NPF Microfinance Bank Plc.

2022 ANNUAL REPORT & ACCOUNTS

RATED

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 5,992,954,557 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, Financial 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 49 branch offices located all over the Federation.

Vision

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

Core Values

Professionalism
Integrity
Customer-focused
Excellence
Loyalty

Mission

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

FINANCIAL HIGHLIGHTS
As at 31st December 2022

	2022 ₦'000	2021 ₦'000	% Increase/ (Decrease)
Interest income	**7,153,510**	**5,770,055**	**23.98**
Interest expense	(768,024)	(655,703)	17.13
Net interest income	5,551,794	4,516,980	22.91
Fee and commission income	747,088	546,941	36.59
Other income or loss	86,604	50,431	71.73
Net operating income	6,385,486	5,114,352	24.85
Net impairment loss on financial & other assets	(143,257)	(34,971)	309.65
Total operating expense	(5,061,320)	(4,083,777)	23.94
Profit before taxation	1,324,166	1,030,575	28.49
Tax expense	(441,998)	(323,082)	36.81
Profit for the year	**882,168**	**707,493**	**24.69**
Other comprehensive income for the year net of tax	1,648	(3,258)	(150.58)
Total comprehensive income for the year	883,816	704,235	25.50
Major financial position items			
Loans and receivables from customers	23,498,147	17,447,816	34.68
Deposit from customers	18,765,262	16,278,901	15.27
Ordinary share capital	2,996,477	1,143,328	162.08
Total equity	10,577,865	5,730,965	84.57
TOTAL ASSETS	**34,495,665**	**31,967,345**	**7.91**
Information per 50k ordinary share in kobo			
Earnings			
Basic	15	31	(51.61)
Dividend	10	10	-
Net assets	177	251	(29.68)
Total assets	576	1397	(58.80)
Number of employees	557	430	29.53
Number of branches	50	38	31.58

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. Bello Makwashi	Non-Executive Director
Mr. Uzairu Abdullahi	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
Mr. Said Umar Garba Fagge *	Non-Executive Director

**Appointed on 26 January 2023*

Company Secretary:

Mrs. Osaro J. Idemudia
Aliyu Atta House
1, Ikoyi Road, Obalende
Lagos

Registered Office:

Aliyu Atta House
1, Ikoyi Road, Obalende
Lagos

Independent Auditor:

KPMG Professional Services
KPMG Tower,
Bishop Aboyade Cole Street,
Victoria Island,
Lagos

Major Bankers:

United Bank for Africa Plc
57 Marina, Lagos Island,
Lagos, Nigeria.

Zenith Bank Plc
Plot 84, Ajose Adeogun Street,
Victoria Island,
Lagos, Nigeria.

Sterling Bank Plc
20 Marina Road,
Lagos Island,
Lagos.

First Bank of Nigeria Plc
Samuel Asabia House
35 Marina
Lagos, Nigeria.

Registrars:

CardinalStone Registrars Limited
335/337, Herbert Macaulay Way
Yaba, Lagos

Tax Identification Number

00122558-0001

NOTICE IS HEREBY GIVEN that the 29th Annual General Meeting of NPF MICROFINANCE BANK PLC will be held on Thursday 22nd June 2023 at 11:00a.m. at Oduduwa Hall, Golden Tulip Hotel, Ibadan, Oyo State to transact the following business:

A. ORDINARY BUSINESS

1. To lay before the members of the Company the Audited Financial Statements of the Company for the financial year ended 31 December 2022 and the Reports of the Directors, Auditors and Audit Committee thereon,
2. To declare a dividend

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

a. Mr. Salihu Argungu Hashimu
b. Mrs. Rakiya Edota Shehu
c. Mr. Abdulrahman Satumari

4. To approve the appointment of Mr. Said Umar Garba Fagge

5. To appoint the firm of Delloite & Touche as External Auditors of the Company

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

7. To Disclose the Remuneration of Managers of the Company

8. To elect members of the Statutory Audit Committee

B. SPECIAL BUSINESS

To consider and if thought fit to pass the following resolutions as special resolutions of the Company;

9. Increase in Issued Share Capital

a. “That in furtherance to the Bank's strategy to transition to a Deposit Money Bank, the Company's share capital be increased by the number of shares which will be required to meet the regulatory requirement to convert to a Deposit Money Bank”.

b. “That further to the above approval, the Directors be and are hereby authorised to pass the relevant resolutions

i. Increasing the Company's share capital by the number of new ordinary shares as may be determined by them.

ii. Alloting such said number of new shares to shareholders who subscribe for the shares whenever an offer is made by public offer, rights issue or placing and that such new ordinary shares when issued shall rank pari pasu in all respect with the Company's existing ordinary shares.

c. That after the increase in the Company's share capital and allotment of the new ordinary shares to shareholders in accordance with resolution (i) and (ii) above, clause 6 of the Memorandum of Association be amended as necessary to reference the Company's new issued share capital.

d. That the Directors be and are hereby authorised to take all such lawful steps, pass all requisite resolutions and do all such other lawful acts/or things as may be necessary and or incidental for giving effect to and or implementing the above resolutions.

10. Amendment of the Memorandum of Association

"That Pursuant to the increase in the issued share capital of the Company, Clause 6 of the Memorandum of Association of the Company be amended to reflect the increase.

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 Secretary, Aliyu Atta House, 1, Ikoyi Road, Obalende or the Registrar of the Company Cardinalstone Registrars Ltd, 335/337 Herbert Macaulay Way, Yaba, Lagos or via email at registrars@cardinalstone.com 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.
18th May 2023

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 Thursday 22nd June 2023 to Shareholders' whose names are registered in the Register of Members at the close of business on Monday 8th May 2023.

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 Tuesday 9th May 2023 to Friday 12th May 2023 (both days inclusive).

3. UNCLAIMED DIVIDEND WARRANTS

All shareholders are encouraged to complete an e-dividend mandate form to ensure that all outstanding dividend are paid electronically.

A list of unclaimed dividend will be circulated along with the Annual Report and Accounts and can also be accessed at the Registrar's office or via the Company's website www.npfmicrofinancebankplc.ng.

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 Coe 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. ELECTRONIC ANNUAL REPORT

The electronic version of the Annual Report is available at www.npfmicrofinancebankplc.ng. 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.

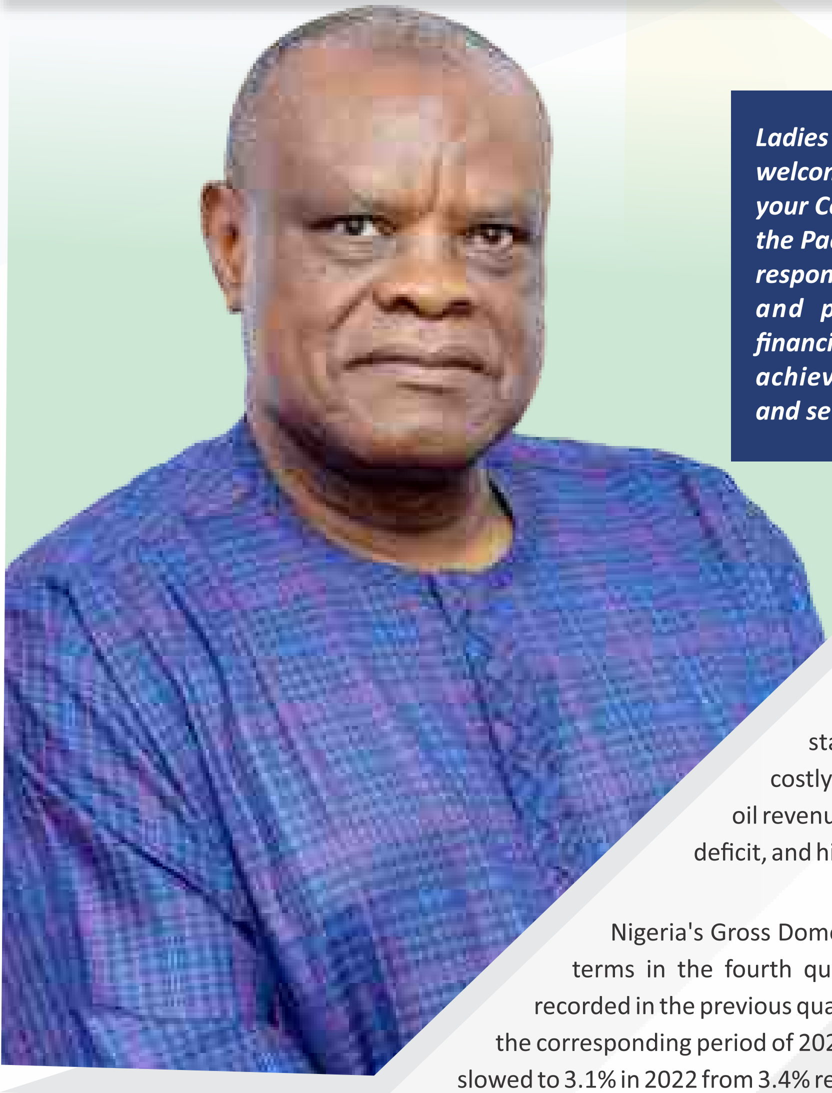
6. BIOGRAPHICAL DETAILS OF DIRECTORS

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@npfmicrofinancebankplc.ng ot later than 15th June 2023.

CHAIRMAN'S STATEMENT



Ladies and Gentlemen it is with immense pleasure that I welcome you all to the 29th Annual General Meeting of your Company ("NPF Microfinance Bank Plc") holding at the Pace Setter State; Ibadan, Oyo State. In line with my responsibility as the Chairman, it is with great honour and privilege I present our annual report and financial statements for Year 2022, highlighting the achievements recorded in the year under review and setting our key objectives for 2023.

MACROECONOMIC REVIEW

At the start of year 2022, Nigerians hoped that with less than two years to the end of the tenure of the current administration, the government will revamp its efforts to reduce poverty and unemployment. Rather, macroeconomic stability weakened, amidst declining oil production, costly petrol subsidy which consumed a large share of gross oil revenues, exchange rate distortions, monetization of the fiscal deficit, and high inflation.

Nigeria's Gross Domestic Product (GDP) rose by 3.52% year-on-year in real terms in the fourth quarter of 2022, an improvement compared to 2.25% recorded in the previous quarter but a decline when compared to 3.98% recorded in the corresponding period of 2021. Meanwhile, on an annual basis, the real GDP growth slowed to 3.1% in 2022 from 3.4% recorded in the previous year.

According to the National Bureau of Statistics (NBS), the GDP growth in Q4 2022 was driven mainly by the services sector, which recorded a growth of 5.69% and contributed 56.27% to the aggregate GDP.

The inflation rate hit an all-time high at 21.47% in November, an indication of further decline in the purchasing power of average Nigerians. However, the headline inflation rate eased to 21.34% which showed a decline of 0.13% when compared to November 2022 inflation rate. The inflationary situation was described by analyst as the worst in recent history and the impact on citizens and small and medium-sized enterprises (SMEs) was very devastating. According to the World Bank, five million Nigerians were pushed into poverty in 2022 due to a 35% drop in purchasing power, mostly due to rising inflation.

Nigeria's public debt stock which includes external and domestic debt stood at N46.25 trillion (US$103.11 billion) in Q4 2022 from ₦44.06 trillion (US$ 101.91 billion) in Q3 2022. This shows that public debt (in national currency) grew by 4.96% in Q4 2022. External debt stood at ₦18.70 trillion (US$41.69 billion) in Q4 2022, while domestic debt was ₦27.55 trillion (US$61.41billion). However, the share of external debt to total public debt stood at 40.44% in Q4 2022, while domestic debt was recorded at 59.56%.

The Monetary Policy Committee (MPC) revised the MPR and CRR four (4) times and once respectively in the period under review. The MPR was raised from 15.5% in September to 16.5% at the last meeting in November 2022. The Monetary Policy Committee however retained the Cash Reserve Ratio (CRR) at 32.5% after increasing it from 27.5% in the September MPC meeting.

Following steep depreciation in the naira, currency speculators have had a field day. The naira plunged by 4% in the official market during the year and by almost 20% in the parallel market. Naira depreciated in the foreign exchange markets (official and black) due to persistent forex scarcity in the domestic economy, According to FMDQ statistics, the naira closed the year at ₦461.50 per dollar at the official window on the last business day of 2022.

The announcement and eventual introduction of new redesigned 200, 500, and 1,000 naira notes was a major incident that shaped the macroeconomic environment in the fourth quarter of the year 2022. The CBN approach was help to combat fraud, inflation, and insecurity.

According to NBS, Nigeria recorded an average daily oil production of 1.34 million barrels per day (mbpd) in the fourth quarter of 2022, which was 0.16 mbpd lower than the daily average production of 1.50 mbpd recorded in the same quarter of 2021 but higher than the production volume of 1.20 mbpd recorded in the third quarter of 2022.

The Bullish momentum dominated the stock market in the first half (H1) of 2022, as the Nigerian Exchange Limited (NGX) All Share Index (ASI) gained 21.3 percent, extending the pattern from the previous year.

Overall, Year 2022 presented a complex and challenging economic landscape for Nigeria.

FINANCIAL SCORECARD

A review of the Bank's result shows improved performance across all financial metrics, reaffirming the bank's position as one of the best managed Microfinance Bank in Nigeria.

The Bank closed the year with Total Assets of ₦34.4Billion up by 7.84% from ₦31.9 reported in year 2021 driven by 35% growth in Loans and Advances to Customers and 34.6.% growth in Property, Plant and equiptments (PPE). The Bank also delivered a 84.2% increase in Shareholders' funds to ₦10.5Billion from ₦5.7Billion in 2021.

Gross Earnings for the year grew by 23.9% from ₦5Billion in the previous year to ₦7.1Billion in the year under review with a Profit Before Tax growth of 28.5% from ₦1Billion to ₦1.3Billion. The Bank however closed the year with a Profit After Tax of ₦882Million up by 24.75% from ₦707Million reported in year 2022.

Recall that the shareholders at the Annual General Meeting held on 26th May 2022 authorized the Board to allot 599,295,456 units of the Bank's shares to shareholders in proportion of one (1) new share for every Nine (9) existing shares held. I am pleased to inform you that this resolution has been approved by the Securities and Exchange Commission and the Bonus shares were allotted to shareholders accordingly.

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.

PROPOSED DIVIDEND

In view of the full year financial results laid before the Shareholders, the Board of Directors is proposing a dividend of 10k per share as dividend pay-out for year 2022 financial year. The proposal represents a pay-out ratio of 63.4% on the Profit After Tax of ₦882Million.

The dividend if approved by Shareholders will be paid on 22nd June 2023 to shareholders whose names appear in the Register of Members as at the close of business on 8th May 2023.

BOARD CHANGES

During the year under review, Mr. Jibrin Garba Gane resigned from the Board following his redeployment from the Police Multipurpose Cooperative Society Limited. Mr. Said Umar Garba Fagge was appointed in his stead to represent the interest of the Police Multipurpose Cooperative Society Limited.

The appointment of Mr. Said Umar Garba Fagge will be presented to Shareholders at this Annual General Meeting, for ratification. His profile is contained in this report.

We thank Mr. Gane for his immense contributions to the growth of the Bank and wish him well in all his future endeavours. We also offer our warm welcome to Mr. Fagge and look forward to his active participation on the Board.

STRATEGIC PLAN

In line with the Board's responsibility to define the Bank's strategic goals and monitor implementation by Management, the Bank has achieved 86% of the strategic initiatives for year 2022-2024.

In the year under review, additional twelve (12) branches were opened to bring the total number of branches to forty-nine (49) spread across various states of the federation. The Bank also leveraged on her existing digital infrastructure while ensuring financial inclusion and uninterrupted services in the wake of shortage of cash in circulation resulting from the currency redesign initiative by the Central Bank of Nigeria.

The continuous advancement and innovations in Technology and the need to maintain an overall cyber risk appetite, the bank intensified its investment in securing her IT and cyberspace which earned her a certification in ISO 27001 with a score of 2.75 as against the score of 1 common with other Banks in the financial industry.

In pursuit of our strategic objective to convert to a Deposit Money Bank, the Board is committed to strengthening the Bank's capital to meet the minimum requirement of ₦25Billion. To this end, we will be seeking your approval to increase the Bank's share capital and amend the Memorandum of Association accordingly.

In furtherance to our strategic focus to improve funding, the Bank in partnership with United Capital has commenced the process of raising ₦10Billion through Commercial Paper. It is expected that approval of the relevant regulatory authorities will be obtained on or before mid-year 2023 subsequent to which the funds will be raised in tranches.

FUTURE OUTLOOK

According to the Africa Development Bank Group (AFDB), growth will be slow averaging 3.23% from 2022 to 2023 due to the continued low oil production and rising insecurity. The conflict between Russia and Ukraine, rising cost of food, gas and diesel costs and continuous supply disruptions are all anticipated to play a part in keeping inflation high in 2023 at 16.9%.

The continuous adoption of economic reforms and policies designed to enhance the business climate and draw in foreign investment will be a trend for the economy in 2023. One of such reforms is the "Business Facilitation Act 2023" which aims to enhance the ease of doing business in Nigeria.

In 2023, the outlook is for fixed income yields to increase, although at a gradual pace. The reason is due to the offsetting effects of the expected higher FGN borrowings as a result of higher budget deficit, and the expected high system liquidity from coupon payments and bond maturity, especially in the first half of the year.

Inspite of the non-oil sector's potential for growth and the adoption of economic reforms and policies, the major challenges; lack of infrastructure, insecurity, political stability and inadequate power supply are still a major hindrance to economic growth. With the general elections now concluded and the transition to a new government, we remain positive and resolute in the execution of the Bank's strategic plan and improved performance in the coming year.

The Bank will be focusing on applying technology to improve its profitability, customer base and market share in year 2023. In order to achieve this, an Information Technology Strategy has been developed and approved for implementation (2022-2025). The strategy is to embark on digital transformation, create a stable and efficient platform in view of the cashless policy and our strategic plan to transform to a Deposit Money Bank.

APPRECIATION

On behalf of the Board and our Shareholders, I will like to acknowledge with appreciation the contributions of the Management and Staff towards the achievement of the outstanding performance in year 2022.

