank's business continuity management and disaster recovery plan is comprehensive and adequate.

The Board Audit Risk and Compliance Committee shall assist the Board in fulfilling its oversight responsibilities and its roles and responsibilities with respect to audit functions, including (but not be limited to):

- Reviewing the financial reporting process, the system of internal control and management of financial risks;
- Reviewing both internal and external audit processes; and
- Reviewing the Bank's process for monitoring compliance with laws and regulations and its own code of business conduct;
- Reviewing the findings of internal and external auditors and the department/management's responses thereon;
- Authorizing the internal auditor to carry out investigations into any activities of the Bank, which may be of interest or concern to the committee;
- Overseeing the establishment of whistle blowing procedures for the receipt, retention, and treatment of complaints received regarding unethical activity or breach of the corporate governance code and the confidential or anonymous treatment of submission by stakeholders (employees, customers, suppliers, applicants, etc.) of the Bank with respect to such complaints.

4.4.3 Management Risk committees and Business units and Control functions

The Leadership through its three committees; Risk Management Committee (RMC), Management Credit Committee (MCC) and the Assets & Liabilities Committee (ALCO) provide another line of defence, while the Business units, support functions and control own the Risk management and promote risk culture; develops policies and standards and assurances on the effectiveness of Risk management.

4.4.4 Financial Risk Management

Financial risk is the potential for financial loss as a result of lending, operations and intermediating activities. The following financial risks are inherent in LBIC business.

- (a) Market Risk
- (b) Credit Risk
- (c) Liquidity Risk and
- (d) Operational Risk

Others are:

- (e) Strategic Risk
- (f) Reputational Risk
- (g) Legal and Regulatory Compliance Risk
- (h) Environmental and Social Risk

The business of Mortgage Banking is inherently about risk management and also as a fund manager in its intermediation role, the Bank's looks forward to decent returns on their investment: it is right to state that this has to go along with commensurate risk.

Significant efforts are devoted to the process of managing risk by LBIC through the Identification, measurement, monitoring and controlling of risks. LBIC's business, financial condition, operating results or non-operating results could be materially adversely affected by different risks the Bank is exposed to.

4.5.1 Market Risk

This is the risk that the value and cash flow of a financial instrument will fluctuate due to changes in market interest rates.

The Bank devotes resources to identifying, measuring, analyzing, monitoring and managing both operational and market risks including the management of its own funds/portfolios. The Bank does not take positions in the equities market but the Finance & Treasury department takes responsibility or investing the company funds in Fixed Income Securities which include Bank Placement and Treasury Bills. Due to the nature of the investments, the bank is primarily exposed to interest rate risk which could be as a result of rollover risk or movements in rates during the period of investments which impacts on the prices of the instruments. LBIC is currently not exposed to any form of Foreign Exchange risks.

4.5.1.1 Market Risk governance

The Board of Directors is responsible for the overall governance of market risk as well as defining the terms of reference and delegating responsibilities to the Board Audit, Risk and Compliance Committee. The Committee is charged with ensuring that market risks are managed homogeneously in all areas of operation. The Asset and Liabilities committee ensures that the company complies with Market risk limit set by the Board.

The following investments held at their fair value, will be directly impacted by changes in market interest rates.

At December 31, 2021, the Company was exposed to Interest rate risk primarily because of its exposures, which stood at N4.017billion in Fixed Income Securities.

Financial Assets In millions of Naira	Carrying Value exposed to cash flow	Interest rate risk
December 31, 2021		
Financial instruments	N4.017 billion	N351.036 million
Measured at amortised cost	N4.017 billion	
Cash and cash equivalents	N4.441 billion	
Measured at fair value through profit or loss	N181.181 million	

Financial Assets In millions of Naira	Carrying Value exposed to cash flow	Interest rate risk
December 31, 2020		
Financial instruments	N2.270 billion	N124.118 million
Measured at amortised cost	N2.270 billion	
Cash and cash equivalents	N2.647 billion	
Measured at fair value through profit or loss	N181.181 million	

4.5.1.2 Credit Risk

4.5.1.2 Credit Risk Management

Credit risk is the risk of financial loss to the company if a customer or counterparty to a Mortgage or construction finance fails to meet its contractual obligations. Credit risk is the single largest risk for the Company's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralized in Mortgage & Credit team, which reports to the Management Credit Committee.

The roles and responsibilities of the Board Credit Committee (BCC) include (but not limited to):

- Setting and approving credit policy
- Approving large exposures within pre-defined BCC limits
- Reviewing watch listed/delinquent exposures and approving remedial/corrective measures as required
 - Approve write-offs presented by Management
- Reviewing portfolio reports and taking decisions as required
- Ensuring appropriate provisions for loan losses are made

Principal Credit Policies

The principal credit policies of the Bank are as follows:

- i. Establishing an appropriate credit risk environment;
- ii. Operating under a sound credit granting process taking into considerations the requirements of CBNs prudential guidelines;
- iii. Maintaining an appropriate credit administration, measurement and monitoring process;
- iv. Ensuring adequate controls over credit risk;
- v. Credit is not extended to customers where the source of repayment is not known or speculative in nature;
- vi. Risk considerations will always have priority over business and profit considerations.

- vii. Ensuring that extensions of credit are made on an arms-length basis. In particular, credits to related parties are authorized on an exception basis, monitored with particular care and other appropriate steps taken to control or mitigate the risks of non-arm's length lending,

Credit risk is adequately managed and measured in the Bank. Part of the strategy in place for managing credit risk includes: ensuring that consistent standards are applied by Mortgage Department in respect of credit decision making process, The Management Credit Committee approved all loans. Most importantly, all credit decisions are guided by the Company's credit risk policy as well as consideration being given to the requirements of CBN's prudential guidelines. The approval of credit limits for counterparties and the management of individual credit exposures must also fit within the Bank's portfolio guidelines and our credit strategies, and each decision also involves a risk-versus-return analysis.

4.5.2.2 Methodology for Risk Rating

The Bank has developed a robust credit scoring and assessment methodology used to appraise and rate credits prior to approval. Additionally, there are scorecards and rating scales for evaluating the creditworthiness of our counterparties. The rating scale, which is calibrated on a probability of default measure is based upon a statistical analysis of historical defaults in our portfolio, this enables us to compare our internal ratings with common market practice and ensure comparability between different sub-portfolios of our institution. While we generally rate all our credit exposures individually, at times we rely on rating averages especially industry average for measuring risk. When we assign our internal risk ratings, we compare them with external risk ratings assigned to our counterparties by the major international rating agencies, where possible.

Credit Scoring System

The Bank's credit scoring system operates by assigning values to various factors. These values will be weighted based upon their correlation to default predictions and the organization's business objectives. They are added and averaged to determine a credit score for application. The scoring system either recommends for approval or decline or refers the application for further analysis. Factors taken into consideration include the following: Personal characteristics, economic characteristics, financial capacity and credit history. Others are:

(a) Market segmentation

This is based on the customer's turnover which is classified into upper market (structured/unstructured), Middle market structured/unstructured and small businesses/individuals.

(b) Facility type and tenor

This is either mortgage loan or construction financing subject to internal and regulatory limits. The tenor is dependent on the borrower's preference but with consideration to the age of the borrower or the number of years left in service.

(c) Sales/Turnover

The lower the sales turnover the riskier the business. This is grouped into upper, middle and small business.

