NPF Microfinance Bank Plc.

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2021
ANNUAL REPORT & ACCOUNTS

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NPF Microfinance Bank Plc.

CONTENTS

ABOUT NPF MICROFINANCE BANK PLC

NPF Microfinance Bank (formerly NPF Community Bank Ltd) was incorporated on 19th May 1993 as a Limited Liability Company under the Companies and Allied Matters Act Cap C20LFN 2014 with RC NO. 220824 The Bank provides Banking services to both Serving and Retired Officers and Men of the Nigeria Police Force, its ancillary institutions and the general public. It was registered as a Public Limited Liabilty Company on 13th July, 2006.

The Bank commenced business on 20th August 1993 at 1 Ikoyi Road, Obalende Lagos having obtained a provisional Licence to operate as a community Bank on July 12, 1993 from the Central Bank of Nigeria. It later obtained its full licence to operate as a Community Bank on 24th January 2002. On 31st December 2007, the Bank converted from its Community Bank status to a National Microfinance Bank following the directive of the Central Bank of Nigeria to all Community Banks.

The authorized share capital of the Bank at inception was ₦500,000 made of 500,000 ordinary shares of ₦1.00 each and this has increased over the years to its current level of ₦3,000,000,000 made up of 6,000,000,000 ordinary shares of 50k each out of which 5,393,659,101 ordinary shares of 50k each are issued and fully paid up. The shares of the Bank were listed on the floor of the Nigerian Stock Exchange on 1st December 2010 and the bank has been consistent in the payment of dividend to its shareholders for over 22 years.

Over the years, the Bank has emerged as one of the leading Microfinance Bank providing a wide range of products and services to its esteemed customers and the general public. Some of the services includes; Current Accounts, Savings Accounts, Loans and Advances, Money Market Services, Finanacial Advisory Services, leveraging on our Electronic Banking Platforms (USSD, Internet Banking and Mobile Banking Application) and Point of Sale Services).

The Bank obtained the Corporate Governance Rating System Certification of the Nigerian Exchange Limited (NGX) in year 2018 hence amongst its peers, the Bank is rated high on sound corporate governance, transparency and stable management. As a result of such consistent performance, institutions such as the Central Bank of Nigeria, Bank of Industry and Development Bank of Nigeria partner with the Bank by providing developmental funds to it for lending to customers as a way of deepening financial inclusion in the country.

Presently, the Bank has 37 branch offices located all over the Federation.

Vision

To be the clear leader in the provision of microfinance services.

Mission

To create value and wealth for our stakeholders through the sustainable provision of microfinance products and services.

Core Values

Professionalism
Integrity
Customer-focused
Excellence
Loyalty

	2021 ₦'000	2020 ₦'000	% Increase/ (Decrease)
Interest income	**5,172,683**	**4,088,196**	**26.53**
Interest expense	(655,703)	(411,215)	59.46
Net interest Income	4,516,980	3,676,981	22.84
Fee and Commission Income	546,941	500,818	9.21
Other Income or Loss	50,431	69,817	(27.77)
Net Operating Income	5,114,352	4,247,616	20.41
Net Impairment loss/write back on financial & other Assets	(34,971)	(122,300)	(71.41)
Total Operating Expense	(4,083,777)	(3,380,604)	20.80
Profit before Taxion	1,030,575	867,012	18.87
Tax Expense	(323,082)	(252,595)	27.91
Profit for the year	**707,493**	**614,417**	**15.15**
Other comprehensive income for the year net of tax	(3,258)	(3,440)	(5.29)
Total Comprehensive income for the year	704,235	610,977	15.26
Major Financial position items			
Loans and receivables from customers	17,447,816	16,667,615	4.68
Deposit from customers	16,278,901	14,838,805	9.70
Ordinary share capital	1,143,328	1,143,328	-
Total Equity	5,730,965	5,481,584	-
TOTAL ASSETS	**31,967,345**	**25,096,975**	**27.38**
Information per 50k Ordinary share in kobo			
Earnings			
Basic	31	27	14.81
Dividend	10	20	(50.00)
Net Assets	251	239	5.02
Total Assets	1397	1097	27.35
Number of employees	430	450	(4.44)
Number of branches	37	35	5.71

DIRECTORS, OFFICERS & PROFESSIONAL ADVISERS

Directors:	Mr. Azubuko Joel Udah (Esq.)	Chairman
	Mr. Akinwunmi M. Lawal	Managing Director
	Mr. John Kwabe Tizhe	Executive Director
	Mr. Francis C. Nelson	Executive Director
	Mr. Usman Isa Baba	Non-Executive Director
	Mr. Jibrin G. Gane	Non-Executive Director
	Mr. Abdulrahman Satumari	Non-Executive (Independent) Director
	Mr. Salihu Argungu Hashimu	Non-Executive Director
	Mrs. Rakiya Edota Shehu	Non-Executive (Independent) Director

MANAGEMENT	Mr. Akinwunmi M. Lawal	-	Managing Director
	Mr. John Tizhe	-	Executive Director, Operations
	Mr. Francis C. Nelson	-	ED, Finance & Administration
	Mrs. Osaro J. Idemudia	-	Company Secretary/Legal Adviser
	Mr. Chima Wosu	-	Head, Credit/Operations
	Mr. Segun Osisanya	-	Head, ERM
	Mr. Fidelis Omokhapue	-	Head, Internal Audit
	Mrs. Yetunde Babarinde	-	Head, Administration
	Mrs. Hafsat Ekutti	-	Head, Information Technology
	Mrs. Fatima Olajumoke	-	Head, Marketing
	Mr. Dare Ariyo	-	Head, E-Business
	Mr. Sunday Zovoe	-	Chief Compliance Officer
	Mr Philip Aiwekhoe	-	Chief Information Security Officer
	Mr. Habeeb Yusuf	-	Regional Head, North
	Mr. Solomon O. Komolafe	-	Regional Head, South
	Kate N. Ukah	-	Regional Head, East

Company Secretary	Independent Auditor:	Registrars:
Mrs. Osaro J. Idemudia Aliyu Atta House 1, Ikoyi Road, Obalende Lagos	KPMG Professional Services KPMG Tower, Bishop Aboyade Cole Street, Victoria Island, Lagos	CardinalStone Registrars Ltd. 335/337, Herbert Macaulay Way Yaba, Lagos
Registered Office:	**Major Bankers:**	**Tax Identification Number:**
Aliyu Atta House 1, Ikoyi Road, Obalende Lagos	United Bank for Africa Plc 57, Marina, Lagos Island, Lagos, Nigeria. First Bank of Nigeria Plc Samuel Asabia House 35 Marina Lagos, Nigeria Sterling Bank Plc 20 Marina Road, Lagos Island, Lagos	00122558-0001

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Eight Annual General Meeting of NPF MICROFINANCE BANK PLC. will hold at Shell Hall, Muson Centre Onikan Lagos State on Thursday 26th May, 2022 at 11:00a.m. to transact the following business:

ORDINARY BUSINESS

1. To lay before the members the Audited Financial Statements for the year ended December 31, 2021 together with the Reports of the Directors, Auditors and Statutory Audit Committee thereon,

2. To declare a dividend

3. (i) To re-elect the following Directors retiring by rotation;

a. Mr. Azubuko Joel Udah
b. Mr. Usman Isa Baba
c. Mr. Jibrin Garba Gane

4. To approve the appointment of the following new Directors ;
a. Mr. Bello Makwashi
b. Mr. Uzairu Abdullahi

5. To authorise Directors to fix the remuneration of the Auditors

6. Disclosure of the Remuneration of Managers of the Bank

7. To elect members of the Audit Committee

SPECIAL BUSINESS

8. To consider and if thought fit, pass the following as ordinary resolution;
"That the remuneration of the Directors of the Bank for the year ending 31st December, 2022 be and is hereby fixed at ₦25,000,000.00 only".

9. To consider and if thought fit, pass the following as ordinary resolution;

i. "That following the recommendations of the Directors and in compliance with the requirements of Section 124 of the Companies and Allied Matters Act 2020 and the Companies Regulations 2021 the Directors be and are hereby authorised to deal with the unissued share capital of 606,340,899 ordinary shares of 50k by way of Bonus and private placement".

ii. That the sum of ₦299,647,728 out of the total of ₦4,624,485,722.57 in the Share premium account be and is hereby capitalised into 599,295,456 new ordinary shares of 50k each to be allotted and distributed to shareholders whose names appear in the Register of Members at the close of business on 27th May 2022 in proportion of one (1) new share for every Nine (9) existing shares held and that such new ordinary shares shall rank pari-pasu with the existing ordinary shares of the Bank subject to regulatory approval".

iii. "That the Directors be and are hereby empowered to enter into a capital raising engagement such as a special placement on the balance of 7,045,443 unissued shares after the Bonus Issue.

10. To consider and if thought fit pass the following as Special Resolution:-

i. That a new clause 54 be include in the Articles of Association as follows;

"The Notice, Annual Reports and Accounts and/or other Reports, documents and information relating to any business to be transacted at every General Meeting of the Company may be distributed or circulated electronically to members and persons entitled to receive them and have provided the Company with an electronic mail address".

ii. "That the Bank's Memorandum and Articles of Association be renumbered accordingly following the amendment proposed therein".

PROXY

A member of the Company entitled to attend and vote at any General Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company. For the appointment to be valid, a completed and duly stamped proxy form must be deposited at the office of the Company Secretary, Aliyu Atta House, 1, Ikoyi Road, Obalende or the Registrar of the Company Cardinalstone Registrars Ltd, 335/337 Herbert Macaulay Way, Yaba, Lagos not less than 48 hours before the time fixed for the meeting.

BY ORDER OF THE BOARD

Mrs. Osaro J. Idemudia
Company Secretary/Legal Adviser
FRC/2013/NBA/00000002319
1, Ikoyi Road, Obalende, Lagos.
15th March 2022

NOTES

1. **PAYMENT OF DIVIDEND**
If the dividend recommended by the Directors is approved by members at the Annual General Meeting, the dividend shall be paid on 26th May 2022 to Shareholders' whose names are registered in the Register of Members at the close of business on 6th May 2022.

2. **CLOSURE OF REGISTER OF MEMBERS**
The Register of Members and Transfer Books to enable the Registrar prepare for payment of cash dividend will be closed from 9th May 2022 to 13th May 2022 (both days inclusive).

The Register of Members and Transfer Books for the determination of shareholders that will benefit from the bonus shares will be closed from 30th May 2022 to 2nd June 2022 (both days inclusive).

3. UNCLAIMED DIVIDEND WARRANTS

Some dividend warrants have remained unclaimed or are yet to be presented for payment or are in need of revalidation. Any member affected by this notice is advised to contact the Registrar. The list of unclaimed dividend can also be accessed at the Registrar's office or via the Company's website www.npfmicrofinancebank.com.

4. STATUTORY AUDIT COMMITTEE

Pursuant to Section 404 (6) of the Companies and Allied Matters Act, 2020, any member may nominate another member for appointment to the Audit Committee. Such nomination should be in writing and must reach the Company Secretary not less than 21 days before the Annual General Meeting.

The Corporate Governance Guidelines of the Securities and Exchange Commission (SEC) and Code of Corporate Governance of the Central Bank of Nigeria (CBN) provides that members of the Audit Committee should have basic financial literacy and be knowledgeable in internal control process. We therefore request that nominations be accompanied by a copy of the nominee's curriculum vitae.

5. E-ANNUAL REPORT

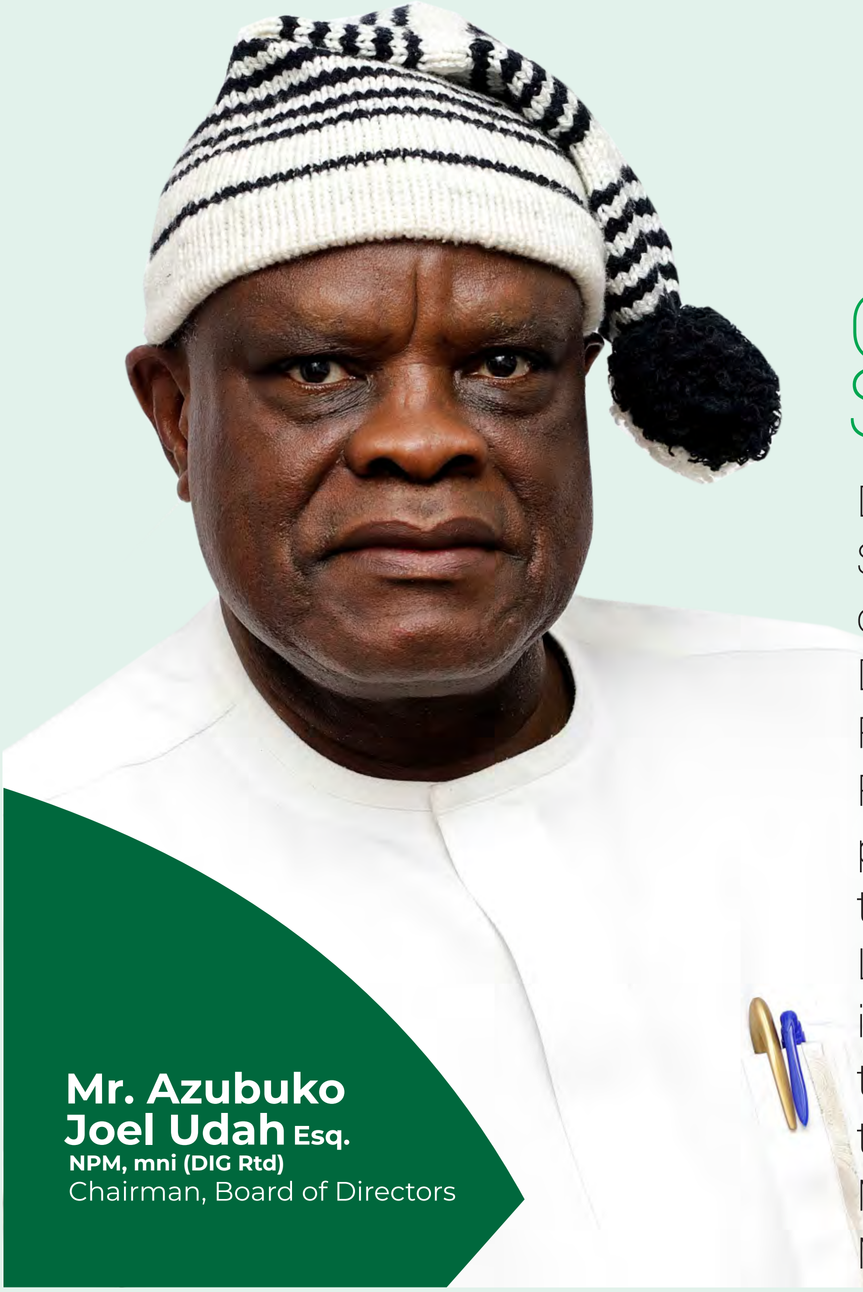
The electronic version of the Annual Report is available at www.npfmicrofinancebank.com. Shareholders who have provided their email details to the Registrar will receive the electronic version of the Annual Report via email. Additionally, shareholders who are interested in receiving the electronic version of the Annual report may request via e-mail to registrars@ cardinalstone.com.

6. BIOGRAPHICAL DETAILS OF DIRECTORS

The biographical details of all Directors submitted for re-election or approval are contained in the Annual Report.

7. RIGHT OF SHAREHOLDERS TO ASK QUESTIONS

Shareholders reserve the right to ask questions not only at the Annual General Meeting, but also in writing prior to the meeting on any item contained in the Annual Report and Accounts. Such questions should be addressed to the Company Secretary, NPF Microfinance Bank Plc, Aliyu Atta House, No. 1 Ikoyi Road, Obalende, Lagos or info@npfmicrofinancebank.com on or before 25th May, 2022.



Mr. Azubuko Joel Udah Esq.
NPM, mni (DIG Rtd)
Chairman, Board of Directors

Chairman's Statement

Distinguished Shareholders, Members of the Board of Directors, Representatives of Regulatory Agencies present, gentlemen of the press, esteemed Ladies and Gentlemen; it is with great pleasure that I welcome you to the 28th Annual General Meeting of NPF Microfinance Bank Plc.

MACROECONOMIC REVIEW

Nigeria's economy recovered from its economic recession in Q4 2020 following two consecutive quarters of negative movement in the country's GDP. However, the economy still struggled to reach pre-pandemic levels in 2021 on the back of galloping inflationary pressure, rising unemployment rate, insecurity, surging debt profile amongst others.

The year 2021 can be regarded as a tough economic year for Nigeria given the less than desired macro numbers printed in the review year. Although, it is worth noting the Nigerian economy grew by 0.51%, 5.01%, 4.03%, 3.98% in Q1, Q2, Q3 and Q4 2021 respectively, indicating the fastest annual pace in eight years.

The growth was attributed to the performance of the non-oil sector which recorded 4.73% in the fourth quarter of 2021 in real terms, an improvement from 1.69% reported in the fourth quarter of 2020 with major contribution from Agriculture (3.58%), trade sector (5.34%), information and communication technology (5.03%) and financial services (24.14%).

The Monetary Policy Committee (MPC) of the CBN met for the last time in 2021 November leaving the Monetary Policy Rate (MPR) and other parameters unchanged. The Headline inflation rate in FY 2021 was 15.63% down from 17.75% in H1 2021, higher than CBN's target range of 6%-9%.
Nigeria's official exchange rate depreciated by 6.03% in 2021, closing at ₦435/$1 on the last day of the year, despite averaging at ₦410.3/$1 for the year. Naira faces the risk of a further devaluation after it depreciated by 4.82% on 30th December 2021, likely repeating the events that played out in the previous year.

The Finance & Insurance sector as a whole grew at 24.92% in nominal terms (year-on-year), with the growth rate of Financial Institutions as 25.99% and 13.61% growth rate recorded for Insurance. The overall rate was higher than that in Q4 2020 by 26.02% points. The sector's contribution to the overall nominal GDP was 3.10% in Q4 2021.

The Central Bank of Nigeria continues to intervene in the Investors & Exporters window to ensure the stability of the local currency, with over $32 billion traded in the year. However, the pressure from negative trade balance, decline in diaspora remittances, dwindling capital inflow, drop in crude export amongst others, is persistently mounting pressure on the exchange rate.

The Nigerian Exchange Limited (NGX) All Share Index (ASI) which represents major performance benchmark, rose by 6.07 percent to close the year at 42,716.44 points from 40, 270.72 points at the close of trading in 2020, thus surpassing the nation's Gross Domestic Product (GDP) by 2.04 percentage points.

External Reserves ended the Year at $40.52billion, $7.2 billion higher than H1 2021 figure. The accretion to the reserves was supported by improved oil prices during the course of the year, inflow from the International Monetary Fund (IMF) Special Drawing Rights (SDR) and Eurobond Issuance. However, higher dollar demand matched with inadequate supply continues to hamper the growth prospects of the reserves.

FINANCIAL SCORECARD & DIVIDEND

Despite the heightened macro-economic challenges in the country, the Bank continued to record improved performances as the Earnings for the year grew by 23.9% to ₦5.77B from ₦4.65B reported in December 2020.

Profit before Tax however stood at ₦1.03B representing a growth of 18.87% over ₦867M recorded in the corresponding year ended December 2020 while Profit-After-Tax (PAT) grew by 15%, from N614M in 2020 to N707M in 2021.

Also, Loans and Advances increased marginally by 5% from ₦16.67B recorded in December 2020 to ₦17.45B in the year under review. The Bank's balance sheet however remained strong with 27% growth in Total Assets resulting in an Asset size of N31.96B as at year end 2021.

These achievements were made possible by our highly disciplined approached to risk management, improved customer service delivery, skilled and passionate personnel. It is our resolve to forge ahead and continue to deliver better financial services to our esteemed customers.

On the strength of this performance and in view of our promise that shares issued under the just concluded hybrid offer shall qualify for dividend, the Directors have proposed a dividend of 10kobo per share to shareholders whose name appear on the Register as at close of Business on 6th May 2022. This represents a dividend appropriation of N539M on the Profit After Tax.

The Board is committed to delivering optimum returns to shareholders and we are unrelenting in our investments in value accretive initiatives that will enable us deliver improved performance in the coming years.

BOARD OF DIRECTORS

During the Year, Mr. Mohammed Dantsoho Saeed retired from the Board after Nine (9) years of excellent service and contributions to the growth of the Bank. Similarly, Mr. Aminu Saleh Pai resigned from the Board following his retirement from the Nigeria Police Force.

Also in the year under review, Mr. Uzairu Abdullahi and Mr. Adamu Usman were appointed as Non-Executive Directors to fill the vacancies created by the exit of Mr. Mohammed D. Saeed and Mr. Aminu Pai respectively.

Unfortunately before this Annual General Meeting, Mr. Adamu Usman resigned from the Board following his retirement from the Nigeria Police Force. The Board thus appointed Mr. Bello Makwashi as a Non-Executive Director to fill the vacancy created by the exit of Mr. Adamu Usman and to represent the interest of the Nigerian Police Cooperative Multipurpose Society Ltd on the Board.

The appointments of Mr. Uzairu Abdullahi and Mr. Bello Makwashi will be presented to Shareholders at this Annual General Meeting, for ratification. Their resumes are contained in this report.

STRATEGIC PLAN

In line with our three years strategic plan (2019-2021), I am delighted to report that as at 31st December 2021 the Bank achieved 96% of the set strategic initiatives. Staff were recruited and adequately trained while the Bank continued to invest heavily in Technology with the launch of Mobile and Internet Application, USSD, Agency Banking and the deployment of our additional ATMs to serve customers. Inspite of the daunting challenges across the country within the period, the Bank has also been on an expansion journey, strategically establishing presence across Nigeria with a view to taking advantage of the widening opportunities in the Country.

In addition two (2) Branches were opened at Gwagwalada in FCT Abuja and Maiduguri to bring the total number of Branches to 37 as at the end of the Year under review.

Following the end of the 2019-2021 plan period, the Board has embarked on an ambitious journey with a strategic business direction to grow the Bank strongly through digital transformation to increase its market share and transition to a Deposit Money Bank within the next three (3) years (2022-2024).

In pursuit of our strategic growth objectives, the Board is committed to strengthening the Bank's capital to meet the minimum requirement of N25Billion by end of 2024. To further improve funding, the Bank will continuously mobilise funds to drive the growth strategy through customer deposits, borrowings, specialised and intervention funds in line with regulatory requirements.

In furtherance to our strategic focus of Market Deepening and Branch Expansion, the Bank will increase its number of Branches in commercial locations across the country. It is projected that the success of these key strategic focus will solidify the Bank's position as one of the top Microfinance Banks in Nigeria.

REGULATORY COMPLIANCE

Unissued Shares

Recall that the shareholders at the Annual General Meeting held on 25th July 2019 authorized the Board to offer to the general public 3,000,000,000 units of the Bank's shares by a combination of Rights Issue and Public Offer. This resolution was implemented via a hybrid offer which was successfully completed and approved by the Securities and Exchange Commission (SEC). A total of 2,286,657,766 units of shares have been allotted under the right issue and 820,343,569 under the pubic offer.

This leaves the Bank with an unissued share of 606,340,899 units. To ensure the Bank is in compliance with Section 124 of the Companies and Allied Matters act and Regulation 13 of the Companies Regulations 2021, the Board will be requesting for shareholders' approval to deal with the unissued shares of 606,340,899 units.

The Board is recommending a share bonus of 599,295,456 new ordinary shares of 50k each in proportion of one (1) new share for every Nine (9) existing shares held. Payment for this is to be taken out of our Share Premium Account. The new ordinary shares shall rank pari-pasu with the existing ordinary shares of the Bank. The Board will also be requesting for your approval to enter into a capital raising engagement such as a special placement on the balance of 7,045,443 unissued shares after the Bonus Issue.

Sustainability Reporting

There is a rising global awareness on the importance of adopting a culture that conserves resources, creates opportunities and develops sustainable solutions that protect lives and opportunities for future generations. Now, more than ever, stakeholders are seeking accountability from organizations on the impact of their affairs on the environment, economy and society.

The Bank has now put in place a Sustainability Policy in compliance with the Nigerian Sustainable Banking Principles, relevant guidelines and circulars issued by the CBN as well as the Sustainability Disclosure Guidelines of the Nigeria Exchange Limited (NGX).

Going forward, our Sustainability report will be made available to shareholders and published on the Bank's website in addition to formal reporting to regulators.

FUTURE OUTLOOK

In year 2022 we anticipate that Nigeria's Gross Domestic product growth will be slightly lower than the prior year resulting from the increased level of uncertainties as the general election approaches. The service sector is also expected to continue driving this growth as the economy remains on its recovery path. Key economic activities to watch out for in 2022 include the electioneering, removal of subsidies, and fluctuation of the Naira.

However, the recent Russia-Ukraine war is causing international commodity prices to surge, with mixed implications for Nigeria. Costlier diesel and food prices will mean another year of high inflation in 2022, mixed with mass unemployment and rampant insecurity across much of the country.

The significant increase in the cost of transportation, food items and other necessities in Nigeria, indicates a continuous dent in the purchasing power of average Nigerians. This could in turn reverse the movement of Nigeria's consumer price index.
In the face of increased uncertainties, the Bank will take advantage of opportunities presented in this financial year, in order to sustain earnings and profitability, improve asset quality and deliver competitive returns to our esteemed shareholders. We will also continue to build strong, value adding relationship with our customers and stakeholders.

APPRECIATION

Our 2021 performance despite the difficult macroeconomic and operating environment is a testament of the commitment, diligence and resilience of the Bank's Board, Management and staff to create long-term value for all stakeholders.

On behalf of the Board, I thank our esteemed shareholders, for the constant cooperation and support extended to the Board and Management over the years. We are conscious of the uncertainty of the changing global and domestic environment and commit to always maximizing value creation to you.

I also appreciate the commitment of all our staff and would like to extend a heartfelt gratitude for their hard work and dedication to the Bank, particularly during these tough times. We remain focused on nurturing quality staff who deliver excellent service.

Finally, I want to specially appreciate all my colleagues on the Board of NPF Microfinance Bank Plc for their strong leadership, commitment and for ceaselessly guiding the Bank on the path of sustained growth despite the challenges.
Thank you.

Azubuko Joel Udah Esq NPM, mni (DIG Rtd)
Chairman, Board of Directors

Managing Director's Statement

Dear esteemed shareholders, with huge cheers and appreciation I feel greatly honored to welcome you all to the 28th Annual General Meeting of our bank holding this day 26th May, 2022 here at the MUSON Centre in Lagos.

Although, 2021 was characterized as another year of extraordinary circumstances, the bank has again displayed resilience, determination in delivering service excellence and value to our esteemed customers amidst the global covid-19 pandemic, restrictive monetary regime as well as the economic and socio-political challenges that impacted consumer disposable income.

My distinguished shareholders, I am proud to say that we have weathered the storm and emerged stronger, continuing to pursue operational excellence and following through with our long-term strategic plan.

Providence has made it possible for us to record yet another year of improved profit and enriched financial standing in all areas of activity during the financial year ended 31st December 2021.

GLOBAL ECONOMY

Year 2021 was an eventful year mostly shaped by response of the international community to the COVID-19 challenges. The Delta and Omicron variants of the virus took over the air vigorously in the second half of the year. There was a sharp increase in the rate of COVID-19 vaccinations as this became prerequisite for international human movement, while it was welcoming that, pandemic related restrictions were lessened considerably during the year. These had direct impact on the cost of business and volume of economic activities posing a downside risk to the prospects of full recovery.

However, amid rapid vaccination and continued fiscal and monetary support measures, the recovery is gaining momentum with increasing consumer spending, an upswing in investments, and soaring world merchandise trade, above pre-pandemic levels, China and the United States- the two largest economies – are on the path to recovery. In contrast, the growth in several countries in South Asia, sub-Saharan Africa, Latin America, and the Caribbean, remains fragile and uncertain. For many countries, economic output is only projected to return to pre-pandemic levels in 2022 or 2023.
The global economy is projected to slow down from 6.5 percent growth in 2021 to 3.5 percent in 2022 amid fresh threats from COVID-19 variants.

NIGERIA ECONOMY

On the domestic scene, the CBN interventions were the order all through the year. These were notably the injection of funds into the Agric sector, Targeted Credit Facility, Creative Industry Initiatives, National Mass Metering Programme, and the Health Care Intervention Fund among many others.

Headwind Inflation remained on the upward tick as the CBN in all its MPC meetings retained its parameters constant at MPR 11.55%, CRR 27.5% and Liquidity Ratio 17.33% for the year.
The Foreign exchange terrain remained volatile in the year as it kept tide with the domestic inflation index. On the official market, the best Naira to Dollar rate was ₦379.52 to the Dollar on 27th April, 2021, the average rate was ₦403.58 to the Dollar for the year while the worst rate was ₦413.84 on 18th December 2021.

Nigeria's official exchange rate depreciated by 6.03% in 2021, closing at ₦435/$1 on the last day of the year, despite averaging at ₦410.3/$1 for the year. The parallel market also recorded significant depreciation as the naira closed at ₦565/$1 in 2021, representing a fall of 22.8% against the US dollar.

The CBN also created other schemes and opportunities like the diaspora remittances, e-naira crypto currencies and licensing of Payment Service Banks to galvanize and stimulate business in the economy.

Nigeria's economy remained on a path of positive growth in 2021 growing at the fastest annual pace in eight years, with the continuing rebound in non-oil economic activities.

The growth recorded in the year 2021 was however attributed to a favorable period and contribution of the non-oil sector with a major contribution from Agriculture (3.58%), Trade sector (5.34%), Information and Communication (5.03%), and financial services (24.14%).

In 2021, high prices remained a major concern for businesses and households, especially with the challenges associated with insecurity, infrastructure deficit, and foreign exchange fluctuation, all of which were factors that triggered inflation in Nigeria.
Nigeria's external debts rose to $37.96 billion in Q3 2021 from $33.47 billion, recorded in the previous quarter, an increase largely due to the Eurobond of $4billion secured by the federal government from the international debt market.

Your bank successfully waded through the tides and was able to achieve impressive operating results at the close of the books for the year.

OPERATING RESULT

A review of the banks financial results shows resilient performance across all financial indices, reaffirming the Bank's position as one of the best managed Microfinance bank in Nigeria.
Gross Earnings for the year grew by 26.53% in the year 2021 to ₦5.172Billion from ₦4.088Billion in the year 2020.

Net Operating Income improved significantly by 20.41% from ₦4.247Billion to ₦5.114Billion in 2021.
Net Impaired loss on financial asset reduced by 71.41% from ₦122.3Million to ₦34.971Million, these are attributable to significant improvement in recovery of impaired loans and advances.
Total Operating Expenses increased by 20.80% from ₦3.380Billion to ₦4.084Billion, the increase recorded was as a result of increased staff cost and other operating cost due to rising inflation in the economy.

The Profit Before Tax increased by 18.87% from ₦867Million to ₦1.030Billion while Profit After Tax also improved impressively by 15.15% from ₦614.4Million to ₦707.493Million.
Loans and Advances to customers as at December 2021 stood at ₦17.447Billion as against ₦16.667Billion in corresponding period of 2020. This gives credence to our continued support to the business of our customers.
For Portfolio at Risk, the bank recorded an impressive PAR of 3.75%.
Deposit Liabilities improved by 9.7% from ₦14.839Billion to ₦16.279Billion attesting to Management dogged marketing effort.

The bank's scorecard enumerated above underscores manifestation of increased and aggressive activities in marketing and publicity during the period.

Directly contributing to the performance is the bank's full and active participation in all facets of Electronic Banking. Our massive investment and development of critical IT Infrastructure during the year continues to pay off modestly in this area. The gains here express growing market confidence and the bank is set to explore extensively the potential market across the country.

On an inspiring note, Total Assets grew to ₦31.967Billion in year 2021 from ₦25.096Billion in year 2020 representing a growth rate of 27.38%.
It is hearty to announce that accommodating this is the Equity of the bank which stood at ₦5.73Billion at the year end. The bank had been able to grow the Equity at 4.55% above the closing figure of ₦5.48Billion for year 2020.

For the unflinching support of our esteemed shareholders, the bank was able to add significantly to the proprietary values for the owners during the year. We recorded basic earnings of 31k for our 50k ordinary share representing a growth of 14.81% over last year's 27k. A dividend of 10k is proposed for the year as well as bonus issue of 1 share for every 9 shares held. It is pertinent to mention that the new listed shares after our recent hybrid share offer are also qualified for the dividend proposed.

CAPITAL MANAGEMENT/RECAPITALIZATION
It is important to note that your bank is adequately capitalized with total equity standing at ₦5.73Billion which is above the ₦5Billion regulatory requirement by the CBN for National MFBs. The bank has successfully completed her Right Issues & Public Offer for better performance and in preparation to obtain regulatory approval for a National Commercial Banking license at a minimum paid-up share capital of N25 Billion by end-2024.