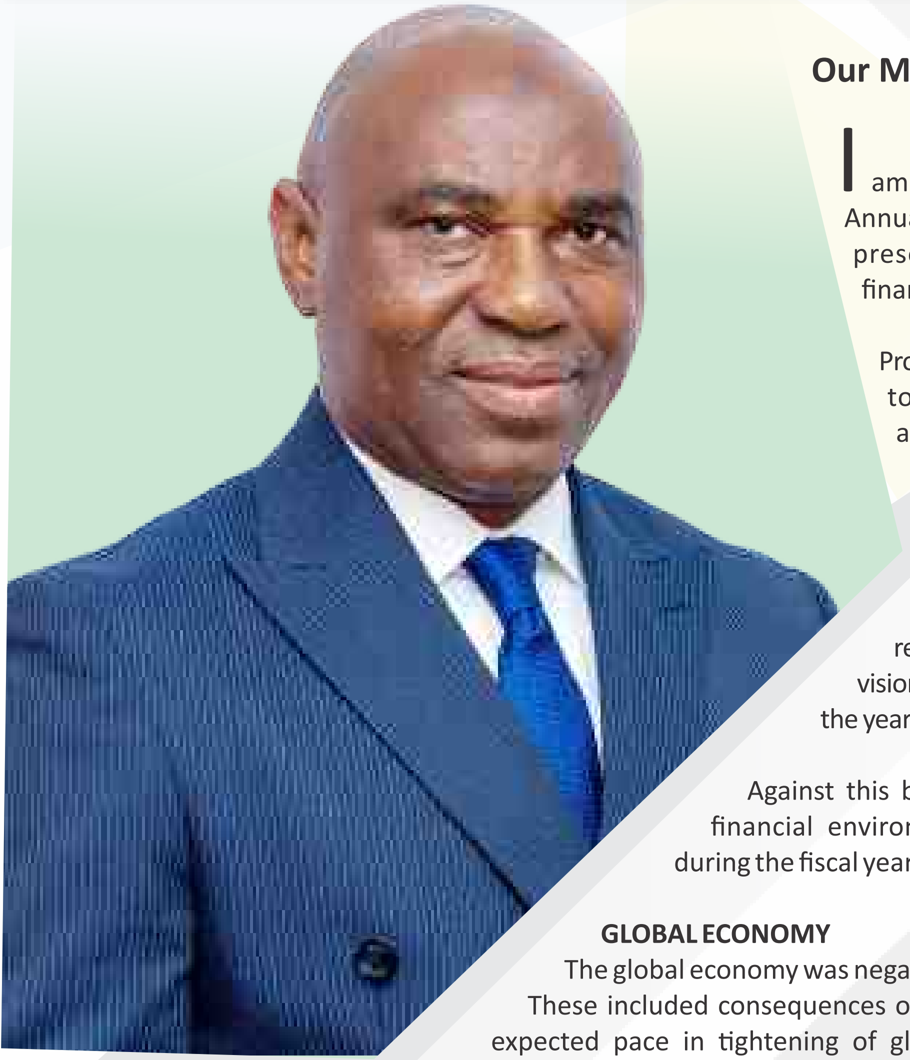
I would also like to thank my colleagues on the Board for their devotion and invaluable contribution to the progress of the Bank. I want to particularly appreciate our esteemed Shareholders for your unwavering trust and continued support of our vision.

I will like to use this opportunity to reiterate the Commitment of the Board, Management and Staff to improve the significant achievement recorded in year 2022 inspite of the current economic challenges. As we face the challenges of the times ahead I am convinced that our mission to "create value and wealth for our stakeholders through the sustainable provision of microfinance products and services" will provide the surest route to achieving your aspirations for the Bank.

Thank you.

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

Managing Director's Statement



Our Most Treasured Shareholders,

I am delighted to welcome you all to the 29th Annual General Meeting of our Bank and to present to you the Annual Report for the financial year ended December 31st, 2022.

Providence has favored us once again to come together and celebrate another year of accelerated business growth, improved operating results, a bountiful harvest of juicy dividends and a sustained leadership position of our bank as the frontrunner in the microfinance sub sector of the Nigerian economy. We remained most committed to the ideals in the vision and mission statements of the bank during the year.

Against this backdrop, I will review the economic and financial environment within which our Bank operated during the fiscal year 2022.

GLOBAL ECONOMY

The global economy was negatively impacted by a combination of factors. These included consequences of the Russian - Ukraine war, a faster-than-expected pace in tightening of global financial conditions, rising inflation, containment of new COVID 19 variants and increasing debt burden of nations (including Nigeria) among many others. In Sub Saharan Africa (SSA) one of the most challenging macroeconomic factors is rapidly rising inflation, reducing household purchasing power and disrupting industry. Currency weakness in many SSA markets, such as Ghana, Nigeria, South Africa and Kenya increased import costs, adding to already rising price pressures. Currency weakness has also created fiscal challenges leading to the rise in the burden of foreign debt repayments.

The biting impacts of the war were serious constraints in food supplies (wheat and grains), energy market dynamics (gas in Russia). The supply chains of goods from China (a leading producer of commodities and other items) was also slowed down considerably due to their responses to the COVID issues and challenges in their territory. Rising living costs also shook the UK during the year, while Africa and the developing economies took most severe bashings in the area of extreme poverty indices during the year.

Gradual succor came on for business organizations via the deliberate policies of governments and Central banks to cushion the effects of COVID 19 and set businesses on booming tracks, once again. The biting impacts of the war were serious constraints in food supplies (wheat and grains), energy market dynamics (gas in Russia). The supply chains of goods from China, a leading producer of commodities and other items was also slowed down considerably due to their responses to the COVID issues and challenges in their territory. Rising Living costs also shook the UK during the year, while Africa and the developing economies took most severe bashings in the area of extreme poverty indices during the year.

NIGERIAN ECONOMY

Despite the challenging environment, our bank was able to keep its sail working against the storms with the optimal utilization of its human capital, material resources and technological infrastructure.

According to the National Bureau of Statistics (NBS), Gross Domestic Product (GDP) grew by 3.10 % in 2022, lower than the 3.40 % recorded in 2021. Specifically, GDP grew by 3.11 per cent in Q1 2022, 3.54 % in Q2 2022, 2.25 % in Q3 2022, and 3.52 in Q4 2022.

Available statistics from the NBS show that the non-oil sector, comprising Telecommunication, Trade, and Agriculture, which grew by 4.84 %, was the major driver of the positive growth recorded in 2022. In real terms, the non-oil sector contributed 94.33 % to the nation's GDP in 2022, higher than the 92.76% reported in 2021. The oil sector, on the other hand, contracted by 19.22%, indicating a decrease of 10.92 % points relative to the 8.30 % recorded in 2021. The performance of the sector was affected by the lingering impact of muted domestic oil production, which stood at an average daily output of 1.34 million barrels per day (mbpd), lower than the average daily production of 1.50 mbpd recorded in 2021. The sector contributed 5.67 per cent to the total real GDP in 2022, down from the 7.24 % recorded in 2021. Aggregate GDP stood at ₦199,336,043.78 in nominal terms in 2022, higher than the ₦173,527,662.34 recorded in 2021. In 2022, the Consumer Price Index (CPI), which measures inflation, showed an upward trend. This was caused by disruptions in the supply of food products, increased import costs due to persistent currency depreciation, ongoing conflicts in Eastern Europe, and a general increase in production costs due to high energy prices

Foreign exchange rates hovered an averaged ₦735 in the parallel market and ₦461.1/$1 at the Investors' and Exporters' (I&E) Window, while banks continued to sell foreign currencies to retail customers following the ban of Bureau De Change (BDC) Operators by the Central Bank of Nigeria (CBN). To manage demand pressure and maintain exchange rate stability, the CBN continued to implement its managed-floating exchange rate regime with regular interventions in the foreign exchange market and the Monetary Policy Rate (MPR) average of 16.5% Per Annum which shrunk our income margins significantly in the face of inflation. Other responses by the Central Bank of Nigeria included Liquidity Ratio of 30% and the raise of Cash Reserve Requirement (CRR) from 27.5% to 32.5%. Unfortunately, the gains from rising oil prices in the international market were consumed by the downside impacts spillover effects on real disposable income leading to low propensity to save and a consequent effect on our deposit liabilities.

The pervading situation of insecurity in the country heightened by the activities of Boko Haram, header/farmer clashes, kidnappers and non-state actors significantly curtailed business activities. The train attack on the Abuja – Kaduna rail line was a most unfortunate record of the situation.

In all these, the bank's shares remained attractive and substantially traded on the floor of the NGX all through the periods of the year. The bank also met up with its conducts in all areas of sound response to corporate governance responsibilities.

OPERATING RESULTS

The bank successfully waded through the tides and was able to achieve an impressive operating result at the close of the books for the year under review.

Gross Earnings improved by 23.97% with the ₦7.15Billion recorded in the year when compared with ₦5.77Billion earned in 2021.

Net operating income improved by 24.85% from ₦5.114Billion to ₦6.385Billion in 2022.

Total Operating Expenses increased by 23.94% from ₦4.084Billion to ₦5.061Billion. The increase 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 28.49% from ₦1.031Billion to ₦1.324Billion while the bank posted a Profit After Tax of ₦882Million representing 24.69% increase over last year's ₦707Million. Loans and Advances to customers as at December 2022 grew from ₦17.448Billion in December 2021 to ₦23.498Billion in December 2022 representing a Year-on-Year growth of 34.67%. This gives credence to the continued support of the business of our customers.

In the area of Portfolio at Risk, the bank recorded an impressive PAR of 3.58 %. Deposit Liabilities improved by 15.27% from ₦16.279Billion to ₦18.765Billion attesting to Management dogged marketing effort.
Total Assets grew to ₦34.496Billion in year 2022 from ₦31.967Billion in year 2021 representing a growth rate of 7.91%

The bank's equity stood at ₦10.578Billion at the year end. The bank had been able to grow the Equity by 84.57% above the closing figure of ₦5.731Billion for year 2021. The growth was impacted by cashflow from the hybrid offer of 2021

Basic earnings of 15k for our 50k ordinary share represent a fall of 51.61% over last year's figure of 31k. A dividend of 10k is proposed for year 2022, due to a widened shareholders base from 2.28Billion in year 2021 to 5.99Billion in year 2022 resulting from Recapitalization and Bonus Issue.

CAPITAL MANAGEMENT/RECAPITALIZATION
It is important to note that your bank is adequately capitalized with total equity standing at ₦10.578Billion which is above the ₦5Billion regulatory requirement by the CBN for National MFBs. The bank has successfully completed a Rights Issue & Public Offer for better performance and in preparation to obtaining regulatory approval for a national commercial banking license at a minimum paid-up share capital of N25 Billion by year end-2024.

FINANCIAL REPORTING STANDARD
The bank has continued to align its reporting with the International Financial Reporting Standard (IFRS). 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 her assets in line with her risk management framework.

ENHANCED BUSINESS OPERATIONS
The proceeds of the Hybrid Offer of 2021 were received in the year and utilized for the approved purposes. These covered branch expansion (13 new branches) , IT upgrade (the bank now has the full complements of digital banking capabilities, additional with deployment of ATMs, POS and other touch points), and Working Capital (channeled towards increased Loans and Advances portfolio as well as funding of Settlement Accounts for internet banking transactions). Customers now experience a new wave of comfort, convenience, and reliability from the efficiency in our digital operations. This is most evident in the area of significant increases in our digital income lines.

The bank made inroads into collaborations with other governmental agencies and partnered some Police institutions. We secured beneficiary transfer transactions deals on the National Youth Investment Fund (NYIF), SMEDAN and Police Mortgage Bank.

The bank embarked on a gradual and phased installation of Inverter Technology facilities in a cost saving response to the huge power expense over the years.
The bank was also able to meet up with the ESG obligations and other commitments to environmental sustainability initiatives.

Engagement of IT Specialist underscored the bank's commitment to attaining a status of visible and commanding presence in the critical aspect of internet banking activity.

CREDIT RATING

The operations of the bank historically, present and future projections were assessed in the year under review and the outcome earned your bank lofty investment grades in the last rating by the two foremost rating agencies in Nigeria. While Agusto & Co scored the bank A-, GCR Ratings assessed the bank a triple B (BBB+).

BRANCH EXPANSION/NETWORK

The bank's total number of branches increased to 49 with a spread across Nigeria and they are all inter connected online real time giving our teaming customers the comfort of modern banking services.

MARKETING PERFORMANCE HIGHLIGHT FOR THE YEAR 2022

A total of 757,360 new accounts were opened in year 2022 as against 200,883 new accounts opened in year 2021. This shows a significant growth of 277%. We closed the year with a cumulative total of 1,361,462 numbers of accounts while that of year 2021 was 602,471 depicting a growth of 126%. The introduction of our Electronic Channels contributed to the astronomical growth in the number of new accounts.

Deposit balance for the Year Ended December 31st 2022 stood at ₦18.765 Billion while that of Year ended December 2021 stood at ₦16.279 Billion, this shows a growth of 15.27%.

In the course of the year we developed new customer centric products to further broaden our market share and boost financial inclusion for women.

The New Products Include:

EDUFINACE Product categories

- Back to School Loan
- Edu-Upgrade Loan
- Edu Coach Loan
- Tertiary /Vocational Educational Training Loan (TVET Loan)
- EduSave
- Edu Collect Account
- Betawoman Savings and Loans specifically developed for women at a low interest rate to encourage financial inclusion for women.

Kids' Education Promo (KEA PROMO)

We introduced a raffle draw promo feature to our Kids' Education Promo (KEA) for kids, in order to support the education of our children. We successfully carried out 3 raffle draw exercises supervised by the National Lottery Commission for transparency. Thirty (30) lucky winners emerged and they have all been rewarded with their cash prizes of ₦50,000 and ₦100,000 each according to the various categories of the draw.

Digital Marketing and Social Media Presence

It is a well-known fact that if we are not playing in the digital space, we will run out of business. Hence, we trained our marketing staff on digital marketing. Our social media presence has grown significantly this year on all the platforms with improved visibility, sequel to the digital Marketing team activities. Engagement on our social media grew by 283%, 211% and 301% on our Facebook, Instagram and Twitter platforms respectively.

Advert Sponsorship
We sponsored various Radio programmes and seminars relating to MSMEs and Security activities on Sobi FM Kwara, Police Radio, Crime fighters, NASME Conference, other Radio platforms and seminars.

International Women's Day 2022
We hosted women during the international Women's day 2022 in our three (3) Regions by training them on Financial Literacy. We also included free health screening to ensure our market/business women are in good health.

CYBER SECURITY
As part of the bank's strategic plan in technological innovation while ensuring the adoption of standards security practice in our information security management process in line with regulatory requirements and global best practices, the bank commenced the implementation of ISO 27001. It is my great pleasure to inform you all that our bank NPF Microfinance Bank Plc. has attained the MSECB Management System Certificate signifying that our organization has been assessed and found to be in compliant with the management system requirements in ISO/IEC 27001:2013 and thereby certified by the international body based in Canada.

CORPORATE SOCIAL RESPONSIBILITIES
As part of our commitment to the development of our immediate 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 ₦1,758,000 during the year. This comprises contributions to educational organisations amongst others.

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.

During the year under review, the bank deployed available resources to attract and retain the best talent in the industry, especially at the middle management level in order to close the vacancy gap and enhance staff productivity. In the current year, we employed about 150 staff which included expert positions such as IT Manager, and Help Desk Manager.

STRATEGIC DIRECTION
The Bank's Strategic Plan for the period 2022-2024 with a central theme of "Digital Transformation" has the following strategic priorities:

- Digital Transformation
- Digital Marketing
- Funding Strategy
- Human Capital Development
- Diversification
- Transformation into Deposit Money Bank Commercial Banking.

AWARD
Our bank received the following Awards in year 2022:

- Nigeria Investor Value Awards (NIVA) organized by Business Day and NGX

Best Performing Stock
(Financial Services: Microfinance Banks)

- Award of Honour presented to the Managing Director; Mr Akinwunmi Lawal
  In recognition and appreciation of his immense contribution and continuous support for the development and growth of the South-West Zone of National Association of Microfinance Banks (NAMB) presented by Mrs Adebimpe Esther Ogunleye the Chairman, South-West Zone 2020-2022, National Association of Microfinance Banks

- The Chartered Institute of Bankers of Nigeria
  2022 Branch Merit Award presented to NPF Microfinance Bank as the 1st Runner Up, Most Supportive Microfinance Bank 2022

- Development Bank of Nigeria (DBN) Service Ambassadors Awards
  As the PFI with the Highest Impact on the North East Zone 2021

- Development Bank of Nigeria (DBN) Service Ambassadors Awards
  As the MFB with the Highest Impact in DBN Focus Status 2021

- Nigerian Association of Small and Medium Enterprises (NASME)
  Award of Excellence for Outstanding Banking Service Delivery to MSMES

- Nigerian Association of Small and Medium Enterprises (NASME)
  Certificate of Award to Mr. Akinwunmi Lawal for outstanding Banking Service Delivery to MSMES

OUTLOOK 2023

The hostile global economy suggests low growth indices and a forecast has been made for the slowdown of economic growth in 2023 due to the need to recover, overcome and contain the imbalances and vacuums created by the challenges of 2022. The IMF World Economic Outlook for October, 2022 forecast a slow from 6.0% in 2021 to 3.2% in 2022 and 2.7% in 2023. Global inflation is forecast to rise from 4.7% in 2021 to 8.8% in 2022, but a decline to 6.5% is expected in 2023 and 4.1% in 2024.

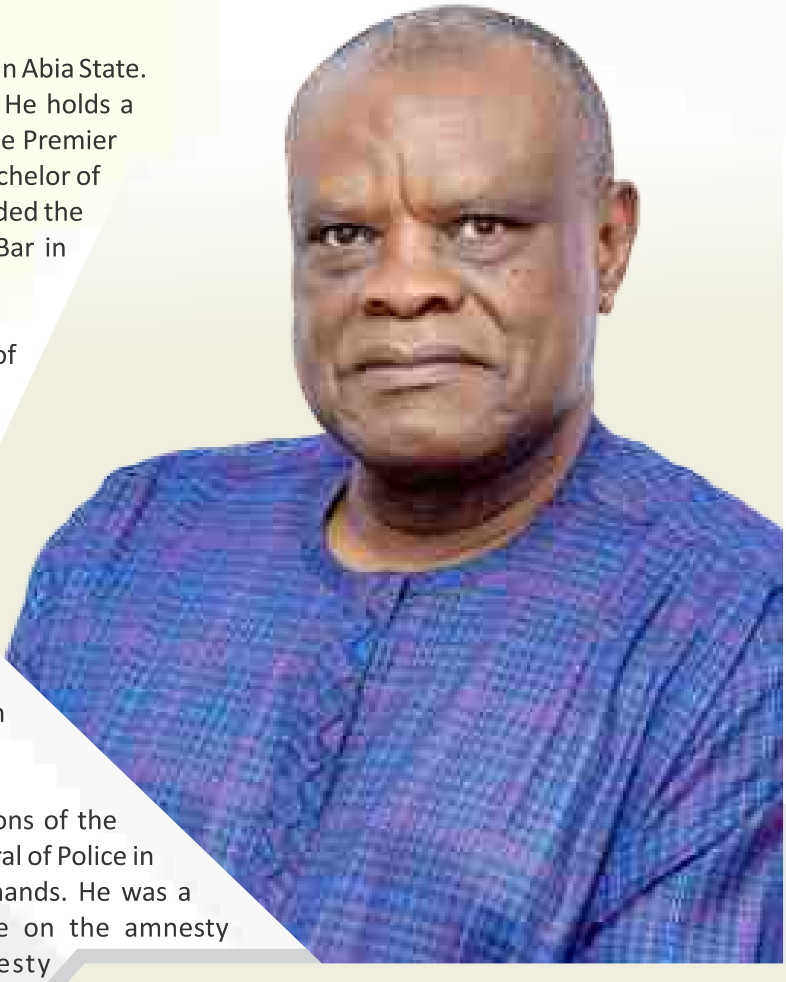
Toward achieving optimum cash levels for lending activities, the bank has reached an advanced stage in the arrangements for a ₦10bilion debt raise via Commercial Papers. The inflow from the CPs will be utilized as credit facilities for our various loan products.

APPRECIATION

Your continued faith and belief in the bank remains our most potent tonic and driving force for greater results in 2023 which will improve all round performance as a continuing business entity.
The Board of Directors, Management and entire staff are most appreciative.
Thank you.

Akin Lawal
Managing Director /CEO.