(d) Management

A proper diagnosis of management is important for sound credit judgment. This is grouped into upper market (structured/unstructured), Middle market (structured/unstructured) and small business/individual.

(e) Collateral security

The collateral pledged is legally sound, properly documented and continuously reviewed for its value and marketability. The bank takes delight in legal mortgages.

(f) Character

Fundamental to every credit decision is the honesty and integrity of the individuals to whom the Company lends directly or who manage the enterprises to which the Company lends. Character is one of the important factors in the credit decision. This is grouped into approved Credit Bureau Report (Negative/Positive)

(g) Profitability/Liquidity

The acceptance of a credit depends upon an objective evaluation of the customer's ability to repay the borrowed funds. To establish this, Profitability and Liquidity ratios will be used. In the case of an individual, affordability is key as this will enable the Bank knows if the prospective customer can repay the loans as and when due.

(h) Capital

The borrowers are expected to provide a personal stake or equity contribution of not less than 30% depending on the risk evaluation of the proposal.

(i) Cash collateralized facilities

Cash collateralized facilities are not subjected to this scoring method, unless the character of the customer is questionable, in which case, the application is rejected. For cash collateralized facilities the key issue is the safety margin, which should not be less than 20%. This margin should not also be cleaned up by accrued interest within the tenor of the facility. If a credit application satisfies these criteria the score shall remain 100.

(j) Pricing

The average score computed determines the minimum level of interest chargeable. The interest rate determined would be a guide. For the purposes of clarity, a prime rate is determined by Credit Risk Management. However, the Committee reserves the right to accept or reject a recommendation if in its opinion there are other factors fundamental to the interest of the Bank that will warrant overriding such recommendation(s).

4.5.2.4 Credit Risk Measurement

In line with IFRS 9, the bank has adopted Expected Credit Loss (ECL) approach effective January 1, 2018. IFRS 9 adopts dual measurement approach in determining expected credit loss.

IFRS 9 Expected Credit Loss measurement approach is a proactive way of determining the extent of future losses associated with risk exposures in the bank's portfolio. The major aspect of ECL approach is the incorporation of the macroeconomic indicators (forecast) into the computation of the future credit loss. The credit impairment under IFRS 9 is determined using a forward looking method of impairment evaluation by assuming that every risk exposure have inherent credit loss. The Bank accepts lending activities after careful analysis of the borrowers' character, capacity to repay, cash flow, credit history, industry conditions and other factors. In the analysis, the applied parameters are determined by each business segment because of the differences in the inherent risks. The Bank's rating grades reflect the range of parameters internally developed to predict the default probabilities of each rating class in line with international best practices. The grades are validated by the Risk department.

4.5.2.4 The Bank's Internal Rating Scale is presented below:

Index of Risk Assessment

Rating Grade	Description	Characteristics
1 (AAA)	Extremely Low Risk	<ul style="list-style-type: none"> • Exceptional credit quality • Obligors with overwhelming capacity to meet obligation • Top multinationals / corporations • Good track record • Strong brand name • Strong equity and assets • Strong cash flows • Full cash coverage
2 (AA)	Very Low Risk	<ul style="list-style-type: none"> • Very high credit quality • Exceptionally high cash flow coverage (historical and projected) • Very strong balance sheets with high liquid assets • Excellent asset quality • Access to global capital markets • Typically large national corporate in stable industries and with significant market share.
3 (A)	Low Risk	<ul style="list-style-type: none"> • High quality borrowers • Good asset quality and liquidity position • Strong debt repayment capacity and coverage • Very good management • Though credit fundamentals are strong, it may suffer some temporary setback if any of them are adversely affected • Typically in stable industries
4 (BBB)	Acceptable Risk	<ul style="list-style-type: none"> • Good asset quality and liquidity • Very good debt capacity but smaller margins of debt service coverage • Good management in key areas • Temporary difficulties can be overcome to meet debt obligations • Good management but depth may be an issue • Good character of owner • Typically good companies in cyclical industries.
5 (BB)	Moderately High Risk	<ul style="list-style-type: none"> • Satisfactory asset quality and liquidity • Good debt capacity but smaller margins of debt service coverage • Reasonable management in key areas • Temporary difficulties can be overcome to meet debt obligations • Good management but depth may be an issue • Satisfactory character of owner • Typically good companies in cyclical industries

Index of Risk Assessment (Contd.)

Rating Grade	Description	Characteristics
6 (B)	High Risk	<ul style="list-style-type: none"> Limited debt capacity and modest debt service coverage Could be currently performing but susceptible to poor industry conditions and operational difficulties Declining collateral quality Management and owners are good or passable Typically borrowers in declining markets or with small market share and operating in cyclical industries.
7 (CCC)	Very High Risk	<ul style="list-style-type: none"> Eliciting signs of deterioration as a result of well-defined weaknesses that may impair repayment Typically start-ups/declining markets/deteriorating industries with high industry risk Financial fundamentals below average Weak management Poor information disclosure
8 (CC)	Extremely High Risk	<ul style="list-style-type: none"> Well-defined weaknesses though significant loss unlikely; orderly liquidation of debt under threat Continued strength is on collateral or residual repayment capacity of Obligor Partial losses of principal and interest possible if weaknesses are not promptly rectified Questionable management skills
9 (C)	High likelihood of default	<ul style="list-style-type: none"> High probability of partial loss Very weak credit fundamentals which make full debt repayment in serious doubt Factors exist that may mitigate the potential loss but awaiting appropriate time to determine final status Demonstrable management weaknesses, poor repayment weaknesses and poor repayment profile
10 (D)	Lost	<ul style="list-style-type: none"> A definite loss of principal and interest Lack of capacity to repay unsecured debt Bleak economic prospects Though it is still possible to recover sometime in the future, it is imprudent to defer write-offs

4.5.2.5 (A) Analysis of loans by credit rating

This reflects the credit quality of the Bank's loan portfolio.

Rating	December 31, 2021 N	December 31, 2020 N	December 31, 2019 N	December 31, 2018 N	December 31, 2017 N
AA	551,721,771.46	440,786,128.03	315,630,747.50	130,029,532.88	115,084,252
A	50,564,935.50	19,624,996.40	29,264,159.28	20,884,673.78	
BBB	31,196,505.96	5,363,119.36			
BB	1,639,528.09	34,610,188.64	11,657,678.95		
B	4,641,244.68	2,949,567.57			
CCC	0.00	1,744,653.79	5,568,985.451		17,190,426
CC	0.00	5,273,985.77	1,517,962.89	2,442,647.35	39,853,378
C	0.00	3,654,515.68			
D	0.00	0.00	9,609,490.61	50,825,024.45	1,084,569,904
Total	639,763,985.69	514,007,155.24	373,449,025	204,181,878.46	1,256,697,960

4.5.2.5 (B) Analysis of loans by credit staging

Schedule of Movement in Gross Carry Amount Loans & Advances	Stage 1 #000	Stage 2 #000	Stage 3 #000	Total #000
Dec-21				
Strong Capacity	626,234			626,234
Significant Increase in Credit Risk		8,889		8,889
Default			4,641	4,641
	626,234	8,889	4,641	639,764

Loans & Advances	Stage 1 #000	Stage 2 #000	Stage 3 #000	Total #000
Dec-20				
Strong Capacity	462,520			462,520
Significant Increase in Credit Risk		37,865		37,865
Default			13,623	13,623
	462,520	37,865	13,623	514,007