FINANCIAL REPORTING STANDARD
The bank has continued to align its reporting with the international signatures of IFRS 9 (Financial Instruments) and IFRS 16 (Lease). In general, enriched prudential accounting, plausible impairment charges, and balanced NPL positions have resulted in improved performance. The bank will not renege from investing in necessary infrastructures that will enhance the quality of its assets in line with its risk management framework.

HYBRID OFFER
I am very happy to inform the Shareholders and Other Stakeholders of the successfully completion of the hybrid offer in the current year based on resolution passed at the bank's last Annual General Meeting.
The Hybrid offer was a huge success, The Right Issue and the Public Offer recorded over subscription of 105.87% and 121% subscription respectively.
The cumulative effect of this performance is reflected in the sustained confidence of investors as measured by the perceive activities of the Bank's shares on the Main Board of the Nigeria Exchange Limited (NGX) in the Capital Market.

On this note, to all our Shareholders, we say a Big Thank You. We are ever determined to add value to your investment in the bank and to create more wealth to all stakeholders.
It is said that "To whom much is given, much is expected". It is to this that we decided to propose a bonus issue of 1 share for every 9 share held in addition to cash dividend of 10k per share for both existing and new shareholders. Like the popular Oliver Twist, who always ask for more, we shall soon come back to you as we strategize to reposition the bank in our desired transformation to a Deposit Money Bank.

BRANCH EXPANSION/NETWORK
The bank secured approval from the Apex Regulator (CBN) to open fifteen (15) New Branches during the year. Two of the branches namely; Maiduguri (Borno State) and Gwagwalada (Abuja) have commenced operations bringing our total number of branches to 37 spread across Nigeria which are inter connected on –line real time giving our teaming customers the comfort of modern banking services.

MARKETING ACTIVITIES FOR YEAR 2021
Our marketing activities in Year 2021 resulted to growth in our customer base and deposit by over 50% and 10% respectively.
We embarked on various marketing strategies to achieve these results in the midst of the tough economic and pandemic situation in Nigeria.
In the course of the year in pursuit of the bank's strategic digital transformation plan, we deployed and launched various Digital platforms which are the Mobile App, USSD Code *5757#, BetaMoni Agent Banking platforms to the delight of our customers. These channels gave us leverage into the online space. Our customers could do their banking transactions and open account online in the comfort of their homes.

One of the major marketing strategies we embarked upon was the increase in our social media marketing. We were also able to drive traffic to our website witnessing an increase of over 1800% footprints on our social media platforms which translated into the increase in our customer base by over 50%.

IT ACTIVITIES FOR YEAR 2021
Our technology continues to witness upscaling to meet up with the trend of competition and opportunities in the financial ecosystem. There were several projects undertaken which has made it possible for the bank to deploy several electronic platforms among which are the Mobile and Internet Banking application, USSD code *5757#, Agency banking platforms to deepen financial inclusion and take banking service to the doorsteps of our customers.
In response to the impact of covid -19 on physical work, we have taken giant stride to position the bank for remote working leveraging on cloud solutions, online collaboration tools and cutting-edge network infrastructure having put in place deploy cybersecurity policies and procedure for protection of the banks information assets.

CYBER SECURITY
The Bank has commenced implemation of ISO 27001 framework in view of emerging Cyber Security threats globally. This will assist in ensuring confidentiality, availability and integrity of our database. We are poised to ensure that risks critical to the business operations are identified with implementation of adequate measure/policies to mitigate such risk.

CORPORATE SOCIAL RESPONSIBILITIES
As part of our commitment to the development of our primary community and to identify with the aspirations of various sections of the society, the Bank made contributions to charitable and non-political organisations amounting to ₦2,050,000 (31st December 2020: ₦860,000) during the year. This comprises contributions to educational organisations amongst others. The bank also carried out some environmental cleaning exercise to demonstrate our belief in the culture of sustainable environment.

HUMAN RESOURCES

To ensure adequate and quality human capital, the bank has continued to:

- Adopt merit-based recruitment.
- Automate staff **performance management** system.
- Conduct extensive training and retraining of staff towards value and exceptional service delivery.
- Sustain staff welfare and other motivational incentives to drive productivity, and performance and enhance staff retention.

STRATEGIC DIRECTION

The year 2021 saw the end of our 3 years Strategic Plan 2019-2021. A new three years strategic plan for year 2022-2024 has been formulated with a central theme of "Digital Transformation". The main thrust of the strategy are as follows:

- ❖ Digital Transformation:
- ❖ Digital Marketing: The use of the Internet, mobile devices, social media, search engines, and other channels to reach customers.
- ❖ Funding Strategy: Such as Commercial Papers, long term development funding, etc.
- ❖ Human Capital Development: Training and Retraining of Staff
- ❖ Diversification: Micro Insurance, NPF Academy, etc.
- ❖ Transformation into Commercial Bank.

APPRECIATION

On behalf of the Board, Management and Staff. I wish to sincerely thank all Stakeholders especially our esteemed Shareholders for the unflinching support and trust.

We assure you that we shall continue to improve on the value of your investment despite the challenging competitive environment. We are most indebted to our numerous customers for their patronage which is the major reason for our existence.

I also appreciate the regulators, government agencies, our consultants, and our ever supportive staff and Board members for their understanding, commitment, and dedication to the Bank.

Thank you.

Mr. Akinwunmi Lawal

Mr. Azubuko J. Udah was born on 26th October, 1954 in Abia State. He is a retired Deputy Inspector General of Police. He holds a Bachelor's degree in Political Science (1978) from the Premier University, the University of Ibadan and also has a Bachelor of Laws degree from the University of Calabar. He attended the Nigeria Law School and was called to the Nigeria Bar in 2000.

He holds a Masters degree in Law from University of Jos and he is a graduate of the Prestigious National Institute of Policy and Strategic Studies (NIPPS) Kuru, Jos.

Mr. Udah is a prominent member of several professional bodies among which are Nigerian Bar Association (NBA), International Bar Association (IBA), the International Association of Chiefs of Police (IACP) and the National Organisation of Black Law Enforcement Executive (NOBLE).

He has served in different commands and formations of the Force and rose to the rank of Deputy Inspector General of Police in the year 2010 having headed several Police Commands. He was a member of the Presidential Planning Committee on the amnesty programme and a key member of the amnesty Implementation Committee.

A recipient of several awards, DIG Azubuko Udah NPM, mni (Rtd) is a practicing lawyer and Principal in the Law Firm of Azubuko Udah & Co. He is also a farmer and the Chairman/ CEO of Idyllic Farms Ltd.

He was appointed the Chairman, Board of Directors on 24th July, 2015.

Mr. Azubuko Joel Udah Esq.
Chairman

Mr. Akinwunmi Lawal holds a Higher National Diploma in Business Administration from Yaba College of Technology (1996) and MBA in Financial Management Technology from the Federal University of Technology Owerri. He is a fellow of the Chartered Institute of Bankers of Nigeria and Microfinance Certified Banker. He is also a fellow of the Association of Enterprise Risk Management Professional and an Associate of Certified Pension Institute of Nigeria.

He has over thirty (30) years of quality banking experience having previously worked with FSB International Bank Plc. (1987-1993) and United Commercial Bank (1993 -1994).

He joined NPF Microfinance Bank Plc over twenty-four (24) years ago and has served the Bank in various capacities such as Head of Accounts, Head Abuja Liaison Office, Head of Treasury, Head Financial Control and Head Enterprise Risk Management.

Mr. Lawal has attended various local and international banking management and leadership programmes. He is a team player whose experience makes him well suited to play a leading role in repositioning the Bank as a leading Microfinance Bank in the Microfinance sub-sector of the Banking Industry.

Mr. Akinwunmi Lawal
(Managing Director)

Mr. Nelson hails from Anambra State. He obtained a Post Graduate Diploma (PGD) and MBA in Accounting from Nnamdi Azikiwe University in year 2000 and became a Fellow of the Chartered Institute of Taxation in 2003.

He is also a fellow of the Institute of Chartered Accountants of Nigeria (2006) and a CBN Certified Microfinance Banker. Mr. Nelson has extensive working experience in both Manufacturing and Finance Company before joining the Bank.

He worked as an Associate Consultant with FC & Associate (Financial Management Consultant) from 1996 – 1999, Assistant Manager (Audit) with Achike Emejulu & Co (Chartered Accountants) from 1994 – 1996, Manager (Accounts Department), Swiss-Nigeria Chemical Company Ltd 1988 – 1993 and Assistant Accountant John Holt (Teem/Mirinda Plant) 1986-1988.

Mr. Nelson Joined NPF Microfinance Bank Plc in 1999 and served as the Head Internal Audit and Head, Finance and Administration before his appointment on 1st August, 2017 as the Executive Director, Finance & Administration.

Mr. Francis Chukwuemeka Nelson
(Executive Director, Finance & Admin)

Mr. John Tizhe holds a Bachelor of Technology degree in Operations Research from the University of Technology Yola, Adamawa State in 1992. He started his career at First Continental Insurance Company Ltd where he served as the Superintendent of Insurance from 1996-1999.

Mr. Tizhe joined NPF Microfinance Bank Plc in year 2000 as the Information Technology Manager (2000-2014) where he made remarkable impact in implementation of various IT projects.

He attended various trainings and seminars both locally and internationally. He is a certified Microfinance Banker, an Associate of the Chartered Institute of Administration, an Associate of the Nigerian Institute of Management and Disaster Recovery Institute International. Mr. Tizhe passed the ISACA's Certified Information Systems Auditor Exam and holds ITIL foundation certificate in IT Service Management.

Until his appointment as the Executive Director Operations, Mr. Tizhe was the Regional Head, North. He is happily married and enjoys reading and travelling.

Mr. John Kwabe Tizhe
(ED, Operations)

Mr. Jibrin Gane was born on 27th October, 1966 in Dass Local Government Area of Bauchi State. He obtained a Diploma in Accountancy (1997) and holds a_Bachelor's degree in Banking and Finance, (2005) both from the University of Maiduguri. He is a member of the Certified National Accountant of Nigeria.

Mr. Jibrin Gane enrolled into the Nigeria Police Force in 1990 as a Cadet Inspector and trained at the Police Academy, Kano.

He is a thorough breed professional who has worked in different Police formations across the country from 1990-2017 before he was transferred to the Police Cooperative Society Ltd where he is currently the Financial Controller.

Mr. Jibrin Gane was appointed as a Non-Executive Director on 26th October, 2017 to replace Mr. Joseph Daramola on the Board of NPF Microfinance Bank Plc.

Mr. Jibrin Garba Gane
(Non-Executive Director)

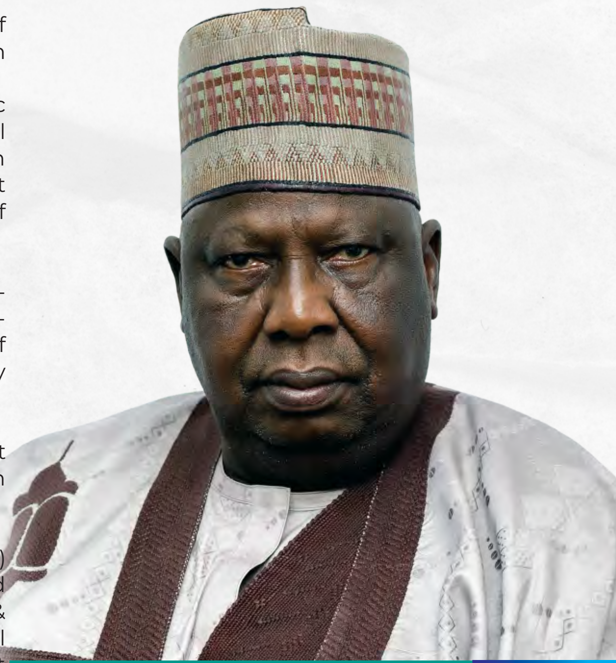
DIG Hashimu, Salihu Argungu (Rtd) was born on 10th July, 1957. He joined Nigeria Police Force as Cadet ASP in 1984 and retired in 2016 with a rank of Deputy Inspector General of Police (DIG). His experience spans over 32 years in Policing and Security Work.

Academically, he has Masters of Laws (LL.M), Barrister at Laws (B.L), Bachelor of Law (LL.B), Bachelor of Arts Education (B.A.ED), Nigeria Certificate in Education (N.C.E) and Grade II Teachers' Certificate.
He has attended and participated in several courses such as; Policy and Strategic Studies at NIPSS, Kuru Jos, International Banking Laundering Course at Federal Law Enforcement Training Centre, Gaborone Bostwana, Public Corruption Certificate Course U.S.A. Department of Justice, Higher Management Certificate Course, ASCON, Lagos and Advanced Detective Course, Police Staff College, Jos.

Among the positions held in the Nigeria Police Force includes Deputy Inspector-General of Police, Department of Training and Development, Assistant Inspector-General of Police Zone 5 Command Headquarters Benin, Commissioner of Police Jigawa State, Ogun State and Airport Command, Ikeja, Lagos, Deputy Commissioner of Police, Legal and Prosecution Services FCID FHQ Abuja.

He also held the position of Head of Investigation Department (HOD) Independent Corrupt Practices and Other Related Offences Commission (ICPC), Abuja on secondment.

He regularly presents papers (Lectures) in various States and National Fora (summits) on Security, Investigation and Intelligence, Leadership, Professional Ethics and Code of Conducts. Some of the summits includes Lagos-Kano Economic & Investment Summit 2018 as a lead Discussant and a discussant in 2nd Annual Retreat for the Sokoto State Government Executive Council, Permanent Secretaries and Directors at the National Institute for Policy and Strategic Studies (NIPSS), Kuru, Jos, 2017.



Mr. Hashimu Salihu Argungu
(Non-Executive Director)

He was appointed a Non-Executive Director of NPF MFB on 28th June, 2018.

Mr. Abdulrahman Satumari
(Independent Non-Executive Director)

Mr. Abdulrahman Satumari is a graduate of the University of Maiduguri with a Bsc. (Hons) in Business Management (Banking & Finance) 2004. He also obtained a Diploma in Accounting and a Post Graduate Diploma in Management from the same university.

His working career includes Central Cashier (HMB) Borno State (2000-2003) and he became the Chief Accountant at the Ministry of Finance (HMB) Borno State in 2003. He was the Managing Director of Satus Hotel Limited (2007-2015) and he is currently the Chairman and CEO of Mo-Tex Engineering Services Ltd.

Mr. Abdulrahman Satumari's professional association includes; Doctorate fellow-International Certified Risk Professional United Kingdom. Fellow-National Institute of Risk Management of Nigeria, Fellow-American Academy of Project Managers and he is a member of the Nigeria Institute of Management.

He was born on 24th June, 1974and hails from Askira Uba Local Government Area, Borno State. He is currently the Chairman of Board Audit Committee as an Independent Non-Executive Director.

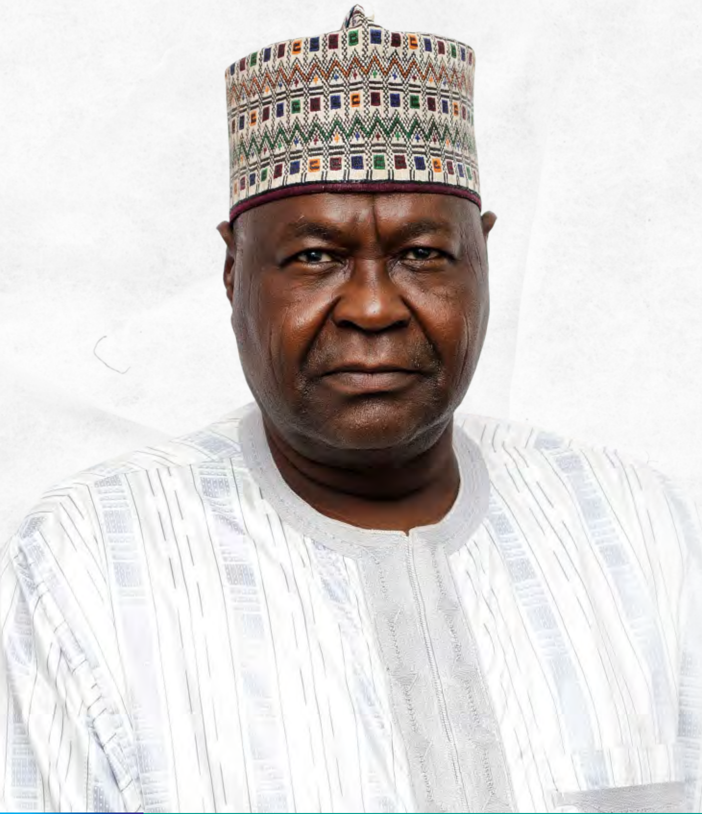
Mrs. Rakiya Edota Shehu was born on 20th February, 1974 and hails from Niger State. She obtained a Bachelor's degree in Management Studies from the Usman Dan Fodio University Sokoto State in 1996.

She began her career in Banking with the United Bank of Africa (UBA) in 1999 as a cash and teller officer. She served in various positions such as customer service officer, Reconciliation and Control Officer, Funds transfer officer, head of operations, branch operations manager and team member cash management centre until 2016.

Mrs. Rakiya Edota Shehu is a member of the Chartered Institute of Purchasing and Supply Management of Nigeria and a fellow of the Chartered Institute of Operations Management of Nigeria.

Mrs. Rakiya Edota Shehu is happily married and enjoys reading and travelling. She was appointed as an Independent Non-Executive Director on 28th June, 2018.

Mrs. Rakiya Edota Shehu
(Independent Non-Executive Director)



Mr. Usman Isa Baba was born on 21st February 1955 in Lafia, Nasarawa State, Nigeria. He obtained a Bachelor's Degree in Business Administration and Management from the Edo State University, Ekpoma (2008) and a National Diploma in Secured Credit and Property Law from the University of Lagos (1999).

Mr. Baba joined the Police Force in 1980 and retired as a Commissioner of Police after 33 Years of meritorious service.

During his service with the Nigeria Police Force, he attended various courses on financial crimes and investigation Techniques.

Mr. Baba enjoys playing lawn tennis, Horse Riding and Reading.

Mr. Usman Isa Baba
(Non-Executive Director)

Mr. Uzairu Abdullahi was born in Jigawa State on 10th October 1970. He joined the Nigeria Police Force in August 1996 where he was appointed to the rank of Cadet Assistant Superintendent of Police and trained at the Police Academy Wudil-Kano from 15th August 1996 to 18th April 1998.

Mr. Abdullahi holds a B.A in Economics from Bayero University Kano (1994), and obtained a certificate in General Computing from the Federal College of Education Gombe in 2006. He also obtained a PGD in Corporate Governance from National Open University of Nigeria (2008) and a Master's Degree in Crime Management and Prevention from Bayero University Kano (2010).

He is a Non-Executive Director representing the interest of the Nigerian Police Welfare Insurance Cooperative Society (NPWICS) Ltd on the Board of the Bank.

Mr. Uzairu Abdullahi
(Non-Executive Director)

Mr. Akinwunmi Lawal
(Managing Director)

Mr. Akinwunmi Lawal holds a Higher National Diploma in Business Administration from Yaba College of Technology (1996) and MBA in Financial Management Technology from the Federal University of Technology Owerri. He is a fellow of the Chartered Institute of Bankers of Nigeria and Microfinance Certified Banker. He is also a fellow of the Association of Enterprise Risk Management Professional and an Associate of Certified Pension Institute of Nigeria.

He has over thirty years of quality banking experience having previously worked with FSB International Bank Plc. (1987-1993) and United Commercial Bank (1993 -1994). He joined NPF Microfinance Bank Plc over twenty-four (24) years ago and has served the Bank in various capacities as Head of Accounts, Head Abuja Liaison Office, Head of Treasury, Head Financial Control and Head Enterprise Risk Management.

Mr. Lawal has attended various local and international banking management and leadership programmes. He is a team player whose experience makes him well suited to play a leading role in repositioning the Bank as a leading Microfinance Bank in the Banking Industry.

Mr. John Kwabe Tizhe
(ED, Operations)

Mr. John Tizhe holds a Bachelor of Technology degree in Operations Research from the University of Technology Yola, Adamawa State in 1992. He started his career at First Continental Insurance Company Ltd where he served as the Superintendent of Insurance from 1996-1999.

Mr. Tizhe joined NPF Microfinance Bank Plc in year 2000 as the Information Technology Manager (2000-2014) where he made remarkable impact in implementation of various IT projects.

He attended various trainings and seminar both locally and internationally. He is a certified Microfinance Banker, an Associate of the Chartered Institute of Administration, an Associate of the Nigerian Institute of Management and Disaster Recovery Institute International. Mr. Tizhe passed the ISACA's Certified Information Systems Auditor Exam and holds ITIL foundation certificate in IT Service Management.

Until his appointment as the Executive Director Operations, Mr. Tizhe was the Regional Head, North. He is happily married and enjoys reading and travelling.

Mr. Francis C. Nelson
ED, Finance & Administration

Mr. Nelson hails from Anambra State. He obtained a Post Graduate Diploma (PGD) and MBA in Accounting from Nnamdi Azikiwe University in year 2000 and became a Fellow of the Chartered Institute of Taxation in 2003.

He is also a fellow of the Institute of Chartered Accountants of Nigeria (2006) and a CBN Certified Microfinance Banker. Mr. Nelson has extensive working experience in both Manufacturing and Finance Company before joining the Bank. He worked as an Associate Consultant with FC & Associate (Financial Management Consultant) from 1996 – 1999, Assistant Manager (Audit) with Achike Emejulu & Co (Chartered Accountants) from 1994 – 1996, Manager (Accounts Department), Swiss-Nigeria Chemical Company Ltd 1988 – 1993 and Assistant Accountant John Holt (Teem/Mirinda Plant) 1986-1988.

Mr. Nelson Joined NPF Microfinance Bank Plc in 1999 and served as the Head Internal Audit and Head, Finance and Administration before his appointment on 1st August, 2017 as the Executive Director, Finance & Administration.

Mrs. Osaro Josephine Idemudia
(Company Secretary/ Legal Adviser)

Mrs. Osaro Idemudia holds a LLB degree from the University of Benin in 1990 and was conferred with a BL certificate in 1991, having passed her Law School examinations. An Experienced and versatile corporate Lawyer, Mrs. Idemudia has trained with Thomas & Co (Legal Practitioners). She has over 26 years working experience beginning with her national youth service at the Corporate Affairs Commission, Abuja (1992) and NPF Microfinance Bank (1993 to date) where she has served as the Head, General Services overseeing the Administration and Personnel Department of the Bank, the Secretary to the Board and Legal Adviser to the Bank.

Before joining the Bank in 1993, she was a legal/ Credit Officer at Falcon Mortgage Bank Limited, Ikeja.

Mrs. Idemudia is an Associate Member of the Institute of Chartered Secretaries and Administrators, Nigeria. She is a Member of the Nigeria Bar Association (NBA), Society for Corporate Governance, Nigeria Institute of Management, a fellow of the Association of Enterprise Risk Management Professionals and also a CBN Certified Microfinance Banker. She is the Company Secretary/ Legal Adviser.

Mr. Chima Wosu
Head, Credit/Operations

Mr. Wosu holds a Higher National Diploma in Business Administration from Yaba College of Technology in 1996 and a post Graduate Diploma in Banking and Finance from University of Ado Ekiti in 1999. He also obtained a Masters Degree in Economics from Lagos State University in 2006.

He is an Associate member of the Chartered Institute of Bankers of Nigeria, Nigeria Institute of Management (Chartered), Certified Pension Institute of Nigeria (CIPN), Nigeria Institute of Cost Management and he is a CBN Certified Microfinance Banker.

Mr. Wosu started his banking career in Crystal Bank of Africa Limited in 1992 and thereafter joined NPF Microfinance Bank Plc in 1999. He is currently the Head of Credit/ Operations Department.

Mr. Olusegun Osisanya
Head, Enterprise Risk Management

He is a graduate of Business Administration (1996) from Yaba College of Technology as well as holder of Masters of Business Administration Degree (2012).

Mr. Osisanya is an Associate member of the Institute of Cost Management of Nigeria, Associate Business Continuity Professional, member of Global Association of Risk Management Professional, Doctoral Fellow- International Certified Risk Management Professionals United Kingdom, Fellow – Chartered Institute of Loan & Risk Management of Nigeria and Fellow- Association of Risk Management professional Nigeria. He is also a Certified Microfinance Banker.

He acquired thirteen (13) years' experience in a Commercial Bank and six (6) years' experience in management consultancy before joining the Bank in 2002.

He is currently the Head of Enterprise Risk Management Department.

Mrs Yetunde A. Babarinde
Head Administration

She is a graduate of Quantity Surveying from Yaba College of Technology (1998). She also holds an Executive MBA (CEMBA) from the National Open University, Nigeria through the Commonwealth of Learning, Canada. She is a CBN Certified Microfinance Banker and a Registered and Professional Quantity Surveyor.

Mrs Babarinde joined the service of the Bank in 2005 as an Assistant Officer and has risen through the ranks. She was one time the Branch Manager of Tejuosho branch and currently the Head of Administration.

Mr. Fidelis Omokhapue
Head, Internal Audit

Mr. Omokhapue holds a Bachelor of Science Degree in Banking and Finance from Olabisi Onabajo University, Ago-Iwoye, Ogun State and a Master's Degree in Management from the University of Lagos. He is a Fellow of the Institute of Chartered Accountants of Nigeria and an Associate member of the Chartered Institute of Bankers of Nigeria.

He is also an Associate member of the Chartered Institute of Taxation of Nigeria and a Certified Microfinance Banker. His experience spans from Financial Control, Banking operations, Treasury Management and Audit.

Mr. Omokhapue worked in the Banking and Financial service industry for over 8 years before joining the Bank in 2005.

He is currently the Head of Internal Audit Department.

Mrs. Hafsat Ekutti
(Head, Information Technology)

Mrs. Hafsat Ekutti holds a Bachelor Degree in Computer Science from University of Ilorin in 1999, a PGD in Education from University of Lagos and Masters Degree in Business Administration (Finance) from Ladoke Akintola University of Technology Ogbomosho in 2019. She is also a CIBN Certified Microfinance Banker.

She has certification in ITIL and COBIT 5 and is a member of Disaster Recovery Institute, International. She has attended trainings on MS Server Administration, MS SQL database Administration, MS Exchange Administration as well as some banking related operations training.

Prior to joining NPF Microfinance Bank Plc in 2004, she was a computer Instructor with Nigeria Military School Zaria, (1999) and Nigeria Police Force Education Unit (2001-2005). She joined the Bank as an Assistant Officer and currently Heads the Information Technology Department.

Mrs. Fatima Olajumoke
(Head, Marketing)

Mrs Fatima Olajumoke attended the prestigious Secondary School Queen's College Yaba Lagos.
She holds a B.SC degree in Accounting from the university of Jos ,Plateau state in 1998,and an MBA in Finance from Ladoke Akintola university of Technology in 2010.
She is a CBN Certified Microfinance Banker and an Associate Member of the Nigerian Institute of Management. She is also a Fellow Member of the National Institute of Marketing of Nigeria and Association of Economists and Statisticians of Nigeria.
Mrs Fatima Olajumoke has over 20 years working experience beginning with National Youth Service at Akintola Williams Adetona /Isichie and co. and thereafter worked with Basic Komputers before joining the Bank in 2002.

She was the former Branch Manager of Ikeja Branch and presently the Head, Marketing Department of the bank.
She has attended various Managerial and Marketing Courses amongst which are trainings organised by CBN/AFOS/MicroSave on Savings Mobilisation and Digital Financial Services, Lagos Business School on Executive Sustainability and Social Impact Assessment training and Digital marketing.

She has been in the fore Front Promoting and Coordinating the Financial Inclusion policy of CBN and the Government in the bank

Mr. Sunday Zovoe
Chief Compliance Officer

Mr. Sunday Zovoe holds a Bachelor of Science Degree in Business Administration from University of Lagos and a Masters Degree in Management from the same university. He is an Associate Member of the Chartered Institute of Bankers. He is also a Certified Microfinance Banker.

Mr. Zovoe started his banking career in Wema Bank in 1989 and thereafter move to Commercial Trust Bank Ltd (1990-1997). He joined NPF Microfinance Bank in 2007 and has served the Bank in various capacities in the Internal Audit Department and as a Branch Manager.

He has over 23 years banking experience and is currently the Chief Compliance Officer of the Bank.

Mr. David Oludare Ariyo
Head, E-Business

Mr. Ariyo is a dynamic result oriented professional with over 20 years in community, Rural and Urban Microfinance banking, having joined NPF MFB in 1997. He obtained a Diploma in Accountancy from Federal Polytechnic, Mubi (1989), and a Post Graduate Diploma in Finance management from university of Ado Ekiti (1999). He also obtained a Master degree in Business Administration from University of Nigeria Nsukka (2009).

He is an Associate Member of the Chartered Institute of Administration (1996), and a member of Chartered Institute of Professional Managers and Administrator (2012).

Mr Ariyo is a certified Microfinance Banker, Cisco Certified Network Associate and Information Technology Infrastructure (ITIL), (2007)

Before joining the Bank in 1997, he worked as Account Officer with Allen Automobile, (A division of John Holt Plc). He served as a Branch Manager in Port-Harcourt before his transfer to Head Office.

He is currently the Head of Electronic Business Department of the Bank.

Mr. Ariyo is a lover of Photography and a promoter of Humanitarian service; he is a chartered member of Rotary Club of Ikorodu Golden.

Mr. Philip Aiwekhoe
Chief Information Security Officer/Data Protection Officer

Mr Philip Aiwekhoe holds a Diploma in Data Processing from University of Benin 2006, B.Sc. Computer Science from University of Benin 2013, and Master Information Technology from National Open University of Nigeria 2019.

He is a member of the British Chartered Institute of IT, Cyber Security Expert Association of Nigeria, Microsoft, Information System Audit & Control Association, Microsoft Certified Professional, Certified Associate Software Tester, Senior Lead Implementer ISO 27001, ISO 27032 Senior Lead Cybersecurity Manager, GDPR-Certified Data Protection Officer & Certified Information Security Manager.

An astute IT & Cyber Security Expert with Over 13 years' experience in Cyber Security Governance, IT Governance, IT Project Implementation, IT Management, Cyber Security Strategy & Digital Initiatives.

He has implemented various Information Technology Platforms, Security Strategy, Information Security Management System and Digital Initiatives for major Financial Institution in Nigeria which has earned him recognition and commendation. He has participated and anchor in major Cyber Security and Digital Transformation Conference/Seminar namely: Cyber Africa, Digital Financial Inclusion, CyberACON, Digital Financial Transformation and Digital Pay Expo.

He worked as an ISMS Manager, Head IT Risk, Lead Information Security & Quality Assurance among several other positions held with LAPO Microfinance Bank, he later joined Abbey Mortgage Bank as Chief Information Security Officer before joining the bank in 2020 as Chief Information Security Officer where he is currently Head of Cyber Security Department.

Mr. Habeeb A. Yusuf
Regional Head, North

He is a graduate of Banking & Finance from Kwara State Polytechnic, Ilorin (1995). He is an Associate member of the Institute of Chartered Accountant of Nigeria (ICAN) and a CBN Certified Microfinance Banker. He is also an Associate member of Nigeria Institute of Management.

Mr. Habeeb joined the service of the bank in 1998 as an Assistant Officer and rose through the ranks. He was the Branch Manager of Abuja Main branch, Kano branch and Head Administration Department at various times before his appointment as the Regional Head, North.

Mrs. Kate Nkechi Ukah
Regional Head, East

Mrs. Kate Nkechi Ukak holds a Higher National Diploma in Agriculture from the Federal soil Conservation School, Jos (1990). She joined NPF Microfinance Bank Plc in 1993 as a Management Trainee from which level, she has made remarkable development and growth.

She also holds a (PGD) in Business Management as well as an (MBA) in Human Relations Management. She is the Regional Head, East.

Mr. Komolafe Solomon Oladapo
Regional Head, South

Mr. Komolafe, before joining NPF Microfinance Bank Plc in 1999, had over thirteen (13) years working experience in commercial Banking. He is a Fellow of the Chartered Institute of Bankers of Nigeria (FCIB), Institute of Chartered Economics of Nigeria and Association of Enterprise Risk Management Professionals. He is also a CBN Certified Microfinance Banker. He holds a MBA degree from the Lagos State University.

Mr. Dapo Komolafe has occupied various positions including Head Operations, Branch Manager – Obalende and Ikeja Branches and Head Administration.

He is currently the Regional Head, South.

The Directors of NPF Microfinance Bank Plc are pleased to present their Annual Report on the state of affairs of the Bank, together with the audited financial statements for the year ended 31 December 2021.