Board of Directors



MR. AZUBUKO JOEL UDAH
Chairman

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 National Institute, the International Association of Chiefs of Police (IACP) and the National Organisation of Black Law Enforcement Executive (NOBLE).

He had 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 a farmer and the Chairman/ CEO of Idyllic Farms Ltd.

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

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 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. John Kwabe Tizhe
ED, Operations

DIG. Hashimu, Salihu Argungu (Rtd) NPM, psc,mni
Non-Executive Director

DIG. Hashimu, Salihu Argungu (Rtd) was born on 10th July, 1957. He joined the 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.

He is happily married with children and he was appointed a Non-Executive Director of NPF MFB on 28th June, 2018.

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 both 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.

Mr. Abdulrahman Satumari
Independent Non-Executive Director

Mrs. Rakiya Edota Shehu was born on 20th February, 1974. She 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 35 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 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

Board of Directors

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 as a Non-Executive Director representing the interest of the Police Cooperative Multipurpose Society Ltd on the Board.

Mr. Bello Makwashi
Non-Executive Director

Mr. Said Fagge was appointed a Non-Executive Director of NPF Microfinance Bank Plc on 26th January 2023 to represent the interest of the Nigeria Police Multipurpose Cooperative Society Ltd.
Prior to his appointment, Mr. Fagge was the Officer in Charge, Homicide SCID Kebbi State subsequent to which he became the Financial Controller of the Nigeria Police Multipurpose Cooperative Ltd. He Joined the Nigeria Police Force in 2000 and served in various Commands and Divisions across the country.
Mr. Fagge is an alumnus of the Bayero University, Kano from where he obtained B.sc degree (Applied Biology) in 1997. He also holds a Post Graduate Diploma (Crime Management Prevention and Control) and Masters (Crime Management) both from Bayero University Kano in 2016 and 2017 respectively.
Mr. Fagge was born on 23rd December 1971 and he is happily married. He enjoys reading, watching football and engaging in

Mr. Said Garba Fagge
Non-Executive Director

Management Team

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-five (25) 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.

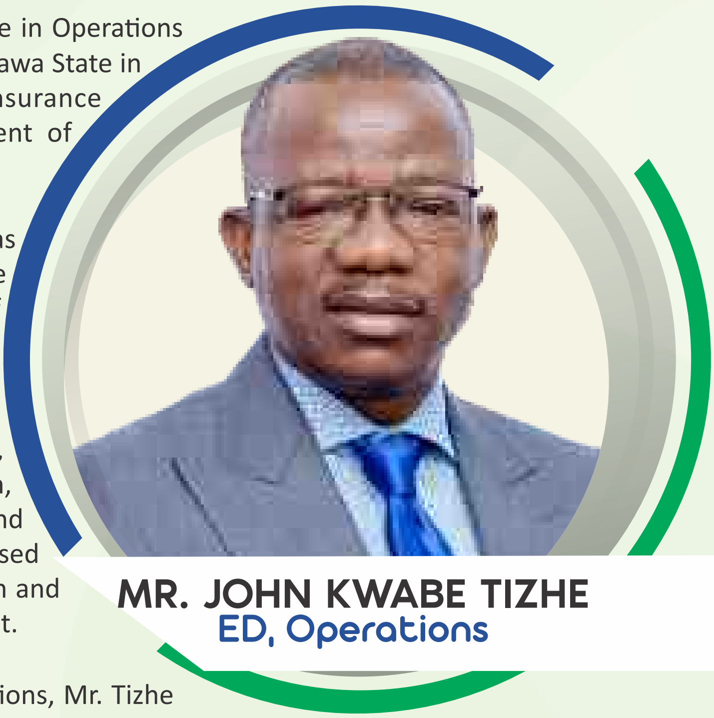
Mr. Lawal has attended various local and international banking management and leadership programmes. He is a team player whose experience makes him well suited to play a leading role in repositioning the Bank as a leading Microfinance Bank in the Banking Industry.

Mr. John 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. JOHN KWABE TIZHE
ED, Operations

Management Team

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 Idemudia holds an 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 27 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 (ICSAN). 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.

MRS. OSARO JOSEPHINE IDEMUDIA
Company Secretary/ Legal Adviser

Management Team

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, Chartered Institute of Stockbrokers, Nigeria Institute of Management (Chartered), Certified Pension Institute of Nigeria (CIPN), Nigeria Institute of Cost Management and he is an Investment Banker and 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. 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.

MR. FIDELIS OMOKHAPUE
Head, Internal Audit

Management Team

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.

MRS. YETUNDE A. BABARINDE
Head Administration

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 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.

MR. OLUSEGUN OSISANYA
Head, Enterprise Risk Management

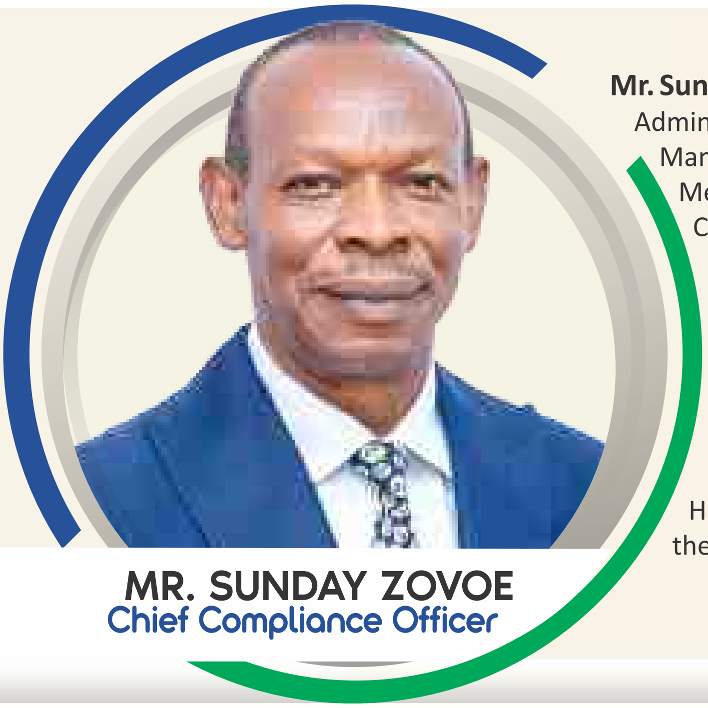
MR. ABIODUN ADELEKAN
Head, Information Technology

Abiodun holds an MBA with a major in IT management from the University of Leicester, UK; a Bachelors' Degree in Electronics & Computer Engineering; a certified IT Auditor (CISA) and Cisco Network Associate. He is also IT infrastructure library certified (ITIL V3), certified practitioner of the Chartered Institute of Bankers (CIBN) and certified project manager from the Haensh Business School Germany.
Abiodun has over 15yrs working experience in the financial services industry and Telecommunications with an IT all-round expertise. His competencies cut across enterprise infrastructure and innovative digital solutions deployment, cloud technology and cybersecurity, project management, IT strategy and IT Audit.

Prior to now, Abiodun led the IT team in AB microfinance Bank from startup till it became national; Head Technology & Channels in Edfin where he engineered a crowdfunding platform; worked in Hyperia Internet backbone as a senior telecom engineer, later moved to Ubametropolitan Life Insurance (now Tangerine) and Credit Afrique as IT manager. Over the years, he has successfully managed the rollout of Core banking and E-banking platforms that brought about financial inclusion through USSD, Mobile Banking, Web, mobile money and card services.

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, Ikeja branch and presently the Head of Marketing Department.
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.



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 he is currently the Chief Compliance Officer of the Bank.

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 in (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).

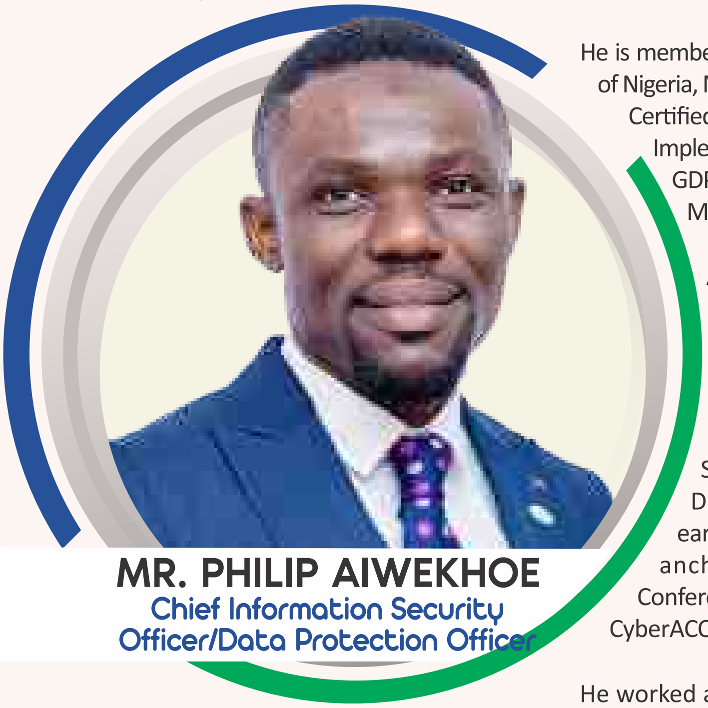
Mr. Ariyo is a certified Microfinance Banker, Cisco Certified Network Associate and Information Technology Infrastructure (ITIL), (2007).

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. DAVID OLUDARE ARIYO
Head, E-Business

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.



MR. PHILIP AIWEKHOE
Chief Information Security Officer/Data Protection Officer

He is member 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.

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 had a 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.

MRS. KATE NKECHI UKAH
Regional Head, East

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.

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 are pleased to present to members their report on the affairs of NPF Microfinance Bank Plc, together with the Bank's audited financial statements and the Auditor's report for the financial year ended 31 December 2022.

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 Stock Exchange 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 49 branches nationwide from which it operates.

2) OPERATING RESULTS

Highlights of the Bank's operating results for the year ended 31 December 2022 are as follows:

In thousands of naira	**31-Dec-2022**	**31-Dec-2021**
Profit before tax	1,324,166	1,030,575
Income tax expense	(441,998)	(323,082)
Profit after tax	882,168	707,493
Total comprehensive income	883,816	704,235
Basic and diluted earnings per share (kobo)	15	31

3) DIVIDENDS

In accordance to S.426 of the Companies and Allied Matters Act (2020), the Board of Directors, subsequent to the reporting date, recommended the payment of a dividend of 10 kobo (31 December 2021: 10 kobo) per share on the issued shares of 5,992,954,557 (31 December 2021: 5,393,659,101) ordinary shares, amounting to ₦599million (31 December 2021: ₦539million). 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 Directors who served during the year under review are listed below:-

NAME	**DESIGNATION**	**DATE OF APPOINTMENT**
Mr. Azubuko Joel Udah (Esq.)	Chairman	23 July 2015
Mr. Adamu Usman*	Non-Executive Director	25 August 2021
Mr. Bello Makwashi**	Non-Executive Director	28 April 2022
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. Uzairu Abdullahi	Non-Executive Director	01 December 2021
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	01 August 2017

**Exited the Board on 17 March 2022*

***Appointed to replace Mr. Adamu Usman following his retirement from the Nigeria Police Force*

Subsequent to the year end, on 26 January 2023, Mr Said Umar Fagge was appointed as a Director in the Bank.

5) DIRECTORS' INTEREST IN SHARES

The interest of Directors who served on the Board in the issued share capital of the Bank as recorded in the Register of members during the financial year under review 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 2022		31 December 2021	
NAME OF DIRECTOR	DIRECT (units)	INDIRECT (units)	DIRECT (units)	INDIRECT (units)
Mr. Azubuko Joel Udah (Esq.)	4,444,444	-	4,000,000	-
Mr. Abdulrahman Satumari	-	-	-	-
Mr. Usman Isa Baba	5,096,178	-	2,162,000	-
Mr. Salihu Argungu Hashimu	528,004	-	-	-
Mrs. Rakiya Edota Shehu	-	-	-	-
Mr. Bello Makwashi *	-	4,035,879,917	-	-
Mr. Jibrin. G. Gane *	2,352,000	"	108,000	1,480,718,606
Mr. Uzairu Abdullahi**	-	936,149,939	-	-
Mr. Akinwunmi M. Lawal	5,637,250	-	5,025,861	-
Mr. John K. Tizhe	1,917,487	-	707,749	-
Mr. Francis C. Nelson	2,663,268	-	1,310,796	-

*Mr. Bello Makwashi and Mr. Jibrin G. Gane represent the interest of the Nigerian Police Cooperative Society Limited, which owns 4,035,879,917 (31 December 2021: 1,480,718,606) ordinary shares of 50k each in the issued share capital of the Bank for the year under review.

**Mr. Uzairu Abdullahi represent the interest of the Ngeria Police Welfare Insurance Cooperative Society Limited which owns 936,149,939 (31 December 2021: 234,305,460 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 2022. The Directors' interest in shares remained the same as at the date the 2022 audited financial statements was approved by the Board of Directors.

6) DIRECTORS' INTEREST IN CONTRACTS

None of the Directors notified the Bank for the purpose of Section 303 of the Companies and Allied Matters Act (CAMA), 2020 of any direct or indirect interest in any contract or proposed contract with the Bank in the year 2022.

7) RETIREMENT OF DIRECTORS

In accordance with S.285 (1) & (2) of the Companies and Allied Matters Act (CAMA), 2020 that one third of Directors shall retire from office at the Annual General Meeting, Mr. Abdulrahman Satumari, Mrs. Rakiya Edota Shehu and Mr. Argungu S. Hashimu retire by rotation and being eligible submit 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

The Board remains adequately resourced and well structured to provide the requisite direction for management and general oversight for the Bank.

The Board of Directors at its meeting held on 26 January 2023 appointed Mr. Said Umar G. Fagge as a Non-Executive Director to fill the vacany created by the redeployment of Mr. Jibrin Garba Gane from the Police Cooperative Multipurpose Society Ltd.

The appointment of Mr. Fagge will be presented for members' approval at the annual general meeting pursuant to Section

274 (2) of the Companies and Allied Matters Act (CAMA) 2020.

9) SUBSTANTIAL INTEREST IN SHARES

According to the Register of Members as at 31 December 2022, the following shareholders of the Bank held more than 5% of the issued ordinary share capital of the Company:

	31 December 2022		31 December 2021	
Shareholding	**No. of Shares**	**Shareholder (%)**	**No. of Shares**	**Shareholder (%)**
Nigeria Police Co-operative Society Limited	4,035,879,917	67.34	1,480,718,606	64.75
NPF Welfare Insurance Scheme	936,149,939	15.62	234,305,460	10.25

In line with the Nigeria Exchange Limited (NGX) rules on the requirement for all listed companies to maintain a minimum free float of 20%, the issued Share capital of the Bank in free float is 16.66% as at 31 December 2022 (31 December 2021: 25%) . The NGX has granted the Bank one (1) year extension to ensure certain units of its shares are released to the public in order to bring the free float to 20%. The Bank is working closely with her major shareholders to ensure compliance before expiration of the extension on 1 December 2023.

10) ANALYSIS OF SHAREHOLDING

The shareholding structure of the Bank is as stated below:

As at 31 December 2022

Range		Holders	%	Units
From	To			
1	5000	4,339	0.12	7,014,417
5001	10000	979	0.12	6,945,673
10001	50000	1,821	0.65	39,130,147
50001	100000	390	0.45	26,943,627
100001	500000	796	3.12	186,942,692
500001	1000000	137	1.53	92,037,565
1000001	50000000	163	9.77	585,446,166
50000001	2286657766	4	25.30	1,515,921,689
2286657767	5992954557	1	58.94	3,532,572,581
		8,630	**100**	**5,992,954,557**

As at 31 December 2021

Range		Holders	%	Units
From	To			
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**

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	-
2022	-	3,000,000	2,996,477	-	0.50	-

12) BONUS ISSUE OF SHARE CAPITAL

Members at the last Annual General Meeting approved that ₦299,647,728 out of the total of ₦4,624,485,722.57 in the Share premium account be capitalised into 599,295,456 new ordinary shares of 50k each for allotment and distribution to shareholders in the proportion of one (1) for every nine (9) shares to existing shareholders. This has now brought the Bank's total issued and fully paid ordinary share capital to 5,992,954,557 after approval by the Securities and Exchange Commission (SEC) and subsequent allotment to shareholders.

13) PROPERTY AND EQUIPMENT

Information relating to changes in the Bank'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 ₦1,758,000 (31 December 2021: ₦2,050,000) during the year. This comprises contributions to educational organisations amongst others as listed below:

Donations made during the year ended 31 December 2022 are as follows:

	₦
Police Academy, Kano	320,000
Microfinance Learning and Development Centre	250,000
Police Training School, Akure	250,000
Chartered Institute of Bankers of Nigeria	250,000
Association of Enterprise Risk Management Professionals	100,000
Association of Professional Bankers of Nigeria	250,000
Police Children Schools (Akure, Challenge, Idimu, Ikeja, Lokoja)	338,000
	1,758,000

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

15) FRAUD AND FORGERIES

Nature of Fraud	No. of Incidence		Fraud Amount (₦)		Actual Loss to the Bank (₦)	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Perpetrated by staff	2	4	2,863,835.00	1,965,548.55	-	-
ATM Electronic Fraud	-	-	-	-	-	-
Total	2	4	2,863,835.00	1,965,548.55	-	-

Perpetrated by staff

The sum of ₦2,863,835.00 (2021: ₦1,965,548.55) has been recovered from the fraud perpetrated by staff. This represents 100% (2021: 100%) 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 2022 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 recognises that its Employees are the most valuable assets in the organisation thus, the recruitment strategy is to ensure that qualified and competent candidates are engaged and retained to promote the Bank's corporate goals.

The Bank maintains a fair policy in considering job applications from physically challenged persons, having regard to their abilities. 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 continuous 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. 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

NPF Microfinance Bank Plc is committed to priortising the safety, health and well being of her Employees. Inspite of maintaining different business premises across the country, the premises are 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. 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.

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) DIVERSITY AND INCLUSION

At NPF Microfinance Bank Plc, we understand that for us to thrive and achieve our vision to be the clear leader in the provision of Microfinance services, we must build a diverse and inclusive workforce that reflects the totality of our customer base. The Bank operates a non-discriminatory policy in the consideration of applications for employment. The Bank seeks to achieve an appropriate mixture of female representation at the top management level. Though this is yet to be achieved on the Board as indicated below, we are currently working to ensure more female representation of the Board.

The number and percentage of men and women employed in the Bank and the Board's composition during the year ended 31 December 2022 were as follows:

	Number			Percentage	
	Male	Female	Total	Male	Female
Employees (2022)	313	244	557	56%	44%
Employees (2021)	238	192	430	55%	45%
Top Management (2022)	23	16	39	59%	41%
Top Management (2021)	22	15	37	59%	41%
Board					
Executive Directors (2022)	3	-	3	100%	0%
Executive Directors (2021)	3	-	3	100%	0%
Non -Executive Directors (2022)	7	1	8	88%	12%
Non -Executive Directors (2021)	7	1	8	88%	12%

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

	31 December 2022			31 December 2021		
GRADE LEVEL	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Manager (M)	4	10	14	6	9	15
Senior Manager (SM)	10	4	14	10	4	14
Assistant General Manager (AGM)	4	-	4	1	-	1
Deputy General Manager (DGM)	3	-	3	3	-	3
General Manager (GM)	2	2	4	2	2	4
TOTAL	**23**	**16**	**39**	**22**	**15**	**37**

ii) Analysis of Directors by gender:

	31 December 2022			31 December 2021		
	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) INDEPENDENT AUDITOR

The Bank's auditor, Messrs. KPMG Professional Services have completed the ten years required for mandatory audit rotation. In accordance with section 5.2.13 of Central Bank of Nigeria (CBN) Code of Corporate Governance for Microfinance Banks in Nigeria and Section 20.2 of the Nigeria Code of Corporate Governance 2018, KPMG Professional Services will not be eligible for reappointment as the Bank's auditor in the next annual general meeting of the Bank.