Schedule of Movement in Expected Credit Loss Loans & Advances	Stage 1 ₱000	Stage 2 ₱000	Stage 3 ₱000	Total ₱000
Dec-21				
Strong Capacity	2,208			2,208
Significant Increase in Credit Risk				
Default				
	2,208			2,208

Loans & Advances	Stage 1 ₱000	Stage 2 ₱000	Stage 3 ₱000	Total ₱000
Dec-20				
Strong Capacity	486			486
Significant Increase in Credit Risk		168		168
Default			1,974	1,974
	486	168	1,974	2,628

4.5.2.6 Risk limit setting

- i. LBIC's credit risk management unit shall establish exposure limits for single obligors and groups of connected obligors which shall be within the exposure limits set by regulatory/supervisory bodies.
- ii. The size of the limits shall be based on the credit strength of the obligor, genuine requirement of credit, economic conditions, quality of collateral and LBIC Plc's risk tolerance.
- iii. Appropriate limits shall be set for respective products and activities, specific industries, and economic sector to avoid concentration risk
- iv. In a situation where the obligor wants to share its facility limits with its related Companies, LBIC shall review such arrangements and impose necessary limits if the transactions are frequent and significant.
- v. The Bank shall ensure that credit limits are reviewed at least annually and immediately an obligor's credit quality shows sign of deterioration.

4.5.2.7 Loan Restructuring

"Restructuring" is defined to include rescheduling, deferral of principal repayment, interest capitalization, review of cost of funds and modification of the terms of the loan in any way that will make it possible for the Borrower to become financially viable to enable it to service the loan facility. With the provision of relevant information regarding the deteriorating quality of a risk asset, the Board Credit Committee shall direct that such an account be placed on watch list, for close monitoring. The loan restructuring must be initiated by the relevant department after all necessary approval has been granted.

Criteria for Identifying Facility for Restructuring

In carrying out restructuring proposals, only facilities which satisfy the following criteria shall be eligible:

- a) Non-performing loans in line with CBN prudential guidelines
- b) Low level of operations due to changes in policies/environmental developments which can be sorted out within 90 Days
- c) Inappropriate loan tenor and payment schedule
- d) Where the borrower is undergoing minor or temporary financial crisis

i. Procedure for Loan Restructuring

Restructuring of any loan shall not be done more than three (3) times in the lifetime of the Loan. The process of loan restructuring shall be carried out by the Mortgage and Credit Department of the Bank. The procedure to be adopted shall be as follows:

- a) Upon receipt of the letter of request from the borrower, the Restructuring Unit shall review to determine if it meets any of the above stated criteria.
- b) The Mortgage and Credit Officer shall prepare a restructuring report for consideration and shall be approved by the MCC or Board Credit Committee depending on the value of the loan.
- c) If approved, a letter will be issued to the BORROWER conveying the terms and conditions of restructuring for acceptance and payment of the necessary fees by the borrower.
- d) Thereafter, the Mortgage and Credit Officer shall duly inform the Credit Monitoring Unit which shall proceed to effect the restructuring. The loan shall be tagged "restructured".

4.5.3 Liquidity Risk

Liquidity risk is the potential for loss to an organization arising from either its inability to meet its obligations or to fund increases in assets as they fall due without incurring unacceptable cost or losses. Liquidity risk arises when cushion provided by the liquid assets is not sufficient to meet its obligation (Funding-Liquidity Risk). The liquidity risk management framework outlined below has been developed to ensure that LBIC Plc. is not unduly exposed to liquidity risk and is in compliance with regulatory requirements and international best practice with respect to liquidity risk management.

The framework defines the responsibilities of the Board and Finance and Treasury department as well as the liquidity risk management processes and Procedure.

(a) Board of Directors oversight

The primary responsibility of the Board of Directors is to understand the liquidity risk profile of LBIC Plc. and the tools used to manage liquidity risk; and to provide oversight.

(b) Financial Control

Finance and Treasury is responsible for managing the overall liquidity of the Bank. The department is responsible for implementing the Bank's funding policies and perform additional responsibilities as delegated by the Management or Board.

(c) Liquidity Risk Management Process

The key elements of the Bank's liquidity risk management process are:

- Definition of LBIC Plc.'s liquidity strategy
- Identification of liquidity risk
- Measurement of liquidity risk
- Monitoring and reporting liquidity risk

(d) Liquidity Strategy

Liquidity risk management process

The Bank has a liquidity risk management framework that ensures adequate liquidity at all times to enable the Bank withstand a range of stress events, including those that might involve loss or impairment of funding sources. The liquidity risk exposure is monitored and managed by the Asset and Liability Management Committee (ALCO) on a regular basis.

The strategy is documented and outlined below:

- a. Projecting cash flows and considering the level of liquid assets to be maintained;
- b. Monitoring deposit concentration in order to avoid undue reliance on large individual depositors and ensure a satisfactory overall funding mix;
- c. Monitoring balance sheet liquidity ratios against internal and regulatory requirements;
- d. Managing the concentration and profile of debt maturities;
- e. Maintaining a diverse range of funding sources with adequate back-up facilities;
- f. Making funding arrangement should liquidity crisis arises which did not happen during the year under review;
- g. Regular conduct of stress testing.

(f) Maturity analysis

The table below analyzes the financial assets and liabilities of the Bank into relevant maturities on the remaining period at reporting date to the contractual maturity date. The table includes both principal and interest cash flows.

	31-Dec-21	0-30 days	31-90 days	91-180 days	181-360 days	>360 days	Total
Financial Assets		N'000	N'000	N'000	N'000	N'000	N'000
Cash and Cash Equivalents		340,277	1,499,933	707,339	1,809,850	83,604	4,441,003
Loans and Receivables		30,477	9,091	13,781	29,941	554,267	637,556
Other Asset		14,447	29,328	0	0	0	43,774
Total Financial assets		385,200	1,538,352	721,120	1,839,790	637,871	5,122,334
Financial Liabilities							
Account Payables		281,864	283,820	0	17,920	256,249	839,852
Customer deposit		586,856	2,795,724	78,917	28,900	774,687	4,265,085
Total Financial Liabilities		868,720	3,079,544	78,917	46,820	1,030,936	5,104,937
Liquidity Gap		(483,520)	(1,541,192)	642,203	1,792,971	(393,065)	17,397

	31-Dec-20	0-30 days	31-90 days	91-180 days	181-360 days	>360 days	Total days
Financial Assets		N'000	N'000	N'000	N'000	N'000	N'000
Cash and Cash Equivalents		376,193	1,499,933	707,339	0	63,851	2,647,316
Loans and Receivables		3,655	0	0	0	510,353	514,007
Other Asset		2,832	5,449	21,047	0	0	29,328
Total Financial assets		382,680	1,505,382	728,386	0	574,203	3,190,651
Financial Liabilities							
Account Payables		169,503	0	0	63,890	0	233,393
Customer deposit		241,113	1,704,546	48,024	762,326	351,311	3,107,320
Total Financial Liabilities		410,616	1,704,546	48,024	826,216	351,311	3,340,713
Liquidity Gap		(27,953)	(199,164)	680,362	(826,216)	222,892	(150,062)

Notes To The Financial Statements (cont'd)

4.5.4 Strategic Risk Management

4.5.4.1 Overview

Strategic risk is the potential for loss arising from ineffective business strategies, the absence of integrated business strategies, inability to implement those strategies and the inability to adapt the strategies to changes in the business environment.