1) LEGAL FORM AND PRINCIPAL ACTIVITIES

The Bank was incorporated in Nigeria as a Private Limited Liability Company on 19 May 1993 under the provisions of the Companies and Allied Matters Act (CAMA) with RC No. 220824. It obtained a provisional license as a Community Bank from the Central Bank of Nigeria on 12 July 1993 with License No. FC 00200 and commenced operations on 20 August 1993. It obtained a final license from the Central Bank of Nigeria on 24 January 2002. It was registered as a Public Limited Company on 13 July 2006. The Bank was given an approval-in-principle to operate as a Microfinance Bank on 10 May 2007 and obtained the final license on 4 December 2007. The shares of the Bank were listed on the Nigerian Exchange Limited on 1 December 2010.

The principal activity of the Bank is the provision of banking and other permissible financial services to poor and low income households and micro enterprises with emphasis on members of the Nigerian Police Community. Such services include retail banking, loans and advances and other allied services.

The Bank currently has 37 branches nationwide from which it operates.

2) OPERATING RESULTS

Highlights of the Bank's operating results for the year ended 31 December 2021 are as follows:

In thousands of naira	31-Dec-2021	31-Dec-2020
Profit before tax	1,030,575	867,012
Income tax expense	(323,082)	(252,595)
Profit after tax	707,493	614,417
Total comprehensive income	704,235	610,977
Basic and diluted earnings per share (kobo)	31	27

3) DIVIDENDS

The Board of Directors, subsequent to the reporting date, recommended the payment of a dividend of 10 kobo (31 December 2020: 20 kobo) per share on the issued share capital of 5,393,659,101 (31 December 2020: 2,286,657,766) ordinary shares, amounting to ₦539million (31 December 2020: ₦457million). The dividend proposed is subject to the approval of shareholders at the next Annual General Meeting (AGM). Withholding tax will be deducted at the point of payment.

4) DIRECTORS

The following Directors served during the year under review:-

NAME	DESIGNATION	DATE OF APPOINTMENT
Mr. Azubuko Joel Udah (Esq.)	Chairman	23 July 2015
Mr. Mohammed D. Saeed*	Non-Executive (Independent) Director	15 November 2012
Mr. Aminu Saleh Pai**	Non-Executive Director	29 January 2020
Mr. Jibrin G. Gane	Non-Executive Director	26 October 2017
Mr. Usman Isa Baba	Non-Executive Director	28 May 2019
Mr. Abdulrahman Satumari	Non-Executive (Independent) Director	28 June 2018
Mr. Salihu Argungu Hashimu	Non-Executive Director	28 June 2018
Mrs. Rakiya Edota Shehu	Non-Executive (Independent) Director	28 June 2018
Mr. Akinwunmi M. Lawal	Managing Director	26 June 2014
Mr. John K. Tizhe	Executive Director, Operations	02 January 2020
Mr. Francis C. Nelson	Executive Director, Finance & Administration	1 August 2017

**Exited the Board on 18 November 2021*
***Exited the Board on 2 August 2021*

5) DIRECTORS' INTEREST IN SHARES

The direct and indirect interests of Directors in the issued share capital of the Bank as recorded in the Register of members as at 31 December 2021 and/or as notified by the Directors for the purposes of Sections 301 of the Companies and Allied Matters Act (CAMA), 2020 and the listing requirements of the Nigerian Exchange Limited are as follows:

	31 December 2021		31 December 2020	
NAME OF DIRECTOR	DIRECT (units)	INDIRECT (units)	DIRECT (units)	INDIRECT (units)
Mr. Azubuko Joel Udah (Esq.)	4,000,000	-	4,000,000	-
Mr. Jibrin. G. Gane *	108,000	1,480,718,606	108,000	1,480,718,606
Mr. Abdulrahman Satumari	-	-	-	-
Mr. Usman Isa Baba	2,162,000	-	2,155,000	-
Mr. Salihu Argungu Hashimu	-	-	-	-
Mrs. Rakiya Edota Shehu	-	-	-	-
Mr. Akinwunmi M. Lawal	5,025,861	-	5,025,861	-
Mr. John K. Tizhe	707,749	-	707,749	-
Mr. Francis C. Nelson	1,310,796	-	310,796	-

*Mr. Jibrin G. Gane represents the interest of the Nigerian Police Cooperative Society Limited, which owns 1,480,718,606 (31 December 2020: 1,480,718,606) ordinary shares of 50k each in the issued share capital of the Bank for the year under review.

Save as disclosed above, none of the directors notified the Bank of any disclosable interest in the Bank's share capital as at 31 December 2021.

Directors' interest in shares remained the same as at the date the 2021 audited financial statements was approved by the Board of Directors.

6) DIRECTORS' INTEREST IN CONTRACTS

For the purpose of Section 303 of the Companies and Allied Matters Act (CAMA), 2020, none of the Directors notified the Bank of any direct or indirect interest in any contract or proposed contract with the Bank in the year under review.

7) RETIREMENT OF DIRECTORS

In accordance with S.285 (1) & (2) of the Companies and Allied Matters Act (CAMA), 2020, Mr. Azubuko Udah, Mr. Jibrin G. Gane and Mr. Usman Isa Baba retire by rotation and being eligible offer themselves for re-election. The profiles of all Directors, including the Directors to be presented for election/re-election are contained in the Annual Report.

8) CHANGES TO THE BOARD

Mr. Aminu Saleh Pai resigned from the Board on 5 August 2021 following his retirement from the Nigeria Police Force. In accordance with Section 274 (1) of the Companies and Allied Matters Act, 2020, the Board at its meeting held on 25 August 2021 appointed Mr. Adamu Usman to fill the vacancy created by the exit of Mr. Aminu Saleh Pai.

The Board also appointed Mr. Uzairu Abdullahi in the year under review to replace Mr. Mohammed Saeed who retired from the Board following the completion of his tenure on the Board. Mr. Abdullahi is to represent the interest of the Nigeria Police Welfare Insurance Cooperative Society on the Board.

The Bank is awaiting CBN approval of both appointments.

9) SUBSTANTIAL INTEREST IN SHARES

According to the Register of Members as at 31 December 2021, the following shareholders of the Company hold more than 5% of the issued ordinary share capital of the Company:

	31 December 2021		31 December 2020	
Shareholder	**No. of Shares**	**Shareholding (%)**	**No. of Shares**	**Shareholding (%)**
Nigeria Police Co-operative Society Limited	1,480,718,606	64.75	1,480,718,606	64.75
NPF Welfare Insurance Scheme	234,305,460	10.25	234,305,460	10.25

In line with the Nigerian Exchange Limited rules on the requirement for all listed companies to maintain a free float of 20% and above, the issued Share capital of the Bank in free float is 25% as at 31 December 2021 (31 December 2020: 25%) .

10) ANALYSIS OF SHAREHOLDING

The shareholding structure of the Bank is as stated below:

As at 31 December 2021

Range From		Holders To	%	Units
1	5000	4,329	56.70	6,953,109
5001	10000	1,025	13.42	8,014,591
10001	50000	1,336	17.50	30,909,304
50001	100000	282	3.69	21,448,959
100001	500000	495	6.48	113,637,108
500001	1000000	73	0.96	51,818,340
1000001	50000000	92	1.21	270,034,316
50000001	2286657766	3	0.04	1,783,842,039
		7,635	100	2,286,657,766

As at 31 December 2020

Range From		Holders To	%	Units
1	5000	4,208	56.40	6,805,015
5001	10000	1,010	13.54	7,867,075
10001	50000	1,301	17.44	29,899,227
50001	100000	285	3.82	21,570,058
100001	500000	497	6.66	115,295,030
500001	1000000	67	0.9	48,559,588
1000001	50000000	90	1.21	272,819,734
50000001	2286657766	3	0.04	1,783,842,039
		7,461	100	2,286,657,766

11) SHARE CAPITAL HISTORY

The following changes have taken place in the Bank's authorised and issued capital since incorporation.

DATE ISSUED	AUTHORISED		ISSUED & FULLY PAID		NOMINAL VALUE	REMARKS
	FROM	TO	FROM	TO		
	₦'000	₦'000	₦'000	₦'000	₦	
1993	500	500	-	-	1.00	CASH & KIND
1996	500	30,000	-	17,976	1.00	CASH
1999	-	30,000	17,996	21,571	1.00	BONUS 1:4
2000	30,000	80,000	21,571	40,186	1.00	CASH
2001	-	80,000	40,186	58,624	1.00	CASH
2002	80,000	250,000	-	58,624	1.00	CASH
2003	-	250,000	-	58,624	1.00	CASH
2004	-	250,000	58,624	239,958	1.00	BONUS 1:10 & CASH
2005	250,000	500,000	239,958	239,958	1.00	-
2006	500,000	1,000,000	239,958	259,955	1.00	BONUS 1:12
2007	1,000,000	2,000,000	259,955	417,192	1.00	CASH
2008	-	2,000,000	-	417,192	1.00	-
2009	-	2,000,000	417,192	1,143,328	1.00	CASH
2010	-	2,000,000	1,143,328	-	0.50	SHARE-SPLIT 1:2
2011	-	2,000,000	1,143,328	-	0.50	SHARE-SPLIT 1:2
2012	-	2,000,000	1,143,328	-	0.50	-
2013	-	2,000,000	1,143,328	-	0.50	-
2014	2,000,000	3,000,000	1,143,328	-	0.50	-
2015	-	3,000,000	1,143,328	-	0.50	-
2016	-	3,000,000	1,143,328	-	0.50	-
2017	-	3,000,000	1,143,328	-	0.50	-
2018	-	3,000,000	1,143,328	-	0.50	-
2019	-	3,000,000	1,143,328	-	0.50	-
2020	-	3,000,000	1,143,328	-	0.50	-
2021	-	3,000,000	1,143,328	-	0.50	-

12) HYBRID ISSUE OF SHARE CAPITAL

In line with the approval of Members that the Bank offers 3,000,000,000 units of its authorised share capital to the public, the Bank floated a Hybrid Issue on 24 June 2021 by way of Public Offer 713,342,234 ordinary shares of 50 kobo and a right issue of 2,286,657,766 ordinary shares of ₦1.50. The offer was successful and the results were published in Daily Trust and Business Day Newspapers of Monday, 21 February 2022.

The Board has recommended the issuance of Bonus shares to absorb the unissued shares of the Bank and ensure compliance with Section 124 of the Companies and Allied Matters act 2020 and the Companies Regulations 2021.

13) PROPERTY AND EQUIPMENT

Information relating to changes in the Company's property and equipment is given in Note 20 of the financial statements.

14) DONATIONS

As part of our commitment to the development of our primary community and to identify with the aspirations of various sections of the society, the Bank made contributions to charitable and non-political organisations amounting to ₦2,050,000 (31 December 2020: ₦860,000) during the year. This comprises contributions to educational organisations amongst others as listed below:

The following donations were made during the year ended 31 December 2021.

	₦
FCTA Social Development Secretariat, FCT Abuja	500,000
National Association of Microfinance Banks	500,000
Police Children Schools (Makurdi, Idimu, Lokoja, Eleweran, Nekede, Eleyele, Epe, Okitipupa, Akure, Agugu, Ita-Ogbolu, e.t.c.)	430,000
Daniella's Montessori School, Lagos	25,000
Chartered Institute of Bankers of Nigeria	200,000
Directorate of Education Secondary School, Akure	70,000
St. Peter's Catholic Chapel, Obalende, Lagos	25,000
Burial expense for Makurdi personnel	300,000
	2,050,000

Donations made during the year ended 31 December 2020 are as follows:

	₦
Force Headquarters Clinic Abuja	500,000
Microfinance Learning and Development Centre	150,000
Force Education Secondary School Akpabuyo	10,000
Burial expense for Makurdi personnel	200,000
	860,000

15) FRAUD AND FORGERIES

Nature of Fraud	No. of Incidence		Fraud Amount (₦)		Actual Loss to the Bank (₦)	
	2021	2020	2021	2020	2021	2020
Perpetrated by staff	4	3	1,965,548.55	3,834,252.51	-	699,922.51
ATM Electronic Fraud	-	-	-	-	-	-
Total	4	3	1,965,548.55	3,834,252.51	-	699,922.51

Perpetrated by staff

The sum of ₦1,965,548.55 (2020: ₦3,134,330.00) has been recovered from the fraud perpetrated by staff. This represents 100% (2020: 82%) recovery of the total fraud amount.

16) EVENTS AFTER THE REPORTING PERIOD

There were no subsequent events which could have a material effect on the financial position of the Bank as at 31 December 2021 or the profit for the year then ended on that date, that have not been adequately provided for or disclosed in the financial statements.

17) HUMAN RESOURCES

EMPLOYMENT OF DISABLED PERSONS

The Bank maintains a fair policy in considering job applications from physically challenged persons, having regard to their abilities and aptitude. In the event of any member of staff becoming physically challenged, every effort will be made to ensure that their employment with the Bank continues and that appropriate training is arranged. It is the policy of the Bank that the training, career development and promotion of disabled persons should, as far as possible, be identical with those of other employees. The Bank did not employ any physically challenged person during the year.

EMPLOYEE INVOLVEMENT AND TRAINING

The Bank ensures through various fora that employees are informed on matters concerning them. Formal channels are employed in communication with employees with an appropriate feedback mechanism.

The Bank recognises training of its human resources as an investment which adds value to the business. We are therefore committed to continuos development of our workforce through courses and seminars organised internally and externally. Individual needs of each employees are considered in organising training courses. Members of staff are also encourged and assisted finacially to embark on certifications which will improve them academically and professionally. In view of the Covid-19 pandemic, the Bank leveraged more on virtual trainings of staff for both internal and external trainings in the year under review.

HEALTH, SAFETY AND WELFARE OF EMPLOYEES

The Bank maintains business premises designed with a view to guarantee the safety and healthy working conditions of her employees amd customers alike. Employees are adequately insured against occupational and other hazards. The Bank has in place enlightement programs/publications designed to equip staff members with basic health management tips and fire prevention tips. Also, fire prevention and fire fighting equipments are installed in strategic locations within the Bank's premises.

The Bank also provides medical insurance cover for staff and their immediate family members in line with the Bank's policy. The Covid-19 pandemic also presented an opportunity for the Bank to enhance its health safety protocols in all its branches across the federation. The bank did not record any accident or occupational incidents in the year under review.

18) RESEARCH AND DEVELOPMENT

The Research and development unit of the Bank carries out research into new banking products and services to anticipate and meet customers' needs and ensure excellent service is delivered at all times.

19) EMPLOYEE AND DIRECTOR INFORMATION

The number and percentage of men and women employed in the Bank during the year ended

	Number			Percentage	
	Male	**Female**	**Total**	**Male**	**Female**
Employees (2021)	238	192	430	55%	45%
Employees (2020)	239	211	450	53%	47%
Top Management (2021)	22	15	37	59%	41%
Top Management (2020)	21	9	30	70%	30%
Board					
Executive Directors (2021)	3	-	3	100%	0%
Executive Directors (2020)	3	-	3	100%	0%
Non -Executive Directors (2021)	7	1	8	88%	12%
Non -Executive Directors (2020)	7	1	8	88%	12%

I) The analysis by grade of employees is as shown below:

	31 December 2021			31 December 2020		
GRADE LEVEL	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Manager (M)	6	9	15	8	6	14
Senior Manager (SM)	10	4	14	7	1	8
Assistant General Manager (AGM)	1	-	1	1	-	1
Deputy General Manager (DGM)	3	-	3	3	-	3
General Manager (GM)	2	2	4	2	2	4
TOTAL	**22**	**15**	**37**	**21**	**9**	**30**

ii) Analysis of Directors by gender:

	31 December 2021			31 December 2020		
GRADE LEVEL	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Managing Director	1	-	1	1	-	1
Executive Directors	2	-	2	2	-	2
Non - Executive Directors	7	1	8	7	1	8
TOTAL	**10**	**1**	**11**	**10**	**1**	**11**

20) DISCLOSURE OF IMPACT OF COVID-19

Businesses were forced to shut down and there was disruption to global economic and social activities following the outbreak of COVID-19 in year 2020. In a bid to combat the pandemic, measures were taken by countries all over to reduce and curtail the spread of the virus, such includes the introduction of vaccines across the globe. Most economies have now largely reopened, thereby resulting in improved economic conditions that have led to the recovery of most global markets.

The Bank did not rest in her effort to sensitize and educate her employees on safety precautions and strict adherance to the COVID-19 protocols.

The significant doubt associated with the current uncertainties relating to the pandemic did not result in a material uncertainty that may cast significant doubt on the Bank's ability to continue as a going concern in the foreseeable future. The Bank has also assessed on a line-by-line basis the impact of the pandemic on the amount presented in the statement of financial position and concluded that no further adjustment will be required in the financial statement. The Bank will continue to closely monitor the emerging impact of the pandemic to ensure that they are appropriately mitigated.
In order to comply with the Central Bank of Nigeria (CBN) minimum capital requirement for microfinance Banks, the Bank went to the capital market to raise additional capital by way of hybrid offer of its shares. Currently, the Bank is comfortable with its capital base even as all the operating entities continue to recover from the impact of the COVID-19 pandemic.

The Bank will also continue to assess the status of the fight against the pandemic and its impact on the Bank's business. However, based on current assessment, the Directors are confident that the going concern status of the Bank will not be threatened and the Bank will continue to operate in the foreseeable future.

Management will continue to assess the material impact on the Bank's financial position, results of operations, and cash flows in the coming year and would regularly make appropriate disclosures thereon to all stakeholders.

21) INDEPENDENT AUDITOR

Messrs. KPMG Professional Services, was first appointed at the Annual General Meeting held on 27th June 2013 and having satisfied the relevant corporate governance rules on their tenure in office, have indicated their willingness to continue in office as auditor to the Bank. In accordance with Section 401(2) of the Companies and Allied Matters Act of Nigeria (CAMA), 2020, the auditor will be re-appointed at the next annual general meeting of the Bank without any resolution being passed.

22. POST AUDIT EVENT

At the Board of Directors meeting held on 28th April 2022 the Board approved the appointment of Mr. Bello Makwashi as a Director to represent the interest of the Nigeria Police Multipurpose Cooperative Society Ltd. The appointment was in line with the provision of S.274 of the Companies and Allied Matters Act to fill the vacancy created by the exit of Mr. Adamu Usman following his retirement from the Nigeria Police Force.

Below is the profile of Mr. Bello Makwashi.

MR. BELLO MAKWASHI

Mr. Makwashi hails from Zamfara State and holds a Bachelor's Degree in Management Science from Usman Dan Fodio University Sokoto.
He has served in various capacities as; Commissioner of Police, Borno State Command, DCP in charge of IGP's monitoring Unit, Commissioner of Police in charge of Airport Command, Divisional Police Officer Isheri and Iponrin Division amongst others. He was also the Assistant

Inspector General of Police in Charge of Zone 15 Police Command before he was transferred to the Police Cooperative Multipurpose Society Ltd where he is currently the Executive Secretary in charge of the Cooperative.

Mr. Makwashi has attended several courses on Strategic Management and Leadership both within and outside the Country.

He is being proposed for appointment as a Non-Executive Director to represent the interest of the Police Cooperative Multipurpose Society Ltd.

BY ORDER OF THE BOARD

Mrs. Osaro J. Idemudia
Company Secretary/Legal Adviser
FRC/2013/NBA/00000002319
15 March 2022

CORPORATE GOVERNANCE REPORT

INTRODUCTION
NPF Microfinance Bank Plc ("the Bank") remains committed to institutionalising corporate governance principles. For the Bank, Corporate Governance is not an end in itself but an essential enabler for value creation whilst propagating a value-led culture, high behavioural standards and robust procedures as fundamental tools in the entrenchment of a strong corporate governance framework. As a Public Company quoted on the Nigerian Exchange Limited, we remain dedicated to our duties and pledge to safeguard and increase investor value through transparent corporate governance practices.

The Bank is governed under a framework that enables the Board to discharge its oversight functions while providing strategic directions to the Bank in balance with its responsibility to ensure regulatory compliance.

In the year under review, the Bank largely complied with the provisions of the Central Bank of Nigeria (CBN) Code of Corporate Governance for Microfinance Banks, Nigerian Exchange Limited (NGX), The Securities and Exchange Commission (SEC) and the National Code of Corporate Governance for Public Companies which became effective in January 2019. The Bank also submitted periodic returns to the CBN, NGX, SEC and Nigerian Deposit Insurance Corporation (NDIC).

GOVERNANCE STRUCTURES

THE BOARD
The Board is responsible for embedding high standards of corporate governance across the Bank. The Board recognises that effective corporate governance is a key imperative to achieving the sustainable growth of the Bank.

The Board plays a central role in conjuction with Management in ensuring that the Bank is financially strong. This synergy between the Board and management fosters interactive dialogue in setting broad policy guidelines in the running of the Bank to enhance optimal performance and ensure that associated risk are well managed.

The Board of Directors currently consists of eleven (11) members as stated below:

Executive Directors	3
Non-Executive Directors	8 (Inclusive of 2 Independent Directors)

THE ROLE OF THE BOARD
The traditional role of the Bank's Board is to provide the Bank with leadership within a framework of prudent and effective controls which enables risk to be assessed and managed while deploying the Bank's resources to profitable use. The Board outlines the Bank's strategic and corporate aims, ensures that the necessary financial and human resources are in place for the Bank to meet its objectives and reviews management performance on a continous basis. The Board also sets the Bank's values and standards and ensures that its obligations to its shareholders and others are understood and met.

RESPONSIBILITIES

The Board is accountable to the Shareholders and continues to play a key role in governance. It is the responsibility of the Board of Directors to endorse the Bank's organisational strategy, develop directional policy, appoint, supervise and remunerate senior executives and ensure accountability of the Bank to its stakeholders and regulatory authorities. The Board is responsible for providing stable and effective leadership for the Bank, to facilitate achievement of its corporate operating objectives.
The roles of the Chairman and Chief Executive Director are separate and no one individual combines the two positions. The Chairman's main responsibility is to lead and manage the Board to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities. The Chairman facilitates the contributions of Directors and promotes effective relationships and open communications between Executive and Non-Executive Directors both inside and outside the Boardroom.

The Board has delegated the responsibility for the day to day management of the Bank to the Managing Director/Chief Executive Officer, who is supported by the Executive Management. The Managing Director executes the powers delegated to him in accordance with guidelines approved by the Board and the Executive Management is accountable to the Board for the development and implementation of strategies and policies.

BOARD APPOINTMENT PROCESS

The Board adopts a formal and transparent procedure for the appointment of new Directors of the Bank. Appointment to the Board is based on merit and against objective criteria. Care is taken to ensure that appointees have enough time available to devote to the job. The Board put plans in place for orderly succession for appointments of senior management to the Board so as to maintain an appropriate balance of skills and experience within the Bank.
The Board Governance, Nomination and Remuneration Committee leads the process for appointments and make recommendations to the Board.
Members of the Board of Directors are appointed by the shareholders and subsequently approved by the CBN. All appointments to the Board of the Bank are in full compliance with the extant regulations issued by the CBN from time to time.

REMUNERATION POLICY

The Bank's remuneration policy sets out the criteria and mechanism for determining the levels of remuneration of the Directors of the Bank and also defines the process for determining Executive Directors compensations and rewards for corporate and individual performance. The policy is structured taking into account the environment in which the Bank operates and the results it achieves at the end of each financial year. It includes:

Remuneration class	Description	Entitled Directors	Timing
Basic Salary/Allowances	Reflects the industry competitive salary package and the extent to which the Bank's objectives have been met for the financial year.	Executive Directors only	Monthly/Annually
Performance Incentive	This is awarded based on the performance of the Bank and individual Directors.	Executive Directors only	Annually
Directors' fees	Annual Payments approved at the Annual General Meeting	Non-Executive Directors only	Half yearly
Sitting allowances	Allowances paid for attending board and board committee meetings, Trainings etc	Non-Executive Directors only	Board and Board committee meetings, Training & engagements on behlaf of the bank

The non-executive Directors' fees for the year under review was fixed at ₦25,000,000.00 by members at the last Annual General Meeting. This excludes sitting allowance and other allowances for meetings attended.

BOARD MEETINGS

To ensure the Board's effectiveness throughout the year, an annual meeting and task calendar is developed at the beginning of each year. These calendars do not only focus on the activities of the Board but also establish benchmarks against which its performance can be evaluated at the end of the year.

The Board meets quarterly and additional meetings are convened as the need arises. In furtherance of its roles, the Board met thirteen (13) times in the year under review on 26/1, 2/3, 23/3, 27/4, 26/5, 29/7, 6/8, 25/8, 1/9, 8/9, 22/10, 18/11 and 12/12. Attendance at the Board meetings during the year were as follows:

No	Members	Designation	No. of Meetings	Attendance
1	Mr. Azubuko Joel Udah (Esq.)	Chairman	13	13
2	Mr. Mohammed D. Saeed*	Non-Executive Director (Indep)	13	9
3	Mr. Aminu Saleh Pai**	Non-Executive Director	13	6
4	Mr. Jibrin G. Gane	Non-Executive Director	13	13
5	Mr. Abdulrahman Satumari	Non-Executive Director (Indep)	13	12
6	Mr. Salihu Argunu Hashimu	Non-Executive Director	13	13
7	Mrs. Rakiya Edota Shehu	Non-Executive Director (Indep)	13	13
8	Mr. Usman Isa Baba	Non-Executive Director	13	13
9	Mr. Akinwunmi M. Lawal	Managing Director	13	13
10	Mr. John K. Tizhe	Executive Director	13	13
11	Mr. Francis C. Nelson	Executive Director	13	13

* *Retired from the Board on 18 November 2021*
** *Exited the Board on 2 August 2021*

DIRECTORS' PERFORMANCE EVALUATION

The Governance, Nomination and Remuneration Committee oversees a formal evaluation process to assess the composition and performance of the Board, each Committee and individual director on an annual basis. The assessment is conducted to ensure the Board, Committees and individual members are effective and productive and to identify opportunities for improvement.

As part of the process, each member completes a detailed and thorough questionnaire and each member also participates in an oral interview/conversation session as a follow up to the completion of the questionnaire. The Governance, Nomination and Remuneration Committee reports annually to the full Board with result of the evaluation excercise. The recommendations of the performance evaluation are considered by the Board and are implemented as required.

In compliance with the requirement of the Central Bank of Nigeria (CBN) Code of Corporate Governance, the Board commissioned Society for Corporate Governance to carry out Board evaluation for the financial year ended 31 December 2021.

Their report has been forwarded to the CBN and will be communicated to shareholders at the Annual General Meeting.

TENURE OF DIRECTORS

In pursuance of the Bank's drive to continually imbibe best Corporate Governance practices, the tenure of the Non-Executive Directors is limited to a maximum of three (3) terms of three (3) years each. This allows for the injection of fresh perspectives to the business of the Board.

INDUCTION AND CONTINUOUS TRAINING

The Company has in place a formal induction program for newly appointed Directors. This induction which is arranged by the Company Secretary includes presentation by Senior Management staff to assist Directors in building a detailed understanding of the Bank's operations, its strategic plan, Business environment and key issues faced by the Bank and to introduce directors to their fiduciary duties and responsibilities.

Training and Education of Directors on issues pertaining to their oversight function is a continuous process in order to update their knowledge and skills and keep them informed of new developments in the Bank's business and operating environment. These trainings are carried out through external, local and international courses. The trainings attended during the year under review are as follows:

Facilitating Institution	Topics	Location
DCSL Corporate Services Ltd	The Effective Board	Virtual
Institute of Directors, Nigeria	Company Direction Course I & II	Virtual
DCSL Corporate Services Ltd	Strategic Leadership	Virtual
DCSL Corporate Services Ltd	Financial Stewardship, Accountability & Leading, Planning Improvement	Virtual
Microfinance Learning and Development Centre	Microfinance Masterclass for Senior Executives	Virtual
Financial Institutions Training Centre	Board oversight of ESG sustainability and Reporting for Long Term Value Creation	Abuja
Institute of Directors, Nigeria	Independent Directors Masterclass	Virtual
Frankfurt School of Finance & Management	Inclusive Finance Summer Academy	Germany
Harvard Business School	Succeding as a Strategic CFO	Virtual

All Directors attended at least three training courses in the year under review.

BOARD COMMITTEES

The responsibilities of the Board are further accomplished through five (5) standing Committees in addition to the Statutory Audit Committee. Through these committees, the Board is able to effectively deal with complex and specialised issues and fully utilise its expertise to formulate strategies for the Bank. These committees have clearly defined terms of reference setting out their roles, responsibilities, functions and reporting procedures to the Board.
The Board committees in operation during the year under review were:

- Board Finance and General Purpose Committee
- Board Risk Management Committee
- Board Audit Committee
- Board Governance, Nomination and Remuneration Committee

- Board Credit Committee
  The roles and responsibilities of these committees are discussed below:

Finance and General Purpose Committee

This Committee has the responsibility for monitoring all financial aspects of the Bank. Its responsibilities also include:-

- To formulate and shape the strategy of the Bank and make recommendations to the Board
- Review the budget of the Bank and make recommendations to the Board for approval
- Monitor performance of the Bank against the budget
- Consider and approve expenses above the limits of Management and make recommendations to the Board for approvals above its limits
- Review the Assets and Liability Committee report
- Review the Bank's investment portfolio annually
- Approve all policies relating to finance for the Bank
- Review and approve within its approved limits the annual manpower plan for the Bank
- Approve compensation policy and review compensation for all officers of the Bank (excluding Executive and Non - Executive Directors).

The Committee meets at least once in each quarter. However, additional meetings are convened as required. The Committee met six (6) times in the 2021 financial year on 19/1, 26/2, 13/3, 20/4, 22/7 and 19/10. Membership of the Committee and attendance at its meetings during the year were as follows:

No.	Members	Designation	No. of Meetings	Attendance
1	Mr. Usman Isa Baba	Chairman	6	6
2	Mr. Salihu Argungu Hashimu	Member	6	6
3	Mr. Abdulrahman Satumari	Member	6	6
4	Mr. Aminu Saleh Pai *	Member	6	3
5	Mr. Akinwunmi Lawal	Member	6	6
6	Mr. Francis C. Nelson	Member	6	6
7	Mr. John K. Tizhe	Member	6	6

** Exited the Board on 5 August 2021*

Board Risk Management Committee

The responsibilities of this Committee are:-

- Review and recommend risk management policies including risk strategy to the full Board for approval;
- Review the adequacy and effectiveness of risk management and controls;
- Monitor the Bank's compliance level with applicable laws and regulatory requirements;
- Periodic review of changes in the economic and business environment, including trends and other factors relevant for the Bank's risk profile;
- Review and recommend for approval of the Board risk management procedures and controls for new products and services;
- Oversight of management's process for the identification of significant risks across the Bank and the adequate prevention, detection and reporting mechanism;
- Review and approve the framework for the management of credit risk, market risk, liquidity risk, operational risk, reputation risk and other risk types as appropriate;
- Consider and approve significant IT investment and expenditure to be made by the Bank;
- Oversee the development and maintenance of IT Strategic Plan.

The Board Risk Management Committee meets quarterly, and additional meetings are convened as required. The Committee met four (4) times during the 2021 financial year on 21/1, 22/4, 27/7 and 20/10. Membership of the Committee and attendance at its meetings during the year were as follows:-

No.	Members	Designation	No. of Meetings	Attendance
1	Mr. Aminu Saleh Pai	Chairman	4	3
2	Mr. Abdulrahman Satumari	Member	4	4
3	Mrs. Rakiya Edota Shehu	Member	4	4
4	Mr. Usman Isa Baba	Member	4	4
5	Mr. Akinwunmi Lawal	Member	4	4
6	Mr. John K. Tizhe	Member	4	4

Board Audit Committee

The Audit Committee is responsible for maintaining oversight regarding the integrity of the Bank's financial statements, ensuring compliance with legal and other regulatory requirements, assessment of qualification and independence of the external auditor, and assessment of performance of the Bank's internal audit function as well as that of the external auditors. Its responsibilities also includes:

- Establish an internal audit function and ensure that there are other means of obtaining sufficient assurance of regular review or appraisal of the system of internal control in the Bank;
- Ensure the development of a comprehensive internal control framework for the Bank, obtain assurance and report the operating effectiveness of the Bank's internal control framework to the Board;
- Review and ensure that adequate whistle-blowing procedures are in place and that a summary of issues reported are highlighted to the Board;
- Preserve auditor independence, and set clear hiring policies for employees and /or former employees of independent auditors;
- Consider any related-party transactions that may arise within the Bank or any of its related companies;
- Invoke its authority to investigate any matter within its terms of reference for which purpose the Bank must make available the resources to the internal auditors with which to carry out this functions including access to external advice when necessary.

This Committee consists of only Non-Executive Directors and is required to meet quarterly in a year.