BY ORDER OF THE BOARD

Mrs. Osaro J. Idemudia
Company Secretary/Legal Adviser
FRC/2013/NBA/00000002319
22 March 2023

INTRODUCTION

NPF Microfinance Bank Plc ("the Bank") is committed to the highest standards of corporate governance and proactively institutionalise sound corporate governance practices across its operations. 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 floor of the Nigerian Exchange Ltd (NGX), we remain dedicated to our duties and pledge to safeguard and increase investors value through transparent corporate governance practices.

The Bank ensures compliance with relevant provisions of the Central Bank of Nigeria (CBN) Code of Corporate Governance for Microfinance Banks, Nigerian Exchange Ltd (NGX), The Securities and Exchange Commission (SEC) and the National Code of Corporate Governance for Public Companies which became effective in January 2019.

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 conjunction 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; comprising of three (3) Executive Directors and eight (8) Non-Executive Directors. Two (2) of the Non-Executive Directors are Independent Directors as defined under the various codes of corporate governance and the CAMA.

THE ROLE OF THE BOARD

The primary role of the Board is to provide strategic direction for the Bank to deliver long term values to shareholders. The 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 continuos 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. The Board also ensures that robust systems of internal controls are maintained and that management maintains an effective risk management and oversight process across the Bank so that growth is delivered in a controlled and sustainable way.

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.

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 it operates and the results it achieves at the end of each financial year. It includes:

Remuneration class	Description	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	Non-Executive Directors only	Paid at every sitting at board and board committee meetings

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 and engagements on behalf of the Bank.

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 six (6) times in the year under review. Attendance at the Board meetings during the year were as follows:

No	Members	Designation	25-Jan	15-Mar	28-Apr	25-May	29-Jul	20-Oct
1	Mr. Azubuko Joel Udah (Esq.)	Chairman	P	P	P	P	P	P
2	Mr. Salihu Argunu Hashimu	Non-Executive Director	P	P	P	P	P	P
3	Mr. Abdulrahman Satumari	Non-Executive Director (Indep)	P	P	P	P	P	P
4	Mr. Usman Isa Baba	Non-Executive Director	P	P	P	P	P	P
5	Mrs. Rakiya Edota Shehu	Non-Executive Director (Indep)	P	P	P	P	P	P
6	Mr. Adamu Usman *	Non-Executive Director	P	P	N/A	N/A	N/A	N/A
7	Mr. Bello Makwashi**	Non-Excutive Director	N/A	N/A	N/A	A	A	P
8	Mr. Jibrin G. Gane	Non-Executive Director	P	P	P	P	P	P
9	Mr. Uzairu Abdullahi	Non-Executive Director	P	P	P	A	P	P
10	Mr. Akinwunmi M. Lawal	Managing Director	P	P	P	P	P	P
11	Mr. John K. Tizhe	Executive Director	P	P	P	P	P	P
12	Mr. Francis C. Nelson	Executive Director	P	P	P	P	P	P

P= Present
A=Absent
N/A= Ceased to be a member/Not a member
Exited the Board on 17 March 2022
*****Appointed 28 April 2022***

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 exercise. 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 Financial Institutions Training Centre (FITC) to carry out Board evaluation for the financial year ended 31 December 2022.

Their report has been forwarded to the Central Bank of Nigeria (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 Bank 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
	Society for Corporate Governance	Finance for Non-Finance Directors	Virtual
	Hawkamah Institute for Corporate Governance	The Role of the Remuneration Committee	Virtual
	Rightbrain Consult Ltd	Credit Training for Directors	Virtual
	Institute of Directors	Advanced Company Direction Programme	United Kingdom
	Financial Institutions Training (FITC)	AML/CFT Compliance Training for Directors of Microfinance Banks	Virtual
	Financial Institutions Training Centre	Enhancing Board's Oversight of Cybersecurity and Digital Risk Management for a Competitive Advantage	Dubai
	Institute of Directors, Nigeria	Masterclass for Independent Directors	Virtual
	Microfinance Learning & Development Centre	Microfinance Executive Leadership Development Programme	Zanzibar
	Deloitte & Touche	Financial Reporting Considerations Training for Statutory Audit Committee members	Virtual
	Securities and Exchange Commission (SEC)	Workshop on Internal Control over Financial Reporting	Ikeja, Lagos

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

The Committee meets at least once in each quarter. However, additional meetings are convened as required. The Committee met seven (7) times in 2022 financial year. Membership of the Committee and attendance at its meetings during the year were as follows:

No.	Members	Designation	24-Jan	25-Feb	10-Mar	19-Apr	8-Aug	11-Oct	15-Oct
1	Mr. Usman Isa Baba	Chairman	P	P	P	P	P	P	P
2	Mr. Salihu Argungu Hashimu	Member	P	P	P	P	P	P	P
3	Mr.Adamu Usman*	Member	P	P	P	N/A	N/A	N/A	N/A
4	Mr. Abdulrahman Satumari	Member	P	P	P	P	P	P	P
5	Mr. Bello Makwashi	Member	N/A	N/A	N/A	N/A	A	P	P
6	Mr. Akinwunmi Lawal	Member	P	P	A	P	P	P	P
7	Mr. Francis C. Nelson	Member	P	P	P	P	P	P	P
8	Mr. John K. Tizhe	Member	P	P	P	P	P	P	P

* Exited the Board on 17 March 2022

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 2022 financial year. Membership of the Committee and attendance at its meetings during the year were as follows:-

No.	Members	Designation	19-Jan	21-Apr	9-Aug	13-Oct
1	Mr. Bello Makwashi	Chairman	N/A	N/A	P	P
2	Mr. Adamu Usman	Member	P	N/A	N/A	N/A
3	Mr. Abdulrahman Satumari	Member	P	N/A	N/A	N/A
4	Mr. Usman Isa Baba*	Member	P	P	P	P
5	Mrs. Rakiya Edota Shehu	Member	P	P	P	P
6	Mr. Uzairu Abdullahi	Member	N/A	P	P	P
7	Mr. Akinwunmi Lawal	Member	P	P	P	P
8	Mr. John Tizhe	Member	P	P	P	P

* Exited the Board on 17 March 2022

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 eight (8) times during the 2022 financial year . Members of the Committee and attendance at its meetings during the year were as follows:-

No.	Members	Designation	20-Jan	7-Mar	9-Mar	14-Mar	20-Apr	27-Apr	10-Aug	17-Oct
1	Mr. Abdulrahman Satumari	Chairman	P	P	P	P	P	P	P	P
2	Mr. Salihu Argungu Hashimu	Member	P	P	P	P	P	P	P	P
3	Mr . Jibrin G. Gane	Member	P	P	P	P	P	P	P	P
4	Mr. Uzairu Abdullahi	Member	N/A	A	P	P	P	P	P	P

Board Governance, Nomination and Remuneration Committee

The responsibilities of the Committee 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;
- Approve compensation policy and review compensation for all officers of the Bank (including Executive and Non - Executive Directors); 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 2022 financial year. Membership of the Committee and attendance at its meetings during the year were as follows:

No.	Members	Designation	6-Jul	14-Oct	21-Oct
1	Mrs. Rakiya Edota	Chairman	P	P	P
2	Mr. Abdulrahman	Member	P	P	P
3	Mr. Jibrin G. Gane	Member	P	P	P
4	Mr. Usman Isa Baba	Member	P	P	P
5	Mr. Uzairu Abdullahi	Member	P	P	A

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 compliance with the Bank's internal control systems and credit approval procedures.
- To maintain 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 o 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. Membership of the Committee and attendance at its meetings during the year were as follows:

No.	Members	Designation	18-Jan	25-Apr	12-Aug	12-Oct
1	Mrs. Rakiya Edota Shehu	Chairman	P	P	P	P
2	Mr. Salihu Argungu Hashimu	Member	P	P	P	P
3	Mr. Jibrin Gane	Member	P	P	P	P
4	Mr. Adamu Usman	Member	P	N/A	N/A	N/A
5	Mr. Bello Makwashi	Member	N/A	N/A	A	P
6	Mr. John K. Tizhe	Member	P	P	P	P

Statutory Audit Committee

In compliance with Section 404(2) of the Companies and Allied Matters Act (CAMA), 2020, an audit committee comprising three (3) 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 six (6) times in 2022 financial year. Membership of the Committee and attendance at its meetings during the year were as follows.

No.	Members	Designation	21-Jan	11-Mar	26-Apr	15-Jul	25-Jul	18-Oct
1	Mr. Timothy Adesiyan	Chairman	P	P	P	P	P	P
2	Alhaji Abdulquadri Sanni	Member	P	P	P	P	P	P
3	Mrs. Esther Osijo	Member	P	P	P	P	P	P
4	Mr. Abdulrahman Satumari	Member	P	P	P	P	P	P
5	Mr. Bello Makwashi *	Member	N/A	N/A	N/A	A	A	A

* *Appointed a member of the Committee on 26 May 2022*

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

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.

The 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 Nigeria Exchange 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 Nigeria Exchange 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' MEETINGS

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 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@npfmicrofinancebankplc.ng
Toll Free Line: 08008008008

BY ORDER OF THE BOARD

Mrs. Osaro J. Idemudia
Company Secretary/Legal Adviser
FRC/2013/NBA/00000002319'
22 March 2023

ANTI- MONEY LAUNDERING (AML) / COMBATING THE FINANCING OF TERRORISM (CFT) / COMBATING THE PROLIFERATION OF WEAPONS FOR MASS DESTRUCTION (CPF)

The members of the Board, Management and entire staff of NPF Microfinance Bank maintain zero tolerance for compliance and regulatory infraction. To this end, the focus of the compliance function as entrenched by the Board is to instil a compliance culture within the bank by ensuring that compliance is integrated in the bank's business practices and process. The compliance department ensures adherence to the requirements of the law, regulation, industry organisational codes, principles of good governance and ethical standards in the conduct of the bank's business.

The bank adopts the Risk Based approach of combating Money Laundering, Terrorist Financing and Proliferation Financing of weapons of mass destruction.

Moreover, it employs the framework issued by the regulatory bodies in Nigeria for Anti-Money Laundering (AML), Combating the Financing of Terrorism (CFT) and Proliferation Financing of weapons of mass destruction. The Board of Directors of the Bank has oversight responsibilities for the AML/CFT/CPF framework which is periodically reviewed and revised to ensure that they remain in line with regulatory requirements and best practices.

1. RISK ASSESSMENT

Our bank identifies and assessed 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 the specific products, services, customers, and geographical locations unique to the bank and their level of proximity to being used as a medium for money laundering and terrorism financing. This is with the objective of checkmating and mitigating the product and services of the bank from being used as a medium for laundering funds or terrorist financing.

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2. KNOW YOUR CUSTOMERS

a) The bank has a documented procedure of identifying its customers; we make use of the regulatory Know Your Customer policy (KYC) to guide our account opening operations. We also apply the Customer Due Diligence approach in opening accounts as this is the starting point of establishing relationship with the customer. Documentations such as National Identity Card, International Passport, Driver's License, Voter's Card and Utility Bills are documentations used as a means of identifying our customers.

b) As stipulated by the Central Bank of Nigeria (CBN), the bank ensures that customers submit their Bank Verification Number (BVN) for easier identification.

c) Our Bank ensure 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.

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

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

3. MONITORING OF TRANSACTIONS

The bank has designated staff who reviews the daily transactions of the bank, they look out for red flags in the system and identify suspicious transactions. The bank adopted both the manual and automated process for its transaction monitoring. Our bank has put in place systems and procedures for monitoring and reporting any suspicious transactions to the relevant statutory and regulatory authorities.

4. STATUTORY AND REGULATORY REPORTING

NPF Microfinance Bank understands that Money Laundering has emerged as a foremost financial crime in the global economy; hence the fight against it has become imperative for the financial global system. The Central Bank of Nigeria (CBN) and the Nigeria Financial Intelligent Unit (NFIU) and other statutory bodies require that reports are rendered. 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 render returns on its annual training plan and its implementation alongside other returns as requested by regulators

5. 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.

6. TRAINING/AWARENESS

The bank ensures its employees; Management and Members of the Board are regularly trained. This is to make sure that the team is familiar with current AML/CFT/ CPF trend and are kept abreast with regulatory requirements, procedures of AML/CFT/CPF, KYC principles, code of conduct and business ethics and to ensure that the bank is not used to launder money or finance terrorism or weapons of mass destruction.

7. TESTING FOR THE ADEQUCY OF THE AML/CFT/CPF OPERATIONS

External examiners and the Internal Audit team of the bank at regular intervals carry out a review of its AML/CFT/CPF functions. This is to review the adequacy of its function, resources, identify its shortfalls, and make necessary recommendations

The Directors accept responsibility for the preparation of the annual financial statements that give a true and fair view in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and in a 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
22 March 2023

Mr. Azubuko Joel Udah (Esq.)
Chairman
FRC/2016/NBA/00000013775
22 March 2023

Statement Of Corporate Responsibility for the financial statements For The Year Ended 31 December 2022

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 2022 as follows:

a) That we have reviewed the audited financial statements of the Bank for the year ended 31 December 2022.

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 2022.

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 2022.

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
FRC/2014/CIBN/00000006345
22 March 2023

F.C. Nelson, FCA
FRC/2014/ICAN/00000006856
22 March 2023

RC No: 62957

11 April 2023

REPORT OF THE EXTERNAL CONSULTANTS ON THE PERFORMANCE OF THE BOARD OF DIRECTORS OF NPF MICROFINANCE BANK PLC. FOR THE YEAR ENDED 31 DECEMBER 2022.

FITC was engaged by NPF Microfinance Bank Plc, (“NPF Microfinance Bank” or (“the Bank”) to undertake a Board appraisal and evaluation of Corporate Governance Compliance with respect to the year ended 31 December 2022 as required by **Section 2.8.1 and Section 2.8.2 of the Central Bank of Nigeria (CBN) Corporate Governance Guidelines for Microfinance Banks, Section 15.1 of the Security Exchange Commission Code of Corporate Governance (“SEC”)** and **Principle 14.1** of the **Nigerian Code of Corporate Governance** (“**NCCG**”). The Corporate Governance evaluation involved a review of the Bank’s corporate and statutory documents, the Minutes of Board and Board Committee meetings, policies and other relevant documents. We also administered electronic surveys and conducted interviews with the Directors to ascertain the level of the Board's compliance with the provisions of the SEC, CBN Codes and NCCG Codes, relevant legislation as well as global governance best practices.

In undertaking the evaluation, our review covered the following corporate governance key areas;

1. The Board Structure and Composition
2. Board Operations and Effectiveness
3. Measuring and Monitoring of Performance
4. Risk Management and Compliance
5. Succession Planning and Strategy
6. Stakeholder Relationships
7. Transparency and Disclosure.

Based on the work done during the Corporate Governance evaluation, we confirm that the Bank and the Board of Directors substantially complied with the provisions of the CBN guidelines, SEC, NCCG, and other relevant guidelines and regulations. We also confirm that the Board’s activities are largely compliant with Corporate Governance global best practices.

In our opinion, the Board ensured compliance with the NCCG and other relevant guidelines and regulations and has committed to sustainable governance practices. We highlighted in our full report to the Board, improvement areas requiring the Board’s attention and have the Board’s assurances that this would be addressed.

Yours faithfully,

For: FITC

Mrs Chizor Malize
Managing Director/CEO
FRC/2020/002/00000021265

FITC 164/166 Murtala Muhammed Way, Ebute Metta, PMB 1115 Yaba, Lagos, Nigeria
Tel+234 816 620 6182 | +234 805 020 0041 | info@fitc-ng.com | Website www.fitcng.com

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 2022 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 2022 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 2022 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 ₦157,119,000 was outstanding as at 31 December 2022 (31 December 2021: ₦41,924,000) of which none was non-performing (31 December 2021: 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 2022 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
21 March 2023

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

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

KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
PMB 40014, Falomo
Lagos

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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 2022;
- 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 2022, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) 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.

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.

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 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 our 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 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 an assessment of the statistical significance and reasonability of the variables which have been used in estimating the LGDs;

- 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–balanceand 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 disclosuresin the financial statements appr opriately reflect the Bank's exposure to credit risk in line with the requirements of the relevant accounting standards.

Refer to Notes 4(h)(vii), 5(b) and 6(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 of the statutory audit committee, and Other national disclosures, which we obtained prior to the date of this auditors' 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 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 identified above 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 on the other information that we have obtained prior to the date of this auditors' report, 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.

When we read the Outstanding reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors.

