

CHAIRMAN'S STATEMENT

It is my pleasure to welcome you to the 1st Annual General Meeting of our Bank and to present before you the Annual Report and Approved Audited Financial Statement for the year ended 30th September 2009.

Let me quickly add that your bank scored a major milestone when, two weeks after its year end, audited financial reports were delivered to the Central Bank of Nigeria (CBN). Also, approval was obtained four weeks there on. We consider this a commendable starting point.

The 2008/2009 financial year was commencement year for HASAL. The focal objective was to build necessary corporate structures that will entrench a culture of excellence in the bank's business. Even earlier than expected, we are beginning to see the wisdom in pursuing this objective especially in the area of satisfactory regulatory reporting, low staff turnover rate, low default rate, no reported case of fraud among others.

In presenting this annual report, I consider it relevant to attempt a description of the broad business environment within which your bank operated.

The Nigerian Economy

By October 2008, when HASAL MFB started banking operations, world economy was already in crisis:

1. Bankruptcy of large banking and insurance corporations
2. Mortgage debts and foreclosures
3. Job losses and increased unemployment
4. Crash in the crude oil price from a high of \$147 to \$35
5. Crash in stock markets around the world
6. Exchange rate volatility with a very weak dollar

To check the crisis from turning into a full depression, governments round the world had to intervene, using tax payers' money to inject into failing corporations.

The national economy for the period under review experienced severe shocks and turbulence. Crude oil, the major driver of the National economy nose-dived from highs of \$147 to \$35. It however, stabilized toward the year end at \$65. Output losses, due to militant agitation in the Niger Delta region, average over 20%. Budget implementation by executive government was below average with unspent capital expenditure rate at over 50%.

As you may know, the global recession was precipitated by a financial crisis in the US. Here in Nigeria, the effect was phenomenal on our banking system. The period saw the financial sector moving very quickly from an era of huge capital inflows to one of severe capital contraction, creating a colossal net funding deficit that nearly consumed banks. The CBN intervened at opportune times, applying various monetary and non-monetary

measures to improve liquidity in the system. Ultimately it had to directly inject funds into banks adjudged to be facing the most critical liquidity challenges.

Given dwindling government revenues, the national currency; the Naira was depreciated at different times such that the exchange rate of the Naira to the dollar fell from US \$1 at ₦118 to ₦175 and stabilizing at ₦160 as at 30th September 2009.

All of these negative conditions converged at the Nation's stock market, causing a precipitous decline in all market indices. Capitalization fell from over ₦11 trillion to about ₦5 trillion while the All Share Index dropped from over 66,000 basis point to about 20,000 within an 18 month period.

The Microfinance Sub-sector

Microfinance is a relatively new concept that has grown exponentially in the last decade as governments, investors, donors and financial institutions find commitment in collectively fighting the scourge of poverty. Together with good governance, economic empowerment through micro credit schemes has been identified as key to poverty reduction. The philosophy of microfinance banking is one that de-emphasizes hand-outs and dependence, but rather encourages effective channeling of resources towards providing the required specialized financial services for the informal and often poor segment of society and doing so for profit.

In the last two years, microfinance banks have introduced a new glamour in the financial services spectrum. With majority of our people operating within the small and microeconomics baseline, the prospect market for microfinance is definitely limitless.

However, the challenge of the sub-sector which is becoming evident daily rests on poor corporate governance, inadequate regulatory capacity, as well as highly restricted funding sources. These broad issues if not immediately controlled are likely to dampen the interest of stakeholders in the laudable MFB revolution.

Our people

Our biggest achievement in the 2008/2009 is the passion and quality of people assembled to drive the business of HASAL MFB. We have a commitment that is unwavering with each staff displaying unique skills that have taken us out and above the competition in the Abuja business environs. Our remuneration and welfare packages have been consistent with our values of excellence, we recorded a staff turnover rate of 3.5% the lowest within the sub-sector.

Financial Performance

In presenting this financial performance, two dominant circumstances should be borne in. First, is the global recession with its attendant effect on the Nigerian economy, which has been summarized earlier. The second is the very conservative posture adopted by the bank in creating risk assets, ensuring that the strictest risk management criteria are applied to every loan request.

It is my pleasure therefore, to announce that our bank achieved a Balance Sheet size of ₦2.26bn with shareholders fund ₦288M as at 30th September 2009. Gross Earnings stood at ₦313.9M. Staff cost was ₦58M while a PBT of ₦31.2M was achieved. Tax liability was estimated at ₦17.6M leaving a PAT of ₦13.3M. Interestingly, preliminary expenses of ₦10Million were fully absorbed during the first year of operation.

Corporate Governance and Risk Management

The Board currently consists of five members out of which three are Executive members. Four of the members have extensive financial services experience. The Board is comprised of Committees of Credit, Finance and Human Capital. Overall, members are governed by a written code of conduct extracted from accepted global standards of corporate behaviour.

Conclusion

On behalf of the Board, I would like to thank our shareholders, customers, employees. Having steered the HASAL ship excellently in the last turbulent year, I have no doubt in my mind that we shall witness an exponential growth in the new 2009/2010 financial year as we continuously strive 'to touch lives for good'.

Thank you and God Bless.

Prof. Ndi Okere-Onyiuke, OON
Chairman