The Committee met four (4) times during the 2021 financial year on 20/1, 21/4, 28/7 and 18/10. Members of the Committee and attendance at its meetings during the year were as follows:-

No.	Members	Designation	No. of Meetings	Attendance
1	Mr. Abdulrahman Satumari	Chairman	4	4
2	Mr. Mohammed D. Saeed	Member	4	4
3	Mr. Jibrin G. Gane	Member	4	4
4	Mr. Salihu Argungu Hashimu	Member	4	4

Board Governance, Nomination and Remuneration Committee

The responsibilities of the Committeee are:

- Make recommendations on the appropriate compensation structure for the Managing Director and other senior Executives;
- Make recommendations to the Board on the Bank's policy framework of Executive remuneration and its cost;
- Review and report to the Board on the succession planning process for the positions of chairman, Chief Executive Officer/Managing Director, Executive Directors and any other key managerial position;
- Periodically evaluate the skills, knowledge and experience required on the Board;
- Establish the criteria for Board and Board committee membership, review candidates qualifications and any potential conflict of interest, assess the contributions of current Directors in connection with their re-connection and make recommendation to the Board;
- Monitor the development, alignment, satisfaction and productivity of the Bank's employees with a view to competitive excellence;
- Develop and constantly review and make recommendation to the Board on policies and procedures to maintain high standard of management by the Bank;
- Monitor on a continuous basis and make recommendations to the Board concerning the corporate governance of the Bank; and
- Perform other oversight functions as may from time to time be expressly requested by the Board.

The Board Governance, Nomination and Remuneration Committee is required to meet as often as it deems necessary but not less than 2 times a year. The Committee met three (3) times in the 2021 financial year on 2/7/, 15/7 and 14/10. Membership of the Committee and attendance at its meetings during the year were as follows:

No.	Members	Designation	No. of Meetings	Attendance
1	Mr. Mohammed D. Saeed	Chairman	3	3
2	Mr. Jibrin G. Gane	Member	3	3
3	Mr. Usman Isa Baba	Member	3	3
4	Mrs. Rakiya Edota Shehu	Member	3	3

Board Credit Committee

The responsibilities of the Committee are:

- To set and periodically review the Bank's credit policy direction as necessary.
- To consider and approve specific loans above the Management Credit Committee's authority limit as determined by the Board from time to time.
- To conduct quarterly review of credits granted by the Bank to ensure complaince with the Bank's internal control systems and credit approval procedures.
- To mainatin credit risk within the Board's approved limit.
- Oversight responsibility of marketing reports/activities of the Bank as presented by management and providing updates on same to the Board.
- Maximise recovery rate through quality resolutions.
- Annually review the lending policies and present them to the Board for approval.
- Approve lending, investment decisions, credit products and new processes.
- Review and monitor the effectiveness and application of credit rik management policies, related standards and procedures and control environment with respect to credit decisions and review internal audit reports with respect thereto.

- Review and oversee the development of loan loss provision policy and annually assess the appropriateness and application of such policy in the light of the credit risk(s) embedded in the overall loan portfolio.

The Board Credit Committee meets quarterly and additional meetings are conveyed as required. The Committee met four (4) times during the year under review on 22/1, 23/4, 23/7 and 15/10. Membership of the Committee and attendance at its meetings during the year were as follows:

No.	Members	Designation	No. of Meeting	Attendance
1	Mrs. Rakiya Edota Shehu	Chairman	4	4
2	Mr. Salihu Argungu Hashimu	Member	4	4
3	Mr. Jibrin Gane	Member	4	4
4	Mr. Aminu Saleh Pai	Member	4	3
5	Mr. John K. Tizhe	Member	4	4

Statutory Audit Committee

In compliance with Section 404(2) of the Companies and Allied Matters Act (CAMA), 2020, an audit committee comprising two (2) representatives of shareholders elected annually at the Annual General Meeting (AGM) and two (2) Non-Executive Directors is in place.

The responsibilities of the Committee are as contained in Section 404(4) and (7) of the Companies and Allied Matters Act (CAMA), 2020. The Statutory Audit Committee meets at least once in each quarter. However, additional meetings are conveyed as required. The Committee met seven (7) times in 2021 financial year on 25/1, 19/2, 19/3, 26/4, 26/7, 21/10 and 30/11. Membership of the Committee and attendance at its meetings during the year were as follows.

No.	Members	Designation	No. of Meeting	Attendance
1	Mr. Timothy Adesiyan	Chairman	7	6
2	Alhaji Abdulquadri Sanni	Member	7	6
3	Mr. Aminu Saleh Pai*	Member	7	5
4	Mr. Abdulrahman Satumari	Member	7	6
5	Mrs. Esther Osijo **	Member	7	3

* *Ceased to be a member of the Committee on 5 August 2021*
** *Appointed a shareholder member on 27 May 2021*

MANAGEMENT COMMITTEES

The committees comprise senior management staff of the Bank. These committees provide inputs for the respective Board committees of the Bank and ensure that recommendations of the Board committees are effectively and efficiently implemented.

They meet as frequently as necessary to take action and decisions within the confines of their powers. The standing management committees are:-

- Assets and Liabilities Committee
- Enterprise Risk Management Committee
- Finance and Expenditure Committee
- IT Steering and Business Development Committee
- Staff Committee
- Management Credit Committee
- Information Security Steering Committee

Assets and Liabilities Committee

It is responsible for reviewing and monitoring the deployment of the Bank's assets for optimal returns while also ensuring a balance in the Bank's liabilities and that they are safe guarded. The Asset and Liability Committee meets weekly or as required to analyse and make recommendations on risks arising from day to day activities of the Bank. The Committee also establishes standards and policies covering the various components of the Bank's assets and liabilities. The Committee is composed of all senior management staff.

Enterprise Risk Management Committee

The Committee is comprised of the senior management staff of the Bank. The Management team is responsible for the implementation of the Bank's risk management strategy. The Committee also monitors overall regulatory and economic capital adequacy. It recommends to the Board for its approval, clear policies on standards for presentation of credit proposals, financial covenants, rating standards and benchmarks. The Committee is also saddled with the responsibility of reviewing asset quality results versus plan, portfolio management and the adequacy of the allowance for credit losses.

Finance and Expenditure Committee

The Finance and Expenditure Committee is responsible for recommending for approval to management the purchase of assets for new and existing branches. It also reviews the budget expenditure performance during the financial year. The Committee is comprised of the Company Secretary/Legal Adviser, ED Finance & Administration, Head Credit, Head Information Technology, Head Internal Audit and Head Administration.

Staff Committee

"The Committee considers all staff disciplinary issues for recommendation/ implementation to the management team. It also considers issues pertaining to staff welfare and performance appraisal and makes recommendation to management as deemed appropriate. The members of the Committee include the Company Secretary/Legal Adviser, ED Finance & Administration, Head Internal Audit, Head Credit, Head Administration and Head Information Technology. "

IT Steering and Business Development Committee

This Committee is responsible for amongst others, development of corporate information technology (IT) strategies and projects that ensure cost effective application and management of resources throughout the organisation. The Committee also reviews for management's recommendation to the Board Risk Management committee, new and existing bank products and its features. The members of the Committee includes the Executive Director Operations, Head Information Technology, Head Credit, Head Administration, Head Internal Audit, Head Marketing and ED Finance & Administration.

Management Credit Committee

The Committee is responsible for ensuring that the Bank complies fully with the Credit Policy guidelines as laid down by the Board of Directors. The Committee also reviews and approves credit facilities not exceeding an aggregate sum to be determined by the Board from time to time. The Committee is saddled with the responsibility of ensuring that adequate monitoring and recovery of credit is carried out.

Information Security Steering Committee

The Information Security Steering Committee provides direction and ensures that the Bank's Cyber Security initiatives and activities aligns with her business objectives and IT strategies. It reviews existing Information Secuirty Policies, standards, processes and procedure to ensure that they meet regulatory requirements and current standards. The Committee also coordinates the design and implementation of the Information Security Program with the Chief Information Secuirty Officer. It is responsible for documentation and reporting to various regulatory agencies to identify compliance. The members of the Committee includes Managing Director, Executive Director Finance & Administration, Executive Director Operations, Company Secretary, Head ERM, Chief Information Security Officer, Head IT, Head Compliance, Head Human Resources & Admin and Head, IT Audit.

WHISTLE-BLOWING PROCESS

The Bank is committed to the highest standards of openness, probity and accountability hence the need for an effective and efficient whistle blowing process as a key element of good corporate governance and risk management.

Whistle blowing process is a mechanism by which suspected breaches of the Bank's internal policies, processes, procedure and unethical activities by any stakeholder (staff, customers, suppliers and applicants) are reported for necessary actions.
It ensures a sound, clean and high degree of integrity and transparency in order to achieve efficiency and effectiveness in our operations.

The reputation of the Bank is of utmost importance and every staff of the Bank has a responsibility to protect the Bank from any person or act that might jeopardize its reputation. Staff are encouraged to speak up when faced with information that would help protect the Bank's reputation.
An essential attribute of the process is the guarantee of confidentiality and protection of the whistle blower's identity and rights. It should be noted that the ultimate aim of this policy is to ensure efficient service to the customer, good corporate image and business continuity in an atmosphere compliant to best industry practice.

The Bank has a Whistle Blowing channel via its website, dedicated telephone hotlines and e-mail address in compliance with Section 6.1.12 of the Central Bank of Nigeria (CBN) post-consolidation Code of Corporate Governance for Banks in Nigeria.
The Bank's Head of Internal Audit is responsible for monitoring and reporting on whistle blowing.

SECURITIES TRADING BY INTERESTED PARTIES

The Bank has in place a policy on trading in her Securities on terms no less exciting than the required standard set out in the Nigerian Exchange Limited Listing Rules. The policy prevents employees, Directors and related individuals/companies from insider dealings on the shares of NPF Microfinance Bank Plc and related parties. The essence of the policy is to prevent the abuse of confidential non-public information that may be gained during the execution of NPF Microfinance Bank's Business.

All Directors of the Bank have complied with the listing rules of the Nigerian Exchange Limited regarding securities transactions by Directors.

SHAREHOLDERS' PARTICIPATION

The Annual General Meeting of the Bank is the highest decision-making forum. Shareholders are opportuned to express their opinions on the Bank's financials and other issues affecting the Bank at such forum. The Bank encourages shareholders to participate in the affairs of the Bank.

PROTECTION OF SHAREHOLDERS' RIGHTS

The Board ensures the protection of the statutory and general rights of shareholders at all times, particularly voting rights at General Meetings of the Bank. All are treated equally, regardless of volume of shareholding or social status.

SHAREHOLDERS' MEETING

Shareholders' meetings are duly convened and held in line with existing statutory and regulatory regime. The Bank's General Meetings are conducted in a transparent and fair manner. Shareholders have the opportunity to express their opinions on the Bank's financial results and other issues affecting the Bank. The Annual General Meetings are attended by representatives of regulators such as the Nigerian Exchange Limited as well as representatives of Shareholders' Associations.

COMPLAINT MANAGEMENT

In compliance with the Securities and Exchange Commission (SEC) rules of 2015, the Bank has in place a complaint management policy. The policy sets out the manner in which shareholders make enquiries or register their complaints and how the Bank responds/address shareholder's complaints, issues and other matters that affects their shareholding.

COMPLAINT CHANNELS

To ensure an effective feedback process, the following channels have been provided for customers to enable them contact the Bank:
Email: ccare@npfmicrofinancebank.com
Toll Free Line: 08008008008

BY ORDER OF THE BOARD

Mrs. Osaro J. Idemudia
Company Secretary/Legal Adviser
FRC/2013/NBA/00000002319
15 March 2022

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

The members of the Board, Management and entire staff of NPF Microfinance Bank Plc., understand that Money Laundering and Terrorism Financing have emerged as a foremost financial crime in the global economy; hence the fight against it has become imperative for the sanity of the global financial system. NPF Microfinance Bank Plc. is committed to fighting against financial crimes such as money laundering. Subsequent to that, the bank has adopted the Risk Based Approach which is a process that allows us to identify, assess, understand, monitor and mitigate the threats and risks Money Laundering and Terrorism Financing can pose and then develop strategies and measures commensurate to those threats and risks, in order to mitigate them effectively.

STRUCTURE OF THE FRAME WORK

The bank has developed policies and procedural guidelines and is regularly reviewed and revised to ensure that they remain relevant and are in line with the evolving regulatory requirements and leading practices. The policies and procedure clearly articulates the bank's AML/CFT stand in the global fight against financial crime, and are available on the bank's intranet site for access to all members of staff at any point. The AML/CFT compliance policy is approved by the Board of Directors. Management and the Board of Directors ensure strict adherence to the policy with zero tolerance for infraction. The Board of Directors of the Bank and Management has oversight responsibilities for the AML/CFT framework

RISK ASSESSMENT

Our bank identifies and assesses the AML/CFT risk profile of the bank. We evaluate the adequacy of the bank's AML/CFT risk assessment processes and fortify them. The bank also allocates needed resources to control and manage the risks identified.

The risk assessment process is to identify, assess and monitor specific products, services, customers, and geographical locations unique to the bank and their possibility of being used as a medium for money laundering and terrorist financing to the end of ensuring that the bank's products and services are not used for laundering funds or terrorist financing.

KNOW YOUR CUSTOMERS

- The bank makes use of the Know Your Customer (KYC) regulatory policy. We apply the Customer Due Diligence approach in opening accounts. The bank obtains KYC information such as name, address, phone number, passport photographs, utility bill etc. at the point of establishing relationship with the customer. Documentations such as National Identity Card, International Passport, Driver's License, and Voter's Card are valid documentations used as a means of identifying our customers. The bank also ensures the validation of the authenticity of the customers' means of identification via an independent approved data base before on boarding new customers.

- As stipulated by the Central Bank of Nigeria (CBN), the bank ensures that customers submit their Bank Verification Number (BVN) as a regulatory requirement.

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

- Our Bank ensures a regular update of customer's information on our data base should there be any change in the information previously provided by the Customer at the point of starting a business relationship with bank.

- We also ensure address verification of our customers as well as conduct Know your Customers' Business (KYCB) exercise for our Financially Exposed Customers.

- The bank will continue to ensure compliance with applicable laws and regulations, while ensuring that customers conduct their banking transactions with ease.

MONITORING OF TRANSACTIONS

The bank ensures that staffs understand that compliance is everybody's responsibility and that suspicious activities should be immediately referred to the compliance department. The daily transactions of the bank are being monitored by staff of the bank, they are to look out for red flags in the system. Transaction monitoring is done using the manual and automated process. Our bank has put in place systems and procedures for monitoring and reporting any suspicious transactions to the relevant statutory and regulatory authorities.

STATUTORY AND REGULATORY REPORTING

The regulatory bodies such as the Central Bank of Nigeria (CBN) and the Nigeria Financial Intelligence Unit (NFIU) and other statutory bodies require that reports are turned in by our bank for any suspicious or reasonable reasons to suspect any fraud regardless of the people or amount involved.

The bank reports to the NFIU in accordance with the provisions of sections 2, 6 and 10 of the AML Act 2011 as amended on Currency Transaction Report (CTR) and Suspicious Transactions Report (STR).
The Bank renders returns on its annual training plan and its implementation alongside other returns as requested by regulators.

COMPLIANCE MANAGEMENT

Compliance Management in NPF Microfinance Bank cut across all departments and branches of the bank. It ranges from official reporting and whistle blowing, from the branch level to the highest authority. With the escalation procedure for compliance risk in place, the Compliance Department, Enterprise Risk Management Committee (ERMC), Internal Audit Department and the Board through the Board Risk Management Committee (BRMC) and Board Audit Committee (BAC) serve as a medium for reporting compliance risk.

RELATIONSHIP WITH REGULATORS AND LAW ENFORCEMENT AGENCIES

The bank understands that part of its social and cooperate responsibility Is to corporate with law enforcement agencies in the fight against financial crime. To this end the bank maintains cordial and supportive relationship with regulatory and law enforcement agencies. The bank promptly complies with all requests made in pursuant to the law and provides information to regulators including the NFIU, CBN and other relevant Agencies.

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

TRAINING/AWARENESS

The bank adequately trains staff, Management and members of the Board regularly to be abreast with requirements, procedures, and current trends of AML/CFT, KYC Principles, Code of Conduct and Business Ethics to make sure that the Team is familiar with them. Awareness is being created for new inductees to be familiar with the AML/CFT laws, KYC principles and other AML/CFT related information.

TESTING FOR THE ADEQUACY OF THE AML/CFT OPERATIONS

The Central Bank of Nigeria Examiners and the Internal Audit team of the bank at regular intervals carry out a review of its AML/CFT functions. This is to review the adequacy of its function, resources deployed for the implementation of its process in line with regulatory expectations and make necessary recommendations which are usually implemented for better performance.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors accept responsibility for the preparation of the annual financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act, 2020, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act, 2020 and relevant Central Bank of Nigeria (CBN) guidelines and circulars.

The Directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act, 2020 and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

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

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Mr. Akinwunmi Lawal
Managing Director/Chief Executive Officer
FRC/2014/CIBN/00000006345
15 March 2022

Mr. Azubuko Joel Udah (Esq.)
Chairman
FRC/2016/NBA/00000013775
15 March 2022

STATEMENT OF CORPORATE RESPONSIBILITY FOR THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Further to the provisions of section 405 of the Companies and Allied Matters Act (CAMA), 2020, we, the Managing Director/CEO and Chief Financial Officer, hereby certify the financial statements of NPF Microfinance Bank Plc for the year ended 31 December 2021 as follows:

a) That we have reviewed the audited financial statements of the Bank for the year ended 31 December 2021.

b) That the audited financial statements do not contain any untrue statement of material fact or omit to state a material fact which would make the statements misleading, in the light of the circumstances under which such statement was made.

c) That the audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Bank as of and for, the year ended 31 December 2021.

d) That we are responsible for establishing and maintaining internal controls and have designed such internal controls to ensure that material information relating to the Bank is made known to the officer by other officers of the Bank, during the period end 31 December 2021.

e) That we have evaluated the effectiveness of the Bank's internal controls within 90 days prior to the date of the audited financial statements, and certify that the Bank's internal controls are effective as of that date.

f) That there were no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our evaluation, including any corrective action with regard to significant deficiencies and material weaknesses.

g) That we have disclosed the following information to the Bank's Auditors and Audit Committee:
   i. there are no significant deficiencies in the design or operation of internal controls which could adversely affect the Bank's ability to record, process, summarise and report financial data, and have identified for the Bank's auditors any material weaknesses in internal controls, and

   ii. there is no fraud that involves management or other employees who have a significant role in the Bank's internal control.

Mr. Akinwunmi Lawal	**F.C. Nelson, FCA**
FRC/2014/CIBN/00000006345	**FRC/2014/ICAN/00000006856**
15 March 2022	**15 March 2022**

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... committed to the development of corporate governance

BOARD EVALUATION REPORT FOR THE BOARD OF NPF MICROFINANCE BANK PLC

EXECUTIVE SUMMARY

The Society for Corporate Governance Nigeria was engaged to conduct an independent evaluation/assessment of the performance of the Board of NPF Microfinance Bank Plc for 2021 as part of stipulated regulatory requirement.

SCOPE

The scope of the evaluation covered the following areas:

- Composition, commitment, and alignment of the skills/qualifications of directors to business requirement and performance
- Composition/effectiveness of the committees
- Compliance with existing regulatory requirement
- Effectiveness of directors in delivery of their fiduciary responsibilities
- Effective transparency and disclosure channels

Below is a summary of our findings:

Leadership: The Board Chairman exhibits a leadership style that promotes an environment that encourages and supports the active participation and contribution of Board members at meetings. The position of the Chairman and Managing Director are held by separate individuals which shows clear separation of powers between both offices. The Chairman is a Non-Executive Director and not a member of any board committee in line with regulatory requirements.

Board Meetings: The Board met thirteen (13) times in the period under review. Meetings held were constructive, aligned to the agenda and directors gave meaningful contributions. Board packs were circulated to directors to better prepare for meetings. The Board adequately performed its oversight and other functions on the company. We, however, recommend an efficient use of board committees to reduce board meetings hours and times.

Board Composition & Capacity: The Board comprises of Eleven (11) directors: One (1) Female and Ten (10) Male. The board composition is as follows- Three (3) Executive Directors, Six (6) Non-Executive Directors and Two (2) Independent Non-Executive Directors. The Board is diverse in culture and experience. However, we recommend diversity in gender and skills. The board should consider appointing directors, preferably independent directors with financial and digital knowledge.

Board Committees: The Board has five (5) committees namely: Board Audit Committee; Risk Management Committee; Governance, Nomination & Renumeration; Credit Committee and Finance and General Purpose Committee. These committees met regularly as required by regulators, with all members in attendance. All committees have a Charter / articulate Terms of Reference. The Chairman of the Board is not a member of any Board Committee. However, we recommend a reconstitution of the membership of the committees in line with the NCCG. We also, recommend a review of the committee charter in line with the provision of the Companies and Allied Matters Act (CAMA), 2020

Society for Corporate Governance Nigeria (RC 620,268)
5B, Lawani Oduloye Street, Oniru, Victoria Island, Lagos Email: info@corpgovnigeria.org website: www.corpgovnigeria.org

Board Oversight Functions: All policy documents were sighted and assessed for content and relevance and were found to be detailed, comprehensive, and articulate in efficiently guiding business processes and mitigating risk exposures. The Board should ensure effective use of the board committees.

Strategy & Planning: The Board takes its strategic oversight seriously, setting strategic initiatives and direction for the Company.

Transparency and Accountability: Board ensures timely disclosures are made to provide internal and external stakeholders with relevant and reliable information about the quality of the company's governance practices. The Company communications are in plain language, readable, and understandable. Dealings of the company and Board are transparent and in the best interest of the company. Stakeholders have a true picture of the Company's financial position.

Director Appointment & Development: Directors have shown commitment to regular trainings to update their knowledge and skill. Board members participated in relevant trainings beneficial to the quality of contributions during board meeting discussions.

Risk Management & Compliance: The Board has established an adequate Risk Management framework for managing risk exposures and ensuring effective internal control systems. The Board has established processes and systems for assessing, monitoring, managing, and reporting regulatory compliance. The Board ensures an annual risk assessment duly evaluating all risk exposures of the Company's business.

Based on the analysis of the result, the Board of Directors have demonstrated its dedication and commitment to the growth and success of the Company. This is demonstrated by their contributions, individual performance, attendance at Board and Committee meetings and the depth of discussions and resolutions arrived at during these meetings. There is also an alignment between the competencies of directors and the requirements / needs of the Company.

In line with Nigerian Code of Corporate Governance (NCCG), the Central Bank of Nigeria Corporate Governance Guidelines for Microfinance Banks in Nigeria and Companies and Allied Matters Act, we have found NPF Microfinance Bank Plc to be compliant in regulatory requirements and recommended best practices for the period under review (2021).

In all, we are happy to state that the Board of NPF Microfinance Bank Plc conducted its affairs in an acceptable and satisfactory manner in 2021.

SOCIETY FOR CORPORATE GOVERNANCE NIGERIA

Chioma Mordi (Mrs.)
Chief Executive Officer
FRC/2014/NIM/00000007899

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REPORT OF THE EXTERNAL CONSULTANT ON THE CORPORATE GOVERNANCE AUDIT OF NPF MICROFINANCE BANK PLC FOR THE YEAR ENDED 31 DECEMBER 2021

EXECUTIVE SUMMARY

NPF Microfinance Bank Plc engaged the Society for Corporate Governance Nigeria to audit its Corporate Governance structure and framework for the year-ended 31 December 2021 in compliance with the Nigerian Code of Corporate Governance principles.

The audit involved a review of the Board and Management composition, Minutes of Meetings of the Board and Board Committees, the Bank's corporate and statutory documents, governance practices, and policies documents presented to us.

Our audit findings were based on the Bank's compliance with the twenty-eight (28) principles of the Nigerian Code of Corporate Governance 2018 (NCCG) and the adoption of the "Apply and Explain" approach. Other regulatory provisions, corporate governance codes and international best practices were also considered. We obtained all the information and explanations necessary for our audit to the best of our knowledge and belief.

In our opinion, from our examination of the relevant corporate and policy documents, the Bank has in place, a proper corporate governance structure and framework. The board's activities align with the provisions of the NCCG and other corporate governance guidelines.

We can confirm that the Bank and the Board of Directors of NPF Microfinance Bank Plc, to a large extent, complied with the provisions of corporate governance best practices and have discharged their duties responsibly in accordance with the relevant codes.

However, we have provided recommendations for the board's consideration in the detailed report

SOCIETY FOR CORPORATE GOVERNANCE NIGERIA

Chioma Mordi (Mrs.)
Chief Executive Officer
FRC/2014/NIM/00000007899

REPORT OF THE STATUTORY AUDIT COMMITTEE

In compliance with Section 404(7) of the Companies and Allied Matters Act (CAMA), 2020, we the members of the Audit Committee of NPF Microfinance Bank Plc report on the financial statements for the year ended 31 December 2021 as follows:

- We have reviewed the scope and planning of the audit requirements and we found them adequate.

- We have reviewed the financial statements for the year ended 31 December 2021 and are satisfied with the explanations obtained in response to our queries.

- We reviewed the external auditor's Management Letter for the year ended 31 December 2021 and management responses thereto and are satisfied that management is taking appropriate steps to address the issues raised.

- We have reviewed all insider related credits as defined by Section 19(4) of the Banks and Other Financial Institutions Act, 2020 and confirm that the Bank disclosed all such credits and that they were reported in line with the Central Bank of Nigeria (CBN)'s guidelines. Specifically, we are satisfied that the Bank has complied with the provisions of the Central Bank of Nigeria circular BSD/1/2004 dated 18 February 2004 on "Disclosure of insider related credits in the financial statements of banks". We hereby confirm that an aggregate amount of ₦41,924,000 was outstanding as at 31 December 2021 (31 December 2020: ₦63,629,000) of which none was non-performing (31 December 2020: Nil) (see note 27(b)(ii)) to the financial statements).

- We ascertained that the accounting and reporting policies of the Bank for the year ended 31 December 2021 are in accordance with legal requirements and agreed ethical practices.

- The external auditor confirmed having received full cooperation from management in the course of their statutory audit.

Chief Timothy Adesiyan
Chairman, Audit Committee
FRC/2013/IODN/00000003745
15 March 2022

Other members of the Audit Committee:
- Alhaji Abdulquadri Sanni
- Mr. Abdulrahman Satumari
- Mrs. Esther Osijo

Mrs. O.J. Idemudia (Company Secretary) acted as Secretary to the Committee

KPMG Professional Services
KPMG Tower
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of NPF Microfinance Bank Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of NPF Microfinance Bank Plc (the Bank), which comprise:

- the statement of financial position as at 31 December 2021;
- the statement of profit or loss and other comprehensive income;
- the statement of changes in equity;
- the statement of cash flows for the year then ended; and
- the notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act, 2020 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with International Ethics Standards Board for Accountants *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment allowance for loans and advances to customers

The Bank has a significant amount of loans and advances granted to its customers on which it estimates impairment allowance. The determination of the impairment allowance on these loans and advances is inherently a significant area for the Bank as significant judgments and assumptions are made over both the timing of recognition and the estimation of the impairment allowance.

The Bank uses an Expected Credit Loss (ECL) model to determine the impairment allowance. The ECL methodology incorporates the expected future credit losses due to macro-economic variables. The Bank estimates risk parameters such as probability of default (PD), loss given default (LGD) and exposure at default (EAD), for individual loan exposures or for homogenous groups of exposures on the basis of their historical performance, while also taking into account the expected macroeconomic conditions.

The determination of impairment allowance using the ECL model also requires the application of certain financial indices which are estimated from financial data obtained within and outside the Bank.

The level of subjectivity inherent in estimating the impairment allowance on loan balances, the inputs estimated, the complexity of the estimation process and the significant judgment and assumptions involved make the impairment of loans and advances a matter of significance to the audit.

How the matter was addressed during the audit

Our procedures included the following:

- With the assistance of our Financial risk management (FRM) specialists, we assessed the key data and assumptions for the parameters in the ECL model used by the Bank. Our procedures included the following:
  - We challenged the appropriateness of the Bank's ECL methodology by considering whether it reflects probability-weighted amounts that are determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic condition;

  - We tested the completeness of the financial assets within the scope of IFRS 9 – Financial Instruments;

  - We challenged the probationary period used by the Bank in performing its staging and adopted the probationary period in line with CBN's requirement;

  - We challenged the appropriateness of management's forward-looking assumption by using publicly available information from external sources such as inflation rate, foreign exchange rates, crude oil price and Gross Domestic Product (GDP) growth rate in our ECL calculations;

  - We assessed the appropriateness of the estimation of the Bank's Probability of Default (PD) parameters. This includes an assessment of the appropriateness of the methodology applied, an assessment of the segmentation of the Bank's portfolio for PD estimation, an assessment of the appropriateness of the data used in estimating the PDs, an assessment of the incorporation of forward-looking information into the PDs, and an assessment of the statistical significance and
    reasonability of the variables which have been used in estimating the PDs

  - We assessed the assessed the appropriateness of the Bank's Loss Given Default(LGD). This includes an assessment of the appropriateness of the Bank's LGD methodology, an assessment of the four components which underlie the Bank's LGD estimate, an assessment of the segmentation of the Bank's portfolio for LGD estimation, an assessment of the appropriateness of the data used in estimating the LGD, an assessment of the incorporation of forward-looking information into the LGDs, and and an assessment of the statistical significance and
    reasonability of the variables which have been used in estimating the LGDs;

KPMG

- We evaluated the appropriateness of the data used in determining the Exposure at Default. This includes an assessment of the appropriateness of the Bank's EAD approach for on-balance
sheet and off-balance sheet assets, and an assessment of the Bank's Incremental Utilisation factor approach;

- We re-performed the calculations of impairment allowance for loans and advances and also checked the reasonableness of the outcome.

- We assessed whether disclosures in the financial statements appropriately reflect the Bank's exposure to credit risk in line with the requirements of the relevant accounting standards.

Refer to Notes 3(h)(vii), 4(b) and 5(a) to the financial statements for the Bank's accounting policy on impairment of financial assets, credit risk disclosures and use of estimates and judgments respectively.

Other Information

The Directors are responsible for the other information. The other information comprises the Corporate information, Directors' report, Corporate governance report, Statement of directors' responsibilities, Statement of corporate responsibility, Report to the audit committee, and other national disclosures, included in the annual report, but does not include the financial statements and our auditor's report thereon. Other information also include Notice of Annual General Meeting, Chairman's statement, Managing Director's statement, Board of Directors' and Management team's profile, Anti-money laundering/Combating the financing of terrorism, Board evaluation report, together with the "Outstanding reports", which are expected to be made available to us after that date.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act, 2020 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 5 of the Companies and Allied Matters Act (CAMA), 2020

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 Bank, so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us.

iii. The Bank's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.

Compliance with Section 26 (3) of the Banks and Other Financial Institutions Act, 2020 and Central Bank of Nigeria circular BSD/1/2004

i. The Bank paid penalties in respect of contravention of CBN regulations on Agency Banking during the year ended 31 December 2021. Details of penalties paid are disclosed in note 28 to the financial statements.

ii. Related party transactions and balances are disclosed in note 27 to the financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.