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 IFRS Standards 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, 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 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 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 SEC regulation of registration of bonus share and CAC regulation on filling of Schedule 14 during the year ended 31 December 2022. 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 Eluma, FCA
FRC/2013/ICAN/00000000785
For: KPMG Professional Services
Chartered Accountants
17 April 2023
Lagos, Nigeria

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

Statement Of Financial Position As At 31 December 2022

In thousands of naira	Note	31-Dec-2022	31-Dec-2021
ASSETS			
Cash and cash equivalents	15	6,499,404	6,610,039
Pledged assets	16	1,480,126	842,096
Loans and advances to customers	17	23,498,147	17,447,816
Investment securities	18	1,228,981	1,004,954
Other assets	19	413,758	5,010,232
Property and equipment	20	1,356,632	1,007,541
Intangible asset	21	18,617	44,667
TOTAL ASSETS		**34,495,665**	**31,967,345**
LIABILITIES			
Deposits from customers	22	18,765,262	16,278,901
Borrowings	23	2,413,159	2,708,090
Current tax liabilities	14(b)	401,054	332,353
Deferred tax liabilities	14(c)	124,730	71,370
Other liabilities	24	2,213,595	6,845,666
TOTAL LIABILITIES		**23,917,800**	**26,236,380**
CAPITAL AND RESERVES			
Share capital	25	2,996,477	1,143,328
Share premium	26(a)	4,166,786	1,517,485
Retained earnings	26(b)	1,207,473	1,140,649
Fair value reserve	26(c)	(5,349)	(6,997)
Statutory reserve	26(d)	1,733,915	1,513,373
Regulatory risk reserve	26(e)	478,563	423,127
TOTAL EQUITY		10,577,865	5,730,965
TOTAL LIABILITIES AND EQUITY		**34,495,665**	**31,967,345**

The financial statements were approved by the Board of Directors on 22 March 2023 and signed on its 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 31 December 2022

In thousands of naira	Note	31-Dec-2022	31-Dec-2021
Gross earnings		7,153,510	5,770,055
Interest income calculated using the effective interest method	7	6,319,818	5,172,683
Interest expense	8	(768,024)	(655,703)
Net interest income		5,551,794	4,516,980
Fee and commission income	9	747,088	546,941
Revenue		6,298,882	5,063,921
Other income	10	86,604	50,431
Net impairment loss on financial instruments	11	(143,257)	(34,971)
Personnel expenses	12	(2,566,131)	(2,175,214)
Administration and general expenses	13	(2,059,170)	(1,590,408)
Depreciation of property and equipment	20	(266,712)	(254,358)
Amortisation of intangible assets	21	(26,050)	(28,826)
Profit before tax		1,324,166	1,030,575
Income tax expense	14(a)	(441,998)	(323,082)
Profit for the year		**882,168**	**707,493**
Other comprehensive loss			
Items that will not be reclassified to profit or loss			
Equity investment at fair value through OCI	18(a)	1,648	(3,258)
Other comprehensive loss for the year		**1,648**	**(3,258)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**883,816**	**704,235**
Basic and diluted earnings per share (kobo)	31	15	31

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

	Share Capital	Share Premium	Retained Earnings	Fair Value Reserve	Statutory Reserve	Regulatory Risk Reserve	Total
Balance at 1 January 2022	1,143,328	1,517,485	1,140,649	(6,997)	1,513,373	423,127	5,730,965
Total comprehensive income							
Profit for the year	-	-	882,168	-	-	-	882,168
Other comprehensive loss							
Fair value reserve (FVOCI equity instruments):							
Equity investments at FVOCI - net change in fair value	-	-	-	1,648	-	-	1,648
Total other comprehensive loss	-	-	-	1,648	-	-	1,648
Total comprehensive income	-	-	882,168	1,648	-	-	883,816
Transfer to statutory reserve (see note 26(d))	-	-	(220,542)	-	220,542	-	-
Transfer to regulatory risk reserve (see note 5(c)(ii))	-	-	(55,436)	-	-	55,436	-
Contributions by and distributions to equity holders							
Dividend paid (see note 32)	-	-	(539,366)	-	-	-	(539,366)
Increase in share capital	1,853,149	2,649,301	-	-	-	-	4,502,450
Total contributions and distributions	1,853,149	2,649,301	(539,366)	-	-	-	3,963,084
Balance at 31 December 2022	**2,996,477**	**4,166,786**	**1,207,473**	**(5,349)**	**1,733,915**	**478,563**	**10,577,865**

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 32)	-	-	(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**

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

In thousands of naira	Note	31-Dec-2022	31-Dec-2021
Cash flows from operating activities			
Profit for the year		882,168	707,493
Add: Tax expense	14(a)	441,998	323,082
Profit before tax		1,324,166	1,030,575
Adjustments for:			
Depreciation of property and equipment	20	266,712	254,358
Amortization of intangible assets	21	26,050	28,826
Net impairment loss on loans and advances to customers	11	85,765	20,692
Net impairment loss on pledged assets	11	15,125	44
Net impairment loss on other assets	11	41,554	14,272
Net impairment (gain)/ loss on investment securities	11	169	(123)
Interest income	7	(6,319,818)	(5,172,683)
Interest expense	8	768,024	655,703
Profit on sale of property and equipment	10	(767)	(2,122)
Loss on disposal of treasury bills	10	-	2,093
Gain on derecognition of lease liability	10	-	(3,421)
		(3,793,020)	(3,171,786)
Changes in:			
- pledged assets	33(b)	(647,256)	(271,995)
- loans and advances to customers	33(c)	(5,822,623)	(663,227)
- other assets	33(d)	4,183,321	(4,753,743)
- deposits from customers	33(e)	2,474,283	1,429,183
- other liabilities	33(f)	(4,736,627)	5,393,509
		(8,341,922)	(2,038,058)
Interest received	33(h)	6,127,608	5,202,277
Interest paid	33(i)	(405,950)	(413,313)
Tax paid	14(b)	(319,937)	(247,836)
VAT paid	24	(12,167)	(15,217)
Net cash (used in)/generated from operating activities		**(2,952,368)**	**2,487,852**
Cash flows from investing activities			
Acquisition of property and equipment	33(a)(ii)	(456,680)	(255,999)
Acquisition of intangible assets	21	-	(25,800)
Proceeds from disposal of property and equipment	33(a)(i)	767	2,122
Net cash flows used in investing activities		**(455,913)**	**(279,677)**
Cash flows from financing activities			
Repayment of principal on borrowings	23(b)	(2,022,164)	(6,659,896)
Repayment of interest on borrowings	23(b)	(419,546)	(437,893)
Payment for new leased properties	33(j)	(21,837)	(86,960)
Payment of principal on lease liability	24(c)(i)	(49,261)	(13,661)
Payment of interest on lease liability	24(c)(i)	(2,630)	(6,830)
Additions to borrowings	23(b)	1,850,000	6,386,548
Dividend paid	32	(539,366)	(457,332)
Proceeds from increase in share capital	25	1,853,149	-
Addition to share premium	26(a)	2,649,301	-
Net cash generated from/(used in) financing activities		**3,297,646**	**(1,276,024)**
Net increase in cash and cash equivalents		**(110,635)**	**932,151**
Cash and cash equivalents as at 1 January		6,610,039	5,677,888
Cash and cash equivalents as at 31 December	15	**6,499,404**	**6,610,039**

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

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 forty-nine (49) 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, Gwagwalada, Egbeda, Ajah, Gombe, Umuahia, Yenagoa, Abakaliki, Birnin-Kebbi, Katsina, Jalingo, Dutse, Gusau, Damaturu.

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 22 March 2023.

(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;
- 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.

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)

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 and the Finance Act, 2021.

(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.

(I) 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.

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 32.*

(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 2023 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.

Standards not yet effective	Summary of the requirements and impact assessment	Effective date
IFRS 17 including amendments Initial application of IFRS 17 and IFRS 9 –Comparative Information: Insurance Contracts	IFRS 17 supersedes IFRS 4 Insurance Contracts and aims to increase comparability and transparency about profitability. The new standard introduces a new comprehensive model ("general model") for the recognition and measurement of liabilities arising from insurance contracts. In addition, it includes a simplified approach and modifications to the general measurement model that can be applied in certain circumstances and to specific contracts, such as: • Reinsurance contracts held; • Direct participating contracts; and • Investment contracts with discretionary participation features. Under the new standard, investment components are excluded from insurance revenue and service expenses. Entities can also choose to present the effect of changes in discount rates and other financial risks in profit or loss or OCI. The new standard includes various new disclosures and requires additional granularity in disclosures to assist users to assess the effects of insurance contracts on the entity's financial statements. The standard is effective for annual periods beginning on or after 1 January 2023. *The amendment 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, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.	1 January 2023

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure Initiative: Accounting Policies	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 The amendment is not expected to have any significant impact on the Bank.	1 January 2023
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. 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 standard is effective for annual periods beginning on or after 1 January 2023. *The amendment is not expected to have any significant impact on the Bank.*	1 January 2023
Amendments to IFRS 16: Lease Liability in a Sale and Leaseback	Amendments to IFRS 16 Leases requires a seller-lessee impacts how a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendment also requires the seller-lessee to include variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. The amendments confirm the following. • On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. • After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains. A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. The amendments are effective for annual reporting periods beginning on or after 1 January 2024.	1 January 2024

	Under IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16. This means that it will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of IFRS 16 in 2019, and potentially restate those that included variable lease payments *The amendment is not expected to have any significant impact on the Bank.*	
Amendments to IAS 1: Classification of Liabilities as Current or Non-current Liabilities with Covenants	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged. In addition a company will classify a liability as non-current if it has a right to defer settlement for at least 12 months after the reporting date. Such right may be subject to a company complying with conditions (covenants) specified in a loan arrangement. The amendments also clarify how a company classifies a liability that includes a counterparty conversion option, which could either be recognised as either equity or liability separately from the liability component under IAS 32 Financial Instruments: Presentation The standard is effective for annual periods beginning on or after 1 January 2024. *The amendment is not expected to have any significant impact on the Bank.*	1 January 2024
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised. When a parent loses control of a subsidiary in a transaction with an associate or joint venture (JV), there is a conflict between the existing guidance on consolidation and equity accounting. Under the consolidation standard, the parent recognises the full gain on the loss of control. But under the standard on associates and JVs, the parent recognises the gain only to the extent of unrelated investors' interests in the associate or JV. In either case, the loss is recognised in full if the underlying assets are impaired. The IASB has decided to defer the effective date for these amendments indefinitely. *The amendment is not expected to have any significant impact on the Bank.*	The effective date of this amendment has been deferred indefinitely by the IASB.

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.

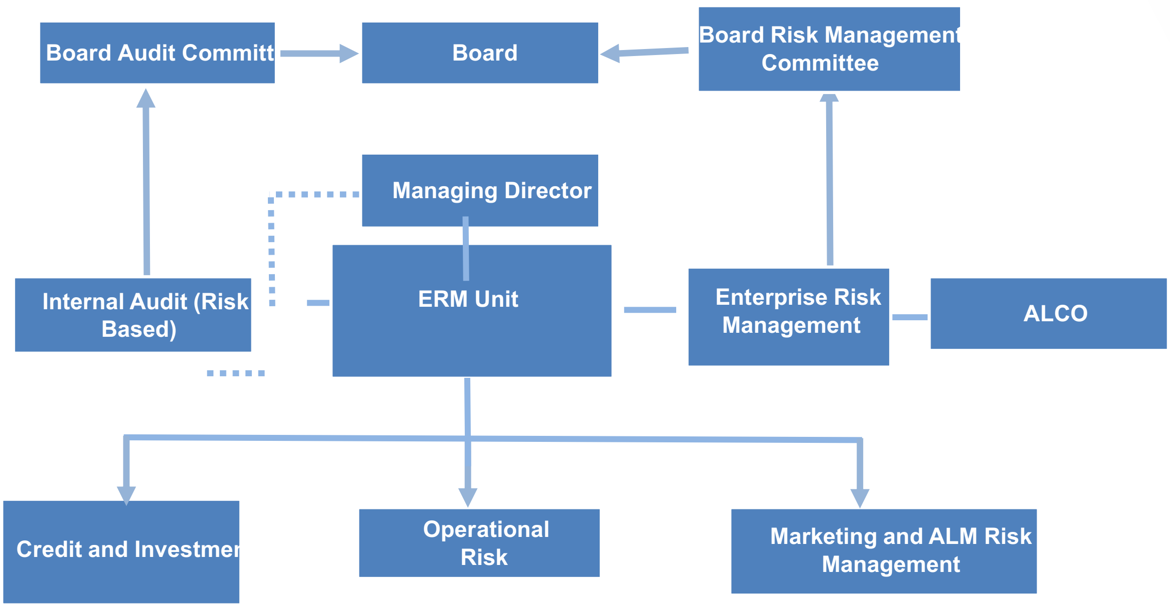
The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and 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.

GRADE	**APPROVAL LIMIT**
SALARY BASED LOAN	
Officer/Assistant manager (Branch managers only)	₦1,200,000
Deputy Manager	₦1,500,000
Manager	₦2,000,000
Senior Manager	₦2,500,000
Assistant Regional Heads	₦3,000,000
Regional Heads	₦4,000,000
Executive Director, Operations	₦4,000,000
Managing Director (MD)	₦5,000,000
Board Risk Committee	₦5,000,001 to
Full Board	Above ₦10,000,000
NON-SALARY BASED LOAN	
SMEs (Regional limit)	₦2,000,000

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 2022				
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	23,154,883	-	-	23,154,883
Grades 7-9: Satisfactory	0.60-11.34	-	241,588	-	241,588
Grade 10: Higher risk	11.35-99.99	-	-	-	-
Grade 11-12: Credit-impaired	100	-	-	787,252	787,252
Gross carrying amount		23,154,883	241,588	787,252	24,183,723
Loss allowance		(98,418)	(56,687)	(530,471)	(685,576)
Carrying amount		**23,056,465**	**184,901**	**256,781**	**23,498,147**

		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 2022			
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	1,766,925	-	-	1,766,925
Loss allowance		(219)	-	-	(219)
Carrying amount		1,766,706	-	-	1,766,706
Equity investment at FVOCI					
Grades 1-6: Strong	0-0.59	8,854	-	-	8,854
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		8,854	-	-	8,854
Loss allowance		-	-	-	-
Carrying amount - fair value		**8,854**	**-**	**-**	**8,854**

		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**

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 (i.e inflation rate,, crude oil price and Gross Domestic Product (GDP) 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.These variables and their associated impact on the PD, EAD and LGD vary by portfolio type; in addition, expert judgment has also been applied in this process.

Forecasts of these macro-economic variables for each of the possible scenarios (upturn, baseline and downturn) are provided by Moody's Analytics economic's team (Groups Vendor) via its platform known as Data Buffet on a quarterly basis. The platform can provide an economic forecast up to 30 years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical cross sectional regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.Weights are assigned to the possible outcome of each scenario based on statistical regression analysis and expert judgement taking account of the range of possible outcomes each chosen scenario is representative of.

The assessment of SICR is determined using rating migration which are linked to the PDs of each scenarios multiplied by the associated scenario weighting, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECL should be recorded.

Following this assessment, the Bank measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting.

Generally, in economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, hence the actual outcomes may be significantly different to those projected. Therefore, the Bank considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Bank's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

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.

Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at 31 December 2022 are set out below.

Loans and advances to customers, Investment securities, current accounts and placements with financial institutions

		2023	2024
Gross Domestic Product (in %)	Average	2.80	3.30
	Upturn	3.20	3.90
	Downturn	2.50	2.90
Inflation rate (in %)	Average	16.49	12.60
	Upturn	15.10	12.40
	Downturn	17.30	13.00

The most significant period-end assumptions used for the ECL estimate as at 31 December 2021 are set out below.

		2022	2023
Crude oil price (USD per barrel)	Average	74.95	68.00
	Upturn	74.00	67.50
	Downturn	67.00	65.00
Inflation rate (in %)	Average	13.30	11.80
	Upturn	13.80	12.50
	Downturn	16.01	13.80

In current year, the scenario based forecasts for inflation and GDP were applied in the regression model to obtain fitted scalars per scenario. Expert judgement to determine the probability weights of each scenario was applied in the current year using Scenario 1 - Base case – 50%, Scenario 2 - Worst Case – 30%, and Scenario 3 - Best Case –20 %. The weightings assigned to each economic scenario at 31 December 2022 were as follows:

December 2022	Base	Downturn	Upturn
Loan portfolio, Investment Securities and Placement with financial institutions	50%	30%	20%

December 2021	Base	Downturn	Upturn
Loan portfolio, Investment Securities and Placement with financial institutions	50%	30%	20%

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

Sensitivity analysis on ECL Model

The most significant assumptions affecting the ECL allowance are as follows:

Loan portfolio

(I) GDP
(ii) Oil price
(iii) Inflation rate
(iv) Exchange rate
(v) Interest rate

The bank estimates each key driver for credit risk over the active forecast period of two years. This is followed by a period of mean reversion depending on the product and geographical market.

The table below lists the macroeconomic assumptions used in the base, upside and downside scenarios over the two-year forecast period

As at 31 December 2022	GDP change	Inflation rate
Central economic assumptions		
2-year average	301.43%	14.82
Peak	330.00%	16.49
Upside economic assumptions		
2-year average	350.00%	13.94
Peak	390.00%	15.10
Downside economic assumptions		
2-year average	267.14%	15.46
Trough	250.00%	13.00

As at 31 December 2021	Crude oil	Inflation rate
Central economic assumptions		
2-year average	71.97	12.66
Peak	74.95	13.30
Upside economic assumptions		
2-year average	71.21	13.24
Peak	74.00	13.80
Downside economic assumptions		
2-year average	66.14	15.06
Trough	65.00	13.80

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-2022	31-Dec-2021
Credit-impaired loans and advances to customers at 1 January	721,635	711,864
Change in ECL allowance	77,338	6,566
Classified as credit-impaired during the year	26,700	15,420
Transferred to not-credit-impaired during the year	(38,420)	(66)
Recoveries of amounts previously written off	-	4,254
Write off	-	(16,403)
Credit-impaired loans and advances to customers at 31 December	787,253	721,635

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.

(ii) *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 2022 was approximately ₦686 million (31 December 2021: ₦600 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	Note	**31-Dec-22**	**31-Dec-21**
Cash and cash equivalents	15	6,499,404	6,610,039
Pledged assets	16	1,480,126	842,096
Loans and advances to customers	17	23,498,147	17,447,816
Investment securities at amortised cost	18	1,220,127	997,748
Other assets (excluding prepayments and inventories)	19	93,772	4,680,618
		32,791,576	30,578,317

(vii) 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 2022			**31 December 2021**		
In thousands of naira	**Deposit with banks**	**Loans and advances to customers**	**Total**	**Deposit with banks**	**Loans and advances to customers**	**Total**
South South	1,063,936	3,300,668	4,364,604	1,074,275	2,274,314	3,348,589
South West	891,127	6,645,431	7,536,558	901,467	5,641,106	6,542,573
South East	1,061,559	2,760,623	3,822,182	1,071,898	1,734,269	2,806,167
North Central	1,200,862	5,452,529	6,653,391	1,211,201	4,426,175	5,637,376
North West	1,130,628	3,822,177	4,952,805	1,140,967	2,795,823	3,936,790
North East	1,041,113	2,202,295	3,243,408	1,051,447	1,175,940	2,227,387
	6,389,225	24,183,723	30,572,948	6,451,255	18,047,627	24,498,882

(viii) 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 2022 and 31 December 2021 respectively.