This policy provides a framework for the management of strategic risk in LBIC Plc. It offers guidance to control growth plans, dealing initiatives, service diversification, technology changes and other related strategic initiatives.

4.5.4.2 Responsibilities and Functions

Board of Directors

The Board of Directors has the ultimate responsibility for establishing and approving LBIC Plc.'s strategy using an integrated planning process, which aligns strategies, goals, tactics and resources. Such plans are then cascaded to the various operating units so as to integrate all units' plans to be aligned with the overall Bank's plans and objectives. The Board ensures that it:

- a. Oversees the strategic risk management process.
- b. That the Bank has in place an appropriate strategic risk management framework which suits its own circumstances and needs;
- c. Ensures that the strategic goals and objectives are set in accordance with its corporate mission and values, culture, business direction;
- d. Approves the strategic plan and any subsequent changes, and review the plan (at least annually) to ensure its appropriateness;
- e. Ensures the bank's structure, and infrastructure, as well as systems and controls are appropriate and adequate to support the implementation of its strategies and receive report therein.

4.5.4.3 Authority and Responsibility

The Managing Director/Chief Executive is the chief driver of the strategic risk through the departmental heads of the various operating units. He has the authority to request the units to respond to specific or special initiatives in order to carry out the corporate objectives. The financial control department is responsible for the coordination of the necessary tasks under strategic risk management for now.

The Financial control department is involved with the following:

- Ensure that risk management practices are integrated into LBIC Plc.'s overall strategic planning effort.
- Develop strategic goals, objectives and future planning initiative, which balance risk and profitability.
- Implement processes for monitoring business performance viz a viz the set goals.
- Maintain a complete set of all strategic risk, corporate governance documents and supporting materials and;
- Report to the Managing Director on strategic policy issues.

4.5.4.4 Strategic Risk Management Process

LBIC's strategic risk management process involves the following steps:

- i. Monitoring the internal and external environment
- ii. Assessing the strategic implications of changes in the environment.
- iii. Formulating strategies in response to the changes in the environment.
- iv. Allocating resources to execute strategies.
- v. Monitoring organization and business unit performance.
- vi. Continuously improving the strategic control process.
- vii. Competitors' analysis.

The effective application of the above steps shall aid Bank in the identification and measurement of risks.

4.5.4.5 Monitoring Strategic Risk

- All strategic risks identified are prioritized based on a combination of impact and likelihood of occurrence.
- For all significant strategic risks, key performance indicators shall be defined to provide a measure of the risk to Bank's capital, cash flow and earnings.
- Resource requirements and action plans to manage each significant risk shall be defined and approved by the management.
- Analysis of strategic risk shall include undertaking reasonable efforts to anticipate risk, establishing tolerances for certain types of risk and managing changes in established strategic direction or in risk tolerance.

4.5.4.6 Strategic Risk Control

- The management of LBIC Plc. shall ensure that strategic risk management encompasses sound planning and procedures, identifiable internal controls to address strategic risk, and periodic adjustment of such controls throughout the organization.
- The management of LBIC Plc. shall review the appropriateness of the Bank's strategic risk management system, given its scope, nature, and the complexity of its tasks.
- The management of LBIC Plc. shall review the validity of scenarios used in the strategic risk management system.
- Strategic plans are approved and monitored by the Board.
- Regular environmental scan, business strategy session and workshops are set up to discuss business decisions.
- Close monitoring to ensure that strategic plans are properly aligned with the business model,
- Regular performance review by Executive Management and business plans are approved by the Board.

4.5.5 Operational Risk Management

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

The Bank's objective is to manage operational risk so as to minimize financial losses and to avoid control procedures that restrict initiative and creativity. Framework to Manage Operational Risk Management includes:

- Ownership of the risk by the business units and support functions;
- Oversight by risk management;
- Independent review by Internal Audit and Control.
- External Auditors review

Operational risk exposures are managed through a consistent set of management processes that drive risk identification, assessment, control and monitoring. The goal is to keep operational risk at appropriate levels relative to our business. There are controls to forestall operational losses although issues arise but no significant loss was sustained.

Our operational risk strategy seeks to minimize the impact that operational risk can have on shareholders' value. The Bank's strategy includes:

- Reducing the likelihood of occurrence of expected events and related cost by managing the risk elements and implementing loss prevention or reduction techniques to reduce variation to earnings;
- Improve performance through a well designed and implemented internal controls.

4.5.5.1 Management and Control Responsibilities

The business unit forms the first line of governance for managing operational risk, they report any identified breakdowns in control and any risk events that may result in financial loss and/or reputation damage. They are to ensure that processes for identifying and addressing ineffective controls and the mitigation of risk events are implemented. The Risk Management teams form the secondary line of governance by ensuring that processes to identify weaknesses are effective and that identified weaknesses are acted upon. The Bank's operational risk profile is presented to the Board quarterly. Control effectiveness is monitored by the Internal Audit and Control department.

4.5.5.2 Fraud and Forgeries Report

There were no reported cases of both internal and external fraud during the period under review.

4.5.5.3 Complaints Profile

The Bank monitors its customers' complaints and gets necessary feedback, where issues raised need to be escalated. This is done in order to ensure customer satisfaction. All complaints were treated within the allowable time without any complaints escalated to regulatory authorities. However, no financial losses were sustained during the period under review. Below is the breakdown of complaints received during the year under review.

Notes To The Financial Statements (cont'd)

2020 SCHEDULE OF CUSTOMERS COMPLAINTS					
MONTH	NO OF COMPLAINTS	RESOLVED	UNRESOLVED WITHIN STIPULATED TIME	STATUS	UNRESOLVED DISPLUTE(S) ESCALATED TO CBN
JAN	42	42	0	CLOSED	NIL
FEB	50	50	0	CLOSED	NIL
MAR	40	40	0	CLOSED	NIL
APR	45	45	0	CLOSED	NIL
MAY	28	28	0	CLOSED	NIL
JUN	27	27	0	CLOSED	NIL
JUL	29	29	0	CLOSED	NIL
AUG	35	35	0	CLOSED	NIL
SEP	21	20	1	DEFECTIVE	CARD
OCT	15	15	0	CLOSED	NIL
NOV	14	14	0	CLOSED	NIL
DEC	26	26	0	CLOSED	NIL
TOTAL	372	371	1		

No financial losses were sustained and all complaints raised were closed, none was escalated to the Regulatory Authorities.

4.5.6 Reputational Risk Management

Reputational Risk is a risk of loss resulting from damages to the Bank's reputation. The Bank will deliver on its promises and conduct its affairs in a manner that engender public confidence. The Bank will endeavour to Promote its image and perception in the mind of the public and maximize the value of the its brand.

4.5.7 Compliance Risk Management

LBIC is committed to complying with laws, regulations, code, guidelines that borders on its operations. In doing this there is a compliance unit that ensures that regulatory expectations are codified into the operations of the Bank. The Bank put in place structure, processes and policies to prevent and detect any breaches. It also ensures that recommendations from regulatory bodies and other control functions are implemented.