Nneka

Nneka Eluma, FCA
FRC/2013/ICAN/00000000785
For: KPMG Professional Services
Chartered Accountants
17 March 2022
Lagos, Nigeria

FINANCIAL STATEMENTS

For The Year Ended 31 December 2021

STATEMENT OF FINANCIAL POSITION

AS AT

In thousands of naira	Note	31-Dec-2021	31-Dec-2020
ASSETS			
Cash and cash equivalents	15	6,610,039	5,677,888
Pledged assets	16	842,096	564,246
Loans and advances to customers	17	17,447,816	16,667,615
Investment securities	18	1,004,954	966,360
Other assets	19	5,010,232	270,761
Property and equipment	20	1,007,541	902,412
Intangible asset	21	44,667	47,693
TOTAL ASSETS		**31,967,345**	**25,096,975**
LIABILITIES			
Deposits from customers	22	16,278,901	14,838,805
Borrowings	23	2,708,090	2,995,809
Current tax liabilities	14(b)	332,353	257,107
Deferred tax liabilities	14(c)	71,370	71,370
Other liabilities	24	6,845,666	1,452,300
TOTAL LIABILITIES		**26,236,380**	**19,615,391**
CAPITAL AND RESERVES			
Share capital	25	1,143,328	1,143,328
Share premium	26(a)	1,517,485	1,517,485
Retained earnings	26(b)	1,140,649	1,127,458
Fair value reserve	26(c)	(6,997)	(6,217)
Statutory reserve	26(d)	1,513,373	1,424,936
Regulatory risk reserve	26(e)	423,127	274,594
TOTAL EQUITY		**5,730,965**	**5,481,584**
TOTAL LIABILITIES AND EQUITY		**31,967,345**	**25,096,975**

The financial Statements were approved by the Board of Directors on 15 March 2022 and signed on it behalf by:

MR. Azubuko Joel Udah (Esq.)
Chairman
FRC/2016/NBA/00000013775

Mr. Akinwunmi Lawal
Managing Director/Chief Executive Officer
FRC/2014/CIBN/00000006345

Additionally certified by:

F.C. Nelson, FCA
Chief Financial Officer
FRC/2014/ICAN/00000006856

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED

In thousands of naira	Note	31-Dec-2021	31-Dec-2020
Gross earnings		5,770,055	4,658,831
Interest income calculated using the effective interest method	7	5,172,683	4,088,196
Interest expense	8	(655,703)	(411,215)
Net interest income		4,516,980	3,676,981
Fee and commission income	9	546,941	500,818
Revenue		5,063,921	4,177,799
Other income	10	50,431	69,817
Net impairment loss on financial instruments	11	(34,971)	(122,300)
Personnel expenses	12	(2,175,214)	(1,986,342)
Administration and general expenses	13	(1,590,408)	(1,016,916)
Depreciation of property and equipment	20	(254,358)	(238,833)
Amortisation of intangible assets	21	(28,826)	(16,213)
Profit before tax		1,030,575	867,012
Income tax expense	14(a)	(323,082)	(252,595)
Profit for the year		**707,493**	**614,417**
Other comprehensive loss			
Items that will never be reclassified to profit or loss			
Equity investment at fair value through OCI	18(a)	(3,258)	(3,440)
Other comprehensive loss for the year		**(3,258)**	**(3,440)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**704,235**	**610,977**
Basic and diluted earnings per share (kobo)	32	**31**	**27**

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share Capital	Share Premium	Retained Earnings	Fair Value Reserve	Statutory Reserve	Regulatory Risk Reserve	Total
Balance at 1 January 2021	1,143,328	1,517,485	1,127,458	(6,217)	1,424,936	274,594	5,481,584
Total comprehensive income							
Profit for the year	-	-	707,493	-	-	-	707,493
Other comprehensive loss							
Fair value reserve (FVOCI equity instruments):							
Equity investments at FVOCI - net change in fair value	-	-	-	(3,258)	-	-	(3,258)
Gain on derecognition of equity investments	-	-	-	2,478	-	-	2,478
Total other comprehensive loss	-	-	-	(780)	-	-	(780)
Total comprehensive income	-	-	707,493	(780)	-	-	706,713
Transfer to statutory reserve (see note 26(d))	-	-	(88,437)	-	88,437	-	-
Transfer to regulatory risk reserve (see note 5(c)(ii))	-	-	(148,533	-	-	148,533	-
Contributions by and distributions to equity holders							
Dividend paid (see note 33)	-	-	(457,332)	-	-	-	(457,332)
Total contributions and distributions	-	-	(457,332)	-	-	-	(457,332)
Balance at 31 December 2021	**1,143,328**	**1,517,485**	**1,140,649**	**(6,997)**	**1,513,373**	**423,127**	**5,730,965**

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share Capital	Share Premium	Retained Earnings	Fair Value Reserve	Statutory Reserve	Regulatory Risk Reserve	Total
Balance at 1 January 2020	1,143,328	1,517,485	986,184	(2,777)	1,348,133	335,586	5,327,939
Total comprehensive income							
Profit for the year	-	-	614,417	-	-	-	614,417
Other comprehensive loss							
Fair value reserve (FVOCI equity instruments):							
Equity investments at FVOCI - net change in fair value	-	-	-	(3,440)	-	-	(3,440)
Total other comprehensive loss	-	-	-	(3,440)	-	-	(3,440)
Total comprehensive income	-	-	614,417	(3,440)	-	-	610,977
Transfer to statutory reserve (see note 26(d))	-	-	(76,803)	-	76,803	-	-
Transfer to regulatory risk reserve (see note 5(c)(ii))	-	-	60,992	-	-	(60,992)	-
Contributions by and distributions to equity holders							
Dividend paid (see note 33)	-	-	(457,332)	-	-	-	(457,332)
Total contributions and distributions	-	-	(457,332)	-	-	-	(457,332)
Balance at 31 December 2020	**1,143,328**	**1,517,485**	**1,127,458**	**(6,217)**	**1,424,936**	**274,594**	**5,481,584**

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

In thousands of naira	Note	31-Dec-2021	31-Dec-2020
Cash flows from operating activities			
Profit for the year		707,493	614,417
Add: Tax expense	14(a)	323,082	252,595
Profit before tax		1,030,575	867,012
Adjustments for:			
Depreciation of property and equipment	20	254,358	238,833
Amortization of intangible assets	21	28,826	16,213
Net impairment loss on loans and advances to customers	11	20,692	93,574
Net impairment loss on cash and cash equivalents	11	86	358
Net impairment loss on pledged assets	11	44	619
Net impairment loss on other assets	11	14,272	27,714
Net impairment (gain)/ loss on investment securities	11	(123)	35
Interest income	7	(5,172,683)	(4,088,196)
Interest expense	8	655,703	411,215
Profit on sale of property and equipment	10	(2,122)	(3,104)
Gain on disposal of treasury bills	10	2,093	(1,210)
Gain on derecognition of lease liability	10	(3,421)	(1,049)
		(3,171,700)	(2,437,986)
Changes in:			
- pledged assets	34(b)	(271,995)	(91,480)
- loans and advances to customers	34(c)	(663,227)	(2,833,401)
- other assets	34(d)	(4,753,743)	87,798
- deposits from customers	34(e)	1,429,183	3,501,997
- other liabilities	34(f)	5,393,509	777,272
		(2,037,973)	(995,800)
Interest received	34(h)	5,202,277	4,068,903
Interest paid	34(i)	(413,313)	(349,780)
Tax paid	14(b)	(247,836)	(221,266)
VAT paid	24	(15,217)	-
Net cash generated from operating activities		**2,487,938**	**2,502,057**
Cash flows from investing activities			
Acquisition of property and equipment	35(a)(ii)	(255,999)	(227,818)
Acquisition of intangible assets	21	(25,800)	(30,000)
Payment for new leased properties	34(j)	(86,960)	(7,695)
Proceeds from disposal of property and equipment	34(a)(i)	2,122	8,095
Purchase of treasury bill investments	34(g)	-	(1,542,062)
Proceeds from disposal of treasury bill investments	34(g)	-	1,494,336
Net cash flows used in investing activities		**(366,637)**	**(305,144)**
Cash flows from financing activities			
Repayment of principal on borrowings	23(b)	(6,659,896)	(767,018)
Repayment of interest on borrowings	23(b)	(437,893)	(113,643)
Payment of principal on lease liability	24(c)(i)	(13,661)	(7,592)
Payment of interest on lease liability	24(c)(i)	(6,830)	(1,186)
Additions to borrowings	23(b)	6,386,548	1,700,000
Dividend paid	33	(457,332)	(457,332)
Net cash (used in)/generated from financing activities		**(1,189,064)**	**353,229**
Net increase in cash and cash equivalents		**932,237**	**2,550,142**
Cash and cash equivalents as at 1 January		5,678,752	3,128,610
Cash and cash equivalents as at 31 December	15	**6,610,989**	**5,678,752**

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

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2021

1 Reporting entity

NPF Microfinance Bank Plc. ("the Bank") is a public limited liability company domiciled in Nigeria. The Bank's registered office is at Aliyu Atta House, 1 Ikoyi Road, Obalende, Lagos.The Bank is engaged in the provision of banking services to members of the Police community, to poor and low income households and micro-enterprises of the public at large. Such services include retail banking, granting of loans, advances and allied services.The Bank currently operates from its registered office and has thirty-seven (37) branches located at Obalende, Ikeja, Garki-Abuja, Wuse-Abuja, Port-Harcourt, Kano, Osogbo, Benin, Akure, Onitsha, Sokoto, Lokoja, Lafia, Bauchi, Yola, Enugu, Kaduna, Oji River, Ibadan, Abeokuta, Ikorodu, Tejuosho, Asaba, Calabar, Aba, Aswani, Awka, Port Harcourt 2, Jos, Ilorin, Minna, Uyo, Owerri, Ekiti, Makurdi, Maiduguri and Gwagwalada.

2 Basis of accounting

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by International Accounting Standards Board (IASB) and in the manner required by the Companies and Allied Matters Act (CAMA), 2020, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act, 2020 and relevant Central Bank of Nigeria (CBN) guidelines and circulars. The IFRS accounting policies have been consistently applied to all years presented.

The financial statements were approved by the directors on 15 March 2022.

(b) Basis of preparation and measurement

These financial statements have been prepared on a going concern basis, which assumes that the bank will continue its operations in the foreseeable future. These financial statements have been prepared on the historical cost basis, except for the following material items, which are measured on the following alternative basis in the financial statements:

- Equity securities measured at FVTOCI
- Investment securities (treasury bills) measured at amortised cost
- Financial assets and liabilities measured at amortised cost

(c) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(d) Functional and presentation currency

These financial statements are presented in Naira, which is the Bank's functional and presentation currency. Except where indicated, financial information presented in Naira has been rounded to the nearest thousand.

3 Significant accounting policies

The Bank has consistently applied the following accounting policies to all periods presented in these financial statements, unless otherwise stated. The principal accounting policies adopted in the preparation of these financial statements are set out below.

(a) Interest

I. Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

ii. Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

iii. Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating-rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date on which amortisation of the hedge adjustment begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see 3(h)(vii).

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes:

- interest on financial assets and financial liabilities measured at amortised cost;
- interest on debt instruments measured at fair value through other comprehensive income; and
- negative interest on financial liabilities measured at amortised cost.

Interest expense presented in the statement of profit or loss and OCI includes:

- financial liabilities measured at amortised cost;
- negative interest on financial assets measured at amortised cost; and
- interest expense on lease liabilities.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Interest income and expense on other financial assets and financial liabilities at fair value through profit or loss (FVTPL) are presented in net income and from other financial instruments at FVTPL.

Cash flows related to capitalised interest are presented in the statement of cash flows consistently with interest cash flows that are not capitalised.

(b) Fees and commission

Fees and commission is measured based on the consideration specified in a contract with a customer. The bank recognises this income when it disburses loans and accepts deposits from its customers.

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

Other fees and commission income, including loan account servicing fees, investment management fees, etc. are recognised as the related services are performed.

A contract with a customer that results in a recognised financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

(c) Other income

The total sum includes income from service fees and charges, profit on disposal of property and equipment and dividend income. They are recognised as the related services are performed and when the entity's right to receive payment is established.

(d) 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 (FVTPL) relates to financial assets and financial liabilities designated as at FVTPL and also non-trading assets mandatorily measured at FVTPL. The line item includes fair value changes, interest and dividends.

(e) Dividend income

Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in net trading income, net income from other financial instruments at FVTPL or other revenue based on the underlying classification of the equity investment.

Dividends on equity instruments designated as at FVOCI that clearly represent a recovery of part of the cost of the investment are presented in OCI.

(f) Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Bank acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for leases of branches and office premises the Bank has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The Bank determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Where the basis for determining future lease payments changes as required by interest rate benchmark reform, the Bank remeasures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

The Bank presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets
The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Bank applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Bank further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

(g) Income tax
Income tax expense comprises current tax (company income tax, tertiary education tax,

National Information Technology Development Agency levy and Nigeria Police Trust Fund levy) and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

The Bank had determined that interest and penalties relating to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.
(i) Current tax
Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, and any adjustment to tax payable or receivable in respect of previous years.
The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date and is assessed as follows:
Current tax assets and liabilities are offset only if certain criteria are met and is assessed as follows:
- Company income tax is computed on taxable profits
- Tertiary education tax is computed on assessable profits
- National Information Technology Development Agency levy is computed on profit before tax
- Nigeria Police Trust Fund levy is computed on net profit (i.e. profit after deducting all expenses and taxes from revenue earned by the Bank during the year)
- National Agency for Science and Engineering Infrastructure (NASENI)

No provision has been made for back-years LASENI levy. The Bank restricted the assessment to the current year levy.

Total amount of tax payable under CITA is determined based on the higher of two components namely Company Income Tax (based on taxable income (or loss) for the year); and minimum tax. Taxes based on profit for the period are treated as income tax in line with IAS 12.

(ii) Deferred tax
Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:
- temporary differences on 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;
- temporary differences related to investments in subsidiaries to the extent that the Bank is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Temporary differences in relation to a right-of-use asset and a lease liability for a specific lease are regarded as a net package (the lease) for the purpose of recognising deferred tax.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Bank. 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 realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if there is any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(h) Financial assets and financial liabilities

(i) Recognition and initial measurement

The Bank initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. The fair value of a financial instrument at initial recognition is generally its transaction price.

(ii) Classification

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) - debt investment; FVOCI - equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Bank changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Bank makes an assessment of the objective of the business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

The Bank's retail and corporate banking business comprises primarily loans to customers that are held for collecting contractual cash flows. In the retail business the loans comprise, overdrafts, unsecured personal lending and credit card facilities. Sales of loans from these portfolios are very rare.

Certain debt securities are held by the Bank Treasury in a separate portfolio for long-term yield. These securities may be sold, but such sales are not expected to be more than infrequent. The Bank considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

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

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest (SPPI), the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Bank holds a portfolio of long-term fixed-rate loans for which the Bank has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Bank has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Equity instruments have contractual cash flows that do not meet the SPPI criterion. Accordingly, all such financial assets are measured at FVTPL unless the FVOCI option is selected – see below.

Non-recourse loans

In some cases, loans made by the Bank that are secured by collateral of the borrower limit the Bank's claim to cash flows of the underlying collateral (non-recourse loans). The Bank applies judgement in assessing whether the non-recourse loans meet the SPPI criterion. The Bank

typically considers the following information when making this judgement:
- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Bank's risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Bank will benefit from any upside from the underlying assets.

Contractually linked instruments

The Bank has some investments in securitisations that are considered contractually linked instruments. Contractually linked instruments each have a specified subordination ranking that determines the order in which any cash flows generated by the pool of underlying investments are allocated to the instruments. Such an instrument meets the SPPI criterion only if all of the following conditions are met:
- the contractual terms of the instrument itself give rise to cash flows that are SPPI without looking through to the underlying pool of financial instruments;
- the underlying pool of financial instruments (i) contains one or more instruments that give rise to cash flows that are SPPI; and (ii) may also contain instruments, such as derivatives, that reduce the cash flow variability of the instruments under (i) and the combined cash flows (of the instruments under (i) and (ii)) give rise to cash flows that are SPPI; or align the cash flows of the contractually linked instruments with the cash flows of the pool of underlying instruments under (i) arising as a result of differences in whether interest rates are fixed or floating or the currency or timing of cash flows; and
- the exposure to credit risk inherent in the contractually linked instruments is equal to or less than the exposure to credit risk of the underlying pool of financial instruments.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

iii) Derecognition

Financial assets

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or

loss.
Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities.
Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.
The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.
When assets are sold to a third party with a concurrent total return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, because the Bank retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise 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.

In certain transactions, the Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial liabilities
The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Bank also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

(iv) Modifications of financial assets and financial liabilities
Financial assets
If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.
If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:
- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to

originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.
If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities
The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

Interest rate benchmark reform
If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changed as a result of interest rate benchmark reform, then the Bank updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:
- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, then the Bank first updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Bank applies the policies on accounting for modifications set out above to the additional changes.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS Standards, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

(vi) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk

are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.
The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.
The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(vii) Impairment
The Bank recognises loss allowances for expected credit loss (ECL) on the following financial instruments that are not measured at FVTPL:
- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:
- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

The Bank considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Bank does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECL are recognised are referred to as 'Stage 1 financial instruments'. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.
Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognised but that are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired.
Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

Measurement of ECL
ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- *financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- *financial guarantee contracts:* the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

When discounting future cash flows, the following discount rates are used:
- *financial assets other than purchased or originated credit*-impaired (POCI) financial assets and lease receivables: the original effective interest rate or an approximation thereof;
- *POCI assets: a credit*-adjusted effective interest rate;
- *lease receivables:* the discount rate used in measuring the lease receivable;
- *undrawn loan commitments:* the effective interest rate, or an approximation thereof, that will be applied to the financial asset resulting from the loan commitment; and
- *financial guarantee contracts issued:* the rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows.

Restructured financial assets
If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets
At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
– significant financial difficulty of the borrower or issuer;
– a breach of contract such as a default or past due event;

– the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
– it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
– the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.
In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors.
- The market's assessment of creditworthiness as reflected in bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

POCI financial assets
POCI financial assets are assets that are credit-impaired on initial recognition. For POCI assets, lifetime ECL are incorporated into the calculation of the effective interest rate on initial recognition. Consequently, POCI assets do not carry an impairment allowance on initial recognition. The amount recognised as a loss allowance subsequent to initial recognition is equal to the changes in lifetime ECL since initial recognition of the asset.

Presentation of allowance for ECL in the statement of financial position
Loss allowances for ECL are presented in the statement of financial position as follows:
- *financial assets measured at amortised cost:* as a deduction from the gross carrying amount of the assets;
- *loan commitments and financial guarantee contracts:* generally, as a provision;
- *where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component:* the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- *debt instruments measured at FVOCI:* no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in retained earnings.

Write-off
Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.
Recoveries of amounts previously written off are recognised when cash is received and are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

Financial guarantee contracts held
The Bank assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Bank considers when making this assessment include whether:
- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's group.

If the Bank determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Bank considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Bank determines that the guarantee is not an integral element of the debt instrument, then it recognises an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure neither is credit-impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognised in 'other assets'. The Bank presentsa gains or losses on a compensation right in profit or loss in the line item 'impairment losses on financial instruments'.

(viii) Designation at fair value through profit or loss (FVTPL)
Financial assets
On initial recognition, the Bank has designated certain financial assets as at FVTPL because this designation eliminates or significantly reduces an accounting mismatch, that would otherwise arise.

Financial liabilities
The Bank designated certain financial liabilities as at FVTPL in either of the following circumstances:

- the liabilities are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

(i) Cash and cash equivalents

Cash and cash equivalents include bank notes and coins on hand, unrestricted balances held with central bank and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.The reconciliation of the opening cash and cash equivalents to the closing cash and cash equivalents in the statement of cash flows is done using the indirect method.

(j) Pledged assets

Financial assets transferred to external parties that do not qualify for de-recognition are reclassified in the statement of financial position from their original class to assets pledged as collateral, if the transferee has received the right to sell or re-pledge them in the event of default from agreed terms. Initial measurement of assets pledged as collateral is at fair value while subsequent measure is at amortized cost.

(k) Loans and advances

Loans and advances to customers' captions in the statement of financial position include:
- loans and advances measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the consideration paid is accounted for as a loan or advance, and the underlying asset is not recognised in the Bank's financial statements.

(l) Investment Securities

The 'investment securities' caption in the statement of financial position includes:
- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- equity investment securities designated as at FVOCI.

Fair value gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

(m) Property and equipment

(i) Recognition and measurement

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

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.
If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.
Any gain or loss on disposal of an item of property and equipment is recognised within other income in profit or loss.

(ii) Subsequent costs
Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Bank. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation
Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Land is not depreciated.
The estimated useful lives of property and equipment for current and comparative periods are as follows:

Land	Not depreciated
Buildings	50 years
Computer equipment	3 years
Office equipment	5 years
Furniture and fittings	5 years
Motor vehicles	4 years
Right of use assets	Lower of lease term or the useful life of the leased asset

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

(iv) 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.

(n) Intangible assets
Computer software
Software acquired by the Bank is measured at cost less accumulated amortisation and any accumulated impairment losses.
Expenditure on internally developed software is recognised as an asset when the Bank is able to demonstrate: that the product is technically and commercially feasible, its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and that it 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 capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

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 recognised in profit or loss as it is incurred.
Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life for computer software for the current and comparative periods is three (3) years.

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

(o) Impairment of non-financial assets

At each reporting date, the Bank reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.
For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.
An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.
Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

For other assets, other than goodwill, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(p) Deposits and borrowings

Deposits and borrowings are the Bank's sources of funding. When the Bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (sale-and-repurchase agreement), the consideration received is accounted for as a deposit, and the underlying asset continues to be recognised in the Bank's financial statements.

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.
Deposits and borrowings are initially measured at fair value minus incremental direct transaction costs, Subsequently, they are measured at their amortised cost using the effective interest method, except where the Bank designates liabilities at fair value through profit or loss.

(q) Other assets

Prepayments include costs paid in relation to subsequent financial periods and are measured at cost less amortization for the period. The Bank recognises prepaid expense in the accounting year in which it is paid.

Other receivables comprise staff cash advance and sundry debtors which are carried at cost less lifetime ECL impairment.
Inventories comprise stock of debit cards, stock of credit cards, stock of cheques, stock of office stationeries, stock of micr cheques, non micr cheques, and stock of adhensive stamp. Inventories are stated at lower of cost and net realisable value. Cost of inventories also include all other cost incurred in bringing the items to their present location and condition.

(r) Provisions and other liabilities

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 the risks specific to the liability. The unwinding of the discount is recognised as interest expense.
Other liabilities are short term obligations to third parties. They are recognized at cost.
Restructuring: A provision for restructuring is recognised when the Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.
Bank levies: A provision for bank levies is recognised when the condition that triggers the payment of the levy is met. If a levy obligation subject to a minimum activity threshold so that the obligating event is reaching a minimum activity, then a provision is recognised when that minimum activity threshold is reached.

(s) Contingent liabilities

Contingent liabilities are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non- occurrence, of one or more uncertain future events not wholly within the Bank's control. Contingent liabilities are not recognised in the financial statements but are disclosed in the notes to the financial statements. See note 31.

(t) Expenditure

Expenses are recognised in the profit or loss as they are incurred unless they create an asset from which future economic benefits will flow to the Bank. An expected loss on a contract is recognised immediately in profit or loss.

(u) Employee benefits

(i) Defined contribution plan

A defined contribution plan is pension plan under which the Bank pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. For defined contribution plans, the Bank makes contributions on behalf of qualifying employees to a mandatory scheme under the provisions of the Pension Reform Act. The Bank has no further payment obligations once the contributions have been paid. Obligations for contributions to defined contribution plans are recognised as personnel expenses in profit or loss in the period during which related services are rendered. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. Employees and the Bank contribute 8% and 10% respectively of each of the qualifying staff salary in line with the provisions of the Pension Reforms Act 2014.

(ii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Bank 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.

(v) Share capital and reserves

(i) Share issue costs

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

(ii) Dividend on the Bank's ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's shareholders. Dividends for the year that are declared after the date of the statement of financial position are dealt with in the subsequent events note. Dividends proposed by the Directors but not yet approved by members are disclosed in the financial statements in accordance with the requirements of IFRS.

(w) Earnings per share

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

(x) Segment reporting

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with any of the Bank's other components, whose operating results are regularly reviewed by the Bank's management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment information is provided on the basis of operating and reportable segments in the manner the Bank manages its business.The financial statements of the Bank reflect the management structure of the Bank and the way in which the Bank's management reviews business performance. Invariably, management considers its retail banking operations, whose results are shown in the statement of financial position and statement of comprehensive income, as its only operating segment.

(y) Standards issued but not yet effective

A number of new Standards, Amendments to Standards, and Interpretations are effective for annual periods beginning after 1 January 2022 and have not been applied in preparing these financial statements. Those Standards, Amendments to Standards and Interpretations which may be relevant to the Bank are set out below.

The Bank do not plan to adopt these standards early. The standards will be adopted in the period that they become mandatory unless otherwise indicated.

Standards not yet effective	Summary of the requirements and impact assessment	Effective date
Amendments to IFRS 1, IFRS 9, and IFRS 16: *Annual improvements to IFRS Standards 2018-2020*	- IFRS 1 First Time Adoption of International Financial Reporting Standards - The amendment permits a subsidiary (as a first-time adopter of IFRS that applies IFRS later than its parent) that applies IFRS 1.D16(a) to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. - IFRS 9 Financial Instruments - The amendment clarifies that for the purpose of performing the ''10 per cent test" for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. - IFRS 16 Leases – The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive. The amendments are effective for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted. *The amendment is not expected to have any significant impact on the Bank. "*	1 January 2022
Amendments to IAS 16: *Property, Plant and Equipment: Proceeds before Intended Use*	The amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before its intended use by management. As such, proceeds from selling items before the related item of property, plant and equipment is available for use should be recognised in profit or loss, together with the costs of producing those items. IAS 2 Inventories should be applied in identifying and measuring these production costs. Companies will therefore need to distinguish between: - costs associated with producing and selling items before the item of property, plant and equipment is available for use; and - costs associated with making the item of property, plant and equipment available for its intended use. Making this allocation of costs may require significant estimation and judgement. The amendments also clarify that testing whether an item of PPE is functioning properly means assessing its technical and physical performance rather than assessing its financial performance – e.g. assessing whether the PPE has achieved a certain level of operating margin The amendments apply for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments. *The amendment is not expected to have any significant impact on the Bank.*	1 January 2022

Standards not yet effective	Summary of the requirements and impact assessment	Effective date
Amendments to IAS 1 and IFRS Practice Statement 2: *Disclosure Initiative: Accounting Policies*	The amendments were issued to assist companies provide useful accounting policy disclosures. The key amendments to IAS 1 include: - requiring companies to disclose their material accounting policies rather than their significant accounting policies; - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements; The amendments are consistent with the refined definition of material:*"Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements".* The amendments are effective from 1 January 2023 and is not expected to have any significant impact on the Bank."	1 January 2023
Amendments to IAS 8: *Definition of Accounting Estimates*	This amendment provides clarifications to companies on how to distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates .The amendment introduces a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarifies the following: - an entity develops an accounting estimate to achieve the objective set out by an accounting policy. - developing an accounting estimate includes both selecting a measurement technique (estimation or valuation technique) and choosing the inputs to be used when applying the chosen measurement technique. - a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. - a change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods. The definition of accounting policies remains unchanged. The amendments are effective for periods beginning on or after 1 January 2023. The amendment is not expected to have any significant impact on the Bank.	1 January 2023

Standards not yet effective	Summary of the requirements and impact assessment	Effective date
Amendments to IAS 12: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	The amendment clarifies that the initial recognition exemption does not apply to transactions that give rise to equal and offsetting temporary differences such as leases and decommissioning obligations. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition arising from these transactions. The standard is effective for annual periods beginning on or after 1 January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. If an entity previously accounted for deferred tax on these transactions using the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability. *The amendment is not expected to have any significant impact on the Bank.*	1 January 2023

4 Financial risk management

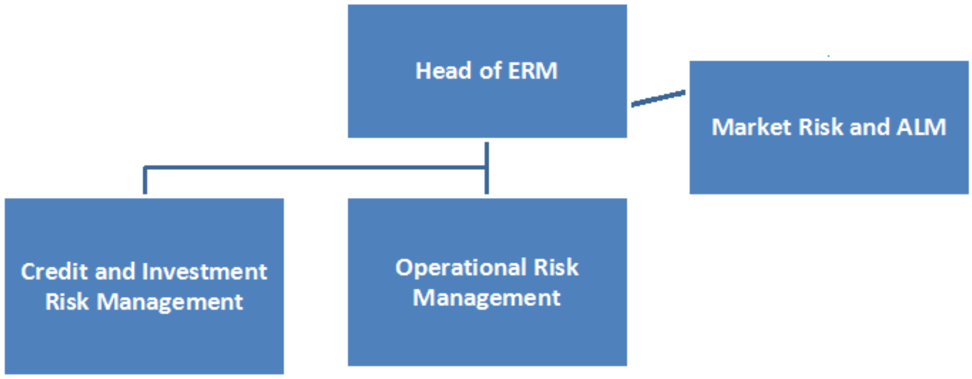
(a) Introduction and overview

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board of Directors has established the Asset and Liability Management Committee (ALCO), which is responsible for approving and monitoring Bank risk management policies.

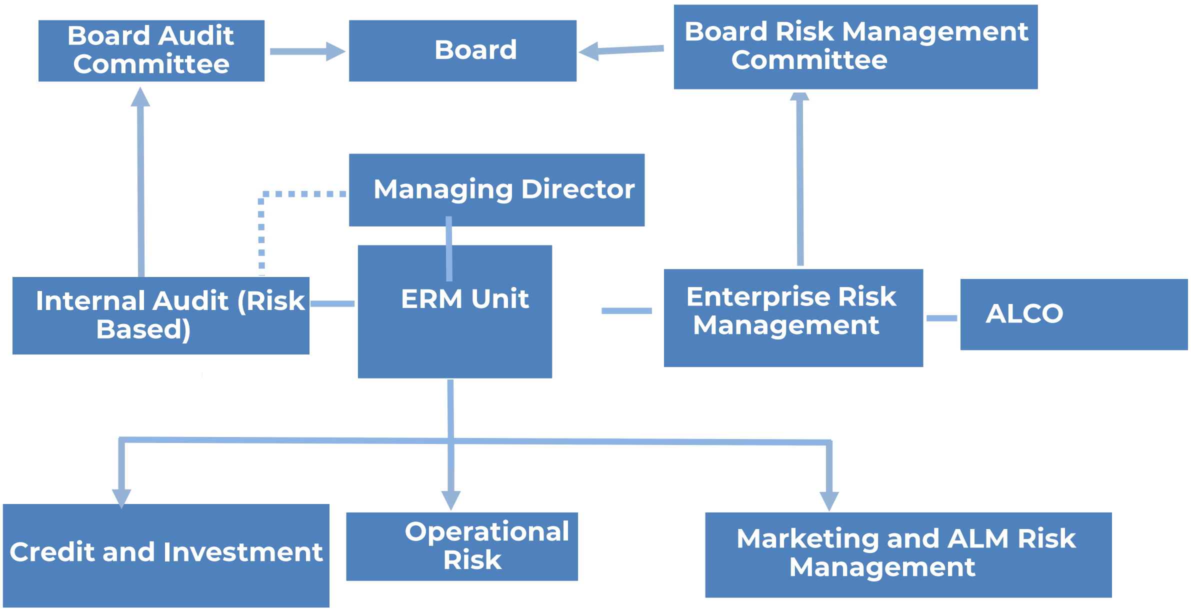
The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Bank's activities. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board also oversees how management monitors compliance with the risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Bank. The Board is assisted in its oversight role by the Board Risk Management Committee, which undertakes both regular and ad-hoc reviews of risk management controls and procedures. The risk management framework of the Bank identifies risk culture as the foundation upon which the pillars of risk and control processes and extreme events management lie.

The general organisational structure can be seen below:



The Bank's risk management governance structure is as shown below:



The Board of Directors are responsible for developing and monitoring the Bank's risk management policies.

(I) *The Bank's approach to risk*

The Bank addresses the challenge of risks comprehensively through an enterprise-wide risk management framework by applying leading practices that are supported by a governance structure consisting of the board and executive management committees. The Board drives the risk governance and compliance process through management. The audit committee provides oversight on the systems of internal control, financial reporting and compliance. The Board also sets the risk philosophy, policies and strategies and provides guidance on the various risk elements and their management.

Executive management drives the management of the financial risks (market, liquidity and credit risk), operational risks as well as strategic and reputational risks.

The key features of the Bank's risk management framework are:

- The Board of Directors provide overall risk management direction and oversight
- The Bank's risk appetite is approved by the Board of Directors.
- Risk management is embedded in the Bank as an intrinsic process and is a core competency of all its employees.
- The Bank manages its credit, market, operational and liquidity risks in a co-ordinated manner within the organization.
- The Bank's risk management function is independent of the business divisions.
- The Bank's internal audit function reports to the Board; providing 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.

The Board of Directors is committed to managing compliance with a framework to enforce compliance with applicable laws, rules and standards issued by the industry regulators and other law enforcement agencies, market conventions, codes of practices promoted by industry associations and internal policies.

The compliance function, under the leadership of the Head of Internal audit of the Bank has put in place a compliance framework, which includes:

- Comprehensive compliance manual, the manual details the roles and responsibilities of all stakeholders in the compliance process,
- Review and analysis of all relevant laws and regulations, which are adopted into policy statements to ensure business is conducted professionally.

(ii) *Risk Appetite*

The Bank's risk appetite is reviewed by the Board of Directors annually, at a level that minimizes erosion of earnings or capital due to avoidable losses or from frauds and operational inefficiencies. This reflects the conservative nature of the Bank as far as risk taking is concerned.

(iii) *Risk Management Philosophy, Culture and Objectives*

The Bank considers effective risk management to be the foundation of a long lasting institution.

- The Bank continues to adopt a holistic and integrated approach to risk management and therefore, brings all risks together under one or a limited number of oversight functions
- Risk management is a shared responsibility. Therefore the Bank aims to build a shared perspective on risks that is grounded in consensus.
- There is clear segregation of duties between market facing business units and risk management functions.
- Risk Management is governed by well defined policies which are clearly communicated within the Bank.
- Risk related issues are taken into consideration in all business decisions. The Bank shall continually strives to maintain a conservative balance between risk and revenue consideration.

The Bank has exposure to the following risks from its financial instruments:

- Credit risk
- Liquidity risk
- Market risk

(b) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers, investment in debt securities, cash and cash equivalents, pledged assets and trade and other receivables. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure – e.g. individual obligor default risk, country and sector risk.

The Bank has exposure to credit risk as it routinely executes transactions with counterparties which comprise mainly of public service employers and employees as well as private sector employees.