	31 December 2022			**31 December 2021**		
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	6,389,225	23,154,883	29,544,108	6,451,255	17,228,160	23,679,415
Lifetime ECL not credit impaired	-	241,588	241,588	-	97,832	97,832
Lifetime ECL credit impaired	-	787,252	787,252	-	721,635	721,635
Gross amount	6,389,225	24,183,723	30,572,948	6,451,255	18, 047,627	24,498,882
ECL impairment	(1,594)	(685,576)	(687,170)	(950)	(599,811)	(600,761)
Carrying amount	6,387,631	23,498,147	29,885,778	6,450,305	17,447,816	23,898,121

(ix) 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)

	31 December 2022				**31 December 2021**			
In thousands of naira	**Stage 1**	**Stage 2**	**Stage3**	**Total**	**Stage 1**	**Stage 2**	**Stage3**	**Total**
Cash and cash equivalents								
AAA - A	-	-	-	-	-	-	-	-
BBB - B	6,500,998	-	-	6,500,998	6,610,989	-	-	6,610,989
Below B	-	-	-	-	-	-	-	-
Unrated	-	-	-	-	-	-	-	-
Gross carrying amount	**6,500,998**	**-**	**-**	**6,500,998**	**6,610,989**	**-**	**-**	**6,610,989**
Loss allowance	(1,594)	-	-	(1,594)	(950)	-	-	(950)
Carrying amount	**6,499,404**	**-**	**-**	**6,499,404**	**6,610,039**	**-**	**-**	**6,610,039**

In thousands of naira	31 December 2022 Stage 1	Stage 2	Stage3	Total	31 December 2021 Stage 1	Stage 2	Stage3	Total
Pledged assets								
AAA - A	-	-	-	-	-	-	-	-
BBB - B	1,495,987	-	-	1,495,987	842,832	-	-	842,832
Below B	-	-	-	-	-	-	-	-
Unrated	-	-	-	-	-	-	-	-
Gross carrying amount	1,495,987	-	-	1,495,987	842,832	-	-	842,832
Loss allowance	(15,861)	-	-	(15,861)	(736)	-	-	(736)
Carrying amount	1,480,126	-	-	1,480,126	842,096	-	-	842,096

In thousands of naira	31 December 2022 Stage 1	Stage 2	Stage3	Total	31 December 2021 Stage 1	Stage 2	Stage3	Total
Loans and advances								
AAA - A	-	-	-	-	-	-	-	-
BBB - B	-	-	-	-	-	-	-	-
Below B	-	-	-	-	-	-	-	-
Unrated	23,154,883	241,588	787,252	24,183,723	17,228,160	97,832	721,635	18,047,627
Gross carrying amount	23,154,883	241,588	787,252	24,183,723	17,228,160	97,832	721,635	18,047,627
Loss allowance	(98,418)	(56,687)	(530,471)	(685,576)	(207,343)	(10,177)	(382,291)	(599,811)
Carrying amount	23,056,465	184,901	256,781	23,498,147	17,020,817	87,655	339,344	17,447,816

In thousands of naira	31 December 2022 Stage 1	Stage 2	Stage3	Total	31 December 2021 Stage 1	Stage 2	Stage3	Total
Investment securities								
AAA - A	-	-	-	-	-	-	-	-
BBB - B	1,220,346	-	-	1,220,346	997,798	-	-	997,798
Below B	-	-	-	-	-	-	-	-
Unrated	-	-	-	-	-	-	-	-
Gross carrying amount	1,220,346	-	-	1,220,346	997,798	-	-	997,798
Loss allowance	(219)	-	-	(219)	(50)	-	-	(50)
Carrying amount	1,220,127	-	-	1,220,127	997,748	-	-	997,748

In thousands of naira	31 December 2022 Stage 1	Stage 2	Stage3	Total	31 December 2021 Stage 1	Stage 2	Stage3	Total
Other receivables								
AAA - A	-	-	-	-	-	-	-	-
BBB - B	-	-	-	-	-	-	-	-
Below B	-	-	-	-	-	-	-	-
Unrated	-	-	250,436	250,436	-	-	182,303	182,303
Gross carrying amount	-	-	250,436	250,436	-	-	182,303	182,303
Loss allowance	-	-	(156,664)	(156,664)	-	-	(115,110)	(115,110)
Carrying amount	-	-	93,772	93,772	-	-	67,193	67,193

(x) *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 2022** 12-month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**	**31 December 2021** 12-month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance at 1 January	950	-	-	950	864	-	-	864
Net measurement on loss allowance (see note 12)	644	-	-	644	86	-	-	86
Balance at 31 December	1,594	-	-	1,594	950	-	-	950

In thousands of naira **Pledged assets**	31 December 2022				31 December 2021			
	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 1 January	736	-	-	736	692	-	-	692
Net measurement on loss allowance (see note 12)	15,125	-	-	15,125	44	-	-	44
Balance at 31 December	15,861	-	-	15,861	736	-	-	736

In thousands of naira **Loan and advances to customers**	31 December 2022				31 December 2021			
	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 1 January	207,343	10,177	382,291	599,811	204,263	2,403	388,856	595,522
Net measurement on loss allowance (see note 12)	(108,925)	46,510	148,180	85,765	3,080	7,774	9,838	20,692
Write-offs during the year	-	-	-	-	-	-	(16,403)	(16,403)
Balance at 31 December	98,418	56,687	530,471	685,576	207,343	10,177	382,291	599,811

In thousands of naira **Investment securities at amortised cost**	31 December 2022				31 December 2021			
	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 1 January	50	-	-	50	173	-	-	173
Net measurement on loss allowance (see note 12)	169	-	-	169	(123)	-	-	(123)
Balance at 31 December	219	-	-	219	50	-	-	50

In thousands of naira **Other assets**	31 December 2022				31 December 2021			
	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 1 January	-	-	115,110	115,110	-	-	100,838	100,838
Net measurement on loss allowance (see note 12)	-	-	41,554	41,554	-	-	14,272	14,272
Balance at 31 December	-	-	156,664	156,664	-	-	115,110	115,110

(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 liabilities

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 2022

				Expected 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**
Non-derivative financial assets							
Cash and cash equivalents	15	6,499,404	6,500,998	6,500,998	-	-	-
Pledged assets	16	1,480,126	1,463,378	20,000	189,054	1,254,324	-
Loans and advances to customers	17	23,498,147	25,572,068	6,645,119	5,142,158	7,513,711	6,271,080
Investment securities	18	1,220,127	1,226,356	1,226,356	-	-	-
Other receivables	19	93,772	250,435	250,435	-	-	-
		32,791,576	35,013,235	14,642,908	5,331,212	8,768,035	6,271,080
Non-derivative financial liabilities							
Deposits from customers	22	18,765,262	(18,765,262)	(16,920,154)	(463,801)	(1,381,307)	-
Other liabilities	24	2,008,872	(2,008,871)	(2,008,871)	-	-	-
Lease liability	24	156,495	(167,595)	(80,803)	-	(8,694)	(78,098)
Borrowings	23	2,413,159	(2,712,937)	(605,866)	(532,920)	(762,460)	(811,691)
		23,343,788	(23,654,665)	(19,615,694)	(996,721)	(2,152,461)	(889,789)

31 December 2021

				Expected 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**
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	6,750,299	(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)
		25,737,290	(25,255,663)	(18,161,582)	(1,633,782)	(4,866,181)	(594,118)

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	**2022**	**2021**
At 31 December	**41%**	**47%**
Average for the period	**44%**	**46%**
Maximum for the period	**46%**	**47%**
Minimum for the period	**41%**	**45%**

(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 rate 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 2022

				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	6,499,404	6,500,998	6,500,998	-	-	-
Pledged assets	16	1,480,126	1,463,378	20,000	189,054	1,254,324	-
Investment securities	18	1,220,127	1,226,356	1,226,356	-	-	-
Loans and advances to customers	17	23,498,147	25,572,068	6,645,119	5,142,158	7,513,711	6,271,080
Other assets	19	93,772	250,435	250,435	-	-	-
		32,791,576	35,013,235	14,642,908	5,331,212	8,768,035	6,271,080
Liabilities							
Deposits from customers	22	18,765,262	(18,765,262)	(16,920,154)	(463,801)	(1,381,307)	-
Other liabilities	24	2,008,872	(2,008,871)	(2,008,871)	-	-	-
Lease liability	24	156,495	(167,595)	(80,803)	-	(8,694)	(78,098)
Borrowings	23	2,413,159	(2,712,937)	(605,866)	(532,920)	(762,460)	(811,691)
		23,343,788	(23,654,665)	(19,615,694)	(996,721)	(2,152,461)	(889,789)
		9,447,788	11,358,570	(4,972,786)	4,334,491	6,615,574	5,381,291

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	6,750,299	(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)
		25,737,290	(25,255,663)	(18,161,582)	(1,633,782)	(4,866,181)	(594,118)
		4,841,027	2,719,937	(4,385,060)	2,661,928	1,320,567	3,122,501

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:

	31-Dec-22	31-Dec-21
In thousands of naira		
Increase in interest rate by 200 basis points (+2%)	604,021	395,273
Decrease in interest rate by 200 basis point (-2%)	(604,021)	(395,273)

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.

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-22	31-Dec-21
Tier 1 capital			
Ordinary share capital	25	2,996,477	1,143,328
Share premium	26(a)	4,166,786	1,517,485
Retained earnings	26(b)	1,207,473	1,140,649
Fair value reserve	26(c)	(5,349)	(6,997)
Statutory reserves	26(d)	1,733,915	1,513,373
		10,099,302	5,307,838
Less: regulatory deduction			
Intangible assets	21	(18,617)	(44,667)
Eligible Tier 1 capital		10,080,685	5,263,171
Total regulatory capital		10,080,685	5,263,171
Risk-weighted assets		**26,812,160**	**24,683,629**

Capital ratios

	31-Dec-22	31-Dec-21
Total regulatory capital expressed as a percentage of total risk-weighted assets	**38%**	**21%**
Total tier 1 capital as a percentage of total risk-weighted assets	**38%**	**22%**

Computation of Risk Weighted Assets of On-balance Sheet Exposure (2022)

Exposure Details	Gross Exposure before CRM	Credit Risk Mitigation (CRM)	Net Exposure after CRM	Risk Weight %	RWA
Cash & cash equivalents	6,499,404	-	6,499,404	0	0
Pledged assets	1,480,126	-	1,480,126	20	296,025
Loan & advances to customers	23,498,147	-	23,498,147	100	23,498,147
Investment securities	1,228,981	-	1,228,981	100	1,228,981
Other assets	413,758	-	413,758	100	413,758
Property, plant & equipment	1,356,632	-	1,356,632	100	1,356,632
Intangible assets	18,617	-	18,617	100	18,617
	34,495,665				**26,812,160**

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**

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 2022 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 30: 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 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.

- *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 2022					
ASSETS					
Equity investment	18	1,326	7,528	-	8,854
		1,326	7,528	-	8,854
31 December 2021					
ASSETS					
Equity investment	18	1,079	6,127	-	7,206
		1,079	6,127	-	7,206

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.

December 31, 2022

In thousands of naira	Note	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
ASSETS						
Cash and cash equivalents	15	-	6,500,998	-	6,500,998	6,499,404
Pledged assets	16	1,304,372	20,000	-	1,324,372	1,480,126
Loans and advances to customers	17	-	25,572,068	-	25,572,068	23,498,147
Investment securities at amortised cost	18	-	1,220,346	-	1,220,346	1,220,127
Other receivables	19	-	250,436	-	250,436	93,772
		1,304,372	33,563,848	-	34,868,220	32,791,576
LIABILITIES						
Deposits from customers	22	-	18,765,262	-	18,765,262	18,765,262
Other liabilities	24	-	2,008,872	-	2,008,872	2,008,872
Borrowings	23	-	2,413,159	-	2,413,159	2,413,159
		-	23,187,293	-	23,187,293	23,187,293

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	-	6,750,299	-	6,750,299	6,750,299
Borrowings	23	-	2,708,090	-	2,708,090	2,708,090
		-	25,737,290	-	25,737,290	25,737,290

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 2022, the Bank maintained a Regulatory Risk Reserve of ₦478,563,000 (31 December 2021: ₦423,127,000). The Bank has complied with the CBN requirements of the Prudential Guidelines as follows:

Prudential adjustments for the year ended 31 December 2022

In thousands of naira	Note	₦'000
Impairment assessment under IFRS		
Loan and advances:		
Stage 1	17(c)	98,418
Stage 2	17(c)	56,687
Stage 3	17(c)	530,471
Total impairment allowances on loans (a)		685,576

Provision per CBN Prudential Guideline	%	Gross Exposure	Total
Specific provision:			
- Pass and watch	5	228,734	11,437
- Sub-standard	20	71,859	14,372
- Doubtful	50	52,986	26,493
- Lost	100	646,326	646,326
Total specific provision			698,628
Collective provision	2	23,275,529	465,511
Total regulatory impairment based on prudential guidelines (b)			1,164,139

Required balance in regulatory risk reserves (c = b - a)	478,563

Movement in regulatory risk reserves	
Balance, 1 January 2022	423,127
Transfer from retained earnings	55,436
Balance, 31 December 2022	478,563

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	148,533
Balance, 31 December 2021	423,127

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 2022

In thousands of naira	Note	Designated as at FVTPL	FVOCI - equity instruments	Amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	15	-	-	6,499,404	6,499,404	6,500,998
Pledged assets	16	-	-	1,480,126	1,480,126	1,324,372
Loans and advances to customers	17	-	-	23,498,147	23,498,147	25,572,068
Investment securities	18	-	8,854	1,220,127	1,228,981	1,229,200
Other assets	19	-	-	93,772	93,772	250,435
		-	8,854	**32,791,576**	**32,800,430**	**34,877,073**
Deposits from customers	22	-	-	18,765,262	18,765,262	18,765,262
Other liabilities	24	-	-	2,008,872	2,008,872	2,008,872
Borrowings	23	-	-	2,413,159	2,413,159	2,413,159
		-	-	**23,187,293**	**23,187,293**	**23,187,293**

31 December 2021

In thousands of naira	Note	Designated as at FVTPL	FVOCI - equity instruments	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	-	-	6,750,299	6,750,299	6,750,299
Borrowings	23	-	-	2,708,090	2,708,090	2,708,090
		-	**-**	**25,737,290**	**25,737,290**	**25,737,290**

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-2022	31-Dec-2021
Loans and advances	6,062,153	5,122,237
Treasury bills	73,455	44,115
Call accounts	148,415	6,331
Money market placement	35,795	-
Total interest income calculated using the effective interest method	6,319,818	5,172,683

8 Interest expense

In thousands of naira	31-Dec-2022	31-Dec-2021
Term deposits	381,364	199,427
Current deposits	32,015	8,309
Savings deposits	38,707	17,202
Borrowings (see note 23(b))	296,778	423,522
Lease liabilities (see note 24(c))	19,160	7,243
Total interest expense	768,024	655,703

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-2022	31-Dec-2021
Credit-related fees and commission	585,274	411,303
Deposit-related fees and commission	161,814	135,638
	747,088	546,941

(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-2022	31-Dec-2021
Loan management fee	231,922	150,573
Loan commitment fee	224,683	159,135
Insurance fee	107,034	84,026
Credit search fee	21,635	17,569
	585,274	411,303
Admin and management fee	65,901	58,815
Account maintenance fee	95,913	76,823
	161,814	135,638
	747,088	**546,941**

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) 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-2022	31-Dec-2021
Service fees and charges (see (i) below)	85,820	47,026
Profit on disposal of property and equipment	767	2,122
Loss on disposal of treasury bills	-	(2,093)
Gain on derecognition of lease liability	-	3,421
Loss on disposal of AFS equity securities	-	(45)
Dividend income	17	-
	86,604	**50,431**

(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-2022	31-Dec-2021
Impairment loss on loans and advances to customers (see note 17(c))	85,765	20,692
Impairment loss/(write-back) on investment securities at amortised cost (see note 18(c))	169	(123)
Impairment loss on other assets (see note 19(e))	41,554	14,272
Impairment loss on cash and cash equivalent (see note 15(b))	644	86
Impairment loss on pledged assets (see note 16(b))	15,125	44
	143,257	34,971

12 Personnel expenses

In thousands of naira	31-Dec-2022	31-Dec-2021
Wages and salaries	2,467,473	2,088,995
Post-employment benefits:		
Defined contribution plan - pension cost	98,658	86,219
	2,566,131	**2,175,214**

(a) The average number of persons employed during the year by category:

	31-Dec-2022	31-Dec-2021
Executive Directors	3	3
Management	109	93
Non-management	445	334
	557	**430**

The number of employees of the Bank, including executive directors, who received emoluments in the following ranges were:

	31-Dec-2022	31-Dec-2021
Less than N500,000	1	1
₦500,001 - ₦1,000,000	19	12
₦1,000,001 - ₦2,500,000	365	248
₦2,500,001 - ₦3,500,000	54	61
₦3,500,001 - ₦4,500,001	34	38
₦4,500,0001 - ₦5,500,000	41	30
₦5,500,001 and above	43	40
	557	**430**

(a) Director's emolument
The remuneration paid to the executive and non-executive Directors of the Bank (excluding pension and certain allowances) was:

In thousands of naira	31-Dec-2022	31-Dec-2021
Directors' fees	25,000	25,000
Sitting allowances	58,050	94,500
Other Directors' expenses	218,281	178,367
Total non-executive Directors' remuneration (see note 13)	301,331	297,867
Executive compensation (see note 27(b)(i))	86,646	86,646
	387,977	**384,513**

The Directors' remuneration shown above includes:

The Chairman	35,058	38,685
Highest paid Director	**37,093**	**37,093**

The number of Directors who received fees and other emoluments (excluding pension and contributions 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-2022	31-Dec-2021
Repairs and maintenance cost	221,410	119,528
Vehicle and generator running cost	188,810	115,364
Office expenses	272,467	180,062
Computer expenses	247,017	175,814
Travel expenses	101,127	65,935
AGM expenses	11,064	8,335
Year-end expenses	107,641	82,735
Directors' remuneration	301,331	297,867
Bank charges	20,054	31,526
Marketing/publicity expenses	229,195	209,152
Professional fees	46,460	63,740
Subscription fees	6,413	5,374
Charges and levies	9,720	22,179
Insurance cost	59,111	40,802
NDIC premium	75,390	68,186
Electricity expenses	26,792	25,086
Recruitment expenses	18,264	288
Legal expenses	20,051	9,172
SMS alerts	58,880	25,083
Rent and rates	-	947
Audit fees	23,400	21,300
Fraud, forgery and theft	987	9,397
Other expenses (see note (a) below)	13,586	12,536
	2,059,170	**1,590,408**

(a) Other expenses includes the following:

Corporate social responsibility	1,000	590
Donations	1,758	2,050
Loan recovery expenses	2,084	721
Fines/penalty	648	2,100
Stamp duties	1,919	4,381
Bad debts written off	895	-
Share listing expenses	3,352	24
VAT expense	1,755	-
Miscellaneous expenses	175	2,670
	13,586	**12,536**

14 Income taxes

In thousands of naira	31-Dec-2022	31-Dec-2021
(a) Amounts recognized in profit or loss		
Current tax expense		
Company income tax	334,444	279,613
Education tax	37,575	30,551
National Information Technology Development Agency (NITDA) levy	13,242	10,306
Nigeria Police Trust Fund (NPTF) levy	66	35
National Agency for Science and Engineering Infrastructure (NASENI) levy	3,311	2,577
	388,638	**323,082**
Deferred tax expense		
Origination and reversal of temporary differences (see note (c))	53,360	-
	53,360	-
Tax expense	**441,998**	**323,082**

(b) Movement in current tax liabilities

In thousands of naira	31-Dec-2022	31-Dec-2021
Balance at 1 January	332,353	257,107
Income tax expense (see note (a) above)	388,638	323,082
Tax paid	(319,937)	(247,836)
Balance at 31 December	**401,054**	**332,353**

(c) Movement in deferred tax balances

31 December 2022

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	44,445	-	**188,724**
Impairment allowance	(66,685)	(6,457)	-	**(73,142)**
Others	(6,224)	15,371	-	**9,147**
Deferred tax liabilities	71,370	53,360	-	**124,730**

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**

Deferred tax liabilities
The Bank's deferred tax liabilities are attributable to the following:

	31-Dec-2022		31-Dec-2021	
In thousands of naira	Gross amount	Tax effect	Gross amount	Tax effect
Property and equipment	1,108,127	188,724	825,577	144,279
Impairment allowance	(223,727)	(73,142)	(208,395)	(66,685)
Others	110,627	9,147	(24,753)	(6,224)
	995,027	124,730	592,429	71,370

(d) Reconciliation of effective tax rate

In thousands of naira	31-Dec-2022		31-Dec-2021	
Profit before tax	%	**1,324,166**	%	**1,030,575**
Tax using the Bank's domestic tax rate	30	397,250	30	309,173
Non-deductible expenses	2	31,392	1	6,991
Tax-exempt items	(3)	(36,368)	(3)	(31,764)
Tertiary Education Tax	3	33,105	3	25,765
NITDA Levy	1	13,242	1	10,306
Nigeria Police Trust Fund (NPTF) levy	0	66	0	35
NASENI Levy	0	3,311	0	2,576
	33	**441,998**	31	**323,082**

15 Cash and cash equivalents

In thousands of naira	31-Dec-2022	31-Dec-2021
(a) Cash and cash equivalent comprise:		
Cash on hand:		
Cash on hand	111,773	159,734
	111,773	159,734
Deposits with banks:		
Current account balances with other banks	3,088,254	5,733,011
Money market placements	3,300,971	718,244
	6,389,225	6,451,255
Cash and cash equivalents for cash flow purposes:	6,500,998	6,610,989
Impairment allowance (see note (b))	(1,594)	(950)
Cash and cash equivalents	6,499,404	6,610,039