The Board of Directors ensures strict compliance with relevant laws, codes, rules and standards issued by the regulators, codes of practices promoted by industry associations and internal policies. The compliance function, under the leadership of the Chief Compliance Officer of the Bank, has put in place a robust compliance framework, which includes:

- i. Comprehensive compliance manual detailing the roles and responsibilities of all stakeholders in the compliance process;
- ii. Review and analysis of all relevant laws and regulations, which are adopted into policy statements to ensure business is conducted professionally;
- iii. Review of the Bank's Anti-Money Laundering Policy in accordance with changes in the Money Laundering Prohibition Act 2011 and Anti-Terrorism Act 2011 as amended; and
- iv. Incorporation of new guidelines in the Bank's "Know Your Customer" policies in line with the Central Bank of Nigeria's Anti-Money Laundering/Combating Finance of Terrorism Compliance Manual.

4.5.7.2 Compliance with Code of Corporate Governance

The Bank had applied the Code of Corporate Governance developed by the Central Bank of Nigeria (CBN) and Securities and Exchange Commission (SEC), Code of Corporate Governance by Financial Reporting Council of Nigeria(FRCN). Reports on the level of compliance are rendered to the Institutions as required.

4.5.7.2 Anti-Money Laundering/Combating Financing of Terrorism(AML/CFT)

LBIC is committed to cooperating with relevant Agencies charged with the responsibilities of Administering the AML/CFT laws and regulations.

The Bank's AML/CFT programme as approved is running. This is to ensure that the risks arising from money laundering and terrorism financing are prevented and managed. And that relevant statutory and regulatory obligations are complied with. The Leadership shall ensure that the reputation and integrity of the Bank and its employees are protected.

Reports are being rendered to the relevant authorities as required.

Trainings are conducted on AML/CFT to enable employees apprise themselves with the necessary information that will keep the bank from being used as to launder money.

4.3.7.3 Whistle Blowing

The Board of Directors prioritizes high ethical standards and probity, and expects all its employees and officers to observe such standards in all their dealings within the Bank.

All employees of the Bank are encouraged to raise genuine concerns about misconduct, malpractices and unethical behavior at the earliest opportunity and in an appropriate manner.

The Bank has a dedicated phone line and an email for reporting cases concerning wrong doing and unethical behaviour in the organization. Reports can also be made via the Bank's website.

4.3.8 Environmental and Social Risk Management

On Sustainable and Environmental Issues; the Bank conducts its business in a manner that protects the health and safety of all stakeholders. We are delighted to report that during the period under review there were no recorded cases of incidents in our operations.

The Bank will avoid, minimize or offset the negative impacts of our business operations on the environment and local communities in which we operate and where possible, promote positive impacts.

We shall continue to promote employee involvement and accountability in identifying, preventing and eliminating hazards and risks of injury.

The Bank is very proactive in adopting preventative methods to avoid contracting serious diseases by its employees through enlightenment via the Human Capital Development department and any reported cases of illness are proactively managed.

In our Head Office building reservation is made for the physically challenged to park their vehicles while access to the building is also made friendly to them.

The Bank is building up capacity in the area of environmental and social risk. It had incorporated this into its lending activities and developing footprint in its operations.

The Bank conduct environmental and social screening on all intending loans and will not finance construction or give mortgages on property:

1. Deemed illegal or non-compliant with applicable laws and regulations.
2. Involving outstanding land disputes
3. Properties built in locations and / or in a manner that involves significant degradation or adverse impacts on critical cultural heritage.
4. Property that contravene the approved uses.
5. Locations prone to natural disasters
6. Locations hazardous to human habitation

The Bank have for example, adopted the following in our sustainable banking practices:

- a. The use of renewable energy when off public grid
- b. Use of recycle bins for paper, plastic, bottles and cans.
- c. Turn off electronic equipment and lights when not in use
- d. Re-use office supplies or equipment before purchasing new ones.
- e. Set our monitor to sleep after 5 minutes of inactivity.
- f. Use of energy efficient bulbs
- g. Reduce use of disposables by using water dispensers

Notes To The Financial Statements (cont'd)

	December, 2021	December, 2020
	N'000	N'000
5a Interest Income		
Interest on New Mortgage Loans	94,012	73,979
Interest on Short Term Placement	351,036	124,118
Net Interest Income	445,048	198,096
Loan impairment (charges)/Recovered	420	11,935
Net interest income after loan impairment charges	445,468	210,031
5b Interest Expense		
Deposit from Customers	(80,096)	(30,233)
Net interest Expense	(80,096)	(30,233)
6 Fee and Commission Income		
Account Maintenance Fees & Commission	3,320	4,285
Fees and Credit Related Fees	268,497	216,058
Net Fee and Commission Income	271,818	220,343
7 Net Trading Income		
Propety and Lease Rentals	10,752	2,500
Other Incomes	181,130	153,315
Dividend Income	7,289	6,880
	199,170	162,695
8 Net Gain/(Loss) through Profit or Loss		
Gain/Loss on fair valuation of quoted equities though profit or loss	-	-
Gain/Loss on fair valuation of Investment Property	-	-
	-	-
Gross Earnings	916,036	581,134

	December, 2021	December, 2020
	N'000	N'000
9 Impairment on loans and advances and Other Known loseees		
(a) Net Impairment on Loans and Advances	420	11,935
(b) Net Impairment on Cash & Cash Equivalent	-	364
(c) Net Impairment on Non-Current Assets Held for Sales	(3,314)	-
(d) Net Impairment on Other Assets	-	-
Net Impairment on loans and advances and Other Known losses	(2,894)	12,298
10a Personal Expenses		
Wages and Salaries	175,157	154,905
Contribution to defined contribution plans	17,623	17,775
Restructuring Cost/Terminal Benefit	262	1,423
Medical Expenses	22,819	20,303
	215,862	194,406
10b Number		
The average number of person employed during the year excluding directors were:		
Managing staff	6	6
Senior Staff	29	27
Junior Staff	3	3
	38	36
10b Staff Cost		
The related staff cost excluding employer's contribution to pension scheme & medical		
Cost per Staff	4,609	4,303
10d Executive Directors' Emoluments		
Sitting Expense	-	-
Director's Fees	-	-
Salaries (Included in Wages & Salaries in (10a))	58,906	46,797
Contribution to defined contribution plans	5,891	4,680
Total	64,796	51,476
The chairman's emolument - Sitting Expenses		

Notes To The Financial Statements (cont'd)

10e The table below shows the number of directors of the company, whose remuneration, excluding pension contributions, fell within the bands shown

N100,001-N500,000		
N500,001-N100,000		
N5,000,001-N6,000,000		
N6,000,001-N7,000,000		
N7,000,001-N8,000,000		
N10,000,001-and above	3	4
Total	3	4

	December, 2021	December, 2020
	N'000	N'000
11 Depreciation, Amortization other operating cost		
11a		
Depreciation	100,372	70,589
Amortization	22,881	35,330
	123,253	105,919
11b Other operating expenses by nature		
Auditors' remuneration	3,000	3,000
Advertisement and Publicity	1,654	2,944
Legal, Professional charges & subscriptions	23,449	13,208
Insurance expenses	20,926	15,619
Utility Services	12,892	13,638
Printing and Stationery	9,126	2,321
Bank Charges and Commission	5,160	4,483
Business Promotion	6,530	4,909
General, Maintenance and Office expenses	113,615	98,476
Staff Training and Development	1,059	170
Fuel and Lubricants	16,745	12,683
Security expenses	6,125	4,832
Transport and Travelling	16,621	12,301
Director's Fees and Allowance	2,600	1,950
Total	239,502	190,535

12 Income Tax Expenses

Current Income Tax

Current Income Tax	(40,314)	(18,045)
Education tax	(5,089)	(2,711)
	(45,402)	(20,756)
Write back on provision for tax	-	-
Company income tax charge for years	(45,402)	(20,756)