(i) Credit risk limits

The Bank applies credit risk limits, among other techniques in managing credit risk. This is the practice of stipulating a maximum amount that the individual or counterparty can obtain as loan. Internal and regulatory limits are strictly adhered to. Through this, the Bank not only protects itself, but also in a sense, protects the counterparty from borrowing more than they are capable of paying.

The Bank continues to focus on its concentration and intrinsic risks and further manage them to a more comfortable level. This is very important due to the serious risk implications that intrinsic and concentration risk pose to the Bank. A thorough analysis of economic factors, market forecasting and prediction based on historical evidence is used to mitigate the crystallization of these risks.

The Bank has in place various portfolio concentration limits (which is subject to periodic review). These limits are closely monitored and reported on from time to time.

The Bank's internal credit approval limits for the various authority levels are as indicated below.

	Approval Limit	
RANK	**MICRO**	**MACRO**
Officer	₦100,000	₦200,000
Assistant Manager	₦200,000	₦300,000
Deputy Manager	₦200,000	₦400,000
Manager	₦200,000	₦500,000
Senior Manager	₦200,000	₦650,000
AGM/ GM	₦200,000	₦1000,000
Regional Head	₦500,000	₦1,500,000
Executive Director	₦700,000	₦2,000,000
Managing Director (MD)	₦1,000,000	₦2,500,000
Board Risk Committee	NIL	Above ₦2.5 million to ₦10 million
Full Board	NIL	Above ₦10 million

These internal approval limits are set and approved by the Bank's Board and are reviewed regularly as the state of affairs of the Bank and the wider financial environment demands. However, approval of Micro credits resides with Regional Heads and Head Office.

Credit quality analysis

The tables below set out information about the credit quality of financial assets measured at amortised cost and FVOCI debt investment securities without taking into account collateral or other credit enhancement. Unless specifically indicated, for financial assets the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

	31 December 2021				
In thousands of naira	12-month PD ranges	Stage 1	Stage 2	Stage 3	Total
Loan and advances to customers at amortised cost					
Grades 1-6: Strong	0-0.59	17,228,160	-	-	17,228,160
Grades 7-9: Satisfactory	0.60-11.34	-	97,832	-	97,832
Grade 10: Higher risk	11.35-99.99	-	-	-	-
Grade 11-12: Credit-impaired	100	-	-	721,635	721,635
Gross carrying amount		17,228,160	97,832	721,635	18,047,627
Loss allowance		(207,343)	(10,177)	(382,291)	(599,811)
Carrying amount		**17,020,817**	**87,655**	**339,344**	**17,447,816**

	31 December 2020				
In thousands of naira	12-month PD ranges	Stage 1	Stage 2	Stage 3	Total
Loan and advances to customers at amortised cost					
Grades 1-6: Strong	0-0.59	16,592,264	-	-	16,592,264
Grades 7-9: Satisfactory	0.60-11.34	-	74,531	-	74,531
Grade 10: Higher risk	11.35-99.99	-	-	-	-
Grade 11-12: Credit-impaired	100	-	-	596,342	596,342
Gross carrying amount		16,592,264	74,531	596,342	17,263,137
Loss allowance		(204,263)	(2,403)	(388,856)	(595,522)
Carrying amount		**16,388,001**	**72,128**	**207,486**	**16,667,615**

	31 December 2021				
In thousands of naira	12-month PD ranges	Stage 1	Stage 2	Stage 3	Total
Debt investment securities at amortised cost					
Grades 1-6: Strong	0-0.59	997,798	-	-	997,798
Loss allowance		(50)	-	-	(50)
Carrying amount		997,748	-	-	997,748
Equity investment at FVOCI					
Grades 1-6: Strong	0-0.59	7,206	-	-	7,206
Grades 7-9: Satisfactory	0.60-11.34	-	-	-	-
Grade 10: Higher risk	11.35-99.99	-	-	-	-
Grade 11-12: Credit-impaired	100	-	-	-	-
Gross carrying amount		7,206	-	-	7,206
Loss allowance		-	-	-	-
Carrying amount - fair value		**7,206**	**-**	**-**	**7,206**

	31 December 2020				
In thousands of naira	12-month PD ranges	Stage 1	Stage 2	Stage 3	Total
Debt investment securities at amortised cost					
Grades 1-6: Strong	0-0.59	956,069	-	-	956,069
Loss allowance		(173)	-	-	(173)
Carrying amount		955,896	-	-	955,896
Equity investment at FVOCI					
Grades 1-6: Strong	0-0.59	10,464	-	-	10,464
Grades 7-9: Satisfactory	0.60-11.34	-	-	-	-
Grade 10: Higher risk	11.35-99.99	-	-	-	-
Grade 11-12: Credit-impaired	100	-	-	-	-
Gross carrying amount		10,464	-	-	10,464
Loss allowance		-	-	-	-
Carrying amount - fair value		**10,464**	**-**	**-**	**10,464**

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:
- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for the point in time that was estimated at the time of initial recognition of the exposure (adjusted where appropriate for changes in prepayment expectations).

The Bank uses three criteria for determining whether there has been a significant increase in credit risk: –

a quantitative test based on movement in PD;
– qualitative indicators; and
– a backstop of 30 days past due."

Credit risk grades

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk grade deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to on-going monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Corporate exposures

- Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes;
- data from reference agencies, press articles, changes in external credit ratings;
- actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.

Retail exposures

- Internally collected data on customer behaviour - e.g. utilisation of credit card facilities;
- external data from credit reference agencies, including industry-standard credit scores.

All exposures

- Payment record - this includes overdue status as well as a range of variables about payment ratios;
- utilisation of the granted limit;
- requests for and granting of forbearance; and
- existing and forecast changes in business, financial and economic conditions.

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Determining whether credit risk has increased significantly

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region.

Credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Bank's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgment and relevant historical experiences.

The Bank identifies key drivers behind changes in credit risk for portfolios. Generally, a significant increase in credit risk is assessed based on the estimation of PDs and consideration of qualitative factors, each of which are designed to reflect forward-looking information, on an individual instrument basis as described above. However, if the Bank identifies a key driver that is not considered in the individual assessment on a timely basis, then the Bank will evaluate whether there is reasonable and supportable information that enables it to make an additional assessment on a collective basis with respect to all or some of a portfolio. This may lead to the Bank concluding that a segment or proportion of a portfolio has undergone a significant increase in credit risk.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Bank determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:
- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

Definition of default
The Bank considers a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Bank. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Bank considers indicators that are:
- qualitative: e.g. breaches of contract;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. The definition of default largely aligns with that applied by the Bank for regulatory capital purposes.

Incorporation of forward looking information
The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of expected credit loss (ECL).
The determination of ECL includes various assumptions and judgements in respect of forward looking macroeconomic information.

Modified financial assets
The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 3(h)(iv).

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:
- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms. The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that it falls within the 12-month PD ranges for the asset to be considered Stage 1.

Measurement of ECL
The key inputs into the measurement of ECL are the term structure of the following variables:
- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

ECL for exposures in Stage 1 are calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL are calculated by multiplying the lifetime PD by LGD and EAD.

The methodology for estimating PDs is discussed above under the heading 'Generating the term structure of PD'.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for lending collateralised by property, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for retail overdrafts and credit card facilities that include both a loan and an undrawn commitment component, the Bank measures ECL over a period longer than the maximum contractual period if the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take, and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, which may include:
- instrument type;
- credit risk grade;
- collateral type;
- date of initial recognition;
- remaining term to maturity;
- industry; and

- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost, debt financial assets carried at FVOCI are credit impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past-due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

The following table sets out a reconciliation of changes in the net carrying amount of credit-impaired loans and advances to customers.

In thousands of naira	31-Dec-2021	31-Dec-2020
Credit-impaired loans and advances to customers at 1 January	711,864	345,487
Change in ECL allowance	6,566	43,369
Classified as credit-impaired during the year	15,420	321,577
Transferred to not-credit-impaired during the year	(66)	-
Net repayments	-	-
Recoveries of amounts previously written off	4,254	1,431
Write off	(16,403)	
Interest income	-	-
Other movements	-	-
Credit-impaired loans and advances to customers at 31 December	721,635	711,864

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The financial instruments such as loans and deposits disclosed in the statement of financial position are not offset as the Bank does not have any current enforceable obligation to do so.

Exposure to credit risk

The Bank's exposure to credit risk is influenced mainly by the characteristics of the counterparties. Management considers the default risk of the industry in which the counterparty operates based on economic factors as this may have an influence on credit risk.

The Bank is exposed to credit risk on its loans and receivables balances due from its customers in the public and private sectors .

The Bank has credit standards, policies and procedures to control and monitor intrinsic and concentration risks through all credit levels of selection, underwriting, administration and control. This include:

• Utilization of the services of portfolio managers whom are educated on the risk appetite of the Bank and thus ensure that all investments are in low risk grade securities.

• Ensuring that all investments entered are of a low to medium duration and thus minimising the risk of default.

• All treasury investments undergo a formal credit analysis process that would ensure the proper appraisal of the facility.

• The consequences for non-compliance with the credit policy and credit indiscipline are communicated to all staff and implemented.

• All conflict of interest situations must be avoided.

(iii) Investment securities designated at FVTOCI

The Bank via its portfolio managers limits its exposure to credit risk by investing only in highly liquid money market instruments with counterparties that have a good credit rating. The portfolio managers actively monitors credit ratings and ensures that the Bank has only made investments in line with the Bank's investment policy as approved by Board which approves investments in equities, placements with local banks and Federal Government Treasury Bills.

(iv) Cash and cash equivalents

The Bank held cash and cash equivalents with maturity profile of less than or equal to 3 months, held with local banks and assessed to have good credit ratings based on the Bank's policy.

(v) Loans and advances to customers

The Bank has classified loans and advances to customers. These are evaluated periodically for impairment in line with its accounting policy as disclosed in note 3(h)(viii). Impairment losses have been recognized in profit or loss and reflected in an allowance account against loans and advances to customers. The total impairment allowance as at 31 December 2021 was approximately ₦600 million (31 December 2020: ₦595 million).

(vi) Collateral security

All financial assets held by the Bank are normally unsecured. Our comfort on the Treasury Bills is the issuer's credit rating, which is the Federal Government of Nigeria, while for the loans and advances, we obtain comfort from the fact that the loans are mostly backed by the salary accounts of serving officers domiciled with the Bank. Staff loans are also recovered through salary deductions and staff mortgage loans are secured against the property purchased.

(vii) *Write-off policy*

The Bank writes off a loan balance when the Bank's Credit Department determines that the loan is uncollectible and had been declared delinquent and subsequently classified as lost. The write-off process is a critical component of the Bank's credit management activities. The policy requires a periodic review and identification of classified loans deemed to be uncollectible with long outstanding balances of principal and interest. The determination is made after considering information such as the continuous deterioration in the customer's financial position, such that the customer can no longer pay the obligation, or that the proceeds from the collateral will not be sufficient to pay back the entire exposure. Board approval is required for such write-off. The loan recovery department continues with its recovery efforts and any loan subsequently recovered is treated as other income.

(viii) *Maximum exposure to credit risk*

The carrying amount of the Bank's financial assets, which represents the maximum exposure to credit risk at the reporting date was as follows:

In thousands of naira		**31-Dec-2021**	**31-Dec-2020**
Cash and cash equivalents	15	6,610,039	5,677,888
Pledged assets	16	842,096	564,246
Loans and advances to customers	17	17,447,816	16,667,615
Investment securities at amortised cost	18	997,748	955,896
Other assets (excluding prepayments and inventories)	19	4,680,618	36,368
		30,578,317	23,902,013

(ix) *Geographical Sectors*

The following table breaks down the Bank's main credit exposure at their gross amounts (Loans and advances to customers and deposit with banks) as categorised by geographical region. ''Deposit with banks'' here represents current account balances with other banks, money market placements and investments in treasury bills. For this table, the Bank has allocated exposures to regions based on the region of domicile of the Bank's counterparties.

	31 December 2021			**31 December 2020**		
In thousands of naira	**Deposit with banks**	**Loans and advances to customers**	**Total**	**Deposit with banks**	**Loans and advances to customers**	**Total**
South South	1,074,275	2,274,314	3,348,589	942,532	2,208,189	3,150,721
South West	901,467	5,641,106	6,542,573	855,636	5,371,204	6,226,840
South East	1,071,898	1,734,269	2,806,167	934,435	1,764,141	2,698,576
North Central	1,211,201	4,426,175	5,637,376	962,175	3,977,552	4,939,727
North West	1,140,967	2,795,823	3,936,790	999,368	2,636,998	3,636,366
North East	1,051,447	1,175,940	2,227,387	864,792	1,305,053	2,169,845
	6,451,255	18,047,627	24,498,882	5,558,938	17,263,137	22,822,075

(x) *Credit Quality*

The following table breaks down the Bank's main credit exposure at their gross amounts, as categorised by performance as at 31 December 2021 and 31 December 2020 respectively.

	31 December 2021			**31 December 2020**		
In thousands of naira	**Deposit with banks**	**Loans and advances to customers**	**Total**	**Deposit with banks**	**Loans and advances to customers**	**Total**
12 months ECL	6,451,255	17,228,160	23,679,415	5,558,938	16,592,264	22,151,202
Lifetime ECL not credit impaired	-	97,832	97,832	-	74,531	74,531
Lifetime ECL credit impaired	-	721,635	721,635	-	596,342	596,342
Gross amount	6,451,255	18,047,627	24,498,882	5,558,938	17,263,137	22,822,075
ECL impairment	(950)	(599,811)	(600,761)	(864)	(595,522)	(596,386)
Carrying amount	6,450,305	17,447,816	23,898,121	5,558,074	16,667,615	22,225,689

(xi) *Credit risk exposure*

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless, specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

External rating grade (S&P)

In thousands of naira	31 December 2021 Stage 1	Stage 2	Stage3	Total	31 December 2020 Stage 1	Stage 2	Stage3	Total
Cash and cash equivalents								
AAA - A	-	-	-	-	-	-	-	-
BBB - B	6,610,989	-	-	6,610,989	5,678,752	-	-	5,678,752
Below B	-	-	-	-	-	-	-	-
Unrated	-	-	-	-	-	-	-	-
Gross carrying amount	**6,610,989**	**-**	**-**	**6,610,989**	**5,678,752**	**-**	**-**	**5,678,752**
Loss allowance	(950)	-	-	(950)	(864)	-	-	(864)
Carrying amount	**6,610,039**	**-**	**-**	**6,610,039**	**5,677,888**	**-**	**-**	**5,677,888**

In thousands of naira	31 December 2021 Stage 1	Stage 2	Stage3	Total	31 December 2020 Stage 1	Stage 2	Stage3	Total
Pledged assets								
AAA - A	-	-	-	-	-	-	-	-
BBB - B	842,832	-	-	842,832	564,938	-	-	564,938
Below B	-	-	-	-	-	-	-	-
Unrated	-	-	-	-	-	-	-	-
Gross carrying amount	842,832	-	-	842,832	564,938	-	-	564,938
Loss allowance	(736)	-	-	(736)	(692)	-	-	(692)
Carrying amount	842,096	-	-	842,096	564,246	-	-	564,246

In thousands of naira	31 December 2021 Stage 1	Stage 2	Stage3	Total	31 December 2020 Stage 1	Stage 2	Stage3	Total
Loans and advances								
AAA - A	-	-	-	-	-	-	-	-
BBB - B	-	-	-	-	-	-	-	-
Below B	-	-	-	-	-	-	-	-
Unrated	17,228,160	97,832	721,635	18,047,627	16,592,264	74,531	596,342	17,263,137
Gross carrying amount	**17,228,160**	**97,832**	**721,635**	**18,047,627**	**16,592,264**	**74,531**	**596,342**	**17,263,137**
Loss allowance	(207,343)	(10,177)	(382,291)	(599,811)	(204,263)	(2,403)	(388,856)	(595,522)
Carrying amount	**17,020,817**	**87,655**	**339,344**	**17,447,816**	**16,388,001**	**72,128**	**207,486**	**16,667,615**

In thousands of naira	31 December 2021 Stage 1	Stage 2	Stage3	Total	31 December 2020 Stage 1	Stage 2	Stage3	Total
Investment securities								
AAA - A	-	-	-	-	-	-	-	-
BBB - B	997,798	-	-	997,798	956,069	-	-	956,069
Below B	-	-	-	-	-	-	-	-
Unrated	-	-	-	-	-	-	-	-
Gross carrying amount	997,798	-	-	997,798	956,069	-	-	956,069
Loss allowance	(50)	-	-	(50)	(173)	-	-	(173)
Carrying amount	997,748	-	-	997,748	955,896	-	-	955,896

In thousands of naira	31 December 2021 Stage 1	Stage 2	Stage3	Total	31 December 2020 Stage 1	Stage 2	Stage3	Total
Other receivables								
AAA - A	-	-	-	-	-	-	-	-
BBB - B	-	-	-	-	-	-	-	-
Below B	-	-	-	-	-	-	-	-
Unrated	-	-	182,303	182,303	-	-	137,206	137,206
Gross carrying amount	-	-	182,303	182,303	-	-	137,206	137,206
Loss allowance	-	-	(115,110)	(115,110)	-	-	(100,838)	(100,838)
Carrying amount	-	-	67,193	67,193	-	-	36,368	36,368

(xii) *Loss allowance*

The following tables show reconciliation from the opening to the closing balance of the loss allowance of financial instrument.

In thousands of naira **Cash and cash equivalents**	31 December 2021 12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total	31 December 2020 12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Lifetime ECL credit impaired
Balance at 1 January	864	-	-	864	506	-	-	506
Net measurement on loss allowance (see note 12)	86	-	-	86	358	-	-	358
Balance at 31 December	950	-	-	950	864	-	-	864

In thousands of naira **Pledged assets**	31 December 2021 12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total	31 December 2020 12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Lifetime ECL credit impaired
Balance at 1 January	692	-	-	692	73	-	-	73
Net measurement on loss allowance (see note 12)	44	-	-	44	619	-	-	619
Balance at 31 December	736	-	-	736	692	-	-	692

In thousands of naira **Loan and advances to customers**	31 December 2021 12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total	31 December 2020 12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Lifetime ECL credit impaired
Balance at 1 January	204,263	2,403	388,856	595,522	151,696	4,765	345,487	501,948
Net measurement on loss allowance (see note 12)	3,080	7,774	9,838	20,692	52,567	(2,362)	43,369	93,574
Write-offs during the year	-	-	(16,403)	(16,403)	-	-	-	-
Balance at 31 December	207,343	10,177	382,291	599,811	204,263	2,403	388,856	595,522

In thousands of naira **Investment securities at amortised cost**	31 December 2021 12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total	31 December 2020 12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Lifetime ECL credit impaired
Balance at 1 January	173	-	-	173	138	-	-	138
Net measurement on loss allowance (see note 12)	(123)	-	-	(123)	35	-	-	35
Balance at 31 December	50	-	-	50	173	-	-	173

In thousands of naira Other assets	31 December 2021 12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total	31 December 2020 12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Lifetime ECL credit impaired
Balance at 1 January	-	-	100,838	100,838	-	-	73,124	73,124
Net measurement on loss allowance (see note 12)	-	-	14,272	14,272	-	-	27,714	27,714
Balance at 31 December	-	-	115,110	115,110	-	-	100,838	100,838

(c) Liquidity risk

Liquidity risk is the potential loss arising from the Bank’s inability to meet its obligations as they fall due or to fund increases in assets without incurring unacceptable cost or losses. Liquidity risk is not viewed in isolation, because financial risks are not mutually exclusive and liquidity risk is often triggered by consequences of other Bank's risks such as credit, market and operational risks.

(i) Liquidity risk management process

The Bank has a sound and robust liquidity risk management framework that ensures that sufficient liquidity, including a cushion of unencumbered and high quality liquid assets, are maintained 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 Bank’s liquidity risk exposure is monitored and managed by senior management on a regular basis. This process includes:

- Projecting cash flows and considering the level of liquid assets necessary in relation thereto
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements;
- Managing the concentration and profile of debt maturities;
- Maintaining liquidity and funding contingency plans. These plans identify early indicators of stress conditions and describe actions to be taken in the event of difficulties arising from systemic or other crises while minimizing any adverse long-term implications for the business.
- Regular conduct of stress testing, coupled with testing of contingency funding plans from time to time.

The Bank maintains adequate liquid assets sufficient to manage any liquidity stress situation. The liquidity ratio remains one of the best among its peer companies.

(ii) Maturity analysis for financial assets and financial liabilitiess

The following are the remaining maturities of financial assets and financial liabilities at the reporting date. These are the carrying amounts which includes interest payments and exclude the impact of netting agreements.

31 December 2021

In thousands of naira	Note	Carrying amount	Gross nominal inflow/ (outflow)	Expected cash flows Up to 3 months	3 - 6 months	6 months - 1 year	Over 1 year
Non-derivative financial assets							
Cash and cash equivalents	15	6,610,039	6,610,989	6,610,989	-	-	-
Pledged assets	16	842,096	863,883	349,912	189,055	324,916	-
Loans and advances to customers	17	17,447,816	19,314,428	5,629,322	4,106,655	5,861,832	3,716,619
Investment securities	18	997,748	1,003,997	1,003,997	-	-	-
Other receivables	19	4,680,618	182,303	182,303	-	-	-
		30,578,317	27,975,600	13,776,523	4,295,710	6,186,748	3,716,619
Non-derivative financial liabilities							
Deposits from customers	22	16,278,901	(16,281,306)	(11,072,012)	(1,057,015)	(4,039,773)	(112,506)
Other liabilities	24	6,817,457	(6,584,009)	(6,520,770)	(17,584)	(34,453)	(11,202)
Borrowings	23	2,708,090	(2,390,348)	(568,800)	(559,183)	(791,955)	(470,410)
		25,804,448	(25,255,663)	(18,161,582)	(1,633,782)	(4,866,181)	(594,118)

31 December 2020

In thousands of naira	Note	Carrying amount	Gross nominal inflow/ (outflow)	Expected cash flows Up to 3 months	3 - 6 months	6 months - 1 year	Over 1 year
Non-derivative financial assets							
Cash and cash equivalents	15	5,677,888	5,678,752	5,678,752	-	-	-
Pledged assets	16	564,246	572,753	95,000	172,926	304,827	-
Loans and advances to customers	17	16,667,615	19,135,315	5,130,086	3,782,000	5,662,126	4,561,103
Investment securities	18	955,896	960,743	860,743	100,000	-	-
Other receivables	19	270,761	137,206	137,206	-	-	-
		24,136,406	26,484,769	11,901,787	4,054,926	5,966,953	4,561,103
Non-derivative financial liabilities							
Deposits from customers	22	14,838,805	(14,838,805)	(10,091,047)	(963,365)	(3,681,855)	(102,538)
Other liabilities	24	1,432,719	(1,449,628)	(1,386,561)	(7,655)	(5,638)	(49,774)
Borrowings	23	2,995,809	(3,256,292)	(1,366,639)	(329,380)	(323,506)	(1,236,767)
		19,267,333	(19,544,725)	(12,844,247)	(1,300,400)	(4,010,999)	(1,389,079)

The above analysis is based on the Bank's expected cash flows on the financial liabilities, which do not vary significantly from the contractual cash flows.
As part of the management of its liquidity risk, the Bank holds liquid assets comprising cash and cash equivalents and other financial assets to meet its liquidity requirements.

(iii) *Exposure to liquidity risk*
The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, 'net liquid assets' includes cash and cash equivalents and investment-grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month.

Details of the reported ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows:

In thousands of naira	2021	2020
At 31 December	**47%**	**45%**
Average for the period	**46%**	**41%**
Maximum for the period	**47%**	**44%**
Minimum for the period	**45%**	**36%**

(d) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, and interest rate and equity prices will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing returns.

The Bank's portfolio managers assess, monitor, manage and report on market risk taking activities within the Bank. The Bank has continued to develop its market risk management framework. The operations of the fund managers in connection with the management of market risk is guided by the Bank's culture of reducing the risk of losses associated with market risk-taking activities, and optimizing risk-reward trade-off."

The Bank's market risk objectives, policies and processes are aimed at instituting a model that objectively identifies, measures and manages market risks in the Bank and ensure that:

1. The individuals who take or manage risk clearly understand it.
2. The Bank's risk exposure is within established limits.
3. Risk taking decisions are in line with business strategy and objectives set by the Board of Directors.
4. The expected payoffs compensate for the risks taken.
5. Sufficient capital, as a buffer, is available to take risk.

Our market risks exposures are broadly categorised into:

(i) Trading market risks - These are risks that arise primarily through trading activities and market making activities. These include position taking in fixed income securities (Bonds and Treasury Bills).

(ii) Non trading market risks - These are risks that arise from assets and liabilities that are usually on our books for a longer period of time, but where the intrinsic value is a function of the movement of financial market parameters.

(i) Measurement of Market Risk

The Bank currently adopts non-VAR (Value At Risk) approach for quantitative measurement and control of market risks in both trading and non trading books. The measurements includes: Duration and Stress Testing. The measured risks using these two methods are monitored against the pre-set limits on a monthly and weekly basis respectively. All exceptions are investigated and reported in line with the Bank's internal policies and guidelines.

Limits are sets to reflect the risk appetite that is approved by the Board of Directors. These limits are reviewed at least annually or at a more frequent intervals. Some of the limits include: Aggregate Control Limits (for Securities); Management Action Trigger (MAT) and Duration.

(ii) *Exposure to foreign exchange risk*

Foreign Exchange risk is the exposure of the Bank's financial condition to adverse movements in exchange rates. The Bank can be exposed to foreign exchange risk through any asset, investment and bank balance domiciled in foreign currency.

Currently, the Bank does not have transactions in any other currency except the Bank's reporting currency i.e. Naira. Hence, it is not exposed to foreign exchange risk.

(iii) *Exposure to interest risk*

The Bank is exposed to a considerable level of interest rate risk (i.e. the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates). Similar to the last financial year, interest rate was fairly volatile. These changes could have a negative impact on the net interest income, if not properly managed. This greatly assists it in managing its exposure to interest rate risks. Sensitivity analyses are carried out from time to time to evaluate the impact of rate changes on the net interest income. The assessed impact has not been significant on the capital or earnings of the Bank.

The table below summarizes the Bank's interest rate gap position:

31 December 2021				**Contractual cash flows**			
In thousands of naira	**Note**	**Carrying amount**	**Gross nominal inflow/ (outflow)**	**Up to 3 months**	**3 - 6 months**	**6 months - 1 year**	**Over 1 year**
Assets							
Cash and cash equivalents	15	6,610,039	6,610,989	6,610,989	-	-	-
Pledged assets	16	842,096	863,883	349,912	189,055	324,916	-
Investment securities	18	997,748	1,003,997	1,003,997		-	-
Loans and advances to customers	17	17,447,816	19,314,428	5,629,322	4,106,655	5,861,832	3,716,619
Other assets	19	4,680,618	182,303	182,303	-	-	-
		30,578,317	27,975,600	13,776,523	4,295,710	6,186,748	3,716,619
Liabilities							
Deposits from customers	22	16,278,901	(16,281,306)	(11,072,012)	(1,057,015)	(4,039,773)	(112,506)
Other liabilities	24	6,817,457	(6,584,009)	(6,520,770)	(17,584)	(34,453)	(11,202)
Borrowings	23	2,708,090	(2,390,348)	(568,800)	(559,183)	(791,955)	(470,410)
		25,804,448	(25,255,663)	(18,161,582)	(1,633,782)	(4,866,181)	(594,118)
		4,773,869	2,719,937	(4,385,060)	2,661,928	1,320,567	3,122,501

31 December 2020				**Contractual cash flows**			
In thousands of naira	**Note**	**Carrying amount**	**Gross nominal inflow/ (outflow)**	**Up to 3 months**	**3 - 6 months**	**6 months - 1 year**	**Over 1 year**
Assets							
Cash and cash equivalents	15	5,677,888	5,678,752	5,678,752	-	-	-
Pledged assets	16	564,246	572,753	95,000	172,926	304,827	-
Investment securities	18	955,896	960,743	860,743	100,000	-	-
Loans and advances to customers	17	16,667,615	19,135,315	5,130,086	3,782,000	5,662,126	4,561,103
Other assets	19	36,368	137,206	137,206	-	-	-
		23,902,013	26,484,769	11,901,787	4,054,926	5,966,953	4,561,103
Liabilities							
Deposits from customers	22	14,838,805	(14,838,805)	(10,091,047)	(963,365)	(3,681,855)	(102,538)
Other liabilities	24	1,432,719	(1,449,628)	(1,386,561)	(7,655)	(5,638)	(49,774)
Borrowings	23	2,995,809	(3,256,292)	(1,366,639)	(329,380)	(323,506)	(1,236,767)
		19,267,333	(19,544,725)	(12,844,247)	(1,300,400)	(4,010,999)	(1,389,079)
		4,634,680	6,940,044	(942,460)	2,754,526	1,955,954	3,172,024

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 200 basis point (BP) parallel fall or rise in all yield curves. An analysis of the Bank's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows.

The Bank's sensitivity to an increase or decrease in interest rates by 200 basis points:

In thousands of naira	31-Dec-21	31-Dec-20
Increase in interest rate by 200 basis points (+2%)	395,273	386,777
Decrease in interest rate by 200 basis point (-2%)	(395,273)	(386,777)

Interest rate movement affects reported income by causing an increase or decrease in net interest income and fair value changes.

Capital management

The strategy for assessing and managing the impact of our business plans on present and future regulatory capital forms an integral part of the Bank's strategic plan. Specifically, the Bank considers how the present and future capital requirements will be managed and met against projected capital requirements. This is based on the Bank's assessment and against the supervisory/regulatory capital requirements taking account of the Bank business strategy and value creation to all its stakeholders.

In compliance with the Central Bank of Nigeria (CBN) revised circular REF: FPR/DIR/GEN/CIR/07/054 dated 29 April 2020, the Bank floated a Hybrid Issue on 24 June 2021 by way of Public Offer for 713,342,234 ordinary shares of 50 kobo norminal value at ₦1.50; and also 2,286,657,677 ordinary shares by way of Rights of ₦0.50 nominal value at ₦1.50. The offer was successful and the results were published in the Daily Trust and BusinessDay Newspapers of Monday, 21 February 2022.

Capital adequacy

The Capital Adequacy Ratio is the quotient of the capital base of the Bank and the Bank's risk weighted asset base. In accordance with Central Bank of Nigeria regulations, the regulatory capital of a national Microfinance Bank is ₦5 billion, while a minimum ratio of 10% is to be maintained.

(i) The Bank strives to maintain a Capital Adequacy Ratio above the regulatory minimum of 10%. Capital levels are determined either based on internal assessments or regulatory requirements.

(ii) The capital adequacy of the Bank is reviewed regularly to meet regulatory requirements and standard of international best practices in order to adopt and implement the decisions necessary to maintain the capital at a level that ensures the realization of the business plan with a certain safety margin.

(iii) The Bank undertakes a regular monitoring of capital adequacy. The Bank has consistently met and surpassed the minimum capital adequacy requirements applicable in all areas of operations.

(iv) The Bank's capital plan is linked to its business expansion strategy which anticipates the need for growth and expansion in its branch network and IT infrastructure. The capital plan sufficiently meets regulatory requirements as well as providing adequate cover for the Bank's risk profile. The Bank's capital adequacy remains strong and the capacity to generate and retain reserves continues to grow.

In thousands of naira	Note	31-Dec-21	31-Dec-20
Tier 1 capital			
Ordinary share capital	25	1,143,328	1,143,328
Share premium	26(a)	1,517,485	1,517,485
Retained earnings	26(b)	1,140,649	1,127,457
Fair value reserve	26(c)	(6,997)	(6,217)
Statutory reserves	26(d)	1,513,373	1,424,936
		5,307,838	5,206,990
Less: regulatory deduction			
Intangible assets	21	(44,667)	(47,693)
Eligible Tier 1 capital		5,263,171	5,159,297
Total regulatory capital		5,263,171	5,159,297
Risk-weighted assets		**24,683,629**	**16,257,128**

Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets	**21%**	**32%**
Total tier 1 capital as a percentage of total risk-weighted assets	**22%**	**32%**

Computation of Risk Weighted Assets of On-balance Sheet Exposure (2021)

Exposure Details	Gross Exposure before CRM	Credit Risk Mitigation (CRM)	Net Exposure after CRM	Risk Weight %	RWA
Cash & cash equivalents	6,610,039	-	6,610,039	0	0
Pledged assets	842,096	-	842,096	20	168,419
Loan & advances to customers	17,447,816	-	17,447,816	100	17,447,816
Investment securities	1,004,954	-	1,004,954	100	1,004,954
Other assets	5,010,232	-	5,010,232	100	5,010,232
Property, plant & equipment	1,007,541	-	1,007,541	100	1,007,541
Intangible assets	44,667	-	44,667	100	44,667
	31,967,345				**24,683,629**

Computation of Risk Weighted Assets of On-balance Sheet Exposure (2020)

Exposure Details	Gross Exposure before CRM	Credit Risk Mitigation (CRM)	Net Exposure after CRM	Risk Weight %	RWA
Cash & cash equivalents	5,677,888	-	5,677,888	0	0
Pledged assets	564,246	-	564,246	20	112,849
Regulatory retail portfolio	10,842,251	-	10,842,251	75	8,131,688
Loan & advances to customers	5,825,364	-	5,825,364	100	5,825,364
Investment securities	966,360	-	966,360	100	966,360
Other assets	270,761	-	270,761	100	270,761
Property, plant & equipment	902,412	-	902,412	100	902,412
Intangible assets	47,693		47,693	100	47,693
	25,096,975				**16,257,128**

third party information, such as broker quotes or pricing services, is used to measure fair values, then the Bank assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the Standards, including the level in the fair value hierarchy in which the valuations should be classified.
The Bank's accounting policy on fair value measurement is discussed in Note 3(h)(vi).