(b) Movement in impairment allowance:

In thousands of naira	31-Dec-2022	31-Dec-2021
Balance at 1 January	950	864
Impairment loss (see note 11)	644	86
	1,594	950

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-2022	31-Dec-2021
Underlying transaction	***Counterparty***	***Asset description***		
DBN concessionary loan	Development Bank of Nigeria	Treasury Bills	546,578	493,764
NIBSS Platform	First Bank of Nigeria Plc	Fixed placement	225,203	102,516
NIBSS Platform	First Bank of Nigeria Plc	Fixed placement	-	226,398
NIBSS Platform	Zenith Bank Plc	Fixed placement	704,206	-
ATM Transactions	Sterling Bank Plc	Call placement	20,000	20,154
			1,495,987	842,832
Impairment allowance (see note (b) below)			(15,861)	(736)
			1,480,126	842,096
Current			1,480,126	842,096
Non-current			-	-
			1,480,126	**842,096**

(b) Movement in impairment allowance:

	31-Dec-2022	31-Dec-2021
Balance at 1 January	736	692
Impairment loss (see note 11)	15,125	44
	15,861	736

17 Loans and advances to customers

In thousands of naira	31-Dec-2022	31-Dec-2021
(a) Loans and advances to customers comprise:		
Loan and advances to customers at amortised cost	23,498,147	17,447,816
	23,498,147	17,447,816
Current	17,227,067	13,731,197
Non-current	6,271,080	3,716,619
	23,498,147	**17,447,816**

(b) Loans and advances to customers at amortised cost:

	31 December 2022			31 December 2021		
In thousands of naira	Gross Amount	ECL Allowance	Carrying Amount	Gross Amount	ECL Allowance	Carrying Amount
Term loans	23,114,841	(255,623)	22,859,218	17,342,192	(281,007)	17,061,185
Overdrafts	1,068,882	(429,953)	638,929	705,435	(318,804)	386,631
	24,183,723	**(685,576)**	**23,498,147**	**18,047,627**	**(599,811)**	**17,447,816**

(c) Movement in allowances for impairment

In thousands of naira	31 December 2022				31 December 2021			
	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	207,343	10,177	382,291	599,811	204,263	2,403	388,856	595,522
Additional allowance during the year (see note 11)	(108,925)	46,510	148,180	85,765	3,080	7,774	9,838	20,692
Write-offs during the year	-	-	-	-	-	-	(16,403)	(16,403)
Balance at the end of the year	**98,418**	**56,687**	**530,471**	**685,576**	**207,343**	**10,177**	**382,291**	**599,811**

18 Investment securities

Investment securities comprise:

(a) Investment securities measured at FVTOCI:

	31-Dec-2022	31-Dec-2021
Equity securities:		
Listed equities	1,326	1,079
Unlisted equities	7,528	6,127
	8,854	**7,206**

The Bank has designated these equity investment securities at FVTOCI. They are held to be disposed off in the nearest future. None of these investments were disposed during the year ended 31 December 2022 (31 December 2021: ₦3,258), and there were no transfers to profit or loss account of any cumulative gain or loss within equity relating to these investments (31 December 2021: nil). The change in fair value on these investments were as follows:

	31-Dec-2022	31-Dec-2021
Balance at beginning of the year		
Listed equities	1,079	3,389
Unlisted equities	6,127	7,075
	7,206	10,464
Balance at end of the year		
Listed equities	1,326	1,079
Unlisted equities	7,528	6,127
	8,854	7,206
Fair value gain/(loss)	1,648	(3,258)

Following the derecognition of listed equity investments, the Bank recorded gains as follow:

	31-Dec-2022	31-Dec-2021
Gain on derecognition of equity investments	-	2,478

(b) Investment securities at amortised cost

Treasury bills	1,220,346	997,798
ECL impairment	(219)	(50)
	1,220,127	997,748
Total investment securities	1,228,981	1,004,954
Total investment securities for cashflow purpose	1,229,200	1,005,004
Current	1,228,981	1,004,954
Non-current	-	-
	1,228,981	1,004,954

(c) Movement in impairment allowance

Balance at the begining of the year	50	173
Impairment loss/(writeback) during the year (see note 11)	169	(123)
Balance at the end of the year	219	50

19 Other assets

In thousands of naira	31-Dec-2022	31-Dec-2021
Other financial assets:		
Receivable from Cowry Issuing House (see note (c) below)	-	4,613,425
Other receivables (see note (d) below)	250,436	182,303
Impairment allowance (see note (e) below)	(156,664)	(115,110)
	93,772	4,680,618
Non financial assets:		
Prepayments (see note (a) below)	187,989	100,946
Inventories (see note (b) below)	131,997	228,668
	319,986	329,614
	413,758	5,010,232
Current	346,207	4,959,690
Non-current	67,551	50,542
	413,758	5,010,232

(a) Prepayments comprise the following:

In thousands of naira	31-Dec-2022	31-Dec-2021
Prepaid insurance	30,279	26,080
Prepaid staff benefits	67,551	50,542
Other prepaid expense (see note (i) below)	90,159	24,324
	187,989	100,946

(i) *Other prepaid expense comprise:*	31-Dec-2022	31-Dec-2021
Prepayment of computer maintenance cost	-	1,400
Prepayment of SMS and USSD cost	90,159	22,924
	90,159	24,324

(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-2022	31-Dec-2021
Stock (see note (i) below)	131,676	132,917
Assets under construction	321	37,246
Deferred share issue cost	-	58,505
	131,997	228,668

(i) *The amount in stock comprise:*	31-Dec-2022	31-Dec-2021
Stock of cheques	336	478
Stock of office stationeries	21,641	9,369
Stock of micr cheques	26,303	26,289
Stock of non-micr cheques	10,674	19,754
Stock of ATM cards	28,841	37,525
Stock of credit cards	37,776	38,116
Stock of adhesive stamps	6,105	1,386
	131,676	132,917

c) The amount represent proceeds for shares issued during the Bank's public offer in July 2021. The funds were in custody of the Issuing House, Cowry Asset Management Limited. Upon the successful completion of the share offer, the funds have been fully utilised for the purpose of the share offer.

(d) Other receivables includes staff cash advances and sundry debtors.

(e) Movement in impairment allowances:

In thousands of naira	31-Dec-2022	31-Dec-2021
Balance at the begining of the year	115,110	100,838
Impairment loss during the year (see note 11)	41,554	14,272
Balance at the end of the year	156,664	115,110

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 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	314,904	2,147,708
Balance as at 1 January 2022	460,273	52,118	228,110	143,236	550,513	398,555	314,904	2,147,709
Additions during the year	50,502	-	159,122	51,858	71,136	163,922	119,262	615,802
Disposals	-	-	-	(494)	-	(7,540)	(232)	(8,266)
Write-off	-	-	-	-	-	(544)	-	(544)
Balance at 31 December 2022	510,775	52,118	387,232	194,601	621,649	554,394	433,934	2,754,702

Accumulated Depreciation:								
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
Balance at 1 January 2022	62,345	-	77,134	85,135	462,854	272,619	180,080	1,140,167
Charge for the year	9,410	-	61,593	20,844	49,607	80,388	44,870	266,712
Disposals	-	-	-	(494)	-	(7,540)	(232)	(8,266)
Write-off	-	-	-	-	-	(544)	-	(544)
Balance at 31 December 2022	71,755	-	138,727	105,486	512,461	344,924	224,718	1,398,070

Carrying amount as at 1 January 2021	376,458	52,118	76,835	46,152	121,978	130,337	98,534	902,412
Carrying amount: 31 December 2021	397,928	52,118	150,976	58,101	87,659	125,936	134,824	1,007,541
Carrying amount: 31 December 2022	439,020	52,118	248,505	89,115	109,188	209,470	209,216	1,356,632

- There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (31 December 2021: Nil)
.- There was no impairment loss on all classes property and equipment during the year (31 December 2021: Nil).
- There were no property and equipment pledged as securities for liabilities (31 December 2021: Nil).
- There were no contractual commitments for the acquisition of property and equipment (31 December 2021: 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-2022	31-Dec-2021
Computer software		
Cost:		
Balance at beginning of the year	94,493	68,693
Addition during the year	-	25,800
Balance at end of the year	94,493	94,493
Accumulated Amortisation:		
Balance at start of the year	49,826	21,000
Charge for the year	26,050	28,826
Balance at end of the year	75,876	49,826
Carrying amount at end of the year	18,617	44,667

- 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-2022	31-Dec-2021
Current deposits	8,768,281	9,845,329
Savings deposits	5,282,209	4,198,515
Term deposits	3,729,943	1,994,057
Sundry deposits	984,829	241,000
	18,765,262	**16,278,901**

23 Borrowings

In thousands of naira	31-Dec-2022	31-Dec-2021
(a) Borrowings comprise:		
DBN concessionary loan (see note (I) below	2,397,501	2,678,656
CBN housing microfinance loan (see note (ii) below	15,658	29,434
	2,413,159	**2,708,090**

(I) 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-2022	Outstanding Amount (₦'million) 31-Dec-2021	Rate (%)	Tenor
28 September 2020	500	-	183	12.79	2 years
19 November 2020	800	-	547	12.04	2 years
9 December 2020	400	-	204	12.04	2 years
29 March 2021	390	86	238	12.04	2 years
30 April 2021	245	80	176	12.04	2 years
17 June 2021	600	103	431	12.50	2 years
25 August 2021	320	106	266	12.50	2 years
4 December 2021	300	111	283	12.50	2 years
21 December 2021	370	151	350	12.50	2 years
10 August 2022	1,000	979	-	14.00	2 years
29 September 2022	400	336	-	14.50	2 years
29 November 2022	450	446	-	17.50	2 years
	5,775	**2,398**	**2,678**		

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 2022.

(ii) The amount of ₦16 million (31 December 2021: ₦29 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-2022	31-Dec-2021
Balance, beginning of the year	2,708,090	2,995,809
Additions during the year	1,850,000	6,386,548
Interest accrued during the year (see note 8)	296,778	423,522
Interest paid during the year	(419,546)	(437,893)
Principal repayment during the year	(2,022,164)	(6,659,896)
Balance at year end	2,413,158	2,708,090
Total repayment of borrowings (for cashflow purpose)	**(2,441,710)**	**(7,097,789)**

24 Other liabilities

In thousands of naira	31-Dec-2022	31-Dec-2021
Financial liabilities:		
Accounts payable	6,388	4,684
Productivity bonus (see note (a))	365,255	262,703
Sundry creditors	105,824	153,602
Accruals	70,451	51,909
Settlement accounts (see note (b))	1,131,451	1,461,018
Other payables	328,720	282,982
Unearned income	783	783
Deposit for shares	-	4,532,618
	2,008,872	6,750,299
Lease liability (see note (c)(i) below)	156,495	51,941
Non-financial liabilities:		
Withholding tax payable	36,061	28,209
VAT payable	12,167	15,217
	2,213,595	6,845,666
Current	2,057,100	6,793,725
Non-current	156,495	51,941
	2,213,595	6,845,666

(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-2022	31-Dec-2021
Opening balance	51,941	52,082
Addition to lease liabilities	137,285	16,528
Interest expense on lease liabilities (see note 8)	19,160	7,243
Gain on derecognition of lease liability (see note 10)	-	(3,421)
Interest payment	(2,630)	(6,830)
Principal payment	(49,261)	(13,661)
	156,495	51,941
Maturity analysis- contractual undiscounted cashflows		
Less than one year	21,591	38,907
Between one and five years	134,904	13,034
	156,495	51,941

ii Amounts recognised in profit or loss

In thousands of naira	31-Dec-2022	31-Dec-2021
Interest expense on lease liabilities (see note 8)	19,160	7,243
Expense relating to short term leases (see note 13)	-	947

iii Amounts recognised in statement of Cashflows

In thousands of naira	31-Dec-2022	31-Dec-2021
Interest payment on lease liability	(2,630)	(6,830)
Principal payment on lease liability	(49,261)	(13,661)
Total cash outflow for leases	(51,891)	(20,491)

iv Extension options

Some property leases contain extension options exercisable 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 exercisable only by the Bank and not by the lessors. The Bank assesses at the lease commencement 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 ₦137 million during the year (31 December 2021: ₦17 million) with respect to leases in which the Bank is reasonably certain to exercise its extension option.

25 Share capital

	31-Dec-2022	31-Dec-2021
Authorised:		
6,000,000,000 units of ordinary shares of 50 kobo each	**3,000,000**	**3,000,000**
Issued and fully paid:		
5,992,954,557 units of ordinary shares of 50 kobo each	**2,996,477**	**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. Additionally, a bonus share offer of 1 for every 9 shares was made to existing shareholders on 26 May 2022, thus bringing the total issued and fully paid ordinary shares capital to 5,992,954,557 units of 50 kobo each. The total bonus shares of 599,295,456 ordinary shares amounting to ₦299,647,728.00 was financed from share premium account, in line with the provision of Section 145(4)(a) of the Companies and Allied Matters Act (CAMA), 2020.

In line with the approval of shareholders at the last Annual General Meeting, the Bank is in the process of obtaining the approval of the Securities and Exchange Commission (SEC) for the private placement of the balance of 7,045,443 unissued shares.

Following the recapitalisation, the movement in share capital is as shown below:

In thousands of naira	31-Dec-2022	31-Dec-2021
Balance at the beginning of the year	1,143,328	1,143,328
Recapitalisation during the year	1,853,149	-
Balance	**2,996,477**	**1,143,328**

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.
The movement in share premium during the year was as follows:

In thousands of naira	31-Dec-2022	31-Dec-2021
Balance, beginինig of the year	1,517,485	1,517,485
Addition to share premium during the year	2,649,301	-
Balance at year end	4,166,786	1,517,485

(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 25% of its profit after tax to statutory reserves as at year-end.

In thousands of naira	**31-Dec-2022**	**31-Dec-2021**
Balance, begininig of the year	1,513,373	1,424,936
Transfer to statutory reserve during the year	220,542	88,437
Balance at year end	1,733,915	1,513,373

(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 2022, 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-2022**	**31-Dec-2021**
Salaries and other short-term benefits (see note 12(b))	86,646	86,646
Retirement benefits	-	-
	86,646	**86,646**

(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-2022**	**31-Dec-2021**
At start of the year	41,924	63,629
Granted during the year	132,000	-
Repayment during the year	(16,805)	(21,705)
At end of the year	157,119	41,924
Impairment	-	-
Interest earned	**1,943**	**902**

Other loans granted to key management personnel were performing as at 31 December 2022 (31 December 2021: Performing).

Loans and advances outstanding:

The amounts granted and their balances as at 31 December 2022 were as follows:

In thousands of naira

Name	*Relationship*	*Facility type*	*Amount granted*	*31 Dec. 2022*	*31 Dec. 2021*	*Status*	*Security*
Mr. Akinwunmi Lawal	Managing Director	Housing loan	116,736	87,143	13,266	Performing	Secured
Mr. Francis Nelson	Executive Director	Housing loan	94,027	60,172	15,176	Performing	Secured
Mr. John Tizhe	Executive Director	Housing loan	16,227	9,804	11,832	Performing	Secured
Mr. John Tizhe	Executive Director	Personal loan	3,600	-	1,650	Liquidated	Secured
			230,590	**157,119**	**41,924**		

(iii) Deposits

(a) The following directors had deposits with the Bank as at the year ended:

In thousands of naira

Name	*Relationship*	*Type of deposit*	31-Dec-2022	31-Dec-2021
Mr Joel Udah	Chairman	Current deposit	11	87,363
Mr Joel Udah	Chairman	Savings deposit	210	50,416
Mr Joel Udah	Chairman	Corporate	298	360
Mr Joel Udah	Chairman	Term deposit	50,519	101,508
Mr Lawal Akinwunmi	Managing Director	Current deposit	1,830	1,960
Mr Lawal Akinwunmi	Managing Director	Savings deposit	3,889	316
Mr Lawal Akinwunmi	Managing Director	Term deposit	5,105	-
Mr Francis Nelson	Executive Director	Current deposit	778	1,275
Mr Francis Nelson	Executive Director	Savings deposit	17	1,069
Mr John Kwabe Tizhe	Executive Director	Current deposit	984	1,633
Mr John Kwabe Tizhe	Executive Director	Savings deposit	551	70
Mr Jibrin G. Gane	Non-Executive	Current deposit	-	5,596
Mr Hashimu Argungu	Non-Executive	Current deposit	114	887
Mr Abdurahman Satumari	Non-Executive	Current deposit	2,623	478
Mr Abdurahman Satumari	Non-Executive	Fixed deposit	295,615	
Mrs Rakiya Edota Shehu	Non-Executive	Current deposit	9,105	8,021
Mr Isa Usman Baba	Non-Executive	Current deposit	754	2,287
Usman Adamu	Non-Executive	Current deposit	-	6,650
Uzairu Abdullahi	Non-Executive	Current deposit	10,890	1,793
Uzairu Abdullahi	Non-Executive	Savings deposit	2	-
Bello Makwashi	Non-Executive	Current deposit	13,229	-
			396,522	**271,683**

(b) Deposits of other related parties

Included in deposits is an amount of ₦942 million (31 December 2021: ₦160 million), representing deposits from major shareholders. The balances as at 31 December 2022 were as follows:

In thousands of naira

Name of company/individual	*Relationship*	*Type of deposit*	31-Dec-2022	31-Dec-2021
NPF Cooperative Society Limited	Major shareholder	Current deposit	13,926	18,880
NPF Cooperative Society Limited	Major shareholder	Term deposit	307,445	-
NPF Welfare Insurance Scheme	Major shareholder	Term deposit	382,798	48,853
NPF Welfare Insurance Scheme	Major shareholder	Current deposit	238,293	91,940
			942,462	**159,673**

(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 May 2022 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 2022, the Bank paid a penalty of ₦647,500.00 (31 December 2021: ₦2,100,000.00).

Penalty paid during the year ended 31 December 2022 are as follows:

In thousands of naira	₦
Penalty in favour of Securities and Exchange Commission (SEC) for late filing of application for registration of bonus shares	380
Penalty in favour of Corporare Affairs Commission for late filing of Schedule 14 for August 2022	268
	648

Penalty paid during the year ended 31 December 2021 are as follows:

In thousands of naira	₦
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 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 2022 or the profit for the year then ended on that date, that have not been adequately provided for or disclosed in the financial statements.

30 Contingencies

Litigation and claims

The Bank in its ordinary course of business was involved in 42 cases as at 31 December 2022 (31 December 2021: 14) as a co-defendant. 26 cases are garnishee proceedings of which Five (5) of these cases are in Appeal courts after judgements have been delivered against the judgement debtor (31 December 2021: Three (3)). 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 ₦648 million (31 December 2021: ₦650 million).

31 Earnings per share

The Bank presents basic earnings per share (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-2022**	**31-Dec-2021**
Net profit attributable to shareholders (in thousands of naira)	882,168	707,493
Number of shares in issue (in thousands)	5,992,954	2,286,658
Weighted average number of shares in issue (in thousands)	5,992,954	2,286,658
Basic earnings per share (kobo)	15	31

32 Dividend per share

	31-Dec-2022	31-Dec-2021
Dividend proposed	599,295	539,366
Number of shares issued and ranking for dividend	5,992,954	5,393,657
Proposed dividend per share (kobo)	10	10
Final dividend per share proposed	10	10
Dividend paid during the year	539,366	457,332
Total dividend paid during the year	539,366	457,332
Dividend paid per (kobo)	10	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 2021: final; 10 kobo) from the retained earnings account as at 31 December 2022. 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 2022 and 31 December 2021 respectively.