13 Earnings per share

Profit attributable to ordinary equity shareholders	209,027	51,583
Basic earnings per share (kobo)	5.38	1.33

14 Dividends

There was no amount recognised as distributions to ordinary shareholders in the year and there are no unclaimed dividend as at December 31, 2021

	December, 2021	December, 2020
	N'000	N'000
15 Cash and Cash Equivalents		
Cash in hand	8,144	9,181
Current accounts with other banks	332,133	304,768
	340,277	313,948
CBN Cash Reserve Deposits	83,604	63,851
	423,881	377,799
Money Market Placements	4,017,122	2,269,517
LASG Fixed Term Deposits	-	-
Impairment doubtful investment		
Impairment on Current Account	-	-
Cash and Cash Equivalents	4,441,003	2,647,316

16 Financial Assets

Quoted Equities

Opening Balance	181,181	181,181
Net gain/(loss) on assets at fair value through profit or loss	-	-
Additions during the year	-	-
Write back during the year		
Impairment on investment	(70)	-
Carrying amount of Quoted Investment	181,111	181,181

Notes To The Financial Statements (cont'd)

	December, 2021	December, 2020
	N'000	N'000
Unquoted Equities		
Opening Balance	14,673	14,673
Additional during the year	-	-
Reclassification	-	-
Impairment on investment	-	-
Carrying amount	14,673	14,673
Carrying amount of Quoted & Unquoted Investments	195,784	195,854

Unquoted equities represent the company's investments in non-quoted company, which is still at the boarding stage, hence, value at cost.

	December, 2021	December, 2020
	N'000	N'000
17 Mortgage Loans and Receivable		
17a Loans and Advances at Amortised Cost		
Active Mortgage Loan	553,101	514,007
Mortgage loans (Legacy)	86,663	-
Staff Loans & Advances	-	37
Short term loans	-	-
Gross Amount	639,764	514,045
Portfolio Impairment	(2,208)	(2,628)
	637,556	511,417
17b		
Performing Loans	639,764	503,334
Non-Performing Loans	-	10,710
	639,764	514,045
Specific Allowance for Impairment	2,208	2,628
Non-Performing Loans	-	-
Expected Credit Loss Allowance based on IFRS9	2,208	2,628
17c Allowance for Impairment		
Opening Balance	(2,628)	(14,563)
(Increase)/Decrease in Impairment	420	11,935
	(2,208)	(2,628)

17d Gross Value of Loans & Advance is analysed as follows

Performing	639,764	503,334
Non-performing	-	-
Watch-List	-	1,745
Substandard	-	5,274
Doubtful	-	3,655
Lost	-	-
	639,764	514,007

17e Analysed by maturity as follows:

Maturity between 1-3 months	3,655	3,655
Maturity between 3-6 months	-	-
Maturity between 6-12 months	-	-
Maturity above 1 year	636,109	510,353
	639,764	514,007

17f Mortgage Assets Admin-Lagos Homs Mortgage Loan

The accounts of the Mortgage Loan Administration with Lagos State Ministry of Housing in the books of LBIC Plc were treated as off-balance sheet events.

18 Non current assets held for sale

Balance, beginning of year	829,323	998,186
Additions/(Disposal) during the year	(26,975)	(168,863)
Reclassification during the year	-	-
Gross amount	802,348	829,323
Impairment on Non-Current Assets	(53,314)	(50,000)
Net Carrying amount	749,034	779,323

Allowance for impairment

Opening balance	50,000	50,000
Impairment recovered for the year	-	-
Impairment Charges for the year	3,314	-
Net Carrying amount	53,314	50,000

Notes To The Financial Statements (cont'd)

18b Investment Property

The Investment Property comprises of 12 Town Houses in 2 blocks of 6 units per block. Prior to December 2017, the property was leased out by the bank for rental income. The property is presently vacant and no longer for rental and the bank is looking for buyers (Outright Sale).

	December, 2021	December, 2020
	N'000	N'000
19 Other Assets		
Sundry Assets	5,438	9,885
Prepayments	31,192	18,363
Interest and Other receivables	7,145	2,437
Gross amount	43,774	30,685
Charge for impairment	-	-
Net Carrying amount	43,774	30,685

LBIC Plc recovered the amount owed by LASG on Egan Igando to LBIC during the year. Sundry Assets, Prepayment, Interest and other Receivables relates to stock of cheque books and ATM Cards, employee share scheme, advance payment to vendors, and Interest receivables on loans.

19(b). The maturity analysis of other assets is analyzed as follows:

	Amount at December, 2021	Between 0-3 Months	Between 3-6 Months	Between 6-12 Months	Above 12 Months
Sundry Debtors	-	-	-	-	-
Sundry Assets	5,438	-	5,438	-	-
Prepayments	31,192	7,302	23,890	-	-
Interest and Other receivables	7,145	7,145	-	-	-
	43,774	14,447	29,328	-	-

20 Property, Plants and Equipment

As at December 31, 2021

	Land	Office Building/WIP	Motor Vehicle	Generator, Plants & Machinery	Electronics & Computer	Office Equip, Furniture & Fittings	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Cash/Valuation							
Balance 1 January, 2021	1,152,578	365,917	206,902	57,831	197,822	113,397	2,094,448
Additions	0	3,878	183,823	29,042	3,302	7,403	227,448
Adjustments/Reclassification	0	0	-17,734	12,177	73,567	54,921	158,399
Disposal	0	0	-22,088	0	0	-1907	-23,996
At 31 December, 2021	1,152,578	369,795	350,903	74,696	127,557	63,972	2,139,501
Rate		2%	25%	10%	20%	10%	

Accumulation Depreciation

Balance 1 January, 2021	0	57,808	126,972	39,592	147,545	81,331	453,248
Charge for the Year	0	7,428	67,064	2,918	18,478	4,484	100,372
Adjustment/Reclassification	0	0	-17,734	-12,177	-73,567	-54,921	-158,399
Disposal	0	0	-22,008	0	0	-493	-22,581
At 31 December, 2021	-	65,236	154,213	30,334	92,456	30,401	372,640

Net Book Value

At 31 December, 2021	1,152,578	304,559	196,690	44,362	35,101	33,571	1,766,861
At 31 December, 2020	1,152,578	308,109	79,931	18,239	50,277	32,067	1,641,200

	December, 2021	December, 2020
	N'000	N'000
21 Intangible Assets		
Opening Balance	21,516	56,846
Additions during the year	1,365	-
Amortisation for the Year	(22,881)	(35,330)
Reclassification	-	-
Net Carrying amount	(0)	21,516
22 Customers' Deposit		
Demand deposit	2,135,483	1,617,895
Savings deposit	1,204,289	1,076,023
Term deposit	925,313	413,402
Net Carrying amount	4,265,085	3,107,320

23 Financial Liabilities December, 2021 December, 2020

	N'000	N'000
Bank Loans and Overdrafts		
NMRC Loans		
NHF Loans	86,658	32,130
Bank Loans		
Carrying amount	86,658	32,130

24 Creditors and Other Liabilities

Interbranch/Suspense Balances	126,020	23,402
Accounts payable	358,547	106,079
Deposits for projects	274,168	63,890
FMBN/NHF deductions	79	127
Audit Fees payable	1,500	3,000
Statutory deductions	5,056	23,453
Rent Received in Advance	-	2,500
Staff pension fund/NSITF/ITF	12,674	10,942
Carrying amount	778,045	233,393

25 Current tax liabilities

Tax Payable		
Opening Balance	21,006	5,729
Tax Paid	(4,601)	(5,479)
Company Income Tax charge for the year	40,314	18,295
Education Tax	5,089	2,711
Prior year over provision write back		(250)
Carrying amount	61,808	21,006

The charge of taxation in these financial statements is based on the provision of Company Income Tax Act (LFN Cap 60) as amended to date and Education Tax Decree 1993.