Valuation models
The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.
- *Level 1:* Inputs that are quoted market prices (unadjusted) in active markets for identical instruments. instruments.
- *Level 2:* Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- *Level 3:*Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.
The Bank uses observable market data to determine the fair value of its equity securities. Observable prices or model inputs are usually available in the market for listed debt and equity securities. The availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.
The following table shows the carrying amounts and fair values of financial assets and financial liabilities measured at fair value, including their levels in the fair value hierarchy.

In thousands of naira	Note	Level 1	Level 2	Level 3	Total
31 December 2021					
ASSETS					
Equity investment	18	1,079	6,127	-	7,206
		1,079	6,127	-	7,206
31 December 2020					
ASSETS					
Equity investment	18	3,389	7,075	-	10,464
		3,389	7,075	-	10,464

5 Use of estimates and judgments

In preparing these financial statements, management has made judgements and estimates that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(i) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Note 4(b)(I): establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL.
- Notes 3(h)(ii): classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest (SPPI) on the principal amount outstanding.
- Note 3(g)(I): National Agency for Science and Engineering Infrastructure (NASENI): No provision was made for back-years NASENI levy. The Bank only recognize the current year NASENI levy.

(ii) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 31 December 2021 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Notes 4(b)(I): impairment of financial instruments: determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information.
- Note 31: recognition and measurement of contingencies: key assumptions about the likelihood and magnitude of an outflow of resources. Accounting policies on contingencies is contained in note 3(s) of the financial statements.

These disclosures supplement the commentary on financial risk management (see note 4).

Key sources of estimation uncertainty

(a) Impairment of financial assets

IFRS 9 impairment requirements are based on an expected credit loss model (ECL). Key changes in the Bank's accounting policies for impairment of financial assets are listed below.

The Bank applies a three-stage approach to measuring expected credit losses (ECL) on debt instruments accounted for at amortised cost, FVOCI, loan commitment and financial guarantee contracts. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

(b) Measurement of fair values

A number of the Bank's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Bank regularly reviews significant unobservable inputs and valuation adjustments. If

There was no financial instrument measured in Level 3 of the fair value hierarchy, hence there is no table to show a reconciliation from the beginning balance to the ending balances for fair value measurements in level 3 of the fair value hierarchy.

Financial instruments not measured at fair value

The table below sets out the fair value of financial instruments not measured at fair value and analysed by level in the value hierarchy into which each fair value measurement is categorised.

31 December 2021

In thousands of naira	Note	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
ASSETS						
Cash and cash equivalents	15	-	6,610,989	-	6,610,989	6,610,039
Pledged assets	16	600,166	246,552	-	846,718	842,096
Loans and advances to customers	17	-	17,779,950	-	17,779,950	17,447,816
Investment securities at amortised cost	18	-	999,953	-	999,953	997,748
Other receivables	19	-	182,303	-	182,303	67,193
		600,166	25,819,747	-	26,419,913	25,964,892
LIABILITIES						
Deposits from customers	22	-	16,278,901	-	16,278,901	16,278,901
Other liabilities	24	-	6,817,457	-	6,817,457	6,817,457
Borrowings	23	-	2,708,090	-	2,708,090	2,708,090
		-	25,804,448	-	25,804,448	25,804,448

31 December 2020

In thousands of naira	Note	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
ASSETS						
Cash and cash equivalents	15	-	5,678,752	-	5,678,752	5,677,888
Pledged assets	16	476,498	95,000	-	571,498	564,246
Loans and advances to customers	17	-	17,398,214	-	17,398,214	16,667,615
Investment securities at amortised cost	18	99,835	860,127	-	959,962	955,896
Other receivables	19	-	137,206	-	137,206	36,368
		6,255,084	24,169,299	-	24,745,632	23,902,013
LIABILITIES						
Deposits from customers	22	-	14,838,805	-	14,838,805	14,838,805
Other liabilities	24	-	1,432,719	-	1,432,719	1,432,719
Borrowings	23	-	2,995,809	-	2,995,809	2,995,809
		-	19,267,333	-	19,267,333	19,267,333

Cash and cash equivalents

Cash and cash equivalents are cash deposits in banks and short term deposits (placements) with financial institutions. The cash deposits and placements are deemed to be at fair value due to the limited term to maturity of these instruments.

Other receivables

The carrying amount of trade and other receivable is a reasonable approximation of their fair value, which is not materially sensitive to changes in market rate of return due to limited term to maturity of these instruments.

Loans and advances to customers
Where they are available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cashflow techniques. Input into the valuation techniques includes expected life credit losses, interest rates, prepayment rates and primary origination or secondary market spreads.

Deposits from customers
The fair value of deposits payable on demand is the amount payable at the reporting date.

Other liabilities
Other liabilities consist of amount owed to non-trade related creditors. The carrying amount of other creditors is a reasonable approximation of their fair value, which is payable on demand.

(c) Determination of regulatory risk reserves
Provisions under prudential guidelines are determined using the time based provisioning regime prescribed by the Central Bank of Nigeria's (CBN) Amended Regulatory and Supervisory Guidelines for Microfinance Banks. This is at variance with the expected credit loss model required by IFRS 9. As a result of the differences in the methodology/provision regime, there will be variances in the impairments allowances required under the two methodologies.
Paragraph 12.4 of the revised Prudential Guidelines for Deposit Money Banks in Nigeria stipulates that Banks would be required to make provisions for loans as prescribed in the relevant IFRS Standards when IFRS is adopted. However, Banks would be required to comply with the following:

(i) Provisions for loans recognised in the profit and loss account should be determined based on the requirements of IFRS. However, the IFRS provision should be compared with provisions determined under prudential guidelines and the expected impact/changes accounted for in general reserves as follows:
- where Prudential provisions is greater than IFRS provisions: the excess provision resulting should be transferred from the retained reserve account to a non-distributable "regulatory risk reserve".
- where Prudential impairment 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 recognised.

(ii) The non-distributable reserve (excluding regulatory risk reserve) should be classified under Tier 1 as part of the core capital.

As at 31 December 2021, the Bank maintained a Regulatory Risk Reserve of ₦423,127,000 (31 December 2020: ₦274,594,000). The Bank has complied with the CBN requirements of the Prudential Guidelines as follows:

Prudential adjustments for the year ended 31 December 2021

In thousands of naira	**Note**	**₦000**
Impairment assessment under IFRS		
Loan and advances:		
Stage 1	17(c)	207,343
Stage 2	17(c)	10,177
Stage 3	17(c)	382,291
Total impairment allowances on loans (a)		**599,811**

Provision per CBN Prudential Guideline	**%**	**Gross Exposure**	**Total**
Specific provision:			
- Pass and watch	5	84,604	4,230
- Sub-standard	20	27,446	5,490
- Doubtful	50	23,506	11,753
- Lost	100	654,479	654,479
Total specific provision			675,952
Collective provision	2	17,349,296	346,986
Total regulatory impairment based on prudential guidelines (b)			**1,022,938**
Required balance in regulatory risk reserves (c = b - a)			**423,127**

Movement in regulatory risk reserves	
Balance, 1 January 2021	274,594
Transfer from retained earnings	148,532
Balance, 31 December 2021	**423,127**

Prudential adjustments for the year ended 31 December 2020

In thousands of naira	**Note**	**₦000**
Impairment assessment under IFRS		
Loan and advances:		
Stage 1	17(c)	204,263
Stage 2	17(c)	2,403
Stage 3	17(c)	388,856
Total impairment allowances on loans (a)		**595,522**

Provision per CBN Prudential Guideline	**%**	**Gross Exposure**	**Total**
Specific provision:			
- Pass and watch	5	37,299	1,865
- Sub-standard	20	23,533	4,707
- Doubtful	50	12,087	6,043
- Lost	100	691,354	691,354
Total specific provision			703,969
Collective provision	1	16,614,769	166,147
Total regulatory impairment based on prudential guidelines (b)			**870,116**
Required balance in regulatory risk reserves (c = b - a)			**274,594**

Movement in regulatory risk reserves	
Balance, 1 January 2020	335,586
Transfer to retained earnings	(60,992)
Balance, 31 December 2020	**274,594**

6 Financial assets and financial liabilities

Accounting classification measurement basis and fair values

The table below sets out the carrying amounts classification and fair values of the Bank's financial assets and financial liabilities:

31 December 2021

In thousands of naira	Note	Fair value through profit or loss	Fair value through OCI	Amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	15	-	-	6,610,039	6,610,039	6,610,989
Pledged assets	16	-	-	842,096	842,096	846,718
Loans and advances to customers	17	-	-	17,447,816	17,447,816	17,779,950
Investment securities	18	-	7,206	997,748	1,004,954	1,007,159
Other assets	19	-	-	67,193	67,193	182,303
		-	**7,206**	**25,964,892**	**25,972,098**	**26,427,119**
Deposits from customers	22	-	-	16,278,901	16,278,901	16,278,901
Other liabilities	24	-	-	6,817,457	6,817,457	6,817,457
Borrowings	23	-	-	2,708,090	2,708,090	2,708,090
		-	**-**	**25,804,448**	**25,804,448**	**25,804,448**

31 December 2020

In thousands of naira	Note	Fair value through profit or loss	Fair value through OCI	Amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	15	-	-	5,677,888	5,677,888	5,678,752
Pledged assets	16	-	-	564,246	564,246	571,498
Loans and advances to customers	17	-	-	16,667,615	16,667,615	17,398,214
Investment securities	18	-	10,464	955,896	966,360	970,426
Other assets	19	-	-	36,368	36,368	137,206
		-	**10,464**	**23,902,013**	**23,912,477**	**24,756,096**
Deposits from customers	22	-	-	14,838,805	14,838,805	14,838,805
Other liabilities	24	-	-	1,432,719	1,432,719	1,432,719
Borrowings	23	-	-	2,995,809	2,995,809	2,995,809
		-	**-**	**19,267,333**	**19,267,333**	**19,267,333**

Financial instruments at fair value are either priced with reference to a quoted market price for that instrument or by using a valuation model. Where the fair value is calculated using a valuation model, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value. The expected cash flows for each contract are determined either directly by reference to actual cash flows implicit in observable market prices or through modelling cash flows using appropriate financial markets pricing models. Wherever possible, these models are used as the basis of observable market prices and rates including, for example, interest rate, yield curves, equities and prices.

7. Interest income

In thousands of naira	31-Dec-2021	31-Dec-2020
Loans and advances	5,122,237	3,929,940
Treasury bills	44,115	27,366
Call accounts	6,331	14,164
Pledged assets	-	32,332
Money market placement	-	84,394
Total interest income calculated using the effective interest method	5,172,683	4,088,196

8. Interest expense

In thousands of naira	31-Dec-2021	31-Dec-2020
Term deposits	199,427	152,654
Current deposits	8,309	17,706
Savings deposits	17,202	23,155
Borrowings (see note 23(b))	423,522	210,805
Lease liabilities (see note 24(c))	7,243	6,895
Total interest expense	655,703	411,215

Total interest expense reported above relates to financial liabilities measured at amortised cost using the applicable effective interest rates.

9. Fees and commission income

In thousands of naira	31-Dec-2021	31-Dec-2020
Credit-related fees and commission	411,303	395,051
Deposit-related fees and commission	135,638	105,767
	546,941	500,818

(i) Disagregation of fee and commission income

In the following table, fee and commission income from contracts with customers in the scope of IFRS 15 is disaggregated by major type of fees.

In thousands of naira	31-Dec-2021	31-Dec-2020
Loan management fee	150,573	148,774
Loan commitment fee	159,135	142,842
Insurance fee	84,026	86,534
Credit search fee	17,569	16,901
	411,303	395,051
Account administration and maintanance fee	58,815	40,536
Commission on turnover	76,823	65,231
	135,638	105,767
	546,941	500,818

The fee and commission presented above relate to financial assets and liabilities measured at amortised cost. These figures excludes amounts incorporated in determining the effective interest rate on such financial assets and liabilities.

Loan management fee relates to fees for loan processing and fee on overdraft facilities granted to customers.

(ii) Contract Balances

The following table provides information about contract liabilities

In thousands of naira	31-Dec-2021	31-Dec-2020
Contract liabilities which are included in 'loans and advances to customers'	(116,931)	(115,523)

Amount represents management fees earned on loans and advances to customers. The management fees on these facilities are earned upfront in line with Central Bank of Nigeria (CBN) regulation. The amount of revenue recognised for the year ended 31 December 2021 was ₦151 million (31 December 2020: ₦149 million). See note 9(i).

(iii) Performance obligation and revenue recognition policy

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Bank recognises revenue when it transfers control over a service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

For the accounting policy for fees and commissions in the scope of IFRS 9, see note 3(b).

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Retail and corporate banking service	The bank provides banking services to retail and corporate customers, including account management, provision of overdraft facilities and servicing fees. Fees for ongoing account management are charged to the customer's account on a monthly basis. The rates for the different class of accounts are set on an annual basis. Transaction-based fees for interchange and overdrafts are charged to the customer's account when the transaction takes place. Loan servicing fees are charged once when the transaction takes place.	Revenue from deposit related services are recognized overtime as the services are provided. Revenue from credit related services are recognized at a point in time when the transaction takes place.

10. Other income

In thousands of naira	31-Dec-2021	31-Dec-2020
Service fees and charges (see (i) below)	47,026	63,414
Income on salary administration	-	224
Miscellaneous income	-	789
Profit on disposal of property and equipment	2,122	3,104
Gain/(loss) on disposal of treasury bills	(2,093)	1,210
Gain on derecognition of lease liability	3,421	1,049
Gain/(loss) on disposal of AFS equity securities	(45)	-
Dividend income	-	27
	50,431	69,817

(i) Service fees and charges include fees on customer requests such as issuance of letter of indebtedness, charges on issuance of drafts, seals, stamps, reference letters and signature confirmation letters. These are recognized at the point in time when the transaction takes place.

11. Impairment loss/(write-back) on financial instruments

In thousands of naira	31-Dec-2021	31-Dec-2020
Impairment loss on loans and advances to customers (see note 17(c))	20,692	93,574
Impairment (write-back)/loss on investment securities at amortised cost (see note 18(c))	(123)	35
Impairment loss on other assets (see note 19(d))	14,272	27,714
Impairment loss on cash and cash equivalent (see note 15(b))	86	358
Impairment loss on pledged assets (see note 16(b))	44	619
	34,971	122,300

12 Personnel expenses

In thousands of naira	31-Dec-2021	31-Dec-2020
Wages and salaries	2,088,995	1,912,513
Post-employment benefits:		
Defined contribution plan - pension cost	86,219	73,829
	2,175,214	1,986,342

(a) The average number of persons employed during the year by category:

	31-Dec-2021	31-Dec-2020
Executive Directors	3	3
Management	93	73
Non-management	334	374
	430	450

The number of employees of the Bank, including executive directors, who received emoluments in the following ranges were:

	31-Dec-2021	31-Dec-2020
Less than N500,000	1	-
₦500,001 - ₦1,000,000	12	17
₦1,000,001 - ₦2,500,000	248	273
₦2,500,001 - ₦3,500,000	61	84
₦3,500,001 - ₦4,500,001	38	31
₦4,500,0001 - ₦5,500,000	30	14
₦5,500,001 and above	40	31
	430	**450**

(b) Director's emolument

The remuneration paid to the executive and non-executive Directors of the Bank (excluding pension and certain allowances) was:

	31-Dec-2021	31-Dec-2020
Directors' fees	25,000	24,957
Sitting allowances	94,500	86,780
Other Directors' expenses	178,367	45,404
Total non-executive Directors' remuneration (see note 13)	297,867	157,141
Executive compensation (see note 27(b)(i))	86,646	78,769
	384,513	235,910
The Directors' remuneration shown above includes:		
The Chairman	38,685	27,230
Highest paid Director	37,093	33,721

The number of Directors who received fees and other emoluments (excluding pension contributions and reimbursable expenses) in the following ranges were:

Below ₦1,000,000	-	-
₦1,000,001 - ₦5,000,000	1	1
₦5,000,001 - ₦10,000,000	7	7
₦10,000,001 and above	3	3
	11	**11**

13. Administration and general expenses

In thousands of naira	31-Dec-2021	31-Dec-2020
Repairs and maintenance cost	119,528	87,011
Vehicle and generator running cost	115,364	85,286
Office expenses	180,062	135,897
Computer expenses	175,814	69,915
Travel expenses	65,935	46,194
AGM expenses	8,335	8,830
Year-end expenses	82,735	58,024
Directors' remuneration	297,867	157,141
Bank charges	31,526	11,117
Marketing/publicity expenses	209,152	123,119
Professional fees	63,740	65,776
Subscription fees	5,374	4,674
Charges and levies	22,179	359
Insurance cost	40,802	41,528
NDIC premium	68,186	32,866
Rent and rates	947	4,060
Audit fees*	21,300	23,000
Fraud, forgery and theft	9,397	753
Other expenses (see note (a) below)	72,165	61,366
	1,590,408	1,016,916

(a) Other expenses includes the following:

Corporate social responsibility	590	1,660
Donations	2,050	860
Electricity expenses	25,086	14,959
Recruitment expenses	288	7,412
Damaged ATM cards	-	226
Loan recovery expenses	721	2,348
Fines/penalty	2,100	-
Stamp duties	4,381	1,579
Legal expenses	9,172	7,839
SMS alerts	25,083	19,523
Share listing expenses	24	-
VAT expense	-	1,725
Miscellaneous expenses	2,670	3,235
	72,165	61,366

** The prior year audit fees includes fee for interim audit.*

14 Income taxes

In thousands of naira	31-Dec-2021	31-Dec-2020
(a) Amounts recognized in profit or loss		
Current tax expense		
Company income tax	279,613	219,725
Education tax	30,551	19,522
National Information Technology Development Agency (NITDA) levy	10,306	8,584
Nigeria Police Trust Fund (NPTF) levy	35	31
National Agency for Science and Engineering Infrastructure (NASENI) levy	2,577	-
	323,082	247,862
Deferred tax expense		
Charge for the year (see note (c))	-	4,733
	-	4,733
Tax expense	323,082	252,595

The Bank believes that its accrual for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax laws and prior experience.

(b) Movement in current tax liabilities

In thousands of naira	31-Dec-2021	31-Dec-2020
Balance at 1 January	257,107	230,511
Income tax expense (see note (a) above)	323,082	247,862
Tax paid	(247,836)	(221,266)
Balance at 31 December	332,353	257,107

(c) Movement in deferred tax balances

31 December 2021

In thousands of naira	Balance at 1 January	Recognized in profit or loss (see (a))	Recognized in OCI	Balance at 31 December
Property and equipment	144,279	-	-	**144,279**
Impairment allowance	(66,685)	-	-	**(66,685)**
Others	(6,224)	-	-	**(6,224)**
Deferred tax liabilities	71,370	-	-	**71,370**

31 December 2020

In thousands of naira	Balance at 1 January	Recognized in profit or loss (see (a))	Recognized in OCI	Balance at 31 December
Property and equipment	141,234	3,045	-	**144,279**
Impairment allowance	(73,696)	7,011	-	**(66,685)**
Others	(901)	(5,323)	-	**(6,224)**
Deferred tax liabilities	66,637	4,733	-	**71,370**

Deferred tax liabilities
The Bank's deferred tax liabilities are attributable to the following:

In thousands of naira	31-Dec-2021 Gross amount	31-Dec-2021 Tax effect	31-Dec-2020 Gross amount	31-Dec-2020 Tax effect
Property and equipment	825,577	144,279	825,577	144,279
Impairment allowance	(208,395)	(66,685)	(208,395)	(66,685)
Others	24,753	(6,224)	24,753	(6,224)
	641,935	71,370	641,935	71,370

(d) Reconciliation of effective tax rate
In thousands of naira

	31-Dec-2021 %	31-Dec-2021	31-Dec-2020 %	31-Dec-2020
Profit before tax		**1,030,575**		**867,012**
Tax using the Company's domestic tax rate	30	309,173	30	260,104
Non-deductible expenses	8	80,160	0	645
Tax-exempt items	(2)	(22,721)	(4)	(36,291)
Tertiary Education Tax	3	30,551	2	19,522
NITDA Levy	1	10,306	1	8,584
Nigeria Police Trust Fund (NPTF) levy	0	35	0	31
NASENI Levy	0	2,577	0	0
Recognition of previously unrecognized temporary differences	(8)	(86,999)	0	0
	31	**323,082**	29	**252,595**

15 Cash and cash equivalents

In thousands of naira	31-Dec-2021	31-Dec-2020
(a) Cash and cash equivalent comprise:		
Cash on hand:		
Cash on hand	159,734	119,814
	159,734	119,814
Deposits with banks:		
Current account balances with other banks	5,733,011	4,439,286
Money market placements	718,244	1,119,652
	6,451,255	5,558,938
Cash and cash equivalents for cash flow purposes:	6,610,989	5,678,752
Impairment allowance (see note (b) below)	(950)	(864)
Cash and cash equivalents	6,610,039	5,677,888
(b) Movement in impairment allowance:		
Balance at 1 January	864	506
Impairment loss/(writeback) (see note 11)	86	358
	950	864

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash-in-hand, deposits held at call with other banks, other short-term highly liquid investments with original maturities less than three months. The current balances with other banks also includes ATM working capital accounts and the suspense accounts used to manage settlement of ATM transactions with Sterling Bank to be refunded to the Head office by branches. For financial reporting purposes, the balances in the ATM related accounts were combined in order to have a net position.

16. Pledged assets

Pledged assets, initially recognised at fair value and subsequently measured at amortised cost, represent placements and Treasury Bills with banks that serve as collateral for the Bank's borrowings, use of NIBSS platform and ATM transactions as analysed below:

In thousands of naira			31-Dec-2021	31-Dec-2020
Underlying transaction	***Counterparty***	***Asset description***		
DBN concessionary loan	Development Bank of Nigeria	Treasury Bills	493,764	469,938
NIBSS Platform	First Bank of Nigeria Plc	Fixed placement	102,516	75,000
NIBSS Platform	First Bank of Nigeria Plc	Fixed placement	226,398	-
ATM Transactions	Sterling Bank Plc	Call placement	20,154	20,000
			842,832	564,938
Impairment allowance (see note (b) below)			(736)	(692)
			842,096	564,246
Current			842,096	564,246
Non-current			-	-
			842,096	**564,246**

(b) Movement in impairment allowance:

	31-Dec-2021	31-Dec-2020
Balance at 1 January	692	73
Impairment loss (see note 11)	44	619
	736	692

17. Loans and advances to customers

In thousands of naira	31-Dec-2021	31-Dec-2020
(a) Loans and advances to customers comprise:		
Loan and advances to customers at amortised cost	17,447,816	16,667,615
	17,447,816	16,667,615
Current	13,731,197	12,106,512
Non-current	3,716,619	4,561,103
	17,447,816	16,667,615

(b) Loans and advances to customers at amortised cost:

In thousands of naira	31 December 2021			31 December 2020		
	Gross Amount	ECL Allowance	Carrying Amount	Gross Amount	ECL Allowance	Carrying Amount
Term loans	17,342,192	(281,007)	17,061,185	16,634,334	(314,079)	16,320,255
Overdrafts	705,435	(318,804)	386,631	628,803	(281,443)	347,360
	18,047,627	(599,811)	17,447,816	17,263,137	(595,522)	16,667,615

(c) Movement in allowances for impairment

In thousands of naira	31 December 2021				31 December 2020			
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at the beginning of the year	204,263	2,403	388,856	595,522	151,696	4,765	345,487	501,948
Additional allowance/(reversal) during the year (see note 11)	3,080	7,774	9,838	20,692	52,567	(2,362)	43,369	93,574
Write-offs during the year		-	(16,403)	(16,403)	-	-	-	-
Balance at the end of the year	207,343	10,177	382,291	599,811	204,263	2,403	388,856	595,522

18. Investment securities

Investment securities comprise:

(a) Investment securities measured at FVTOCI:

	31-Dec-2021	31-Dec-2020
Equity securities:		
Listed equities	1,079	3,389
Unlisted equities	6,127	7,075
	7,206	10,464

The Bank has designated these equity investment securities at FVTOCI. They are held to be disposed off in the nearest future. Part of these investments totaling ₦3,258 were disposed during the year ended 31 December 2021 (31 December 2020: nil), and there were no transfers of any cumulative gain or loss within equity relating to these investments (31 December 2020: nil). The change in fair value on these investments were as follows:

	31-Dec-2021	31-Dec-2020
Balance at beginning of the year		
Listed equities	3,389	2,505
Unlisted equities	7,075	11,399
	10,464	13,904
Balance at end of the year		
Listed equities	1,079	3,389
Unlisted equities	6,127	7,075
	7,206	10,464
Fair value loss	(3,258)	(3,440)

Following the derecognition of listed equity investmentds during the year, the Bank recorded gains as follow:

	31-Dec-2021	31-Dec-2020
Gain on derecognition of equity investments	2,478	-

Deferred tax assets have not been recognised in respect of the change in fair valuation of equity instruments, because it is not probable that future taxable profit will be available against which the Bank can use the benefits therefrom.

(b) Investment securities at amortised cost

Treasury bills	997,798	956,069
ECL impairment	(50)	(173)
	997,748	955,896
Total investment securities	1,004,954	966,360
Total investment securities for cashflow purpose	1,005,004	966,533
Current	1,004,954	966,360
Non-current	-	-
	1,004,954	966,360

(c) Movement in impairment allowance

Balance at the begining of the year	173	138
Impairment loss during the year (see note 11)	(123)	35
Balance at the end of the year	50	173

19. Other assets

In thousands of naira	31-Dec-2021	31-Dec-2020
Other financial assets:		
Receivable from Cowry Issuing House (see note (c) below)	4,613,425	-
Other receivables (see note (d) below)	182,303	137,206
Impairment allowance (see note (e) below)	(115,110)	(100,838)
	4,680,618	36,368
Non financial assets:		
Prepayments (see note (a) below)	100,946	121,305
Inventories (see note (b) below)	228,668	113,088
	329,614	234,393
	5,010,232	270,761
Current	4,959,690	183,393
Non-current	50,542	87,368
	5,010,232	270,761

(a) Prepayments comprise the following:

In thousands of naira	31-Dec-2021	31-Dec-2020
Prepaid insurance	26,080	24,465
Prepaid staff benefits	50,542	87,368
Other prepaid expense (see note (i) below)	24,324	9,472
	100,946	121,305

(i) *Other prepaid expense comprise:*

	31-Dec-2021	31-Dec-2020
Prepayment of computer maintenance cost	1,400	1,050
Prepayment of SMS and USSD cost	22,924	8,422
	24,324	9,472

(b) Inventories comprise stock of debit cards, stock of credit cards, stock of cheques, books/journals/CDs, stock of office stationeries, stock of micr cheques and non micr cheques, assets under construction, deferred share issue cost.

In thousands of naira	31-Dec-2021	31-Dec-2020
Stock (see note (i) below)	132,917	65,590
Assets under construction (see note (ii) below)	37,246	8,341
Deferred share issue cost	58,505	39,157
	228,668	113,088

(i) The amount in stock comprise:

	31-Dec-2021	31-Dec-2020
Stock of cheques	478	646
Stock of office stationeries	9,369	1,697
Stock of micr cheques	26,289	45
Stock of non-micr cheques	19,754	28,598
Stock of ATM cards	37,525	12,612
Stock of credit cards	38,116	20,775
Stock of adhensive stamps	1,386	1,217
	132,917	65,590

(ii) The amount in assets under construction include a sum of ₦37 million for the construction of our Bauchi branch building.

(c) The amount represent proceeds for shares issued during the Bank's public offer in July 2021. The funds are in custody of the Issuing House, Cowry Asset Management Limited.

(d) Other receivables includes staff cash advances and sundry debtors.

(e) Movement in impairment allowances:

In thousands of naira	**31-Dec-2021**	**31-Dec-2020**
Balance at the begining of the year	100,838	73,124
Impairment loss during the year (see note 11)	14,272	27,714
Balance at the end of the year	115,110	100,838

20. Property and Equipment

In thousands of naira

	Buildings	Freehold Land	Right-of-Use Asset	Furniture and Fittings	Motor Vehicles	Computer Equipment	Office Equipment	Total
Cost:								
Balance as at 1 January 2020	418,514	6,979	103,688	100,897	499,021	232,183	204,259	1,565,541
Additions during the year	26,845	29,441	20,934	12,977	7,741	108,304	42,510	248,752
Reclassification	(15,698)	15,698	-	-	-	-	-	-
Disposals	-	-	-	(814)	(6,715)	(2,188)	(343)	(10,060)
Balance at 31 December 2020	429,661	52,118	124,622	113,060	500,047	338,299	246,426	1,804,233
Balance as at 1 January 2021	429,661	52,118	124,622	113,060	500,047	338,299	246,426	1,804,233
Additions during the year	30,612	-	103,488	30,209	50,466	68,481	76,232	359,487
Disposals	-	-	-	(33)	-	(7,785)	(7,754)	(15,572)
Write-off	-	-	-	-	-	(440)	-	(440)
Balance at 31 December 2021	460,273	52,118	228,110	143,236	550,513	398,555	314,903	2,147,708

	Buildings	Freehold Land	Right-of-Use Asset	Furniture and Fittings	Motor Vehicles	Computer Equipment	Office Equipment	Total
Accumulated Depreciation:								
Balance at 1 January 2020	44,898	-	21,959	52,579	290,085	146,346	112,190	668,057
Charge for the year	8,305	-	25,828	15,143	89,708	63,804	36,045	238,833
Disposals	-	-	-	(814)	(1,724)	(2,188)	(343)	(5,069)
Balance at 31 December 2020	53,203	-	47,787	66,908	378,069	207,962	147,892	901,821
Balance at 1 January 2021	53,203	-	47,787	66,908	378,069	207,962	147,892	901,821
Charge for the year	9,142	-	29,347	18,260	84,785	72,882	39,942	254,358
Disposals	-	-	-	(33)	-	(7,785)	(7,754)	(15,572)
Write-off	-	-	-	-	-	(440)	-	(440)
Balance at 31 December 2021	62,345	-	77,134	85,135	462,854	272,619	180,080	1,140,167
Net Book Value: 31 December 2020	376,458	52,118	76,835	46,152	121,978	130,337	98,534	902,412
Net Book Value: 31 December 2021	397,928	52,118	150,976	58,101	87,659	125,936	134,824	1,007,541

- There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (31 December 2020: Nil).
- There was no impairment loss on all classes property and equipment during the year (31 December 2020: Nil).
- There were no property and equipment pledged as securities for liabilities (31 December 2020: Nil).
- There were no contractual commitments for the acquisition of property and equipment (31 December 2020: Nil).
- On 1 January 2019, following the adoption of IFRS 16, the Bank recognises right-of-use assets for leases of branch premises and has presented right-of-use assets within ‘property and equipment’ – i.e. the same line item in which it presents underlying assets of the same nature that it owns.

21. Intangible asset

In thousands of naira	31-Dec-2021	31-Dec-2020
Computer software		
Cost:		
Balance at beginning of the year	68,693	38,693
Addition during the year	25,800	30,000
Balance at end of the year	94,493	68,693
Accumulated Amortisation:		
Balance at start of the year	21,000	4,787
Charge for the year	28,826	16,213
Balance at end of the year	49,826	21,000
Carrying amount at end of the year	44,667	47,693

- All intangible assets are non current. Intangible assets of the Bank have finite useful life and are amortised over 3 years.
- The Bank does not have internally generated intangible assets.

22. Deposits from customers

In thousands of naira	31-Dec-2021	31-Dec-2020
Current deposits	9,845,329	6,560,802
Savings deposits	4,198,515	3,380,640
Term deposits	1,994,057	4,747,757
Sundry deposits	241,000	149,606
	16,278,901	**14,838,805**

23. Borrowings

	In thousands of naira	31-Dec-2021	31-Dec-2020
(a)	Borrowings comprise:		
	CBN concessionary (see note (i) below)	-	1,032,672
	DBN concessionary loan (see note (ii) below)	2,678,656	1,916,605
	CBN housing microfinance loan (see note (iii) below)	29,434	46,532
		2,708,090	2,995,809

(i) The Central Bank of Nigeria (CBN) Micro Small and Medium sized Enterprises Development Fund (MSMEDF) loan of ₦1 billion was granted to the Bank on 22 December 2017 at a rate of 2% per annum. The loan tenor is 2 years and it was for on-lending to the Bank's customers for the benefit of small and medium sized enterprises to help grow their businesses and become financially independent. The loan matured in December 2019 but the principal was not paid to the CBN. Interest recognition and payment have continued under the initial contractual terms while the loan principal was repayable on demand. The loan was fully liquidated in 2021.