Dividends are paid to shareholders net of withholding tax at the rate of 10% in compliance with extant tax laws.

33 Statement of cash flows notes

In thousands of naira	31-Dec-2022	31-Dec-2021
(a)(i) Proceeds from disposal of property and equipment		
Cost of property and equipment disposed during the year (see note 20)	8,266	15,572
Accumulated depreciation on property and equipment disposed (see note 20)	(8,266)	(15,572)
Net book value of property and equipment disposed	-	-
Profit on sales of property and equipment (see note 10)	767	2,122
Proceeds from disposal of property and equipment	767	2,122

(ii) Acquisition of PPE

In thousands of naira	31-Dec-2022	31-Dec-2021
PPE additions during the year (see note 20)	615,802	359,487
Less ROU assets additions (see note 20)	(159,122)	(103,488)
	456,680	255,999

(b) Changes in pledged asset (see note 16)

In thousands of naira	31-Dec-2022	31-Dec-2021
Balance at the begining of the year	842,832	564,938
Balance at the end of the year	1,495,987	842,832
	653,155	277,894
Interest receivable (see note (h))	(5,899)	(5,899)
	647,256	271,995

(c) Loans and advances to customers (see note 17)

In thousands of naira	31-Dec-2022	31-Dec-2021
Balance at beginning of the year	18,047,627	17,263,137
Balance at year end	24,183,723	18,047,627
	6,136,096	784,490
Interest receivable (see note (h))	(313,473)	(121,263)
	5,822,623	663,227

(d) Changes in other assets (see note 19)

In thousands of naira	31-Dec-2022	31-Dec-2021
Balance at beginning of the year	4,753,743	371,599
Balance at year end	570,422	5,125,342
	(4,183,321)	4,753,743

(e) Changes in deposit from customers (see note 22)

In thousands of naira	31-Dec-2022	31-Dec-2021
Balance at beginning of the year	(16,278,901)	(14,838,805)
Balance at year end	(18,765,262	(16,278,901)
	(2,486,361)	(1,440,097)
Interest payable (see note (i))	12,078	10,914
	(2,474,283)	(1,429,183)

(f) Other liabilities (see note 24)

In thousands of naira	31-Dec-2022	31-Dec-2021
Balance at beginning of the year	(6,845,668)	(1,452,300)
Balance at year end	(2,213,595)	(6,845,668)
	4,632,073	(5,393,368)
Lease liabilities at beginning of the year	(51,941)	(52,082)
Lease liabilities at at year end	156,495	51,941
	4,736,627	(5,393,509)

(g) Investment securities at amortised cost (see note 18)

In thousands of naira	31-Dec-2022	31-Dec-2021
Balance at beginning of the year	1,005,004	966,533
Movement	224,196	38,471
Balance at year end	1,229,200	1,005,004
Explained by:		
Fair value loss	(1,648)	3,258
Gain on disposal of treasury bill investments (see not 10)	-	2,386
Interest income (see note 6)	(73,455)	(44,115)
	(224,196)	(38,471)

(h) Interest received

In thousands of naira	31-Dec-2022	31-Dec-2021
Interest income (see note 7)	6,319,818	5,172,683
Interest receivable on loans - prior year (see note 33(c))	121,263	150,857
Interest receivable on pledged assets - prior year (see note 33(b))	5,899	5,899
Interest receivable on treasury bills - prior year	2,004	2,004
Interest receivable on loans (see note 33c))	(313,473)	(121,263)
Interest receivable on pledged assets (see note 33(b))	(5,899)	(5,899)
Interest receivable on treasury bills	(2,004)	(2,004)
Interest received	6,127,608	5,202,277

(i) Interest paid

In thousands of naira	31-Dec-2022	31-Dec-2021
Interest expense on liabilities (see note 8)	(768,024)	(655,703)
Interest payable on deposit - prior year (see note 33(e))	(10,914)	(9,750)
Interest payable on borrowings - prior year	(336,466)	(95,653)
Interest payable on deposits (see note 33(e))	12,078	10,914
Interest payable on borrowings	680,846	336,466
Lease interest paid (see note 24(c))	(2,630)	(6,830)
Lease interest payable (see note 8)	19,160	7,243
Interest paid	(405,950)	(413,313)

(j) Right of use assets

In thousands of naira	31-Dec-2022	31-Dec-2021
Balance at beginning of the year (see note 20)	150,976	76,835
Payment for properties leased during the year	21,837	86,960
Lease liabilities (see note 24(c))	137,285	16,528
Depreciation (see note 20)	(61,593)	(29,347)
Balance at year end (see note 20)	248,505	150,976

34 Unclaimed dividends

Unclaimed dividends summed up to ₦237,007,535.80 as at 31 December 2022 (2021: ₦196,697,018.15). This amount is made up of ₦144,667,874.53 (2021: ₦119,277,197.59) invested with Stanbic IBTC Asset Management Limited in fixed income mutual funds and ₦92,339,661.27 (2021: ₦77,419,820.56) in the custody of CardinalStone Registrars Limited.

The investment balance of ₦144,667,874.53 (2021: ₦119,277,197.59) is analysed below:

In thousands of naira	31-Dec-2022	31-Dec-2021
Net investible balance 1 October - 31 December 2022	141,109	117,220
Net income earned	3,559	2,057
	144,668	**119,277**

35 Fees for non-audit services

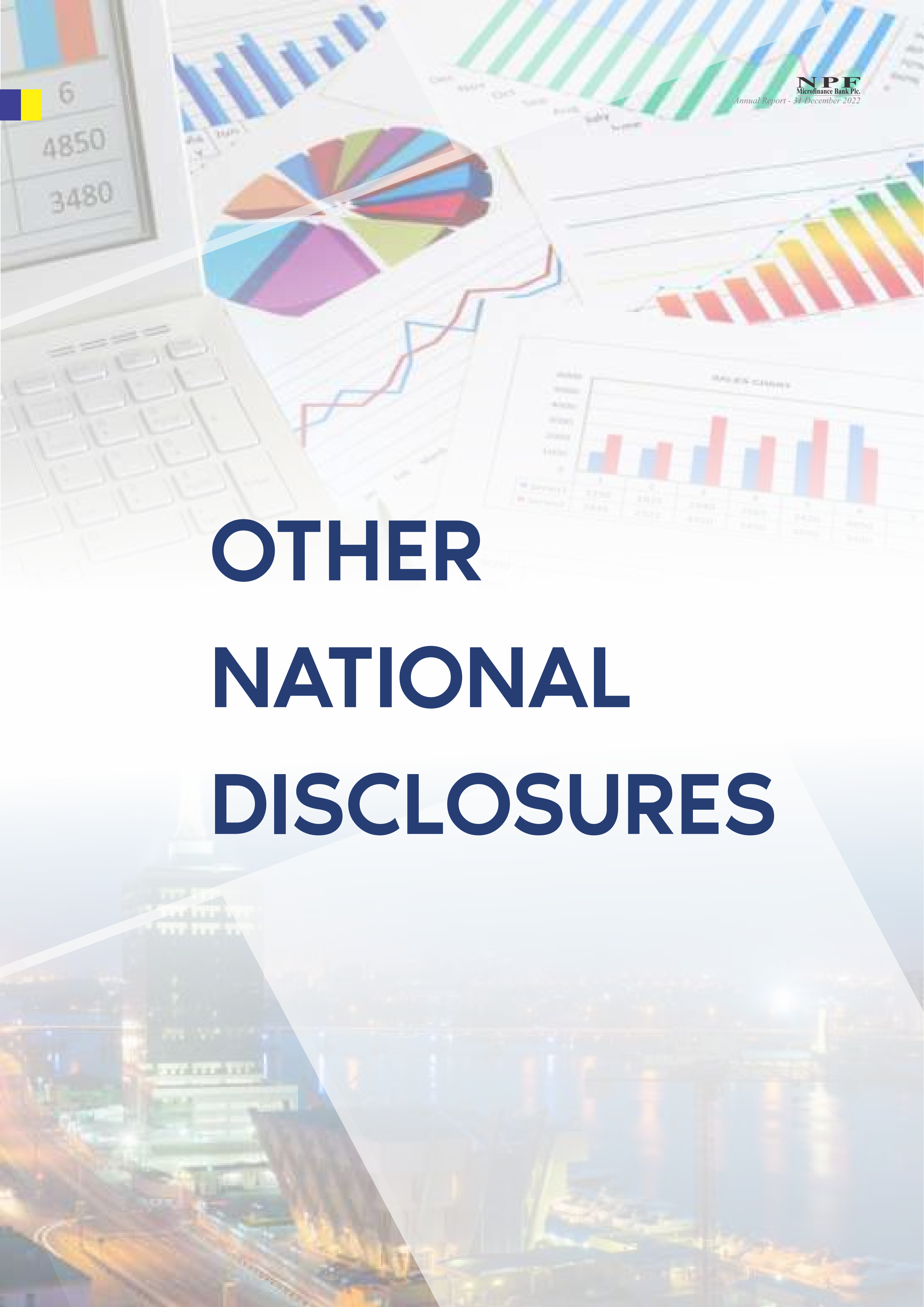
KPMG Professional Services rendered the following non-audit services to the Bank:

Service description

In thousands of naira	**31-Dec-2022**	**31-Dec-2021**
Tax consultancy (see note (a))	4,494	1,574
	4,494	**1,574**

(a) During the year ended 31 December 2022 KPMG carried out the following tax consultancy services for the Bank:

FIRS desk review exercise for NPF Microfinance Bank's 2021 year of assessment	2,043
FIRS (2016 - 2017) compliance check/ tax audit (field audit stage)	2,451
	4,494



OTHER NATIONAL DISCLOSURES

Value Added Statement
For The Year Ended 31 December 2022

	31-Dec-2022		31-Dec-2021	
	₦'000	%	₦'000	%
Gross earnings	7,153,510		5,770,055	
Net impairment loss on financial instruments	(143,257)		(34,971)	
	7,010,253		5,735,084	
Bought-in-materials and services - local	(2,059,170)		(1,590,408)	
Value added	**4,951,083**	**100**	**4,144,676**	**100**
Distribution of value added:				
To employees				
- As salaries and other benefits	2,566,131	51	2,175,214	52
To providers of finance				
- As interests	768,024	16	655,703	16
To the Government				
- As taxes	441,998	9	323,082	8
Retained in the business				
- Asset replacement (depreciation and amortisation)	292,762	6	283,184	7
- Profit to augment reserves	882,168	18	707,493	17
Value added	**4,951,083**	**100**	**4,144,676**	**100**

This statement represents the distribution of the wealth created with the Bank's assets through its own and its employees' efforts.

In thousands of naira	Note	31-Dec-2022	31-Dec-2021	31-Dec-2020	31-Dec-2019	31-Dec-2018
STATEMENT OF FINANCIAL POSITION						
ASSETS						
Cash and cash equivalents	15	6,499,404	6,610,039	5,677,888	3,128,104	4,940,352
Pledged assets	16	1,480,126	842,096	564,246	467,486	800,787
Loans and advances to customers	17	23,498,147	17,447,816	16,667,615	13,776,931	10,593,635
Investment securities	18	1,228,981	1,004,954	966,360	893,534	291,081
Other assets	19	413,758	5,010,232	270,761	386,272	301,751
Property and equipment	20	1,356,632	1,007,541	902,412	897,484	657,661
Intangible asset	21	18,617	44,667	47,693	33,906	12,285
TOTAL ASSETS		**34,495,665**	**31,967,345**	**25,096,975**	**19,583,717**	**17,597,552**
LIABILITIES						
Deposits from customers	22	18,765,262	16,278,901	14,838,805	11,327,058	10,465,119
Borrowings	23	2,413,159	2,708,090	2,995,809	1,965,665	2,078,843
Current tax liabilities	14(b)	401,054	332,353	257,107	230,511	87,082
Deferred tax liabilities	14(c)	124,730	71,370	71,370	66,637	76,370
Other liabilities	24	2,213,595	6,845,666	1,452,300	665,907	243,547
TOTAL LIABILITIES		**23,917,800**	**26,236,380**	**19,615,391**	**14,255,778**	**12,950,961**
CAPITAL AND RESERVES						
Share capital	25	2,996,477	1,143,328	1,143,328	1,143,328	1,143,328
Share premium	26(a)	4,166,786	1,517,485	1,517,485	1,517,485	1,517,485
Retained earnings	26(b)	1,207,473	1,140,649	1,127,458	986,184	318,690
Fair value reserve	26(c)	(5,349)	(6,997)	(6,217)	(2,777)	(2,405)
Statutory reserve	25(d)	1,733,915	1,513,373	1,424,936	1,348,133	1,248,579
Regulatory risk reserve	25(e)	478,563	423,127	274,594	335,586	420,914
TOTAL EQUITY		**10,577,865**	**5,730,965**	**5,481,584**	**5,327,939**	**4,646,591**
TOTAL LIABILITIES AND EQUITY		**34,495,665**	**31,967,345**	**25,096,975**	**19,583,717**	**17,597,552**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		31-Dec-2022	31-Dec-2021	31-Dec-2020	31-Dec-2019	31-Dec-2018
Gross income		7,153,510	5,770,055	4,658,831	4,447,812	3,950,377
Profit before taxation		1,324,166	1,030,575	867,012	1,007,997	287,155
Profit after taxation		882,168	707,493	614,417	796,425	195,749
Dividend	32	539,366	457,332	457,332	114,333	388,732
Basic and diluted earnings per share (kobo)	31	15	31	27	35	9
Dividend per share (kobo)	32	10	20	20	5	17
Net assets per share (kobo)		177	251	240	233	203

BRANCH OFFICES NATIONWIDE

OBALENDE
1B Ikoyi Road
Obalende -Lagos
Tel:08074550527
08074550549
Branch Manager:
Mr. Sunday Ibitoye

IKEJA
Oba Akinjobi Way
Opposite Bishop Vinny Church
GRA Ikeja Lagos
Tel: 08074550262
08074550294
Branch Manager:
Mrs. Agnes Ogini

ABUJA MAIN
PLOT 1469
Ahmadu Bello Way
Garki – Abuja
Tel: 08074550554
08074550565
Branch Manager:
Mr. Nafisat Bello

ABUJA 2
POWA SHOPPING COMPLEX
LADOKE AKINTOLA BOLUEVARD
ABUJA
Tel: 0807-4550-512
0807-4550-510
Branch Manager:
Mrs. Veronica Ibuodima

PORT HARCOURT
Old Aba Road
Beside Mini Okoro Police Station
Rumuogba Rivers State
Tel: 08074550307
08074550331
Branch Manager:
Mr. Isaac Jackson

KANO
Mission Road
Beside Bompai
Police Station
Bompai - Kano State
Tel: 08074550354
08074550366
Branch Manager:
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OSOGBO
Osogbo-Ilobu Road Okefia
Beside Fire Service
Osogbo- Osun State
Tel: 08074550372
08074550374
Branch Manager:
Mr. Isiaka Ameh

BENIN
Area Command
Sapele Road
Benin City -Edo State
Tel: 08053197033
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Branch Manager:
Mrs. Betty Omonhigbo

SOKOTO
Sultan Abubakar Road
Old Police Command
Sokoto State
Tel: 08077407951
Branch Manager:
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ONITSHA
Enugu Road
By Area Commander Office
Opposite Court Road
Onitsha - Anambra State
Tel: 08074550443
08074550439
Branch Manager:
Mr. Ben Iwebi

AKURE
Opposite Government House
Beside Police Officers' Mess
Adekunle Ajasin Road
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Branch Manager:
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Mr. Godson Eke

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"A" Division Police Area
Command
Asaba-Delta State
Tel: 08077411114

NPF Microfinance Bank Plc.

Proxy Form

Twenty-ninth Annual General Meeting of NPF Microfinance Bank Plc. holding at Oduduwa Hall, Golden Tulip Hotel, Ibadan, Oyo State on Thursday 22nd June 2023 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 22nd June 2023 or at any adjournment thereof.

Dated this ....day of 2023

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		

RESOLUTION	FOR	AGAINST
1. To lay before the members of the Company the Audited Financial Statements of the Company for the financial Year Ended 31 December 2022 and the Report of the Directors, Auditors and Audit Committee thereon.		
1. To declare a dividend		
3. To re-elect the following Directors retiring by rotation; i. Mr. Salihu Argungu Hashimu ii. Mrs. Rakiya Edota Shehu iii. Mr. Abdulrahman Satumari		
4. To approve the appointment of Mr. Said Umar Garba Fagge		
5. To appoint the firm of Delloite & Touche as External Auditors of the Company		
6. To authorize Directors to fix the remuneration of the Auditors		
7. Disclosure of the Remuneration of Managers of the Bank.		
8. To elect members of the Statutory Audit Committee		
SPECIAL BUSINESS		
To consider and if thought fit to pass the following resolutions as special resolutions of the Company:		
9. Increase in Issued Shared Capital a. "That in furtherance to the Bank's strategy to transition to a Deposit Money Bank, the Company's share capital be increased by the number of shares which will be required to meet the regulatory requirement to convert to a Deposit Money Bank". b. "That further to the above approval, the Directors be and are hereby authorised to pass the relevant resolutions i. Increasing the Company's share capital by the number of new ordinary shares as may be determined by them. ii. Allotting such said number of new shares to shareholders who subscribe for the shares whenever an offer is made by public offer, rights, issue or placing and that such new ordinary shares when issued shall rank pari pasu in all respect with the Company's existing ordinary shares. c. That after the increase in the Company's share capital and allotment of the new ordinary shares to shareholders in accordance with resolution (i) and (ii) above, clause 6 of the Memorandum of Association be amended as necessary to reference the Company's new issued share capital. d. That the Directors be and are hereby authorised to take all such lawful steps, pass all requisite resolutions and do all such other lawful acts/or things as may be necessary and or incidental for giving effect to and or implementing the above resolutions.		
10. Amendment of the Memorandum of Association "That pursuant to the increase in the issued share capital of the Company, Clause 6 of the Memorandum of Association of the Company be amended to reflect the increase.		

BEFORE POSTING THE ABOVE CARD, TEAR OFF THIS PART AND RETAIN IT

ADMISSION CARD

NPF MICROFINANCE BANK PLC

RC.220824

29TH ANNUAL GENERAL MEETING

PLEASE ADMIT ONLY SHAREHOLDER NAMED ON THIS CARD OR HIS DULY APPOINTED PROXY TO THE 29TH ANNUAL GENERAL MEETING BEING HELD AT ODUDUWA HALL, GOLDEN TULIP HOTEL, IBADAN, OYO STATE ON THURSDAY 22ND JUNE 2023 AT 11:00AM

NAME OF SHAREHOLDER/PROXY:...SIGNATURE...

ADDRESS..

NUMBER OF SHARES...

IMPORTANT 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@npfmicrofinancebankplc.ng 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

Current Passport

(To be stamped by Bankers)

Write your name at the back of your passport photograph

E-DIVIDEND MANDATE ACTIVATION FORM

Instruction

Only Clearing Banks are acceptable

Please complete all section of this form to make it eligible for processing and return to the address below

The Registrar,
Cardinal□tone Registrars, □imited
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

Hambak