26. Share Capital

All ordinary shares rank pari passu with the same rights and benefits of the company. They are also entitled to vote at meetings of the Bank. Every ordinary shareholder is entitled to receive dividend as declared by the company and entitled to vote at meetings.

Authorised:

Ordinary shares of N1 each	4,000,000	4,000,000
Issued and fully paid		
Ordinary shares of N1 each	3,882,047	3,882,047

Notes To The Financial Statements (cont'd)

26a. Movement during the year

There was no movement on the issued and fully paid share capital account during the year.

27. Share Premium

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

	December, 2021	December, 2020
	N'000	N'000
Opening Balance	119,802	119,802
Recapitalization Cost Written off		
Carrying Amount	119,802	119,802

28. Profit and Loss Appropriation and Retained Earnings

28a Profit or Loss Appropriation

Profit after tax for the year	209,027	51,583
Appropriation:		
Transfer to Retained Earnings	209,027	51,583
Transfer to Statutory Reserve	-	-

28b. Retained Earnings

Retained earnings are carried forward, recognized income net of expenses plus current profit attributable to shareholders.

	December, 2021	December, 2020
	N'000	N'000
28c. Movement during the year		
Opening Balance	(1,253,902)	(1,298,281)
Prior Year Adjustment	(0)	(0)
Transfer from Profit & Loss Amount	209,027	51,583
Transfer to Non-Distributable Regulatory Reserve	(0)	(7,204)
Carrying Amount	(1,044,875)	(1,253,902)

28d. Statement of Regulatory Risk Reserve

The Regulatory Body, Central Bank of Nigeria (CBN) / National Deposit Insurance Commission (NDIC) stipulates that provisions for loans recognized in the profit or loss account shall be determined based on the requirements of IFRS. The IFRS provisions should be compared with provisions determined under prudential guidelines and the expected impact/changes in general reserve should be treated as follows:

- (I) Prudential Provisions is greater than IFRS provisions; transfer the difference from the retained earnings to a non-distributable regulatory reserve.
- (II) Prudential Provisions is less than IFRS provisions; the excess charges resulting should be transferred from the regulatory risk reserve account to the retained earnings to the extent of the non-distributable reserve previously recognized.

28d. Statement of Prudential Adjustments

	December, 2021	December, 2020
PRUDENTIAL GUIDELINES PROVISION:	N'000	N'000
Specific Provision on loans to customers	-	4,799
General Provision on loans to customers	6,398	5,033
Interest in Suspense	719	-
Specific Provision on investment Securities	-	-
Specific impairment on equity investment	-	-
Specific impairment on non-current assets	53,314	50,000
Provision for Other Known Losses	-	-
Total	60,431	59,832
IFRS Based Impairment		
Expected Credit Loss Allowance based on IFRS9	2,208	2,628
Specific impairment on investment securities	-	-
Specific impairment on equity investment	-	-
Specific impairment on non current assets	53,314	50,000
Specific impairment on other assets	-	-
	55,521	52,628
IFRS Impairment allowance is lower than CBN		
prudential provision	4,909	7,204
Required amount in Non-Distributable Regulatory Reserve	4,909	7,204
Amount maintained in Non-Distributable Regulatory Reserve	32,048	32,048
Excess over required regulatory provision	(27,139)	(24,844)
Non-Distributable Regulatory Reserve		
Opening Balance	32,048	24,844
Transfer From/(To) Retained Earnings	-	7,204
Carrying Amount	32,048	32,048

29. Statutory Reserves

S5(4) of the Banks and Other Financial Institutions Act of 1991 as amended, requires every Primary Mortgage Bank to maintain a reserve fund and shall out of its net profit after taxation and before any dividend is declared, transfer to the statutory reserves as follows:

- (a) Where the reserve fund is less than the paid-up share capital, a minimum of 20% of the net profits; or
- (b) Where the reserve fund is equal to or in excess of the paid-up share capital, a minimum of 10% of net profits; and
- (c) No transfer to the reserve fund shall be made until all identifiable losses have been made.

	December, 2021	December, 2020
	N'000	N'000
Statutory Reserve		
Opening Balance	56,123	56,123
Transfer from Retained Earnings	-	-
Carrying Amount	56,123	56,123

30. Assets Revaluation

Opening Balance	27,086	27,086
(Written Off)/Increase during the year	(70)	-
Carrying Amount	27,016	27,086

Notes To The Financial Statements (cont'd)

31. Statement of Cash flows

The statement of cash flows has been drawn using the indirect method. Working capital comprises receivables, other assets, current liabilities, and financial liabilities. The cash flow from investing activities relates to the net amount of investments and disposals whilst the cash position consists of cash in hand, CBN Reserve Deposits and money market placements.

Reconciliation of profit before tax to cash generated from operations

	December, 2021	December, 2020
Cash Generated From Operations	N'000	N'000
Profit/Loss from Operations	254,430	72,340
Depreciation on Property Assets and Amortisation	123,253	105,919
Adjustment on (Interest income and expenses and earnings)	(164)	(21,405)
Profit/Loss on Disposal of Property Assets	(1,088)	-
Share Premium Write-off	-	-
Prior Year Adjustment	(0)	(0)
Recoveries on Provisions for Mortgage Loan Losses	(420)	(11,935)
Provisions for Non-Current Asset Held for Sales	3,314	-
Operating loss before working capital changes	379,325	144,919
Working capital changes		
(Increase)/Decrease in mortgage loans	(125,719)	(137,255)
(Increase)/Decrease in other assets	(13,089)	1,622,679
Increase/(Decrease) in customers deposits	1,157,765	712,331
Increase/(Decrease) in other liabilities	544,652	(870,070)
Net Working Capital	1,563,608	1,327,685
Cash Generted from Operations	1,942,933	1,472,604

32. Prior Year Re-Statement

There was no prior year figures restatement as a result of the implementation of IFRS 9 and related standards.

33. Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on March 23, 2022.

34. Contraventions

No banking regulation contravention by the bank came to our notice as at December 31, 2021.

35. Financial Commitments and Contingent Liabilities

The Bank in its ordinary course of business, is presently involved in 26 cases as a defendant and 2 cases as a plaintiff. The total amount claimed in the 26 cases against the Bank is estimated at N220 million while the total amount claimed in the cases instituted by the Bank is N75 million. However, the solicitors of the Bank are of the opinion that the probable liability arising from the cases pending against the Bank is not likely to exceed N70million.

Arising from the above, the bank's retained solicitors and the Directors of the Bank are of the view that none of the aforementioned cases is likely to have a material adverse effect on the Bank and they are not aware of any other pending and or threatened claims or litigations which may be material to the financial statements.