(ii) The Bank obtained the following Development Bank of Nigeria (DBN) loans for on-lending to micro, small and medium enterprises to grow their businesses.

Date facility was obtained	Amount (₦'million)	Outstanding Amount (₦'million) 31-Dec-2021	Outstanding Amount (₦'million) 31-Dec-2020	Rate (%)	Tenor
5 December 2019	731	-	293	13.79	2 years
28 September 2020	500	183	444	12.79	2 years
19 November 2020	800	547	781	12.04	2 years
9 December 2020	400	204	399	12.04	2 years
29 March 2021	390	238	-	12.04	2 years
30 April 2021	245	176	-	12.04	2 years
17 June 2021	600	431	-	12.50	2 years
25 August 2021	320	266	-	12.50	2 years
4 October 2021	300	283	-	12.50	2 years
21 December 2021	370	350	-	12.50	2 years
	4,656	**2,678**	**1,917**		

The Bank has not had any defaults of principal or interest or other breaches with respect to the loan facilities as at year end 31 December 2021.

(iii) The amount of ₦29 million (31 December 2020: ₦47 million) represents the amortised cost of ₦91.74 million Central Bank of Nigeria (CBN) housing microfinance loan obtained on 18 May 2018 at an interest rate of 15.99% per annum. The principal amount and interest is paid quarterly. The loan tenor is 5 years with maturity date of 30 June 2023.

(b) The movement in borrowings during the year was as follows:

In thousands of naira	**31-Dec-2021**	**31-Dec-2020**
Balance, beginning of the year	2,995,809	1,965,665
Additions during the year	6,386,548	1,700,000
Interest accrued during the year (see note 9)	423,522	210,805
Interest paid during the year	(437,893)	(113,643)
Principal repayment during the year	(6,659,896)	(767,018)
Balance at year end	2,708,090	2,995,809
Total repayment of borrowings (for cashflow purpose)	(7,097,789)	(880,661)

24. Other liabilities

In thousands of naira	**31-Dec-2021**	**31-Dec-2020**
Financial liabilities:		
Accounts payable	4,684	6,259
Productivity bonus (see note (a))	262,703	98,643
Sundry creditors	153,602	73,331
Accruals	51,909	168,885
VAT payable	15,217	-
Settlement accounts (see note (b))	1,461,018	819,543
Other payables	282,982	213,019
Unearned income	783	957
Lease liability (see note (c)(i) below)	51,941	52,082
Deposit for shares	4,532,618	-
	6,817,457	1,432,719
Non-financial liabilities:		
Withholding tax payable	28,209	19,581
	6,845,666	1,452,300
Current	6,793,725	1,400,218
Non-current	51,941	52,082
	6,845,666	1,452,300

(a) This amounts represents accrual made at the end of the year for payment of productivity bonus to employees of the Bank. It is linked to the performance of the Bank.

(b) These amounts comprise the transactions of the Bank's customers performed through the various e-channels but were yet to be settled as at year end.

(c)(i) The movement in lease liabilities during the year is as follows:

In thousands of naira	31-Dec-2021	31-Dec-2020
Opening balance	52,082	42,961
Addition to lease liabilities	16,528	12,053
Interest expense on lease liabilities (see note 8)	7,243	6,895
Gain on derecognition of lease liability (see note 10)	(3,421)	(1,049)
Interest payment	(6,830)	(1,186)
Principal payment	(13,661)	(7,592)
	51,941	52,082
Maturity analysis- contractual undiscounted cashflows		
Less than one year	38,907	19,217
Between one and five years	96,556	49,774
	135,463	68,991

ii Amounts recognised in profit or loss

In thousands of naira	31-Dec-2021	31-Dec-2020
Interest expense on lease liabilities (see note 8)	7,243	6,895
Expense relating to short term leases (see note 13)	947	4,060

iii Amounts recognised in statement of cashflows

In thousands of naira	31-Dec-2021	31-Dec-2020
Total cash outflow for leases	20,491	8,778

iv Extension options

Some property leases contain extension options exerciseable by the Bank up to one year before the end of the non-cancellable contract period. Where applicable, the Bank seeks to include extension options in new leases to provide operational flexibility. The extension options held are exerciseable only by the Bank and not by the lessors. The Bank assesses at the lease commnencement date whether it is reasonably certain to exercise the extension options. The Bank reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Bank has recognised additional lease liabilities of ₦17 million during the year (31 December 2020: ₦12 million) with respect to leases in which the Bank is reasonably certain to exercise its extension option.

25. Share capital

	31-Dec-2021	31-Dec-2020
Authorised: 6,000,000,000 units of ordinary shares of 50 kobo each	**3,000,000**	**3,000,000**
Issued and fully paid: 2,286,657,766 units of ordinary shares of 50 kobo each	**1,143,328**	**1,143,328**

In line with the approval of Shareholders that the Bank offers 3,000,000,000 units of its authorised share capital to the public, the Bank floated a Hybrid Issue on 24 June 2021 by way of Public Offer for 820,343,569 ordinary shares of 50 kobo norminal value at ₦1.50; and also 2,286,657,766 ordinary shares by way of Rights of ₦0.50 nominal value at ₦1.50. The offer was successful and the results were published in the Daily Trust and Business Day Newspapers of Monday, 21 February 2022.

However, to bridge the gap between the authorised and issued share capital in line with the requirements of the amended CAMA 2020, the Bank plans to offer a private placement/bonus of the unissued shares of 606,340,899 to the major shareholders before the end of 31 December 2022.

26 Share premium and reserves

The nature and purpose of the share premium and reserve accounts in equity are as follows:

(a) Share premium

The share premium warehouses the excess paid by shareholders over the nominal value for their shares. Premiums from the issue of shares are reported in share premium.

(b) Retained earnings

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

(c) Fair value reserve

Fair value reserve comprise the cumulative net change in the fair value of equity securities designated at fair value through other comprehensive income.

(d) Statutory reserve

The Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by S.8.1.7 of the Amended Regulatory and Supervisory Guidelines for Microfinance Banks issued by the Central Bank of Nigeria (CBN), an appropriation of 50% of profit after tax is made if the statutory reserve is less than 50% of its paid-up share capital, 25% of profit after tax if the statutory reserve is greater than 50% but less than 100% of its paid-up share capital and 12.5% of profit after tax if the statutory reserve is greater than the paid up share capital.

In line with the CBN requirement, the Bank transferred 12.5% of its profit after tax to statutory reserves as at year-end .

In thousands of naira	31-Dec-2021	31-Dec-2020
Balance, begininig of the year	1,424,936	1,348,133
Transfer to statutory reserve during the year	88,437	76,803
Balance at year end	1,513,373	1,424,936

(e) Regulatory risk reserve

The regulatory risk reserve warehouses the excess of the impairment allowance on loans and advances computed based on the Central Bank of Nigeria prudential guidelines over that computed based on the expected credit loss (ECL) model under IFRS. For better presentation, the regulatory risk reserve was reclassified from retained earnings on the statement of changes in equity (see note 5(c)(ii)).

27 Related party transactions

(a) Parent and ultimate controlling party

As at the year ended 31 December 2021, the Nigeria Police Co-operative Society Limited owns the majority of the Banks shares. As a result, the parent and ultimate controlling party of the Bank is the Nigeria Police Co-operative Society Limited. The Bank does not have a subsidiary.

(b) Transactions with key management personnel

Key management personnel is defined as the Bank's executive and non-executive directors, including their close members of family and any entity over which they exercise control. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with the Bank.

(i) Key management compensation for the year comprised:

In thousands of naira	31-Dec-2021	31-Dec-2020
Salaries and other short-term benefits (see note 12(b))	86,646	78,769
Retirement benefits	-	-
	86,646	**78,769**

(ii) Loans and advances

In addition to their salaries, the Bank also provides non-cash benefits to its executive directors. Loans to key management personnel include housing loans and other personal loans which are given under terms that are no more favourable than those given to other staff. The housing loans are secured by property of the respective borrowers. All other loans are unsecured and interest rates charged on the related parties are at arm's length.

The movement in the loans and receivables to key management personnel during the year was:

In thousands of naira	31-Dec-2021	31-Dec-2020
At start of the year	63,629	108,214
Granted during the year	-	13,600
Repayment during the year	(21,705)	(58,185)
At end of the year	41,924	63,629
Impairment	-	1,388
Interest earned	902	1,425

Other loans granted to key management personnel were performing as at 31 December 2021 (31 December 2020: Performing).

Loans and advances outstanding:

The amounts granted and their balances as at 31 December 2021 were as follows:

In thousands of naira

Name	Relationship	Facility type	Amount granted	31 Dec. 2021	31 Dec. 2020	Status	Security
Mr. Akinwunmi Lawal	Managing Director	Housing loan	36,736	13,266	19,388	Performing	Secured
Mr. Akinwunmi Lawal	Managing Director	Personal loan	10,000	-	4,583	Liquidated	Secured
Mr. Francis Nelson	Executive Director	Housing loan	42,027	15,176	22,181	Performing	Secured
Mr. Francis Nelson	Executive Director	Personal loan	1,000	-	167	Liquidated	Secured
Mr. John Tizhe	Executive Director	Housing loan	16,227	11,832	13,860	Performing	Secured
Mr. John Tizhe	Executive Director	Personal loan	3,600	1,650	3,450	Performing	Secured
			109,590	**41,924**	**63,629**		

(iii) Deposits

(a) The following directors had deposits with the Bank as at year ended:

In thousands of naira			31-Dec-2021	31-Dec-2020
Name	***Relationship***	***Type of deposit***		
Mr Joel Udah	Chairman	Current deposit	87,363	644
Mr Joel Udah	Chairman	Savings deposit	50,416	51
Mr Joel Udah	Chairman	Corporate	360	-
Mr Joel Udah	Chairman	Term deposit	101,508	-
Mr Saeed Dantsoho	Non-Executive	Current deposit	-	6,289
Mr Saeed Dantsoho	Non-Executive	Term deposit	-	195,470
Mr Lawal Akinwunmi	Managing Director	Current deposit	1,960	901
Mr Lawal Akinwunmi	Managing Director	Savings deposit	316	1,144
Mr Francis Nelson	Executive Director	Current deposit	1,275	173
Mr Francis Nelson	Executive Director	Savings deposit	1,069	329
Mr John Kwabe Tizhe	Executive Director	Current deposit	1,633	176
Mr John Kwabe Tizhe	Executive Director	Savings deposit	70	137
Mr Jibrin G. Gane	Non-Executive	Current deposit	5,596	7,348
Mr Hashimu Argungu	Non-Executive	Current deposit	887	1,485
Mr Abdurahman Satumari	Non-Executive	Current deposit	478	294
Mrs Rakiya Edota Shehu	Non-Executive	Current deposit	8,021	2,391
Mr Isa Usman Baba	Non-Executive	Current deposit	2,287	1,137
Aminu Salei Pai	Non-Executive	Current deposit	-	8,157
Usman Adamu	Non-Executive	Current deposit	6,650	-
Uzairu Abdullahi	Non-Executive	Current deposit	1,793	-
			271,683	226,126

(b) Deposits of other related parties

Included in deposits is an amount of ₦160 million (31 December 2020: ₦125 million), representing deposits from major shareholders. The balances as at 31 December were as follows:

In thousands of naira			31-Dec-2021	31-Dec-2020
Name of company/individual	***Relationship***	***Type of deposit***		
NPF Cooperative Society Limited	Major shareholder	Current deposit	18,880	32,880
NPF Welfare Insurance Scheme	Major shareholder	Term deposit	48,853	-
NPF Welfare Insurance Scheme	Major shareholder	Current deposit	91,940	91,734
			159,673	**124,614**

(c) Transaction with related parties

The Chairman, Mr. Udah owns the property in Aba that was leased by the Bank for use as a branch. The property was initially leased to the Bank in 2016 for a 3-year duration. The lease agreement was renewed in 2019 for another 3 years at a cost of ₦5,610,000 to cover the whole tenor of the lease.

28 Compliance with banking and other regulations

During the year ended 31 December 2021, the Bank paid penalties totaling ₦2,100,000.00 (31 December 2020: Nil).

In thousands of naira	31-Dec-2021	31-Dec-2020
Penalty in favour of NGX Regulation for late filing of audited financial statements for the year ended 31 December 2020	1,600	-
Penalty for commencing the operation of Agent Banking without the prior approval of the Central Bank of Nigeria (CBN)	500	-
	2,100	-

29 Disclosure on Covid-19

Businesses were forced to shut down and there was disruption to global economic and social activities following the outbreak of COVID-19 in year 2020. In a bid to combat the pandemic, several measures were taken by countries all over to reduce and curtail the spread of the virus, like the introduction of vaccines accross the globe. Most economies have been largely reopened, thereby leading to improved economic conditions that have led to the recovery of most global markets.

The Bank did not rest in its effort to sensitize and educate her employees on safety precautions and strict adherance to the COVID-19 protocols.

The significant doubt associated with the current uncertainties related to the pandemic did not result in a material uncertainty that may cast significant doubt on the Bank's ability to continue as a going concern in the foreseeable future. The Bank has also assessed on a line-by-line basis the impact of the pandemic on the amount presented on the statement of financial position and concluded that no further adjustment will be required in the financial statement. Notwithstanding, the Bank will continue to closely monitor the emerging impact of the pandemic to ensure that they are appropriately mitigated.

In order to comply with the Central Bank of Nigeria (CBN) minimum capital requirement for microfinance Banks, the Bank went to the capital market to raise additional capital by way of public offer. Currently, the Bank is comfortable with its capital base even as all the operating entities continue to recover from the impact of the COVID-19 pandemic.

The Bank will continue to assess the status of the fight against the pandemic and its impact on the Bank's business. Thus, based on current assessment, the Directors are confident that the going concern status of the Bank will not be threatened and the Bank would continue to operate in the foreseeable future.
Meanwhile, Management would continue to assess the material impact on the Bank's financial position, results of operations, and cash flows in the coming year and would regularly make appropriate disclosures thereon to all stakeholders.

30 Events after the reporting period

There were no subsequent events which could have a material effect on the financial position of the Bank as at 31 December 2021 or the profit for the year then ended on that date, that have not been adequately provided for or disclosed in the financial statements.

31 Contingencies

Litigation and claims

The Bank in its ordinary course of business was involved in 14 cases as at 31 December 2021 (31 December 2020: 12) as a co-defendant. Three (3) of these cases are in Appeal courts after judgements have been delivered against the Bank. The Directors are of the opinion that none of the aforementioned cases is likely to have material adverse effect on the Bank and are not aware of any other pending and/or threatened claims or litigations which may be material to the financial statements. However, the total amount that may be claimed against the Bank is estimated at ₦650 million (31 December 2020: ₦795 million).

32 Earnings per share

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

Basic earnings per share

	31-Dec-2021	31-Dec-2020
Net profit attributable to shareholders (in thousands of naira)	707,493	614,417
Number of shares in issue (in thousands)	2,286,658	2,286,658
Weighted average number of shares in issue (in thousands)	2,286,658	2,286,658
Basic earnings per share (kobo)	31	27

33. Dividend per share

	31-Dec-2021	31-Dec-2020
Dividend proposed	539,366	457,332
Number of shares issued and ranking for dividend	5,393,657	2,286,658
Proposed dividend per share (kobo)	10	20
Final dividend per share proposed	10	20
Dividend paid during the year	457,332	457,332
Total dividend paid during the year	457,332	457,332
Dividend paid per (kobo)	20	20

The Board of Directors, pursuant to the powers vested in it by the provisions of Section 426 of the Companies and Allied Matters Act of Nigeria (CAMA), 2020, has proposed a final dividend of 10 kobo per share (31 December 2020: final; 20 kobo) from the retained earnings account as at 31 December 2021. This is subject to approval by shareholders at the next Annual General Meeting.

The number of shares in issue and ranking for dividend represents the outstanding number of shares as at 31 December 2021 and 31 December 2020 respectively.

Dividends are paid to shareholders net of withholding tax at the rate of 10% in compliance with extant tax laws.

34 Statement of cash flows notes

In thousands of naira	31-Dec-2021	31-Dec-2020
(a)(i) Proceeds from disposal of property and equipment		
Cost of property and equipment disposed during the year (see note 20)	15,572	10,060
Accumulated depreciation on property and equipment disposed (see note 20)	(15,572)	(5,069)
Net book value of property and equipment disposed	-	4,991
Profit on sales of property and equipment (see note 10)	2,122	3,104
Proceeds from disposal of property and equipment	2,122	8,095

(ii) Acquisition of PPE

In thousands of naira	31-Dec-2021	31-Dec-2020
PPE additions during the year (see note 20)	359,487	248,752
Less ROU assets additions (see note 20)	(103,488)	(20,934)
	255,999	227,818

(b) Changes in pledged asset (see note 16)

In thousands of naira	31-Dec-2021	31-Dec-2020
Balance at the begining of the year	564,938	467,559
Balance at the end of the year	842,832	564,938
	277,894	97,379
Interest receivable (see note (h))	(5,899)	(5,899)
	271,995	91,480

(c) Loans and advances to customers (see note 17)

In thousands of naira	31-Dec-2021	31-Dec-2020
Balance at beginning of the year	17,263,137	14,278,879
Balance at year end	18,047,627	17,263,137
	784,490	2,984,258
Interest receivable (see note (h))	(121,263)	(150,857)
	663,227	2,833,401

(d) Changes in other assets (see note 19)

In thousands of naira	31-Dec-2021	31-Dec-2020
Balance at beginning of the year	371,599	459,396
Balance at year end	5,125,342	371,599
	4,753,743	(87,798)
Transition adjustment to right of use assets	-	-
	4,753,743	(87,798)

(e) Changes in deposit from customers (see note 22)

In thousands of naira	31-Dec-2021	31-Dec-2020
Balance at beginning of the year	(14,838,805)	(11,327,058)
Balance at year end	(16,278,901)	(14,838,805)
	(1,440,097)	(3,511,747)
Interest payable (see note (i))	10,914	9,750
	(1,440,097)	(3,501,997)

(f) Other liabilities (see note 24)

In thousands of naira	31-Dec-2021	31-Dec-2020
Balance at beginning of the year	(1,452,300)	(665,907)
Balance at year end	(6,845,668)	(1,452,300)
	(5,393,368)	(786,393)
Lease liabilities at beginning of the year	(52,082)	(42,961)
Lease liabilities at at year end	51,941	52,082
	(5,393,509)	(777,272)

(g) Investment securities at amortised cost (see note 18)

In thousands of naira	31-Dec-2021	31-Dec-2020
Balance at beginning of the year	966,533	893,672
Movement	38,471	72,862
Balance at year end	1,005,004	966,533
Explained by:		
Fair value loss	3,258	3,440
Purchase of treasury bill investments	-	(1,542,062)
Disposal of treasury bill investments	-	1,494,336
Gain on disposal of treasury bill investments (see not 10)	2,386	(1,210)
Interest income (see note 7)	(44,115)	(27,366)
	(38,471)	(72,862)

(h) Interest received

In thousands of naira	31-Dec-2021	31-Dec-2020
Interest income (see note 7)	5,172,683	4,088,196
Interest receivable on loans - prior year (see note 34(c))	150,857	122,790
Interest receivable on pledged assets - prior year (see note 34(b))	5,899	11,343
Interest receivable on treasury bills - prior year	2,004	5,334
Interest receivable on loans (see note 34(c))	(121,263)	(150,857)
Interest receivable on pledged assets (see note 34(b))	(5,899)	(5,899)
Interest receivable on treasury bills	(2,004)	(2,004)
Interest received	5,202,277	4,068,903

(i) Interest paid

In thousands of naira	31-Dec-2021	31-Dec-2020
Interest expense on liabilities (see note 8)	(655,703)	(411,215)
Interest payable on deposit - prior year (see note 34(e))	(9,750)	(8,586)
Interest payable on borrowings - prior year	(95,653)	(41,090)
Interest payable on deposits (see note 34(e))	10,914	9,750
Interest payable on borrowings	336,466	95,653
Lease interest paid (see note 24(c))	(6,830)	(1,186)
Lease interest payable (see note 8)	7,243	6,895
Interest paid	(413,313)	(349,780)

(j) Right of use assets

In thousands of naira	31-Dec-2021	31-Dec-2020
Balance at beginning of the year (see note 20)	76,835	81,729
Payment for properties leased during the year	86,960	7,695
Lease liabilities (see note 24(c))	16,528	12,053
Depreciation (see note 20)	(29,347)	(25,828)
Balance at year end (see note 20)	150,976	76,835

35 Unclaimed dividends

Unclaimed dividends summed up to ₦196,697,018.15 as at 31 December 2021 (2020: ₦117,609,101.23). This amount is made up of ₦119,277,197.59 (2020: ₦109,584,760.74) invested with Stanbic IBTC Asset Management Limited in fixed income mutual funds and ₦77,419,820.56 (2020: ₦8,024,340.49) in the custody of CardinalStone Registrars Limited.

The investment balance of ₦119,277,197.59 (2020: ₦109,584,760.74) is analysed below:

In thousands of naira	**31-Dec-2021**	**31-Dec-2020**
Net investible balance 1 October - 31 December 2021	117,220	109,082
Net income earned	2,057	502
	119,277	**109,585**

36 Fees for non-audit services

KPMG Professional Services rendered the following non-audit services to the Bank:

Service description

In thousands of naira	**31-Dec-2021**	**31-Dec-2020**
Tax consultancy	1,574	7,801
Deposits certification	1,613	-
	3,186	**7,801**

OTHER NATIONAL DISCLOSURES

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OTHER NATIONAL DISCLOSURES: VALUE ADDED STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

In thousands of naira	31-Dec-2021		31-Dec-2020	
	₦'000	%	**₦'000**	%
Gross earnings	5,770,055		4,658,831	
Net impairment loss on financial instruments	(34,971)		(122,300)	
	5,735,084		4,536,531	
Bought-in-materials and services - local	(1,590,408)		(1,016,916)	
Value added	**4,144,676**	**100**	**3,519,615**	**100**
Distribution of value added:				
To employees				
- As salaries and other benefits	2,175,214	52	1,986,342	57
To providers of finance				
- As interests	655,703	16	411,215	12
To the Government				
- As taxes	323,082	8	252,595	7
Retained in the business				
- Asset replacement (depreciation and amortisation)	283,184	7	255,046	7
- Profit to augment reserves	707,493	17	614,417	17
Value added	**4,144,676**	**100**	**3,519,615**	**100**

This statement represents the distribution of the wealth created with the Bank's assets through its own and its employees' efforts.

OTHER NATIONAL DISCLOSURES: FINANCIAL SUMMARY AS AT

In thousands of naira	Note	31-Dec-2021	31-Dec-2020	31-Dec-2019	31-Dec-2018	31-Dec-2017
STATEMENT OF FINANCIAL POSITION						
ASSETS						
Cash and cash equivalents	15	6,610,039	5,677,888	3,128,104	4,940,352	5,752,469
Pledged assets	16	842,096	564,246	467,486	800,787	409,674
Loans and advances to customers	17	17,447,816	16,667,615	1,376,931	10,593,635	9,008,675
Investment securities	18	1,004,954	966,360	893,534	291,081	16,681
Property and equipment	20	1,007,541	902,412	897,484	657,661	591,964
Intangible asset	21	44,667	47,693	33,906	12,285	-
Other assets	19	5,010,232	270,761	386,272	301,751	172,878
TOTAL ASSETS		**31,967,345**	**25,096,975**	**7,183,717**	**17,597,552**	**15,952,341**
LIABILITIES						
Deposits from customers	22	16,278,901	14,838,805	11,327,058	10,465,119	9,126,494
Borrowings	23	2,708,090	2,995,809	1,965,665	2,078,843	1,550,468
Current tax liabilities	14(b)	332,353	257,107	230,511	87,082	146,270
Deferred tax liabilities	14(c)	71,370	71,370	66,637	76,370	61,569
Other liabilities	24	6,845,666	1,452,300	665,907	243,547	315,251
TOTAL LIABILITIES		**26,236,380**	**19,615,391**	**14,255,778**	**12,950,961**	**11,200,052**
CAPITAL AND RESERVES						
Share capital	25	1,143,328	1,143,328	1,143,328	1,143,328	1,143,328
Share premium	26(a)	1,517,485	1,517,485	1,517,485	1,517,485	1,517,485
Retained earnings	26(b)	1,140,649	1,127,458	986,184	318,690	728,276
Fair value reserve	26(c)	(6,997)	(6,217)	(2,777)	(2,405)	-
Statutory reserve	25(d)	1,513,373	1,424,936	1,348,133	1,248,579	1,124,110
Regulatory risk reserve	25(e)	423,127	274,594	335,586	420,914	139,090
TOTAL EQUITY		**5,730,965**	**5,481,584**	**5,327,939**	**4,646,591**	**4,652,289**
TOTAL LIABILITIES AND EQUITY		**31,967,345**	**25,096,975**	**19,583,717**	**17,597,552**	**15,852,341**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		31-Dec-2021	31-Dec-2020	31-Dec-2019	31-Dec-2018	31-Dec-2017
Gross income		5,770,055	4,658,831	4,447,812	3,950,377	3,654,875
Profit before taxation		1,030,575	867,012	1,007,997	287,155	819,819
Profit after taxation		707,493	614,417	796,425	195,749	631,890
Dividend	33	457,332	457,332	114,333	388,732	342,999
Basic and diluted earnings per share (kobo)	32	31	27	35	9	28
Dividend per share (kobo)	33	20	20	5	17	15
Net assets per share (kobo)		251	240	233	203	203

PROXY FORM

Twenty-Eight Annual General Meeting of NPF Microfinance Bank Plc. Holding at Shell Hall, Muson Centre, Onikan, Lagos on Thursday 26th May 2022 at 11.00am .

I/We...

.... of ....

Being a member of NPF Microfinance Bank Plc hereby appoints ....

....
.
of ....

or failing him the Chairman of the meeting as my/our proxy to act and vote for me/us or on my/our behalf at the Annual General Meeting of the Bank to be held on 26th May 2022 or at any adjournment thereof.

Dated this ....day of 2022

Shareholder's Signature ....

(Affix Stamp here and sign across)

Address ....

....

This proxy form should be completed and sent to the Company's registrars; Cardinalstone Registrars Limited, 358 Herbert Macaulay Way, Yaba, Lagos if the member will not be attending the meeting the manner in which the proxy is to be voted should be indicated by inserting 'X' in the appropriate square		

	ORDINARY BUSINESS	FOR	AGAINST
1.	To receive the Audited Financial Statements for the Year Ended December 31 2021 together with the Report of the Directors, Auditors and Statutory Audit Committee thereon.		
2.	To declare a dividend		
3. i. ii. iii.	To re-elect the following Directors; Mr. Azubuko Joel Udah Mr. Usman Isa Baba Mr. Jibrin Gane		
4.	To approved the appointment of the following new Directors I. Mr. Bello Makwashi ii. Mr. Uzairu Abdullahi		
5.	To authorise Directors to fix the remuneration of the Auditors		
6.	Disclosure of the Remuneration of Managers of the Bank.		
7.	To elect members of the Audit Committee		
	Special Business		
8.	To consider and if thought fit, pass the following as ordinary resolution; "That the remuneration of the Directors of the Bank for the year ending 31st December, 2022 be and is hereby fixed at ₦25,000,000.00 only".		
9. I.	To consider and if thought fit, pass the following as ordinary resolution; "That following the recommendations of the Directors and in compliance with the requirements of Section 124 of the Companies and Allied Matters Act 2020 and the Companies Regulations 2021 the Directors be and are hereby authorised to deal with the unissued share capital of 606,340,899 ordinary shares of 50k by way of Bonus and private placement".		
ii.	iThat the sum of ₦299,647,728 out of the total of ₦4,624,485,722.57 in the Share premium account be and is hereby capitalised into 599,295,456 new ordinary shares of 50k each to be allotted and distributed to shareholders whose names appear in the Register of Members at the close of business on 27th May 2022 in proportion of one (1) new share for every Nine (9) existing shares held and that such new ordinary shares shall rank pari-pasu with the existing ordinary shares of the Bank subject to regulatory approval".		
10.	iThat the Directors be and are hereby empowered to enter into a capital raising engagement such as a special placement on the balance of 7,045,443 unissued shares after the Bonus Issue. To consider and if thought fit pass the following as Special Resolution:-		
I.	That a new clause 54 be include in the Articles of Association as follows; The Notice, Annual Reports and Accounts and/or other Reports, documents and information relating to any business to be transacted at every General Meeting of the Company may be distributed or circulated electronically to members and persons entitled to receive them and have provided the Company with an electronic mail address".		
ii.	"That the Bank's Memorandum and Articles of Association be renumbered accordingly following the amendments proposed therein".		

BEFORE POSTING THE ABOVE CARD, TEAR OFF THIS PART AND RETAIN IT

ADMISSION CARD

NPF MICROFINANCE BANK PLC
RC.220824

28TH ANNUAL GENERAL MEETING

PLEASE ADMIT ONLY SHAREHOLDER NAMED ON THIS CARD OR HIS DULY APPOINTED PROXY TO THE 28TH ANNUAL GENERAL MEETING BEING HELD SHELL HALL, MUSON CENTRE, ONIKAN, LAGOS ON THURSDAY 26TH MAY 2022 AT 11:00AM

NAME OF SHAREHOLDER/PROXY:..SIGNATURE..

ADDRESS...
NUMBER OF SHARES...

IMPORTANCE NOTICE

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not also be a member. A proxy form is attached to this Notice and it is valid for the purpose of the meeting.
2. Shareholders are therefore requested to submit their completed proxy forms in line with the Corporate Affairs Commissions' Guideline to the office of the Company Seceratry, NPF Microfinance Bank Plc Aliyu Atta House, No.1 Ikoyi Road Obalende, Lagos or send soft copies to info@npfmicrofinancebank.com or registrars@cradinalstone.com

3. If proxy form is executed by a company, it should be sealed under its common seal or the hand and seal of its attorney.

CardinalStone Registrars Limited
335/337 Herbert Macaulay Way,
Yaba-Lagos

Affix Current Passport

Write your name at the back of your passport photograph

CARDINALSTONE REGISTRARS

E-DIVIDEND MANDATE ACTIVATION FORM

Only Clearing Banks are acceptable

Instruction

Please complete all section of this form to make it eligible for processing and return to the address below

The Registrar,
CardinalStone Registrars, Limited
358, Herbert Macaulay Way, Yaba,
P.O. Box 9117, Marina, Lagos
Nigeria.

I\We hereby request that henceforth, all my\our Dividend Payment(s) due to me\us from my\our holdings in all the companies ticked at the right hand column be credited directly to my \ our bank detailed below:

Bank Verification Number

Bank Name

Bank Account Number

Account Opening Date

Shareholder Account Information

Surname / Company's Name   First Name   Other Names

Address :

City   State   Country

Previous Address (If any)

CHN (If any)

Mobile Telephone 1   Mobile Telephone 2

Email Address

Signature(s)

Company Seal (If applicable)

Joint\Company's Signatories

TICK	NAME OF COMPANY	SHAREHOLDER'S ACCOUNT NO.
	ACORN PET. PLC	
	AFRIK PHARMACEUTICALS PLC	
	AG HOMES SAVINGS & LOANS	
	AG LEVENTIS	
	ARBICO PLC	
	ASHAKACEM PLC	
	BANKERS WAREHOUSE	
	BETA GLASS	
	CAPITAL HOTEL PLC	
	ELLAH LAKES	
	EVANS MED PLC	
	FCMB BOND	
	FCMB GROUP PLC	
	FIDSON BOND	
	G. CAPPA PLC	
	GUINEA PLC	
	IMB ENERGY MASTER FUND	
	JOS INT. BREWERIES PLC	
	KOGI SAVINGS & LOAN LTD	
	LAFARGE AFRICA PLC	
	LAFARGE BOND	
	LAW UNION & ROCK PLC	
	LEGACY FUND	
	LIVESTOCK FEEDS PLC	
	MORISON PLC	
	MRS OIL PLC	
	NAHCO BOND	
	NAHCO PLC	
	NEWPAK PLC	
	N.G.C PLC	
	NGC STERILE	
	NPF MICROFINANCE BANK	
	NULEC INDUSTRIES PLC	
	OKOMU OIL PALM PLC	
	PREMIER PAINT PLC	
	REAN PLC	
	SKYE BANK PLC	
	TOTAL NIG. PLC	
	TRANEX PLC	
	WOMEN INVESTMENT FUND	

Help Desk Telephone No/Contact Centre Information for Issue resolution or clarification: 01-7120090