36. Related Parties Transaction

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

(a) Transactions with Key Management Personnel

The Bank's key management personnel, and persons connected with them, are also considered to be related parties. The definition of key management includes the close members of key personnel and entity over which they exercise control. The key management personnel have been identified as Assistant General Managers, Deputy General Managers, General Managers, Executive and Non-Executive directors of the Bank. Close members of the family are those family members who may be expected to influence, or to be influenced by that individual in their dealing with LBIC Plc.

a(i) Directors' interest in Contracts

There were no recorded directors' interests or dealings in contracts in the year under consideration

a(ii) Other Key Personnel's interests in Contracts

There were no known dealings of other key personnel's and their immediate families in interests or dealings in contracts in the year under review.

a(iii) Shareholders interest in Contracts

LBIC Plc manages Lagos Homs mortgages which are under the supervision of Lagos Mortgage Board for the Lagos State Government.

37. Subsequent Events

There were no events subsequent to the financial position which require adjustment to, disclosure in, these financial statements.

Statement Of Value Added

	December, 2021		December, 2020	
	N'000	%	N'000	%
Gross Earnings	916,036		581,134	
Interest Expense	(80,096)		(30,233)	
Loan Impairment charged/Net Impairment Loss on Financial Assets	(2,894)		12,298	
Bought In Materials and Services	(239,502)		(190,535)	
	593,544	100	372,665	100

Applied as follows:

To Pay Employees

Personnel Cost	215,862	36	194,406	52
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To pay Government

Taxation	45,402	8	20,756	6
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Retained In the business for future growths

Depreciation	123,253	21	105,919	28
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Profit for the year	209,027	35	51,583	14
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	593,544	100	372,665	100
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Value added represents the additional wealth which the company has been able to create by its own and its Employees' efforts. The statement shows the allocation of that wealth to employees, government, providers of capital and the amount retained for future creation of more wealth.

Five - Year Financial Summary

	12 Months	12 Months	12 Months	12 Months	12 Months
	Dec 21	Dec 20	Dec 19	Dec 18	Dec 17
Financial Position	N'000	N'000	N'000	N'000	N'000
Assets					
Cash and cash equivalents	4,441,003	2,647,316	984,843	1,107,738	548,885
Financial Assets at Fair Value	195,784	195,854	195,854	142,858	123,313
Mortgage Loans and receivables	637,556	511,417	362,227	170,154	161,978
Non current assets held for sale	749,034	779,323	948,186	2,016,516	4,498,772
investment Properties	429,743	429,743	429,743	429,743	429,743
Other Assets	43,774	30,685	1,653,364	1,666,218	156,754
Property, Plant and Equipment (NBV)	1,766,861	1,641,200	1,684,738	433,382	341,340
Intangible Assets	-	21,516	56,846	144,182	150,554
Total Assets	8,263,757	6,257,054	6,315,803	6,110,791	6,411,339
Liabilities					
Customers' Deposits	4,265,085	3,107,320	2,394,989	2,090,702	1,206,132
Financial Liabilities - L/O	86,658	32,130	-	-	-
Other liabilities	778,045	233,393	1,103,463	1,136,497	2,284,366
Company tax liabilities	61,808	21,006	5,729	14,020	9,534
Total Liabilities	5,191,595	3,393,849	3,504,181	3,241,218	3,500,032
Net Assets	3,072,162	2,863,205	2,811,622	2,869,573	2,911,307
Equity					
Share Capital	3,882,047	3,882,047	3,882,047	3,882,047	3,882,047
Share Premium	119,802	119,802	119,802	119,802	127,532
Retained Earnings	(1,044,875)	(1,253,902)	(1,298,281)	(1,243,736)	(1,198,894)
Statutory reserves	56,123	56,123	56,123	56,123	49,401
Non-Distributable Regulatory Reserve	32,048	32,048	24,844	27,987	23,871
Asset Revaluation Reserve	27,016	27,086	27,086	27,350	27,350
Total equity attributable to equity holders	3,072,162	2,863,205	2,811,622	2,869,573	2,911,307
Total Liabilities and Equity	8,263,757	6,257,054	6,315,803	6,110,791	6,411,339

Five - Year Financial Summary (contd.)

	Dec 21	Dec 20	Dec 19	Dec 18	Dec 17
Comprehensive Income Statement	N'000	N'000	N'000	N'000	N'000
Gross Earnings	916,036	581,134	603,659	551,304	285,301
Net Profit/(Loss) before Taxation	254,430	72,340	(18,040)	47,633	(133,489)
Income tax expense	(45,402)	(20,756)	(5,729)	(14,020)	(9,534)
Total comprehensive income for the year	209,027	51,583	(23,769)	33,612	(143,023)

Per Share Date

Earnings per share (kobo)	5.38	1.33	(0.61)	0.87	(3.68)
Net Assets per N1 Share	0.79	0.74	0.72	0.74	0.75
Total Assets per N1 Share	2.13	1.61	1.63	1.57	1.65

Earnings, Dividends, Net Assets and Total Assets per share are based on the issued and fully paid ordinary shares at the respective balance sheet dates, as disclosed in the audited financial statements. Earnings per share are based on the profit after taxation.

PROXY FORM

FOR THE PERIOD ENDED 31ST DECEMBER 2021

The 17th Annual General Meeting of Lagos Building Investment Company Plc. will be held at the Conference Hall, LBIC Building, Plot 1, ASSBIFI Road, Central Business District, Alausa, Ikeja Lagos on Friday, 14th October, 2022 at 11.00am prompt.

I/We...
Being a member/ member of Lagos Building Investment Company Plc. hereby appoint

Or failing him/her, the Chairman of the Meeting as my/ our proxy to vote for me/ us on my /our behalf at the 17th Annual General Meeting of our Company to be held on 14th October, 2022 and at any adjournment thereof.

Signed this _____ day of _____ 2022. Shareholder's Signature:.....

A member (shareholder) who is unable to attend an Annual General Meeting may by law vote by proxy. The form has been prepared to enable you exercise your vote if you cannot attend.

Before posting the above card tear off this part and retain it

(TEAR OFF THIS PART)

ADMISSION CARD

Please admit.....to the Annual General Meeting of Lagos Building Investment Company Plc. which will be held at the Conference Hall, LBIC Building, Plot 1, ASSBIFI Road, Central Business District, Ikeja, Lagos on Thursday, 14th October 2022.

Signature

Important

- (A) This admission card must be produced by the shareholder or his proxy in order to obtain entrance to the General Meeting.
- (B) Shareholders or their proxies are requested to sign the admission card before attending the Meeting.

For Company's use only

Full Name and Address of Shareholder	
Number of shares	

Resolutions	For	Against
Ordinary Business		
1. To receive and approve the Audited Financial Statements for the Year ended 31 st December 2021, together with the reports of the Directors, Auditor, and Audit Committee result thereon		
2 To re-appoint External Auditors and authorize the Directors to fix the remuneration of the External Auditors so appointed		
3 To re-elect the following Director: <ul style="list-style-type: none"> • Mr. Hakeem Ogunniran • Mr. Femi Adewale 		
4 To elect members of the Audit committee		
5. To disclose Remuneration of Managers		
Special Business		
6 That the Directors' fees for the financial year ending 31 st December 2022 be and is hereby fixed at ₦6,850,000.00 (Six Million Eight Hundred and Fifty Thousand Naira only).		
7 To approve the appointment of Mr. Tunde Owolabi as a Director of the Lagos Building Investment Company Plc.		

Africa Prudential Registrars
220B, Ikoro Road Palmgrove, Lagos

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- 2 Flexible repayment
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Notes



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Notes





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